

Board of Directors' Report

On behalf of Board of Directors of IBL Modaraba Management (Pvt.) Ltd, the management company of **First IBL Modaraba (FIBLM)**, I am pleased to present the quarterly report and together with unaudited financial statements of FIBLM for the 3rd quarter and nine months ended **March 31, 2014**.

The economy of Pakistan is in its transactional period from depression to recession. It could be evident from a recent report issued by International Monetary Fund that Pakistan has met nearly all of its quantitative performance markers, its economy is showing signs of improvement and that its reform program remains broadly on track. The Government of Pakistan has taken very painful measures, which were partially politically unpopular, but were needed, by the country and it has not only changed the direction of the economy but it has also put Pakistan on the road of recovery and stability. The exchange rate of US\$ to Pak Rupee has also drastically changed from upward trend to downward trend, thus climbing the foreign reserves.

Besides low mark-up rates, continuously improving stock markets and economic activities in the Country, the Modaraba sector of Pakistan could not rise as anticipated, expect some giant Modarabas. At the same time Modarabas are also competing with other market players such as conventional commercial banks, Islamic banks, leasing companies and other financial institutions operating in Pakistan.

Under current situation, your Modaraba tried its level best to sustain the performance during the period under review; your Modaraba sustained its total assets at Rs. 207.919 million. New businesses of Rs. 16.753 million were undertaken in form of Ijarah and Musharakah facilities. Income from Investment property and others boosted the operating income of the Modaraba from Rs. 8.474 million to Rs. 17.702 million as compared to the corresponding period which forced an increase in the administrative expenses by 7.28 million including non-cash items such as depreciation on investment property and others.

The above all circumstances forced Modaraba to report a meager loss of Rs. 1.379 million for the Nine Months ended March 31, 2014 as compare to loss of Rs. 23.991 million in the preceding period.

Going forward, your Modaraba will continue to be proactive in its approach in meeting the challenges associated with the today's competitive business environment and assures its certificate holders to give better returns in future.

Finally, I would like to, thanks to the valued certificate holders for their patronage and continuous support in prevailing challenging scenario and extend my sincere gratitude to the Registrar Modarabas and other regulatory authorities for their continuous guidance and support. I really appreciate the consistency of the efforts made by the management of the Modaraba for their contribution in Modaraba's progress.

Dr. Hasan Sohaib Murad
Chairman/ Chief Executive Officer
April 28, 2014

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2014

Notes	Mar-14	Jun-13
	"Rupees"	
CAPITAL & RESERVES		
Authorized 50,000,000 Modaraba certificates of Rs. 10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital	201,875,000	201,875,000
Statutory reserves	36,171,338	36,171,338
Accumulated profits	(79,937,280)	(71,794,782)
Revaluation reserves	158,109,058	166,251,556
	8,997,107	7,427,865
	167,106,165	173,679,421
Long term security deposits	2,181,306	1,940,518
CURRENT LIABILITIES		
Musharakah finance	11,700,000	12,142,348
Accrued and other liabilities	7,230,278	13,508,296
Current portion of security deposit	6,690,976	7,868,871
Provision for taxation	3,191,482	3,191,482
Unclaimed profit distribution	9,819,683	7,653,693
	38,632,420	44,364,690
	207,919,891	219,984,629
Total equity & liabilities		
NON CURRENT ASSETS		
Assets in own use	1,782,072	2,436,257
Assets subject to Ijarah	23,745,564	11,679,975
Intangible assets	230,000	422,500
Long term deposits	3,205,460	3,205,460
Investment property	93,330,341	97,083,785
	122,293,437	114,827,977
CURRENT ASSETS		
Ijarah rental receivables	722,095	316,952
Short term investments	13,734,637	22,005,971
Murabaha Receivables	23,000,000	23,000,000
Musharakah receivables	6,763,328	19,374,531
Advances, prepayments and other receivables	34,273,662	36,939,367
Cash and bank balances	7,132,732	3,519,831
	85,626,454	105,156,652
Total assets	207,919,891	219,984,629

The annexed notes 1 to 6 from an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS & QUARTER ENDED MARCH 31, 2014

	Quarter ended March 2014	Quarter ended March 2013	Nine months ended March 2014	Nine months ended March 2013
	"Rupees"			
OPERATING INCOME				
Musharakah	83,859	-	279,790	2,445
Murabahah	1,006,251	1,006,251	3,018,753	3,018,753
Ijarah	1,815,694	413,448	3,998,625	2,434,257
Investment income	-	-	8,878	3,772
Other income	2,657,589	1,960,051	10,396,174	3,015,311
	5,563,393	3,379,750	17,702,220	8,474,538
OPERATING EXPENSES				
Administrative expenses	4,468,200	2,128,112	15,018,583	7,730,060
Amortization expense	1,712,931	964,790	3,778,374	3,261,080
Provision against musharaka principal	(346,403)	20,800,337	443,544	20,800,337
Provision against musharaka profit	-	717,374	-	717,374
Bank Charges	829	638	829	5,819
	5,835,557	24,611,251	19,241,330	32,514,670
OPERATING PROFIT/(LOSS)	(272,164)	(21,231,501)	(1,539,110)	(24,040,132)
Revaluation gain/(loss) on investments	190,826	(119,845)	159,424	49,092
(Loss)/Profit for the period	(81,338)	(21,351,346)	(1,379,686)	(23,991,040)
(Loss)/Earning per certificate	(0.0040)	(1.0577)	(0.0683)	(1.1884)

The annexed notes 1 to 6 from an integral part of these financial statements.

CHIEF EXECUTIVE

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CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS & QUARTER ENDED MARCH 31, 2014

	Nine months ended		Quarter ended	
	Mar-14	Mar-13	Mar-14	Mar-13
	"Rupees"			
Profit/(Loss) after tax for the period	(1,379,686)	(23,991,040)	(81,338)	(21,351,346)
Other comprehensive income:				
Net unrealized gain/(loss) on available-for-sale investments	1,569,243	880,098	1,256,134	592,142
	1,569,243	880,098	1,256,134	592,142
Total comprehensive income / (loss) for the period	189,557	(23,110,942)	1,174,796	(20,759,204)

The annexed notes 1 to 6 from an integral part of these financial statements.

CHIEF EXECUTIVE

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**CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

Note	March 2014	June 2013
	"Rupees"	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(1,379,686)	9,289,143
Adjustment for non-cash and other items:		
Depreciation on fixed assets in own use	676,685	664,055
Depreciation on Investment properties	3,753,444	2,916,680
Amortization on assets subject to Ijarah	3,585,874	3,971,149
Amortization on Intangible Assets	192,500	330,000
(Gain) / loss on sale of assets under ijarah arrangements	(298,963)	-
(Gain) / loss on disposal of assets in own use	-	(13,000)
Bank charges	829	7,355
Provision / (reversal of provision) in respect of Musharaka facilities	496,996	(14,536,342)
Provision / (reversal of provision) in respect of profit on Musharaka facilities	-	(1,992,611)
Balances written off - Net	(1,835,394)	509,410
Revaluation (gain) / loss on investment at fair value through profit or loss	(159,424)	(88,617)
Profit on deposits	(523,610)	-
Dividend income	(8,878)	(4,367)
	<u>5,880,059</u>	<u>(8,236,288)</u>
	4,500,373	1,052,855
(Increase)/Decrease in current assets		
Ijarah rentals receivable	(405,143)	1,600,798
Musharakah receivable	12,611,203	28,703,810
Advance, prepayments and other receivables	2,665,705	5,152,894
	<u>14,871,765</u>	<u>35,457,502</u>
Increase/(Decrease) in current liabilities		
Musharaka arrangement	(442,348)	(2,500,000)
Short term finance	-	(8,110)
Accrued and other liabilities	(6,278,018)	(2,255,866)
Unclaimed profit distribution	2,165,990	-
Current portion of security deposit	(1,177,895)	613,893
	<u>(5,732,270)</u>	<u>(4,150,083)</u>
Changes in working capital	9,139,495	31,307,419
Cash flow from operating activities	<u>13,639,868</u>	<u>32,360,274</u>
Profit on bank deposits	523,610	-
Bank Charges	(829)	(7,355)
Net cash generated from / (used in) operating activities	<u>14,162,649</u>	<u>32,352,919</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets for ijarah arrangements	(16,753,878)	(7,679,560)
Purchase of fixed assets for own use	(22,500)	(1,954,120)
Payments for investment properties	-	(2,912,502)
Proceeds from sale of short term investments - net	10,000,000	(18,000,000)
Long term deposits	240,788	200,000
Proceeds from sale of assets subject to Ijarah	573,500	1,489,415
Proceeds from sale of assets in own use	-	13,000
Dividend Income	8,878	4,367
Net cash generated from / (used in) investing activities	<u>(5,953,212)</u>	<u>(28,839,400)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to certificate holders	(4,596,536)	(39,899)
Net cash generated from / (used in) financing activities	<u>(4,596,536)</u>	<u>(39,899)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>3,612,901</u>	<u>3,473,620</u>
Cash and bank balances at the beginning of the period	<u>3,519,831</u>	<u>46,211</u>
Cash and bank balances at the end of the period	<u>7,132,732</u>	<u>3,519,831</u>

The annexed notes 1 to 6 from an integral part of these financial statements.

CHIEF EXECUTIVE

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DIRECTOR

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UN AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	"Rupees"			
	Balance as on June 30, 2012	Balance as on June 30, 2013	Profit distribution for the year ended June 30, 2013	Balance as on March 31, 2014
Total Comprehensive Income				
Transfer to Statutory Reserves during the period				
Balance as on June 30, 2013				
Total Comprehensive Income for the nine months period ended March 31, 2014				
Balance as on March 31, 2014				
Certificate capital	201,875,000	201,875,000	201,875,000	201,875,000
Statutory reserves	34,313,509	1,857,829	36,171,338	36,171,338
Unrealized (loss)/ gain on revaluation of available for sale investments	5,679,202	1,748,663	7,427,865	1,569,243
Sub total	39,992,711	1,748,663	43,599,203	45,168,446
Unappropriate profit/ (loss)	(79,226,096)	9,289,143	(1,857,829)	(79,937,281)
Total	162,641,615	11,037,806	173,679,421	167,106,165

The annexed notes 1 to 6 from an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

1 The accounting policies adopted for the preparation of these financial statements are consistent with those applied for the preparation of preceding annual publishing accounts.

2 These unaudited financial statements have been prepared and circulated under the directives of Securities and Exchange Commission of Pakistan.

	Amount in Rupees	
	Mar-14	Jun-13
3 Creditors, accrued and other liabilities		
Accrued expenses	2,749,822	3,735,859
Musharikh profit payable	1,430,192	1,430,192
Provident fund payable	1,468,654	1,842,715
Payable to Management Company	-	1,821,141
Other liabilities	1,581,611	4,678,389
	<u>7,230,278</u>	<u>13,508,296</u>

	Note	Amount in Rupees	
		Mar-14	Jun-13
4 Marketable securities of quoted companies and Modarabas			
Investment available for sale	4.1	5,312,207	3,742,965
Investment held for trading	4.2	422,430	263,006
Investment in term deposit receipt	4.3	8,000,000	18,000,000
		<u>13,734,637</u>	<u>22,005,971</u>

	Mar-14	Jun-13	Name of script	Amount in Rupees	
				Mar-14	Jun-13
4.1 Available for sale					
	5,244	3,600	The Searle company Ltd	783,349	284,328
	392,500	392,500	Lafarge Pakistan Cement Ltd	4,372,450	3,332,325
	5,700	5,700	Arif Habib Corporation Ltd	156,408	126,312
	<u>403,444</u>	<u>401,800</u>		<u>5,312,207</u>	<u>3,742,965</u>

	Mar-14	Jun-13	Name of script	Amount in Rupees	
				Mar-14	Jun-13
4.2 Held for trading					
	2,241	2,241	Invest Capital Investment Bank	4,258	3,496
	200	200	Attock Refinery Ltd	44,172	34,510
	100,000	100,000	First Punjab Modaraba	374,000	225,000
	<u>102,441</u>	<u>102,441</u>		<u>422,430</u>	<u>263,006</u>

4.3 This represent investment in Term Deposit Receipt of HBL Islamic Banking amounting to Rs. 8 million having expected profit rate of 8% p.a for the period of 3 months.

	Amount in Rupees	
	Mar-14	Jun-13
5 Advances, prepayments and other receivables		
Advance income tax	689,238	679,927
Advances to employees against salary	662,374	755,140
Prepayments	281,885	359,712
	<u>1,633,497</u>	<u>1,794,779</u>
Accrued profit:	-	912,156
Profit receivable on musharaka finance	32,800,889	32,800,889
Less: Profit held in suspense account	(16,147,980)	(16,147,980)
	<u>16,652,909</u>	<u>16,652,909</u>
Balance with broker	4,275,884	4,775,884
Others	11,711,372	12,803,639
	<u>15,987,256</u>	<u>17,579,523</u>
	<u>34,273,662</u>	<u>36,939,367</u>

6 Comparatives have been re-arranged and re-classified where necessary for the purpose of comparison.

CHIEF EXECUTIVE

DIRECTOR

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**Quarterly Report
March 31, 2014**

