



FIRST PAK MODARABA

**26TH ANNUAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2017**

Managed by:

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	Syed Waseem-ul- Haq Haqqie Syed Muhammad Rehmanullah Farrukh S. Ansari Aftab Afroz Mahmoodi	Chairman Director Director Chief Executive Officer
Audit Committee	Farrukh S. Ansari Syed Muhammad Rehmanullah Syed Waseem-ul- Haq Haqqie	Chairman Member Member
Human Resource and Remuneration Committee	Farrukh S. Ansari Syed Waseem-ul- Haq Haqqie Syed Muhammad Rehmanullah Aftab Afroz Mahmoodi	Chairman Member Member Member
Chief Financial Officer & Company Secretary	Syed Shahid Owais	
Head of Internal Audit	Zia-ul-Haq	
Management Company	KASB Invest (Private) Limited	
Registered & Head Office	16-C, Main Khayaban-e-Bukhari, Phase VI, DHA, Karachi. Tel: 021-35171786-89	
Auditors	RSM Avas Hyder Liaquat Nauman Chartered Accountants	
Legal Advisor	Ahmed & Qazi Advocates	
Shariah Advisor	Mufti Muhammad Ibrahim Essa	
Bankers	Habib Bank Limited (Islamic Banking) Faysal Bank Limited	
Share Registrar	F.D. Registrar Services (SMC-Pvt.) Limited Office # 1705, 17th Floor, Saima Trade Tower-A, I.I. Chunrigar Road, Karachi-74000. Tel: 35478192-93, 32271906.	

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, 2017.

FINANCIAL HIGHLIGHTS

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

	June 30, 2017 Rs "000"	June 30, 2016 Rs "000"
BALANCE SHEET		
Cash and bank balances	16,158	42,483
Investments	1,395	1,236
Diminishing Musharakah Finance	41,880	12,608
Ijarah assets	4,127	5,435
Total Assets	70,060	67,432
Net Assets	62,481	59,811
PROFIT & LOSS ACCOUNT		
Gross Income	7,908	4,923
Operating & Financial Charges	(4,931)	(4,699)
Management Company Fee	(267)	(20)
Net Profit/Loss for the Year	2,670	201
Earning per Modaraba Certificate (Rupees)	0.21	0.02

OPERATIONS AND PERFORMANCE

The financial year at First PakModarabaended with a note of thanks to the Almighty Allah for keeping us upright despite difficult times. The period closed with net profit of Rs. 2.67 million and Earning per Certificate was Rs. 0.21. During the year, the gross income was Rs. 7.90 million and operating and financial charges were 4.93 million.

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.

DIVIDEND

The Board of Directors is pleased to announce the final cash dividend @ 1.7% (Rs 0.17 per certificate) for the year ended June 30, 2017 to the Certificate holders of First Pak Modaraba.

YEAR AT A GLANCE

During the year the Modaraba entered into various secured new investments in Musharaka, Ijarah financing which would fetch quite reasonable returns to the Modaraba.

FUTURE PROSPECTS

Our business strategy & approach are steady and sound. We have planned to capitalize on available funds through secure investment avenues and started taking calculated exposures in Ijarah and Diminishing Musharakah finances and other secured business. We expect that this is going to be a productive business move to enhance the Certificate holders' returns with minimum credit risk.

The proceedings of the merger with First Prudential Modaraba was delayed due to the promulgation of new Companies Act, 2017 therefore further formalities would be commenced as per provisions of new Act. We believe that the combined resources and efforts would culminate better results for the stakeholders.

CORPORATE AND FINANCIAL REPORTING

The Board of Directors is fully aware of its duties and responsibilities under Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan. The following statements demonstrate the Board's philosophy and commitment towards maintaining high standards of Corporate Governance:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in 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 listing regulations.
- The Modaraba operates a provident fund for its permanent employees having value of Rs.760,005/- as on June 30, 2017.
- 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, 2017 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, four 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 Chairman	4
Mr. S. M. Rehmanullah Director	4
Mr. Farrukh S. Ansari Director	4
Mr. Aftab Afroz Mahmoodi Chief Executive	1
Mr. Rashid Siddiqui	
Ex-Chief Executive (Resigned wef Feb 28,2017)	3

- The pattern of holding of Certificates by the Certificate-holders is included in this annual report.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Rule Book relevant for the year ended June 30, 2017 have been adopted by the Modaraba and have been duly complied with. A statement to this effect is annexed with the report.

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 the best 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, 2018, subject to approval by the Registrar of Modaraba Companies and Modaraba.

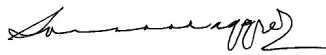
ACKNOWLEDGEMENT

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 & on behalf of the Board of Directors

Karachi.
Dated: October 06, 2017


Syed Waseem-ul-Haq Haqqie
Chairman

ڈائریکٹرز رپورٹ

کے اے ایس بی انویسٹ (پرائیویٹ) لمیٹڈ منجمنٹ کمپنی برائے فرسٹ پاک مضاربہ، کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کے ۳۰ جون ۲۰۱۷ 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:-

۳۰ جون ۲۰۱۶	۳۰ جون ۲۰۱۷	بیلنس شیٹ
روپے ”۰۰۰“ میں	روپے ”۰۰۰“ میں	
۴۲,۳۸۳	۱۶,۱۵۸	نقد اور بینک بیلنس
۱,۲۳۶	۱,۳۹۵	سرمایہ کاری
۱۲,۶۰۸	۴۱,۸۸۰	مالیاتی شرکت متناقصہ
۵,۴۳۵	۴,۱۲۷	اجارہ اثاثہ جات
۶۷,۴۳۲	۷۰,۰۶۰	کل اثاثہ جات
۵۹,۸۱۱	۶۲,۴۸۱	خالص اثاثہ جات
۳۰ جون ۲۰۱۶	۳۰ جون ۲۰۱۷	نفع و نقصان کا حساب
روپے ”۰۰۰“ میں	روپے ”۰۰۰“ میں	
۴,۹۲۳	۷,۹۰۸	مجموعی آمدنی
(۴,۶۹۹)	(۴,۹۳۱)	انتظامی و مالیاتی اخراجات
(۲۰)	(۲۶۷)	منجمنٹ کمپنی فیس
۲۰۱	۲,۶۷۰	خالص سالانہ منافع
۰.۰۲	۰.۲۱	فی حصہ آمدنی (روپے)

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 ۲.۶۷ ملین روپے فی حصہ آمدنی ۰.۲۱ روپے رہا۔ دوران سال مجموعی آمدنی ۷.۹۰ ملین روپے جبکہ انتظامی و مالیاتی اخراجات ۴.۹۳ ملین روپے رہے۔

مضاربہ کی انتظامیہ مضاربہ کی طویل المیعاد پائیداری اور اس کے اسٹیک ہولڈر، 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 ڈائریکٹرز، فرسٹ پاک مضاربہ کے سرٹیفکیٹ رکھنے والوں کے لئے اختتامی سال ۳۰ جون ۲۰۱۷ کے لئے حتمی منقسمہ بحساب ۷.۱ فیصد (۱۰ روپے فی حصہ) کا اعلان کرتے ہوئے مسرت محسوس کرتے ہیں۔

موجودہ مالی سال پر ایک سرسری نظر

موجودہ مالی سال میں مضاربہ نے مشارکہ اور اجارہ میں محفوظ سرمایہ کاری کی ہے جو کہ مضاربہ کو خاطر خواہ منافع فراہم کرے گی۔

مستقبل کی منصوبہ بندی اور لائحہ عمل

ہم ایک مستحکم اور مضبوط 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 ہے اور اجارہ اور شرکت متناقصہ مالیات میں نئی قلمی سرمایہ کاری کا آغاز کیا ہے۔ ہمیں امید ہے کہ یہ ایک مثبت کاروباری حکمت عملی ہے جس سے حصص یافتگان کے رسک میں کمی اور منافع میں اضافہ ہوگا۔

فرسٹ پروڈینشل مضاربہ کے ساتھ انضمام کی کارروائی، نئے کمپنیز ایکٹ ۲۰۱۷ کے نفاذ کے باعث مؤخر کی گئی۔ لہذا مزید کارروائی نئے قانون کے مطابق کی جائے گی۔ ہم سمجھتے ہیں کہ اجتماعی وسائل اور کاوشیں اسٹیک ہولڈر کے لئے بہترین نتائج کا باعث ہوں گی۔

کارپوریٹ اور مالیاتی رپورٹنگ

بورڈ آف ڈائریکٹرز 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 عمدگی سے پیش کیا گیا ہے جو اس کے آپریشنز، کلیش فلو اور ایکویٹی

☆ تحقیقیت ہولڈرز کی جانب سے تحقیقیت رکھنے کا طریقہ کار اس سالانہ رپورٹ میں شامل ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل

پاکستان اسٹاک ایکسچینج کی جانب سے اپنی 'رول بک' میں مرتب کردہ ۳۰ جون ۲۰۱۷ سے متعلق احکامات کو مضاربہ نے اختیار کیا ہے اور ان کی تعمیل بھی کی ہے۔ اس سلسلے میں ایک بیان اس رپورٹ 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 اولیس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کی تقرری کی مدت مضاربہ کی سالانہ جائزہ اجلاس کی تاریخ پر ختم ہو گئی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز اولیس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کو بحیثیت آڈیٹر ۳۰ جون ۲۰۱۸ تک دوبارہ تقرری کی منظوری دی ہے جو رجسٹر آف مضاربہ کیپٹینز 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 و توسط سے

سید وسیم الحق حقی

چیئر مین

اکتوبر ۲۰۱۷

کراچی

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 اندیشانہ 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۔

☆ انٹرئل کنٹرول کا نظام مستحکم ہے اور مؤثر طور پر نفاذ و نگرانی کی جاتی ہے۔

☆ 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 ۳۰ جون ۲۰۱۷ کو ۷۰,۰۰۵ 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، CEO، CFO، 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	4	چیئر مین
فرخ امیں انصاری	4	ڈائریکٹر
امیں ایم رحمان اللہ	4	ڈائریکٹر
آفتاب افروز محمودی	1	چیف ایگزیکٹو
راشد کے صدیقی	3	سابقہ چیف ایگزیکٹو (متعفی ۲۸ فروری ۲۰۱۷)

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

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

Year	2017	2016	2015	2014	2013	2012
Paid-up Capital	125.400	125.400	125.400	125.400	125.400	125.400
Statutory Reserve	25.602	25.068	25.028	24.717	24.717	24.325
Certificate Holders' Equity	62.481	59.811	60.738	59.182	73.305	72.853
Current Liabilities	5.964	6.007	5.955	8.031	5.366	5.426
Non-Current Assets	26.968	12.873	5.585	10.087	0.494	2.030
Current Assets	43.092	54.559	61.108	57.125	78.178	76.537
Profit/(Loss) after taxation	2.671	0.201	1.557	(15.656)	1.957	1.886
Earning/(Loss) per Certificate (Rs.)	0.21	0.02	0.12	(1.25)	0.16	0.15
Dividend (%)	1.7%	Nil	0.9%	Nil	1.2%	1.2%
Break-up-value (Rs.)	4.98	4.77	4.84	4.72	5.85	5.81
ROA (%)	3.81%	0.30%	2.33%	-23.29%	2.49%	2.40%
ROE (%)	4.27%	0.34%	2.56%	-26.45%	2.67%	2.59%

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

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of the Listing of Companies and Securities Regulations of the Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent & Non- Executive Directors	Syed Waseem ul Haq Haqqie Syed Muhammad Rehmanullah Mr. Farrukh Shauket Ansari
Executive Directors	Mr. Aftab Afroz Mahmoodi

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the period. However, the Chief Executive Officer (CEO) of the management company resigned during the period and the Board appointed new CEO who was duly approved by the Registrar Modaraba.

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

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

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All Directors have obtained certification under the Directors Training Program as required by the CCG, except one who is exempt for director's training program by virtue of his experience as prescribed under Regulation 15.19.7 of the Listing of Companies and Securities Regulations of the Rule Book of Pakistan Stock Exchange

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and are advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises four members of whom three are non-executive directors and the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function. The Head of Internal audit is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. 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.

20. 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.

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

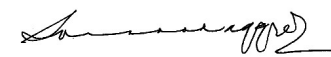
22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.

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

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

For & on behalf of the Board of Directors

Karachi.
Dated: October 06, 2017


Syed Waseem-ul-Haq Haqqie
Chairman



RSM Awaits Hyder Liaquat Nauman
Chartered Accountants

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

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of KASB Invest (Pvt.) Limited, the Management Company of First Pak Modaraba for the year ended June 30, 2017 to comply with the requirements of clause 5.19 of chapter 5 of Pakistan Stock Exchange Rule Book issue by Pakistan Stock Exchange where the Modaraba is listed.

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

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



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

Based on our review, 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 materials respects, which the best practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2017.

Chartered Accountants
Karachi.

Dated: October 6, 2017

RSM Awaits Hyder Liaquat Nauman

Engagement Partner: Adnan Zaman



RSM Awaits Hyder Liaquat Nauman
Chartered Accountants

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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, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we 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 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;
- 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

RSM Awaits Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



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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, 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

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

RSM RSM Awaits Hyder Liaquat Nauman
Chartered Accountants
Karachi.
Dated: October 06, 2017

Engagement Partner: Adnan Zaman

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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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, 2017** in accordance with the requirements of the **Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shariah Compliance and Shariah Audit Mechanism for Modarabas.**

SHARIAH COMPLIANCE AND REVIEW OF OPERATIONS:

The undersigned conducted Shairah 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. In my review, the undersigned found some irregularities which were rectified by the management upon my recommendation to keep the transaction in line with the guidelines. However I confirm that Modaraba is using the same agreements that were approved by Religious Board of SECP.

Recommendation:

I am of the view that the relevant staff of Modaraba should take training from the undersigned on all financing modes especially on Diminishing Musharaka and seek my approval on all financing transactions and documents before disbursement.

INVESTMENTS IN ISLAMIC FUNDS

Modaraba has its investment in Islamic products with Islamic Banks and Islamic Funds.

DIVIDEND PURIFICATION :

Modaraba has effectively performed process of dividend purification of equities and transferred charitable amount into charity payable account.

TAKAFUL:

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

EQUITY SHARES:

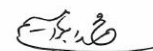
Modaraba's entire equity investments were made in approved Shariah compliant scripts, except for the following shares:

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

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 Ibrahim Essa
Shariah Advisor



Dated: October 04, 2017

Karachi.

BALANCE SHEET

AS AT JUNE 30, 2017

ASSETS	Note	2017 Rupees	2016 Rupees
Current Assets			
Cash and bank balances	5	16,157,822	42,483,225
Investments	6	1,395,399	1,236,016
Current portion of diminishing Musharakah	13	19,923,427	5,256,089
Morabaha finance	7	-	-
Ijarah rentals receivable	8	15,633	-
Advances, deposits, prepayments and other receivables	9	670,109	653,571
Tax refundable - considered good		4,929,854	4,929,854
Total Current Assets		43,092,244	54,558,755
Non - Current Assets			
Property and equipment -Ijarah	10	4,126,637	5,435,000
Property and equipment - owned	11	18,778	40,902
Capital Work in Progress	12	732,668	-
Diminishing Musharakah	13	21,956,865	7,351,728
Advance and deposits	14	132,750	45,750
Total Non - Current Assets		26,967,698	12,873,380
TOTAL ASSETS		70,059,942	67,432,135
LIABILITIES			
Current Liabilities			
Accrued and other liabilities	15	1,603,316	1,646,043
Unclaimed profit distribution		4,360,517	4,360,517
		5,963,833	6,006,560
Non-Current Liabilities			
Long term deposits	16	1,615,000	1,615,000
TOTAL LIABILITIES		7,578,833	7,621,560
NET ASSETS		62,481,109	59,810,575
REPRESENTED BY			
Certificate holders' equity			
Certificate Capital	17	125,400,000	125,400,000
Statutory reserve		25,602,220	25,068,113
Accumulated loss		(88,521,111)	(90,657,538)
		62,481,109	59,810,575
Contingencies and commitments	18		

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

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
INCOME			
Return on PLS accounts		710,698	2,634,515
Income on Diminishing Musharakah		4,704,709	1,213,169
Gain on sale of investments		-	24,109
Dividend income		97,539	45,525
Ijarah rentals		1,627,053	239,940
Other income	19	189,486	676,985
		7,329,485	4,834,243
Unrealised gain on remeasurement of held for trading investments		86,229	88,775
Reversal of provision for WWF	15.1	492,736	-
		7,908,450	4,923,018
EXPENDITURE			
Administrative expenses	20	(3,569,030)	(4,499,872)
Depreciation on Ijarah assets		(1,308,363)	(195,000)
Workers welfare fund		(53,411)	(4,020)
		(4,930,804)	(4,698,892)
Profit for the year		2,977,646	224,126
Modaraba Company's Management Fee	21	(267,054)	(20,101)
Provision for sales tax on management fee		(40,058)	(3,015)
Profit before taxation		2,670,534	201,010
Provision for taxation	22	-	-
Profit after taxation		2,670,534	201,010
Other Comprehensive income		-	-
Total income for the year		2,670,534	201,010
Earnings per certificate	23	0.21	0.02

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

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,670,534	201,010
Adjustments for non-cash changes and other items:		
Gain on sale of investments	-	(24,109)
Dividend income	(97,539)	(45,525)
Gain on disposal-own assets	-	(325,000)
Unrealised gain on remeasurement of held for trading investments	(86,229)	(88,775)
Depreciation on ijarah assets	1,308,363	195,000
Depreciation-owned	22,124	35,799
	<u>1,146,719</u>	<u>(252,610)</u>
	<u>3,817,253</u>	<u>(51,600)</u>
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Diminishing Musharakah	(29,272,475)	(3,016,127)
Ijarah rentals receivable	(15,633)	-
Advances, prepayments and other receivables	80,313	(188,091)
	<u>(29,207,795)</u>	<u>(3,204,218)</u>
Increase / (decrease) in operating liabilities		
Long term ijarah deposits	-	1,615,000
Accrued and other liabilities	(42,727)	(117,258)
	<u>(42,727)</u>	<u>1,497,742</u>
Net Cash used in operations	(25,433,269)	(1,758,076)
Income tax paid / adjustment	(183,851)	(13,670)
Net cash used in operating activities	<u>(25,617,120)</u>	<u>(1,771,746)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	97,539	45,525
Investments (made) / encashed - net	(73,154)	1,098,148
Proceeds from disposal-own assets	-	325,000
Capital work in progress	(732,668)	-
Purchase of own assets	-	(3,800)
Purchase of Ijarah assets	-	(5,630,000)
Net cash used in investing activities	<u>(708,283)</u>	<u>(4,165,127)</u>

	2017 Rupees	2016 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	-	(959,941)
Net cash used in financing activities	<u>-</u>	<u>(959,941)</u>
Net decrease in cash and cash equivalents (A+B+C)	(26,325,403)	(6,896,814)
Cash and cash equivalents at July 01, 2016	42,483,225	49,380,039
Cash and cash equivalents at June 30, 2017	<u>16,157,822</u>	<u>42,483,225</u>

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

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

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

	Certificate capital	Statutory Reserve*	Accumulated Loss	Total
			Rupees.....	
Balance at July 01, 2015	125,400,000	25,027,911	(89,689,746)	60,738,165
Profit for the year ended June 30, 2016	-	-	201,010	201,010
Transfer to statutory reserve	-	40,202	(40,202)	-
Final dividend @ Re.0.09 per certificate for the year ended June 30, 2015	-	-	(1,128,600)	(1,128,600)
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

*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. 534,107/- (2016: Rs.40,202/-) to Statutory Reserve which represent 20% of the profit after tax.

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


CHIEF EXECUTIVE

For KASB Invest (Private) Limited
(Management Company)


DIRECTOR

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

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-Bhukhari, 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.

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

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

Standard or Interpretation	Effective (annual periods Beginning on or after)
IFRS 2 Share-based Payments - Amendments to clarify the classification and measurement of share-based payment transactions	January 01,2018
IFRS 9 Financial Instruments - Amendments for incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01,2018
IFRS 15 Revenue from Contracts with Customers (Superseded IAS 11), To recognize revenue for the transfer of promised goods or services to the customer under the contract	January 01,2018
IFRS 16 Leases (Superseding IAS 17), To report all lease assets and lease liabilities on the balance sheet, initially measured at the present value of future lease payments as it eliminated classification of leases as Operating or Finance Leases for lessee	January 01,2019
IAS 7 Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01,2017
IAS 12 Income Taxes - Amendment regarding the recognition of deferred tax assets for unrealized losses	January 01,2017
The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application.	
In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB on September 2014. Such improvement are generally effective for accounting periods beginning on or after 01 January 2016. The Mod araba expects that such improvement to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.	
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of application in Pakistan.	

Standard or Interpretation

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

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.

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

4.1 Property and equipment
(i) Ijarah and depreciation

Ijarah assets are stated at cost less accumulated depreciation and impairment loss (if any). Amortization 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.

4.2 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.

4.3 Ijarah rentals receivable, 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.

4.4 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.

4.5 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.

4.6 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 previously in 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.

4.7 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.

4.8 Revenue recognition

4.8.1 Ijarah rentals

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

4.8.2 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.

4.8.3 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.

4.8.4 Dividend income

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

4.8.5 Markup income

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

4.9 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 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 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.

4.11 Financial assets

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

4.12 Financial liabilities

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

4.13 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).

4.14 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.

4.15 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.

4.16 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 Modaraba reviews its loan portfolio of Ijarah, Musharaka and Murabaha financing to assess amount of non-performing contracts and provision required there against on a regular basis. The provision is made in accordance with the Prudential Regulations issued by the SECP. 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)

The above mentioned estimates and assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

5 CASH AND BANK BALANCES	Note	2017 Rupees	2016 Rupees
Cash in hand		-	7,372
Cash at banks			
Current accounts		695,548	719,954
Saving accounts	5.1	15,462,274	41,755,899
		<u>16,157,822</u>	<u>42,475,853</u>
		<u>16,157,822</u>	<u>42,483,225</u>

5.1 Rate of return in respect of PLS accounts ranges from 3.90% to 5.07% (June 2016: 3.0% to 6.05%) per annum.

6 INVESTMENTS

Available for sale	6.1	-	-
Held for trading at fair value through profit or loss account	6.2	1,395,399	1,236,016
		<u>1,395,399</u>	<u>1,236,016</u>

6.1 Available for sale

Fully paid ordinary shares of Rs 10 each.

2017 Number of Shares Unquoted securities	2016	Name of company	Note	2017 Rupees	2016 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.

2017 Number of Certificates / Shares	2016	Name of Company	2017 Rupees	2016 Rupees
		Open-end Mutual Funds		
82,324	78,031	Meezan Balanced Fund	1,395,399	1,236,016
		Suspended / Delisted Company		
120,000	120,000	Prudential Investment Bank Limited	-	-
279,749	279,749	Pakistan Industrial & Commercial Leasing Limited	-	-
			<u>1,395,399</u>	<u>1,236,016</u>

	Note	2017 Rupees	2016 Rupees
6.2.1 Unrealized gain on changes in fair value of held for trading investments			
Opening carrying value		1,309,170	1,147,241
Unrealised gain on changes in fair value of held for trading investments		<u>86,229</u>	<u>88,775</u>
Market value of investments		<u>1,395,399</u>	<u>1,236,016</u>

7. MORABAHA FINANCE

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

	Note	2017 Rupees	2016 Rupees
Considered good		15,633	-
Considered doubtful		<u>119,542</u>	<u>119,542</u>
		135,175	119,542
Less: Provision for doubtful receivables	8.1	<u>(119,542)</u>	<u>(119,542)</u>
		<u>15,633</u>	<u>-</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	1,611,424	1,611,424
After one year but not more than five years	<u>1,543,261</u>	<u>3,154,685</u>
	<u>3,154,685</u>	<u>4,766,109</u>

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good

Profit Receivable on Diminishing Musharakah		177,190	-
Advance income tax		208,355	24,504
Advance to staff - current portion - Secured	9.1	87,000	170,000
Prepayments		149,063	182,122
Profit receivable on bank deposits		45,502	231,795
Others		2,999	45,150
		<u>670,109</u>	<u>653,571</u>

Considered doubtful

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		<u>4,028,913</u>	<u>4,028,913</u>
		<u>17,391,564</u>	<u>17,391,564</u>
		18,061,673	18,045,135
Less: Provision for doubtful receivables		<u>(17,391,564)</u>	<u>(17,391,564)</u>
		<u>670,109</u>	<u>653,571</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 9.1 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

2017	Cost		Depreciation		Rate%
	at July 1, 2016	Additions/ (Disposals) at June 30, 2017	Accumulated at July 1, 2016	For the year Rupees.....	Carrying value at June 30, 2017
Plant and machinery	4,680,000	-	195,000	1,176,500	3,308,500
Vehicle	1,209,000	-	259,000	131,863	818,137
	5,889,000	-	454,000	1,308,363	4,126,637
2016	Cost		Depreciation		Rate%
	at July 1, 2015	Additions/ (Disposals) at June 30, 2016	Accumulated at July 1, 2015	For the year Rupees.....	Carrying value at June 30, 2016
Plant and machinery	-	4,680,000	-	195,000	4,485,000
Vehicle	259,000	950,000	259,000	-	950,000
	259,000	5,630,000	259,000	195,000	5,435,000

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

11. PROPERTY AND EQUIPMENT - OWNED						
2017	Cost		Depreciation			Rate%
	at July 1, 2016	Additions/ (Disposals) at June 30, 2017	Accumulated at July 1, 2016	For the year / (on disposals) June 30, 2017	Carrying value at June 30, 2017	
Office equipment	309,122	-	Rupees..... 303,258	4,424	307,682	1,440
Furniture and fixtures	39,645	-	32,700	1,000	33,700	5,945
Motor vehicles	83,500	-	55,407	16,700	72,107	11,393
	432,267	-	391,365	22,124	413,489	18,778
2016	Cost		Depreciation			Rate%
	at July 1, 2015	Additions/ (Disposals) at June 30, 2016	Accumulated at July 1, 2015	For the year / (on disposals) June 30, 2016	Carrying value at June 30, 2016	
Office equipment	305,322	3,800	Rupees..... 285,296	17,962	303,258	5,864
Furniture and fixtures	39,645	-	31,563	1,137	32,700	6,945
Motor vehicles	165,900	- (82,400)	121,107	16,700 (82,400)	55,407	28,093
	510,867	3,800 (82,400)	437,966	35,799 (82,400)	391,365	40,902

	Note	2017 Rupees	2016 Rupees
12. CAPITAL WORK-IN-PROGRESS			
This represents advance for office renovation expense that will be transferred to the fixed assets after the completion of renovation work.			
13. DIMINISHING MUSHARIKAH			
Diminishing Musharakah	13.1	41,880,292	12,607,817
Less: Current Portion of Diminishing Musharakah		(19,923,427)	(5,256,089)
		<u>21,956,865</u>	<u>7,351,728</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	<u>87,000</u>	<u>-</u>
		<u>132,750</u>	<u>45,750</u>
15. ACCRUED AND OTHER LIABILITIES			
Workers welfare fund	15.1	88,562	527,887
Auditors' remuneration		195,000	195,000
Charity fund payable		53,319	53,319
Other payables		<u>1,266,435</u>	<u>869,837</u>
		<u>1,603,316</u>	<u>1,646,043</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 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, after June 30, 2014.			
16. LONG TERM DEPOSITS			
Ijarah security deposits		<u>1,615,000</u>	<u>1,615,000</u>

17. CERTIFICATE CAPITAL

2017	2016		2017 Rupees	2016 Rupees
Number of Certificates				
		Authorised		
15,000,000	15,000,000	Modaraba certificates of Rs.10/- each	150,000,000	150,000,000
		Issued, subscribed and paid-up		
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, 2017, the Royal Management Services (Private) Limited (the Ex- Management Company) held 1,254,000 (2016: 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

	2017 Rupees	2016 Rupees
Gain on disposal of vehicle - owned	-	325,000
Termination charges on diminishing musharaka	21,486	285,653
Miscellaneous income	168,000	66,332
	<u>189,486</u>	<u>676,985</u>

	Note	2017 Rupees	2016 Rupees
20. ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	20.1	1,221,090	1,606,608
Fees and subscription		747,781	656,513
Telephone and postage		92,330	403,004
Legal and professional		411,663	565,326
Registrar services		177,750	253,350
Auditors' remuneration	20.2	244,450	229,000
Travelling and conveyance		10,390	17,200
Printing and stationery		191,462	258,682
Repairs and maintenance		10,256	51,316
Stamp Papers		46,200	39,784
Entertainment		1,820	4,105
Depreciation-owned assets		22,124	35,799
Insurance		119,965	44,509
Bank charges		39,278	16,450
Advertisement in newspaper		133,625	258,750
Electricity expenses		18,696	-
Miscellaneous		80,150	59,476
		<u>3,569,030</u>	<u>4,499,872</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

	2017			2016		
	Officers	Other Employees	Total	Officers	Other Employees	Total
Rupees.....		Rupees.....		
Remuneration	-	1,033,358	1,033,358	-	1,402,000	1,402,000
Provident fund	-	50,693	50,693	-	45,804	45,804
Medical expenses	-	55,539	55,539	-	85,804	85,804
Others	-	81,500	81,500	-	73,000	73,000
		<u>1,221,090</u>	<u>1,221,090</u>		<u>1,606,608</u>	<u>1,606,608</u>
No. of persons	-	3	3	-	4	4

20.1.1 The total number of employees as at June 30th are 3 (2016: 2) and the average number of employees during the year equates to 3 (2016: 3)

	2017 Rupees	2016 Rupees
20.2 AUDITORS' REMUNERATION		
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	10,000
Out of pocket expenses	29,450	19,000
	<u>244,450</u>	<u>229,000</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)	2,670,534	201,010
Weighted average number of ordinary certificates	<u>12,540,000</u>	<u>12,540,000</u>
Earnings per certificate (Rupees per certificate)	<u>0.21</u>	<u>0.12</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	2017 Rupees	2016 Rupees
Modaraba Management Company	Management fee	<u>267,054</u>	<u>20,101</u>
Provident Fund	Contribution made	<u>50,693</u>	<u>45,804</u>
Payments made during the period			
Modaraba Management Company	Management fee	<u>180,559</u>	<u>172,438</u>
Provident Fund	Contribution made	<u>50,693</u>	<u>61,910</u>
Balance as at the year end			
Payable to Modaraba Management Company		<u>106,596</u>	<u>20,101</u>
Payable to Provident Fund		<u>-</u>	<u>-</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. 43.092 million against its current liability of Rs.5.963 million which lead to total surplus of Rs.37.128 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.

2017	Total	Upto three months	More than three months and upto one year	More than one year
	 Rupees		
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>
2016				
Accrued and other liabilities	1,646,043	1,646,043	-	-
Unclaimed profit distribution	4,360,517	4,360,517	-	-
Ijarah deposits	1,615,000	-	-	1,615,000
	<u>7,621,560</u>	<u>6,006,560</u>	<u>-</u>	<u>1,615,000</u>

25.2 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, 2017 and June 30, 2016 is the carrying amounts of following financial assets

	2017	2016
Diminishing Musharakah	41,880,292	12,607,817
Advances, deposits, prepayments and other receivables	461,754	629,067
Balances with banks and financial institutions	<u>16,157,822</u>	<u>42,483,225</u>
	<u>58,499,868</u>	<u>55,744,613</u>

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

Bank balances	Short Term	Long Term	2017	2016
Habib Bank Limited	A-1+	AAA	16,149,072	42,429,365
Faysal Bank Limited	A1+	AA	8,746	8,746
Burj Bank Limited	A1	A	-	16,912

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, 2017				
OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	119,542	119,542
Morabaha finance	-	-	15,319,705	15,319,705
As at June 30, 2016				
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, 2017 is Rs.15,439,247/- (June 2016:15,439,247/-)

25.2.1 Concentration of Credit Risk

Ijarah Assets	2017		2016	
	(Rupees)	%	(Rupees)	%
Individuals	818,137	19.83	950,000	17.48
Others	3,308,500	80.17	4,485,000	82.52
	<u>4,126,637</u>	<u>100.00</u>	<u>5,435,000</u>	<u>100.00</u>
For Diminishing Musharika Finance	2017		2016	
	(Rupees)	%	(Rupees)	%
Transport & Communication	11,850,363	28.30	3,129,330	24.82
Individuals	19,244,719	45.95	6,967,343	55.26
Others	10,785,210	25.75	2,511,144	19.92
	<u>41,880,292</u>	<u>100.00</u>	<u>12,607,817</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:

June 30, 2017

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one years	Over one year to five years	Over five years to yield / profit risk
				Rupees.....		
Cash and bank balances	3.90% - 5.07%	16,157,822	15,462,274	-	-	-	695,548
Investments		1,395,399	-	-	-	-	1,395,399
Musharaka, morabaha and other finance	16.5% - 20.0%	-	-	-	-	-	-
Diminishing musharaka	12.5% - 17 %	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
Unclaimed 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

June 30, 2016

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one years	Over one year to five years	Over five years to yield / profit risk
				Rupees.....		
Cash and bank balances	3.0% - 6.05%	42,483,225	41,755,899	-	-	-	727,326
Investments		1,236,016	-	-	-	-	1,236,016
Musharaka, morabaha and other finance	16.5% - 20.0%	-	-	-	-	-	-
Diminishing musharaka	12.5% - 17.0 %	12,607,817	380,686	763,966	4,111,437	7,351,728	-
Ijarah rentals receivable		674,817	-	-	-	-	-
Advances and other receivables		57,001,875	42,136,585	763,966	4,111,437	7,351,728	674,817
Total financial assets as at June 30, 2016		113,969,033	84,282,580	767,952	8,222,874	14,704,456	2,638,159
Ijarah deposit		1,615,000	-	-	-	-	1,615,000
Accrued and other liabilities		1,646,043	-	-	-	-	1,646,043
Unclaimed profit distribution		4,360,517	-	-	-	-	4,360,517
Total financial liabilities as at June 30, 2016		7,621,560	-	-	-	-	7,621,560
Total yield / profit risk sensitivity gap			84,282,580	767,952	8,222,874	14,704,456	-
Cumulative yield / profit risk sensitivity gap			84,282,580	42,900,551	47,011,988	54,363,716	54,363,716

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	
	2017	2016
	Rupees	Rupees
Changes in basis point		
+100	70,425	40,876
-100	(70,425)	(40,876)

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 company 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.

Investments	1,395,399	1,236,016
-------------	-----------	-----------

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.

24.4 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, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Quoted companies	1,395,399	-	-	1,395,399
Available-for-sale financial assets				
Unlisted entities	-	-	-	-
	1,395,399	-	-	1,395,399

June 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Quoted companies	1,236,016	-	-	1,236,016
Available-for-sale financial assets				
Unlisted entities	-	-	-	-
	1,236,016	-	-	1,236,016

25.5 Financial instruments by category

As at June 30, 2017

	Loan and receivables	Assets at fair value through profit & loss	Available-for-sale	Total
		Rupees.....		
ASSETS				
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
	58,632,618	1,395,399	-	60,028,017
LIABILITIES				
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
	7,578,833	-	-	7,578,833

As at June 30, 2016

	Loan and receivables	Assets at fair value through profit & lossRupees.....	Available-for -sale	Total
ASSETS				
Cash and bank balances	42,483,225	-	-	42,483,225
Investments	-	1,236,016	-	1,236,016
Diminishing Musharika	12,607,817	-	-	12,607,817
Advances, prepayments and other receivables	629,067	-	-	629,067
Long term deposits	45,750	-	-	45,750
	<u>55,765,859</u>	<u>1,236,016</u>	<u>-</u>	<u>57,001,875</u>
LIABILITIES				
Ijarah deposits	1,615,000	-	-	1,615,000
Accrued and other liabilities	1,646,043	-	-	1,646,043
Unclaimed profit distribution	4,360,517	-	-	4,360,517
	<u>7,621,560</u>	<u>-</u>	<u>-</u>	<u>7,621,560</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 7.47:1 which is assessed as not overstated (2016: 9.08:1).

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.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

28. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2017 of Re. 0.17 per certificate (June 30, 2016 of Re. Nil), amounting to Rs.2,131,800 (2016: Rs. Nil) at their meeting held on October 06, 2017. The financial statements for the year ended June 30, 2017 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 6, 2017 by the Board of Directors of the KASB Invest (Private) Limited.

30. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

31. GENERAL

Figures have been rounded off to the nearest Rupee.

For KASB Invest (Private) Limited
(Management Company)



CHIEF EXECUTIVE



S. M. Raiman
DIRECTOR



DIRECTOR

PATTERN OF CERTIFICATE HOLDINGS AS AT 30.06.2017

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS			TOTAL CERTIFICATES HELD
896	1	-	100	44,453
1336	101	-	500	286,402
1118	501	-	1,000	743,257
627	1,001	-	5,000	1,463,225
128	5,001	-	10,000	969,450
47	10,001	-	15,000	580,822
22	15,001	-	20,000	410,414
12	20,001	-	25,000	281,685
16	25,001	-	30,000	439,450
4	30,001	-	35,000	126,908
5	35,001	-	40,000	188,827
1	40,001	-	45,000	41,954
10	45,001	-	50,000	492,119
2	50,001	-	55,000	105,500
2	55,001	-	60,000	114,500
2	60,001	-	65,000	125,200
2	65,001	-	70,000	135,335
1	75,001	-	80,000	78,500
3	85,001	-	90,000	268,003
2	95,001	-	100,000	200,000
2	100,001	-	105,000	204,500
2	105,001	-	110,000	219,725
1	110,001	-	115,000	111,860
1	115,000	-	120,000	117,000
2	125,001	-	130,000	251,202
2	145,001	-	150,000	299,790
1	160,001	-	165,000	160,500
1	240,001	-	245,000	242,000
3	245,001	-	250,000	750,000
1	285,001	-	290,000	290,000
2	335,001	-	340,000	674,919
1	865,001	-	870,000	868,500
1	1,250,001	-	1,255,000	1,254,000
4256				12,540,000

CATEGORIES OF CERTIFICATE HOLDING
AS ON 30-06-2017

	Total No of Certificate	No of Certificate holders	No of Certificate Held	Percentage
ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES	-----	-----	-----	-----
NIT AND ICP		1	3,500	0.03
INVESTMENT CORPORATION OF PAKISTAN			3,500	
DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN	-----	-----	-----	-----
EXECUTIVE	-----	-----	-----	-----
PUBLIC SECTOR COMPANIES AND CORPORATIONS.		1	109,725	0.88
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD			109,725	
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABA AND MUTUAL FUNDS		6	4,744	0.04
THE BANK OF 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	
CERTIFICATEHOLDING FIVE PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY		2	2122500	16.93
ROYAL MANAGEMENT SERVICES (pvt) LTD WASIA RASHEED			1254000 868500	
INDIVIDUALS		4218	10268306	81.88
OTHER CORPORATE CERTIFICATEHOLDERS		28	31225	0.25
TOTAL		4,256	12,540,000	100.00

First Pak Modaraba

Managed by KASB Invest (Pvt.) Ltd.

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 18th Annual Review Meeting of certificate-holders of First Pak Modaraba will be held on Monday, October 30, 2017 at 07:00 p.m. at KASBIT Auditorium, 84-B S.M.C.H.S Off. Shakra-e-Faisal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2017.

Syed Shahid Owais
Company Secretary

On behalf of the Board
Karachi
October 09, 2017

Notes:

- The certificate transfer books shall remain closed from October 24, 2017 to October 30, 2017 (both days inclusive). Transfers received in order at the office of the Registrar of First Pak Modaraba i.e. M/s F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi, before the close of business hours on October 23, 2017 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
- The Certificate holders are advised to notify change in their address, if any, to the Share Registrars, M/s F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi, Telephone No. 021-32271905-6, Fax No. 021-32621233.
- For attending the Meeting:**
 - In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
 - In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
- In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (1)/2014, the Annual Report for the year ended June 30, 2017 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.
- Deduction of withholding tax on the amount of Dividend**
The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. Further, the Government of Pakistan through Finance Act, 2017 has revised the withholding tax rates for tax year 2017-2018 as under:

(a) Rate of tax deduction for the filer(s) of income tax returns: 15%

(b) Rate of tax deduction for the non-filer(s) of income tax returns: 20%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the certificate holders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the start of closed period (referred above) otherwise tax on their cash dividend will be deducted a 20% instead of 15%. For any query/problems information, the Certificate holders may contact the Share Registrar M/s F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi, Telephone No. 021-32271905-6, Fax No. 021-32621233. The corporate certificate holders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical certificate holders should send a copy of their NTN certificate to the Company or its Share Registrar. The certificate holders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers. Certificate holders seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be. Certificate holders desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat

6. Dividend Mandate

As per Section 242 of the Companies Act, 2017 (the "Act"), the payment of cash dividend through electronic mode has now become mandatory. However, as per Circular No. 18/2017 dated August 01, 2017 the Securities and Exchange Commission of Pakistan has granted one time relaxation till October 31, 2017 to comply with the said requirement. 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 Company's website. Certificate holders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant/CDC investor Account Service. For more information, you may contact our Share Registrar at M/s F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi, Telephone No. 021-32271905-6, Fax No. 021-32621233.

7. Withholding tax on dividend in case of Joint Account Holders

All certificate holders who hold certificates jointly are requested to provide shareholding proportions of Principal certificate holder and Joint-holder(s) in respect of certificates held by them to our Share Registrar, in writing as follows:

Folio No /CDC Account No	Total Certificates	Principal Certificate holders		Joint Certificate holder(s)	
		Name and CNIC No.	Certificate holding Proportion (No. of Certificate)	Name and CNIC No.	Certificate holding Proportion (No. of Certificate)

The required information must reach our Share Registrar before the close of business on October 23, 2017. Otherwise it will be assumed that the certificates are equally held by Principal certificate holder and Joint-holder(s).

- As per the directives issued by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O.787(1)/2014 dated September 08, 2014, companies are allowed the circulation of Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at KASB Modaraba website) and return it to our Share Registrar M/s F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi, Telephone No. 021-32271905-6, Fax No. 021-32621233.