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Corporate Information

MODARABA COMPANY	IBL Modaraba Management (Pvt.) Ltd.
BOARD OF DIRECTORS	Dr. Hasan Sohaib Murad Chairman & Chief Executive Ale Imran Director Shaheen Rashid Director Arslan Khan Khakwani Director
COMPANY SECRETARY	Noman Ahmed
CFO	Noman Ahmed
AUDIT COMMITTEE	Ale Imran Shaheen Rashid Arslan Khan Khakwani
BANKERS	Askari Bank Limited Arif Habib Bank Limited Dubai Islamic Bank Muslim Commercial Bank The Royal Bank of Scotland
REGISTRAR	Progressive Management Services (Pvt.) Ltd 10 th Floor, Mehdi Tower, A-115, S.M.C.H.S., Shahrah-e-Faisal Karachi.
REGISTERED OFFICE	Office No. 604, 6 th Floor Park Avenue, 24-A, Block 6, P.E.C.H.S., Shahrah-e-Faisal Karachi.
PRINCIPAL OFFICE	Office No. 14, 1 st Floor Park Lane Tower, 172 Tufail Road, Lahore Cantt.



Directors' Report

The Board of Directors of IBL Modaraba Management (Private) Limited., the Management Company of First IBL Modaraba (FIM), has pleasure in presenting to the certificate holders the Annual Report of the Modaraba together with Audited Accounts for the period from July 01, 2009 to June 30, 2010.

Financial Results

Summarized results for the year under report are as under:-

	(Rs. in "000")	
	June 2010	June 2009
Total Operating Income	60,642	34,036
Profit before Management Fee & taxation	2,313	1,826
Management Fee – 10%	(231)	(182)
Profit before tax	2,082	1,644
Provision for Taxation	-	-
Net Profit after tax	2,082	1,644

Review of Operations:

During this fiscal year, the financial sector has shown some recovery. The liquidity crisis and constraint in the mobilization resource have also affected the performance of financial companies. Besides of all these challenges, the Modaraba sector has shown steady growth and performance.

During the period under review, the stock market has also shown some improvement as it gained about 30% above. The foreign inflow in the market has resulted rise in the index crossed 10,000 after a period of almost two years. However, imposition of capital gain tax, the overall turnover of the market has been declined. In spite of all these factors affecting the macro economy, the modaraba has still booked operating income of Rs.60,204 million as compared to Rs.34,036 million in the preceding year ended June 30, 2009. The operating income was increased by 76.88% as compared to the previous year.

The major revenue during the year is generated from the Musharika facilities, which is increased by 38.71% of Rs.10.45 million as compared to previous year. The Modaraba has a diversified portfolio to maintain sustainable growth. During the year under review modaraba has also booked an income of Rs.6.689 million from Ijarah facility.

During the year the Modaraba for compliance of the Prudential Regulations issued by the SECP, had provided the sum of Rs.19.5 million as impairment against overdue musharika payment, which resulted in reduction of the profit for the year by Rs.19.50 million. The administrative expenses of the Modaraba remain almost at the same level while comparing with the previous period ended.

The Modaraba is also continuously building statutory reserves out of the profit of each year, which accumulated to Rs.34.313 million as compared to Rs. 33.897 million at the end of preceding year.

The Modaraba has also acquired 80% share holding of Alka Power (Private) Limited in the last financial year. The management was continuously associated with the concerned authorities for the finalization of generation license of both projects. The application for the generation license of 1.8 MW project was filed in February 2010 and comments from concerned authorities on the feasibility reports were received and answered satisfactorily by the management. By the grace of Allah, we have received the generation license for JBC Hydropower project of 1.8 MW. Now the tariff petition will be filed by the Modaraba. The feasibility report of 3.3 MW is also finalized and application for the generation license will be filed shortly by the Management. These projects would benefit the certificate holders of the Modaraba and strengthen the growth of Modaraba in the long run.



Corporate Governance:

The Modaraba has implemented all aspects of Code of Corporate Governance introduced by SECP.

- The financial statements prepared by the Management of Modaraba present fairly its state of affairs, the result of its operations, cash flows and changes in the equity.
- Proper books of accounts of Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices and Corporate Governance as detailed in the listing regulations.
- There has been no trading in company shares by Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

Attendance of Board Meetings:

During the year under review, four meetings of the Board of Directors were held which were attended to by the directors as under:-

	Name of Director	Number of Meetings	# of Meeting Attended	Leave of Absence
1)	Dr. Hassan Sohaib Murad	4	4	0
2)	Mr. Ale Imran	4	4	0
3)	Mr. Arsalan Khakwani	4	4	0
4)	Mr. Shaheen Rashid	4	4	0

Operating Data for six years:

The operating data of the Modaraba for 6 years is annexed to this report at page-5

Pattern of Certificate holding:

The detailed pattern of certificate holding as on 30/6/2010 is annexed to this report.

There has been no trading in the shares of the Modaraba by any of its directors, CEO, CFO, Company Secretary or their spouses or minor children.

The Economy and Future prospects:

Pakistan economy has gone through the difficult phase of economic and political reforms over the last two years. The recent heavy floods have also caused massive damage to the economy and affected the growth momentum of the country. Rehabilitation of the affected areas by the flood will be the major challenge for the policy makers.



To overcome the current economic scenario, the management has decided to strengthen its power generation activities and to finalize the requirements related to projects within a short span of time which will purely benefit the certificate holders and will give more comfort and satisfaction to all certificate holders.

Auditors

The present auditors M/s.Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants are due for retirement and being eligible and have offered themselves for re-appointment. The Board has confirmed their re-appointment for the year ending June 30, 2010 subject to the approval by the Registrar Modaraba.

Acknowledgement

In the end, Board wishes to thank for the continued support and professional guidance provided by the Securities & Exchange Commission of Pakistan, Registrar Modaraba Companies and State Bank of Pakistan.

The Board would also like to thank valued customers and investors for reposing trust and confidence in the Modaraba and to members of Management and staff for their commitment and dedication.

On Behalf of the Board

Dr. Hasan Sohaib Murad
Chairman

October 29, 2010

**FIRST IBL MODARABA
SIX YEARS' FINANCIAL SUMMARY**

BALANCE SHEET SUMMARY

(Rs. in million)

Year Ended June 30,	2005	2006	2007	2008	2009	2010
EQUITY						
Issued, subscribed & paid up capital	116.88	116.88	116.88	116.88	201.88	201.88
Statutory Reserve	27.09	30.96	32.58	48.35	31.56	39.14
Revenue Reserve and Unappropriated profit	6.33	12.34	14.97	6.74	5.62	6.96
Modaraba certificate deposit money	-	-	-	85.00	-	-
Total Equity	150.30	160.18	164.43	256.96	239.06	247.98
LIABILITIES						
Customer Security Deposit	-	-	-	3.69	3.80	4.22
Other Deffered Liabilities	0.17	0.34	0.36	-	-	-
CURRENT LIABILITIES						
Short term finance	-	-	-	-	20.82	20.85
Short term Morabaha & Musharakah	33.00	33.00	31.96	-	85.00	86.79
Unclaimed profit distribution	-	-	-	2.35	5.12	4.14
Other Current Liabilities	22.83	11.13	10.50	11.52	16.00	15.91
Total Current Liabilities	55.83	44.13	42.46	17.56	130.81	131.90
Total Liabilities	206.30	204.65	207.25	274.52	369.87	379.88
ASSETS						
Assets Leased Out	-	-	-	22.80	19.28	16.88
Assets in own Use	1.07	0.80	0.99	4.60	3.70	4.24
Long Term Morabaha & Musharaka	-	-	-	30.00	30.00	30.00
Long Term Investment	-	-	-	-	7.80	17.13
Other Long Term Assets	-	-	12.87	1.41	1.20	3.38
	1.07	0.80	13.86	58.81	61.98	71.62
Current Assets						
Short term Morabaha & Musharaka	71.68	42.50	146.79	119.96	252.47	227.66
Lease rental receivables	-	-	-	0.49	1.44	1.51
Short Term Investments	13.26	33.290	20.35	62.50	27.14	23.31
Other Current Assets	77.64	4.45	7.57	9.02	24.97	53.45
Advance,Deposits and prepayments	-	-	-	1.78	0.73	1.26
Cash & Bank Balances	42.65	123.61	18.68	21.96	1.14	1.06
Total Current Assets	205.23	203.85	193.39	215.71	307.89	308.25
Total Assets	206.30	204.65	207.25	274.52	369.87	379.88



Income Statement Highlights

(Rs. in million)

Year Ended June 30,	2005	2006	2007	2008	2009	2010
INCOME						
Lease	-	-	-	6.20	6.44	6.69
Musharaka & Morabaha	13.34	7.00	13.16	16.47	30.20	40.61
Capital Gain on Investment	15.86	6.54	1.66	0.96	(4.80)	4.00
Dividend	0.67	2.03	2.18	-	-	-
Investment income	-	-	-	1.59	2.00	1.86
Other	0.65	0.10	0.62	0.39	0.20	7.04
Total Income	30.52	15.67	17.62	25.62	34.04	60.20
EXPENSES						
Operating	6.25	5.50	4.69	13.68	19.40	13.15
Financial	3.56	4.41	4.60	2.97	7.78	15.95
Amortisation, Depreciation	-	0.27	0.38	4.34	4.21	6.32
Provision for Doubtful Receivable	(5.69)	-	-	-	-	19.50
Provision for diminution in value of Investment	0.30	(0.47)	(1.10)	(0.83)	0.83	2.98
Total Expenses	4.42	9.71	8.57	20.16	32.21	57.89
Profit /(Loss) before Management Fee	26.10	5.96	9.05	5.46	1.83	2.31
Less:- Management Fee	2.61	0.60	0.90	0.55	0.18	0.23
Profit before Taxation	23.49	5.36	8.14	4.91	1.65	2.08
Less:- Taxation	-	(1.89)	-	-	-	-
Net Profit	23.49	7.25	8.14	4.91	1.65	2.08
APPROPRIATIONS						
Final Dividend	11.69	8.18	9.35	5.84	-	6.05
Interim dividend	-	-	-	-	-	-
Statutory Reserves	7.05	2.17	1.63	0.98	0.33	0.416



**STATEMENT OF COMPLIANCE WITH
THE CODE OF CORPORATE GOVERNANCE**

This statement is being presented to comply with the code of corporate governance contained in the listing regulations of the Karachi stock exchange for the purpose of establishing a framework of good governance, whereby a listed First IBL Modaraba is managed in compliance with the best practices of corporate governance.

IBL Modaraba Management Pvt. Ltd. (Modaraba Company) is not listed; however First IBL Modaraba is listed at Karachi, Lahore, and Islamabad Stock Exchange. The Board of Directors of the Modaraba Company is responsible for management of affairs of the First IBL Modaraba.

First IBL Modaraba has applied principles contained in code in the following manner:

1. The Board presently comprises four directors including non-executive directors.
2. The directors have confirmed that none of them is serving as director in more than ten companies.
3. All the directors of the Modaraba Company are registered as tax payers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as defaulter by the stock exchange.
4. During the year the previous management company of the Modaraba is changed with the approval of the Securities & Exchange Commission of Pakistan (SECP) & new directors of the Modaraba company is appointed.
5. The Modaraba has prepared a code of conduct encompassing the Modaraba's principles of ethics and business practices, which has been signed by all directors and has been circulated to all employees of the First IBL Modaraba.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the First IBL Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions have been taken by the board. The terms of appointment and remuneration package of the Chief Executive Officer of the Modaraba Management Company have been approved by the board of directors of the management company.
8. The meetings of the board were presided over by the chairman whenever present. The board met at least once in every quarter to approve the quarterly accounts of the Modaraba. Written notices of the board meetings including agendas were appropriately circulated before the meeting. The minutes of the meetings were recorded and circulated amongst the directors.
9. The majority of the directors, being members of professional accountancy bodies, are conversant with their duties and responsibilities under the relevant laws applicable to Modaraba and provisions of code of corporate Governance. Nevertheless, an orientation course for all the directors is planned to be conducted shortly to acquaint them with their duties and responsibilities under the relevant laws.
10. The appointment, remuneration and terms and conditions of employment of the chief financial officer & company secretary (both being the same person) and head of internal audit of Modaraba have been determined by the CEO with the approval of the board.
11. The directors' report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.



12. The financial statements of the First IBL Modaraba 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 certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The First IBL Modaraba has complied with the corporate and financial reporting requirements of the code.
15. The board has formed an audit committee. It presently comprise of three members majority of whom are non-executive directors including Chairman of the committee.
16. The meeting of the audit committee was held at least once every quarter prior to the approval of interim and final result of the company as required by the code.
17. The Board is in the process of settings up an effective internal audit function. Arrangements will be made to improve the effectiveness of the internal audit function in accordance with the needs of the First IBL Modaraba.
18. The Statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality control review program of the Institute of Chartered Accounts of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the First IBL Modaraba and that the firm and all its partners are in compliance with International Federation of Accounts (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accounts of Pakistan.
19. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

October 29, 2010

On behalf of the Board

Dr. Hasan Sohaib Murad
Chairman & Chief Executive



**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF
CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IBL Modaraba Management (Private) Limited (the Management Company) in respect of First IBL Modaraba (the Modaraba), to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Modaraba to place before the board of directors for their consideration and approval 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 recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee of the Management Company. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee of the Management Company. 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 Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2010.

Karachi
October 29, 2010

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of First IBL Modaraba as at June 30, 2010 and the related Profit and Loss Account, Statement of Comprehensive Income, 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 [IBL Modaraba Management (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 First IBL Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for the changes as described in note 2.1.3 to the financials statement with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (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, statement of comprehensive income, 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, 2010 and of the profit, comprehensive income, 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)

Karachi
October 29, 2010

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Muhammad Waseem



**FIRST IBL MODARABA
BALANCE SHEET
AS AT JUNE 30, 2010**

ASSETS	Note	2010 Rupees	2009 Rupees
Current Assets			
Ijarah rentals receivable		1,513,948	1,441,620
Short term investments	3	23,308,337	27,136,948
Current portion of murabaha finance	10	30,000,000	-
Musharaka receivable	4	227,655,959	252,471,956
Advances, deposits, prepayments and other receivables	5	54,713,730	25,698,180
Cash & bank balances	6	1,057,514	1,143,866
Total current assets		338,249,487	307,892,570
Non-current assets			
Fixed assets in own use	7	4,247,808	3,699,623
Ijarah assets	7	16,875,108	19,235,691
Long term deposits		3,379,960	1,230,659
Investment in subsidiary	9	17,130,321	7,808,922
Long term murabaha finance	10	-	30,000,000
Total non-current assets		41,633,197	61,974,895
TOTAL ASSETS		379,882,684	369,867,465
LIABILITIES & EQUITY			
Current liabilities			
Musharaka finance	11	86,786,302	85,000,000
Short term finance-secured	12	20,848,123	20,848,123
Accrued & other liabilities	13	15,379,549	15,275,451
Deposits - current portion - current portion & security deposit	14	295,000	711,600
Due to management company		231,339	752,627
Unclaimed profit distribution		4,140,291	5,123,100
Total current liabilities		127,680,604	127,710,901
Non-current liabilities			
Customers' security deposits	14	4,219,293	3,091,883
TOTAL LIABILITIES		131,899,897	130,802,784
CERTIFICATE HOLDER'S EQUITY			
Authorised certificate capital			
50,000,000 (2009: 50,000,000) certificates of Rs. 10 each	15	500,000,000	500,000,000
Certificate capital			
Issued, subscribed and paid-up certificate capital			
18,500,000 (2009:18,500,000) certificates of Rs.10 each issued as fully paid in cash		185,000,000	185,000,000
1,687,500 (2009:1,687,500) certificates of Rs.10 each issued as fully paid bonus		16,875,000	16,875,000
	15	201,875,000	201,875,000
Reserves	16	39,142,423	31,889,956
Unappropriated profit		6,965,364	5,299,725
		247,982,787	239,064,681
TOTAL EQUITY & LIABILITIES		379,882,684	369,867,465
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 36 form an integral part of these financial statements.

**For IBL Modaraba Management (Private) Limited
(Management Company)**

Chief Executive

Director

Director



**FIRST IBL MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
Income on musharaka transactions	18	37,457,614	27,003,630
Income on murabaha transaction		3,150,000	3,150,000
Ijarah rentals earned		6,689,805	6,519,516
Gain /(loss) on sale of investments		3,999,655	(4,809,077)
Dividend income on equity investments	19	1,864,559	2,011,416
Other income	20	7,043,017	161,301
		60,204,650	34,036,786
Administrative and operative expenses	21	(14,687,462)	(13,473,636)
Depreciation on assets under ijarah arrangements		(4,778,318)	(4,204,631)
		40,738,870	16,358,519
Impairment on available-for-sale Investments	27	(2,874,000)	(5,924,810)
Provision against non-performing musharika facility		(19,500,000)	-
Financial charges	23	(15,945,553)	(7,781,096)
		2,419,317	2,652,613
Unrealised diminution on remeasurement of investments 'at fair value through profit or loss'		(105,927)	(825,856)
		2,313,390	1,826,757
Modaraba management company fee	22	(231,339)	(825,856)
Profit / (loss) for the year before taxation		2,082,051	1,644,081
Taxation		-	-
Profit / (loss) for the year after taxation		2,082,051	1,644,081
Earning per certificate basic/diluted		0.10	0.08

The annexed notes 1 to 36 form an integral part of these financial statements.

**For IBL Modaraba Management (Private) Limited
(Management Company)**

Chief Executive

Director

Director

**FIRST IBL MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	Rupees	Rupees
Profit for the year	2,082,051	1,644,081
Other comprehensive income:		
Net unrealised (loss)/gain on available-for-sale investments	3,962,055	(24,826,289)
Total comprehensive income/(loss) for the year	<u>6,044,106</u>	<u>(23,182,208)</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

**For IBL Modaraba Management (Private) Limited
(Management Company)**

Chief Executive

Director

Director



**FIRST IBL MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,082,051	1,644,081
Adjustment for non-cash and other items:			
Depreciation on fixed assets in own use		1,537,065	1,392,540
Depreciation on Ijarah assets		4,778,318	4,140,177
(Gain)/loss on sale of fixed assets		-	(7,573)
Finance cost		15,945,553	7,781,096
Provision against non-performing mushaika facility		19,500,000	-
(Gain) / loss on sale of investment		(3,999,655)	-
Revaluation gain/(loss) on investment at fair value through profit or loss		105,927	-
Impairment on AFS Investment		(2,874,000)	5,924,810
Loss on sale of assets		943,214	-
Dividend income		(1,864,559)	-
Profit/(loss) on sale of assets under ijarah arrangements		-	-
Provision for provident fund		-	-
		<u>39,819,863</u>	<u>19,231,050</u>
		41,001,914	20,875,131
(Increase)/decrease in current assets			
Ijarah rentals receivable		(72,328)	(948,650)
Short term investments		3,828,611	15,774,432
Musharika receivable		24,815,997	(132,507,098)
Advance and prepayments		(29,015,550)	15,263,356
Other receivables		(28,478,551)	(15,956,411)
		<u>(27,931,255)</u>	<u>(132,944,672)</u>
Increase/(decrease) in current liabilities			
Musharika arrangement		1,786,302	105,848,123
Accrued and other liabilities		104,098	4,324,270
Due to management company		(521,288)	182,676
Unclaimed profit distribution		(982,809)	-
		<u>386,303</u>	<u>110,355,069</u>
Cash flow from operating activities		<u>14,356,962</u>	<u>(1,714,472)</u>
Finance cost paid		(12,663,128)	(7,781,096)
		<u>(1,693,834)</u>	<u>(9,495,568)</u>
Net cash generated from / (used in) operating activities			
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets for ijarah arrangements		(2,891,800)	(571,000)
Purchase of fixed assets for own use		(2,085,250)	(532,094)
Purchase of short term investment		(1,474,188)	-
Proceeds from sale of short term investments		13,149,783	-
Long term deposits		(2,149,301)	180,361
Investments in subsidiary		(9,321,399)	(7,448,922)
Proceeds from sale of fixed assets - own use		-	(50,490)
Proceeds from sale of assets leased out		-	69,552
Dividend received		1,864,559	-
Customers' security deposits received during the period		1,127,410	109,000
Net cash generated from / (used in) investing activities		<u>(1,780,186)</u>	<u>(8,243,593)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Modaraba certificates deposit money		-	-
Profit paid to certificate holders		-	(3,072,937)
Net cash generated from / (used in) financing activities		<u>-</u>	<u>(3,072,937)</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(86,352)</u>	<u>(20,812,098)</u>
Cash and bank balances at the beginning of the year		<u>1,143,866</u>	<u>21,955,965</u>
Cash and bank balances at end of the year	6	<u><u>1,057,514</u></u>	<u><u>1,143,866</u></u>

The annexed notes 1 to 36 form an integral part of these financial statements.

**For IBL Modaraba Management (Private) Limited
(Management Company)**

Chief Executive

Director

Director

**FIRST IBL MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010**

	Reserves				Total	
	Certificate capital	Statutory reserve	Unrealized (loss)/gain on revaluation of AFS investments	Sub Total		Unappropriated profit
Balance as at June 30, 2008	116,875,000	33,568,283	16,894,338	50,462,621	9,828,208	177,165,829
Profit distributed for 2008 @ Rs. 0.289 per certificate	-	-	-	-	(5,843,750)	(5,843,750)
Total comprehensive income for the year	-	-	(24,826,289)	(24,826,289)	1,644,081	(23,182,208)
Impairment loss transferred to profit and loss	-	-	5,924,810	5,924,810	-	5,924,810
Transfer to statutory reserve at 20% Modaraba Certificates Issued	-	328,816	-	328,816	(328,816)	-
Balance as at June 30, 2009	85,000,000	-	-	-	-	85,000,000
Total comprehensive income for the year	201,875,000	33,897,099	(2,007,141)	31,889,958	5,299,723	239,064,681
Impairment loss transferred to profit and loss	-	-	3,962,055	3,962,055	2,082,051	6,044,106
Transfer from profit and loss account @20%	-	416,410	-	-	(416,410)	(416,410)
Balance as at June 30, 2010	201,875,000	34,313,509	4,828,914	39,142,423	6,965,364	247,982,787

**For IBL Modaraba Management (Private) Limited
(Management Company)**

Chief Executive

Director

Director

**FIRST IBL MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1 STATUS AND NATURE OF BUSINESS

First IBL Modaraba ("the Modaraba") is a multi purpose, perpetual and multi dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder, having its registered office at 6th Floor, Suite # 604, Park Avenue, 24-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi. The Modaraba is managed by IBL Modaraba Management(Private) Limited, incorporated in Pakistan under the Companies Ordinance, 1984 and registered with Registrar of Modaraba Companies. The Modaraba is listed on Karachi and Lahore and Islamabad stock exchanges. The Modaraba commenced its operations on October 19, 1989 and is currently engaged in various Islamic modes of financing and operations including Ijarah, Musharaka and Morabaha arrangements.

2 SUMMARY OF 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 except as explained in note 2.1.3 to these financial statements

2.1 Basis of preparation

2.1.1 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

2.1.2 Accounting Convention

These financial statements have been prepared under the historical cost convention except that investments classified as financial assets 'at fair value through profit or loss' or 'available for sale' have been marked to market.

2.1.3 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published accounting standards that are effective in the current year:

- a) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and the comparative period.

Accordingly, the Modaraba has added a separate statement of comprehensive income in these financial statements. Comparative information has also been represented to bring it in conformity with the revised standard.

- b) IFRS 8, 'Operating segments' became effective for annual periods beginning on or after January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has not resulted in identification of any new reportable segment
- c) IFRS 7 (Amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures



about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures as given in note 30 and 31 to these financial statements, but does not have an impact on the Modaraba's financial position or performance.

2.1.4 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

The following new standards and amendments to existing standards that are mandatory for the first time for the financial year beginning July 1, 2009 :

- a) IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have any impact on the Modaraba's financial statements.
- b) IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular features is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. The adoption of the amendment did not have any impact on the Modaraba's financial statements.
- c) IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

This amendment did not have any impact on the Modaraba's financial statements.
- d) IAS 36 (Amendment), 'Impairment of Assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. Adoption of the amendment did not have any effect on the Modaraba's financial statements.
- e) IAS 38 (Amendment), 'Intangible Assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Adoption of the amendment did not have any effect on the Modaraba's financial statements.
- f) IAS 23 (Amendment), 'Borrowing Costs' (effective from January 1, 2009). This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39, 'Financial Instruments: Recognition and Measurement'. Adoption of this amendment did not have any effect on the Modaraba's financial statements.
- g) IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions.



These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Adoption of this amendment did not have any effect on the Modaraba's financial statements.

There are other interpretations that were mandatory for the Modaraba's accounting periods beginning on or after July 1, 2009 but were considered not to be relevant or did not have any significant effect on the Modaraba's operations and are therefore not disclosed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2010:

- IFRS 2 (Amendments), 'Group Cash-settled and Share-based Payment Transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Modaraba's financial statements.
- IFRS 8 (Amendment), 'Operating segments' (effective from January 1, 2010). There is a minor amendment to the standard to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The amendment is not expected to have any impact on the Modaraba's financial statements.
- IAS 17 (Amendment), 'Leases' (effective from January 1, 2010). The amendment has deleted the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. The amendment is not expected to have any impact on the Modaraba's financial statements.
- IAS 36 (Amendment), 'Impairment of Assets' (effective from January 1, 2010). The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment. The amendment is not expected to have a significant effect on the Modaraba's financial statements.
- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2010). The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active market. The amendment is not expected to have any impact on the Modaraba's financial statements.

There are certain other new standards, amendments and interpretations that are mandatory for Modaraba's accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or to have any significant effect on the Modaraba's operations and are therefore not detailed in these financial statements.

2.2 Islamic Financial Accounting Standard - 1

The Securities and Exchange Commission of Pakistan (SECP) notified the Islamic Financial Accounting Standard 1 (IFAS-1) issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transaction undertaken by a bank / financial institution, effective for financial periods beginning on or after January 1, 2006. The standard had not been adopted by the Modaraba pending resolutions of certain issues, e.g. invoicing of goods, recording of inventories, etc. During the current year, the Modaraba has adopted IFAS-1 after obtaining certain clarifications in respect of the afore-mentioned issues from the Shariah advisor of the Modaraba Association of Pakistan. However, the adoption of the above standard does not have any impact on the Modaraba's financial statements for the year ended June 30, 2010 .

2.3 Islamic Financial Accounting Standard - 2

During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the SECP vide an SRO 431(1)/ 2007 dated May 5, 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.



- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, SECP allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after July 1, 2008.

Consequently, in preparation of these financial statements the Modaraba has accounted for ijarah transactions executed before July 01, 2008 as operating leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2. This change only effects the amount of charge of depreciation in this financial statements as disclosed in note 8.

2.4 Critical accounting estimates and judgments

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

- i) Determination and measurement of useful life and residual value of fixed assets and Ijarah assets (notes 2.7).
- ii) Provision against doubtful based on time based criteria. In term of prudential regulations for modaraba (4.2)

2.5 Financial assets

2.5.1 Classification

- a) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss' category. The financial assets classified as at fair value through profit or loss included investments in listed equity securities.

- b) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. The financial assets included in loans and receivables classification are cash and bank balances, Musharaka Finance, Ijara Finance and Advances deposits, prepayments and other receivables.

- c) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss.



2.5.2 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

2.5.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial asset at fair value through profit or loss' & 'available for sale'

The investment in listed securities are market to market using the closing market rates and are carried on the balance sheet at fair value.

Gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from the excess of value determined in accordance with the above mentioned criteria over the carrying amount in respect of available for sale financial assets are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

b) Loans and receivables'

Loans and receivable financial assets are carried at amortised cost less the amount of provision made against doubtful amount and profit kept in suspense in accordance with the requirement of prudential of regulations for modaraba.

2.5.4 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Modaraba commits to purchase or sell the asset.

2.5.5 Impairment

The management assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit and loss account. Impairment losses recognised on equity instruments are not reversed through profit and loss. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2.5.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

2.5.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.5.8 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include musharika finance, Short term finance, unclaimed profit distribution, creditors, accrued and other liabilities. They are initially recognised at fair value and subsequently stated at amortised cost.



2.6 Lease rentals , murabaha finance and musharaka finance

Lease rentals , murabaha finance and musharaka finance receivables are stated net of provisions and suspense income, Provision is recognised for lease rentals receivables, in accordance with Prudential Regulations for Modaraba. Bad debts are written off as and when identified.

2.7 Tangible fixed assets

2.7.1 Owned assets

Assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal.

Repairs and maintenance are charged to income as and when incurred.

2.7.2 Assets given to customers under ijarah arrangements

Assets leased out under Ijarah on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset.

2.7.3 Gain or loss on disposal

Gains / losses on disposal of fixed assets/ Ijarah assets are charged to the profit and loss account currently.

2.7.4 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2.8 Loans, advances and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

2.9 Taxation

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemption available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability in the current year.

Deferred

The Modaraba accounts for deferred taxation using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these accounts as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.



Deferred tax liability or asset is not recognized as the management expects to continue to distribute at least 90% of its profit in future years (due to which no tax would be payable as explained above).

2.10 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

2.11 Provisions

Provisions are recorded when the Modaraba has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.12 Staff retirement benefit

Defined benefit plan

The Modaraba operates an un-funded scheme for its employees. Gratuity is payable on retirement / resignation after the qualifying period of ten years with modaraba. Gratuity is payable at the rate of three fourth of one month gross salary for each completed years of service or part thereof exceeding ten years.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balances with banks on current and deposit accounts.

2.14 Proposed profit distribution to certificate holder

Profit distribution to certificate holders is recognised as a liability in the period in which such distribution is announced.

2.15 Revenue recognition

Revenue is recognized on the following basis:-

- Profit on finances under musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Profit on finances under murabaha arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Ijarah income is recognized on accrual basis
- Dividend income is recognized when the right to receive dividend is established.
- Other income is recognised as and when accrued.
- Return on deposits with bank is recognized on accrual basis.

2.16 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani Rupees, which is the Modaraba's functional and presentation currency.

2.17 Segment reporting

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



The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

2.18 Earnings per certificate

Earning per certificate is calculated by dividing the profit attributable to certificate-holders by the weighted average number of certificates outstanding during the year.

3 SHORT TERM INVESTMENTS

	Note	2010	2009
-----Rupees-----			
Available for sale	3.1	21,852,811	26,496,458
At fair value through profit & loss	3.2	1,455,526	640,490
		<u>23,308,337</u>	<u>27,136,948</u>

3.1 Available for sale

2010	2009	Name of entity	2010	2009
No. of shares/ Certificates			Rupees	Rupees
Unless otherwise stated, holdings are in ordinary certificates / shares of Rupees 10 each.				
-	1,379,500	First UDL Modaraba	-	4,842,045
234,003	233,967	Searle Pakistan Ltd	13,806,177	10,423,230
108,239	398,360	United Distributors Pakistan Ltd	1,623,585	4,107,091
-	87,759	IBL Healthcare Limited	-	1,196,155
10,300	10,300	Jahangir Siddiqui & Co. Ltd.	130,192	238,857
16,000	16,000	Pakistan State Oil	4,163,200	3,418,400
407,500	487,500	PCCL Cement	1,116,550	1,316,250
30,000	35,000	NIB Bank Ltd	89,700	166,250
25,000	25,000	Nimir Industrial Chemicals	39,750	34,500
22,000	22,000	Sitara Peroxide	195,360	405,680
5,700	-	Arif Habib Securities	189,297	-
50,000	50,000	Byco Petroleum	499,000	348,000
<u>908,742</u>	<u>2,745,386</u>		<u>21,852,811</u>	<u>26,496,458</u>

3.1.1 The disposal of these investments were partly concluded during the year and partly subsequent to balance sheet on the agreed prices as per terms of the agreement of sale entered in to between modaraba & buyers during the year 2008, the modaraba charged opportunity cost of funds at the rate of 18% per annum amount to Rs 6 million (refer note 20) out of Advance of Rs. 8.2 million (Refer note 13.1) and balance was adjusted towards sale consideration


3.2 At fair value through profit and loss

2010	2009	Name of entity	2010	2009
No. of shares/ Certificates			Rupees	Rupees
Unless otherwise stated, holdings are in ordinary certificates / shares of Rupees 10 each.				
2,241	863	Crescent Leasing Corporation Ltd	1,905	1,614
770	770	Saif Textile Mills Ltd	1,902	3,080
1,200	200	Attock Refinery Ltd	96,672	24,958
3,000	3,000	Nishat Mills Ltd	129,360	113,460
100,000	100,000	First Punjab Modaraba	111,000	170,000
1,001	-	Sui Northern Gas Ltd	15,926	-
500	-	Pakistan Oil Fields Ltd	107,950	-
2,000	-	Jahangir Siddiqui & Co. Ltd	25,280	-
700	-	Engro Corporation	121,506	-
5,000	-	TRG Pakistan Ltd	20,550	-
80,000	-	World Call Telecommunication Ltd	232,800	-
600	-	Pakistan Petroleum Ltd	110,472	-
10,000	-	Lotte Pak PTA Ltd	80,600	-
2,500	-	D.G.Khan Cement Ltd	59,050	-
1,000	-	Azgard Nine Ltd	11,160	-
1,000	-	Arif Habib Securities Ltd	33,210	-
1,500	1,500	Dost Steel Ltd	3,870	8,010
20,000	5,000	Pace Ltd	71,400	27,900
4,000	4,000	Honda Atlas Cars Ltd	52,120	51,400
5,000	5,000	Dewan Cement Ltd	8,600	13,750
3,500	10,000	Fauji Fertilizer Bin Qasim Ltd	91,140	176,900
2,750	2,750	Crescent Steel & Allied Products Ltd.	69,053	49,418
<u>248,262</u>	<u>133,083</u>		<u>1,455,526</u>	<u>640,490</u>

	Note	2010	2009
		-----Rupees-----	
4 MUSHARAKA RECEIVABLE			
Musharaka receivables - considered good	4.1	227,655,959	252,471,956
- considered doubtful		<u>19,500,000</u>	-
		247,155,959	252,471,956
Provision in respect of musharaka receivable	4.2	<u>(19,500,000)</u>	-
		<u>227,655,959</u>	<u>252,471,956</u>

4.1 This represents musharika finance provided to customers for business activities for a maximum period of twelve months. The provisional rate of profit on these finances ranges from 12% to 20% (2009:12% to 19%) per annum and secured by way of hypothecation of goods and book debts.

4.2 This represents provision made against over due principal amount of musharaka investment on time based criteria in terms of the requirement of the Prudential Regulations applicable to Modaraba. The profit accrued thereon of Rs. 9,056,664/- was also suspended appears in note 6.

4.3 (a) This includes outstanding musharaka facility of Rs. 89 million extended to a group that exceeds the limit of 35% of the equity set by set Part II of the prudential regulations. The management expects to bring the exposure within the prescribed limit in due course of time subsequently.



- 4.3 (b) The musharaka and murabaha finance facility provided to the customers, include major shareholders (99%) and those engaged in the speculative transaction which is prohibited under regulation 7 of Prudential Regulations. These customers have been regular in payment of profits on due date. The outstanding principal is expected to be realised by the modaraba on respective maturity dates.

5 ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2010	2009
-----Rupees-----			
Advance income tax		510,744	331,212
Advance to staff		622,627	231,500
Prepayments		129,135	162,795
		1,262,506	725,507
Other receivables			
Accrued profit on musharaka arrangements		42,923,473	23,125,584
Less: Profit held in suspense account		(9,056,664)	(6,716,659)
Receivables against sale of shares		-	365,000
Receivables from modaraba management company		9,274,649	7,026,000
Balance with broker		7,405,815	-
Others	5.1	2,903,951	1,172,748
		53,451,224	24,972,073
		<u>54,713,730</u>	<u>25,698,180</u>

- 5.1 This represents the amount that is to be reimbursed to Modaraba in terms of Modaraba Ordinance and Rules thereunder, in respect of rent of office and other expenses paid by the modaraba on its behalf. During the year the modaraba recovered an amount of Rs. 1,343,080/- from the management Company

6 CASH AND BANK BALANCES

	Note	2010	2009
----- (Rupees) -----			
Cash in hand		3,477	6,530
With banks in current accounts		971,500	196,264
With banks in deposit accounts		82,537	941,072
		<u>1,057,514</u>	<u>1,143,866</u>

7 TANGIBLE FIXED ASSETS

Assets in own use	7.1	4,247,808	3,699,623
Assets leased out	7.2	16,875,108	19,235,691
		<u>21,122,916</u>	<u>22,935,314</u>



7.1 Assets in own use

-----Year ended June 30, 2010-----					
Own Asset					Total
Office Equipments and computer systems	Plant & Machinery	Motor vehicles	Furniture & Fixtures		
------(Rupees)-----					
At July 01, 2009					
Cost	2,881,825	-	153,490	4,588,095	7,623,410
Accumulated depreciation	(1,686,341)	-	(82,773)	(2,154,673)	(3,923,787)
Net book value	1,195,484	-	70,717	2,433,422	3,699,623
Additions	193,750	1,891,500	-	-	2,085,250
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Depreciation for the year	(626,169)	(104,637)	(17,898)	(788,361)	(1,537,065)
Closing net book value	763,065	1,786,863	52,819	1,645,061	4,247,808
At June 30, 2010					
Cost	3,075,575	1,891,500	153,490	4,588,095	9,708,660
Accumulated depreciation	(2,312,510)	(104,637)	(100,671)	(2,943,034)	(5,460,852)
Net book value	763,065	1,786,863	52,819	1,645,061	4,247,808
Depreciation rate	(20 and 33.33)%	20%	20%	20%	

-----Year ended June 30, 2009-----					
Own Asset					Total
Office Equipments and computer systems	Plant & Machinery	Motor vehicles	Furniture & Fixtures		
------(Rupees)-----					
At July 01, 2008					
Cost	2,710,215	-	164,980	4,266,611	7,141,806
Accumulated depreciation	(1,082,645)	-	(84,196)	(1,374,478)	(2,541,319)
Net book value	1,627,570	-	80,784	2,892,133	4,600,487
Additions	171,610	-	39,000	321,484	532,094
Disposals					
Cost	-	-	(50,490)	-	(50,490)
Depreciation	-	-	10,078	-	10,078
	-	-	(40,412)	-	(40,412)
Depreciation for the year	(603,696)	-	(8,655)	(780,195)	(1,392,546)
Closing net book value	1,195,484	-	70,717	2,433,422	3,699,623
At June 30, 2009					
Cost	2,881,825	-	153,490	4,588,095	7,623,410
Accumulated depreciation	(1,686,341)	-	(82,773)	(2,154,673)	(3,923,787)
Net book value	1,195,484	-	70,717	2,433,422	3,699,623
Depreciation rate	(20 and 33.33)%	20%	20%	20%	


7.1.1 Disposal of Fixed assets in own use

The following assets were disposed of during the year having carrying value of more than Rs 50,000:

	2010						
Cost	Accumulated depreciation	Net book Value	Sale Proceeds	Gain/ (Loss)	Mode of disposal	Particulars of buyer	
(Rupees)							
-	-	-	-	-			
2009							
Computer	50,490	10,078	40,412	47,985	7,573	Negotiation Khawaja Khalil	
	50,490	10,078	40,412	47,985	7,573		

7.2 Assets leased out
7.2(a) For Ijarah arrangement before July 1, 2008

	Year ended June 30, 2010				
	Ijarah assets			Total	
	Office Equipments and computer systems	Plant & Machinery	Motor vehicles		
(Rupees)					
At July 01, 2009					
Cost		5,266,880	8,536,775	11,718,342	25,521,997
Accumulated depreciation / amortisation		(1,482,445)	(1,437,949)	(3,919,319)	(6,839,713)
Net book value		3,784,435	7,098,826	7,799,023	18,682,284
Additions		-	-	-	-
Disposals					
Cost		-	-	-	-
Depreciation		-	-	-	-
Depreciation for the year		(1,010,369)	(1,453,383)	(2,203,327)	(4,667,079)
Closing net book value		2,774,066	5,645,443	5,595,696	14,015,205
At June 30, 2010					
Cost		5,266,880	8,536,775	11,718,342	25,521,997
Accumulated depreciation / amortisation		(2,492,814)	(2,891,332)	(6,122,646)	(11,506,792)
Net book value		2,774,066	5,645,443	5,595,696	14,015,205



7.2(b) For Ijarah arrangement commencing after July 1, 2008 on straight line depreciation

-----Year ended June 30, 2010-----				
Ijarah assets				Total
Office Equipments and computer systems	Plant & Machinery	Motor vehicles		
----- (Rupees) -----				
At July 01, 2009				
Cost	-	-	571,000	571,000
Accumulated depreciation	-	-	(17,593)	(17,593)
Net book value	-	-	553,407	553,407
Additions	-	425,000	2,466,800	2,891,800
Disposals				
Cost	-	-	(1,185,539)	(1,185,539)
Depreciation	-	-	711,494	711,474
			474,065	474,065
Depreciation for the year	-	(23,288)	99,735	111,239
Closing net book value	-	401,712	2,446,407	2,859,903
At June 30, 2010				
Cost	-	425,000	1,852,261	2,277,261
Accumulated depreciation	-	(11,504)	594,146	582,642
Net book value	-	413,496	2,446,407	2,859,903
Total	2,774,366	6,058,939	9,042,103	16,875,108

-----Year ended June 30, 2009-----				
Ijarah assets				Total
Office Equipments and computer systems	Plant & Machinery	Motor vehicles		
----- (Rupees) -----				
At July 01, 2008				
Cost	5,266,880	8,536,775	11,718,342	25,521,997
Accumulated depreciation	(334,134)	(538,687)	(1,844,308)	(2,717,129)
Net book value	4,932,746	7,998,088	9,874,034	22,804,868
Additions	-	-	571,000	571,000
Disposals				
Cost	-	-	-	-
Depreciation	-	-	-	-
			-	-
Depreciation for the year	(1,148,311)	(899,262)	(2,092,604)	(4,140,177)
Closing net book value	3,784,435	7,098,826	8,352,430	19,235,691
At June 30, 2009				
Cost	5,266,880	8,536,775	12,289,342	26,092,997
Accumulated depreciation	(1,482,445)	(1,437,949)	(3,936,912)	(6,857,306)
Net book value	3,784,435	7,098,826	8,352,430	19,235,691



8.2.1 Disposal of Ijarah assets

The following assets were disposed of during the year having carrying value of more than Rs 50,000:

----- 2010 -----						
Cost	Accumulated depreciation	Net book Value	Sale Proceeds	Gain/ (Loss)	Mode of disposal	Particulars of buyer
----- (Rupees) -----						
Motor cycle	33,000	25,000	8,000	8,000	-	Termination of lease Masood Ahmed
Suzuki Cultus	631,352	237,566	393,786	393,786	-	Termination of lease Decent Enterprises
Chevorlate	170,697	93,212	77,485	77,485	-	Termination of lease Sulman Ahmed
Honda CD 70	50,490	41,968	8,522	8,522	-	Termination of lease Meraj Industries
Cherry QQ	300,000	125,834	174,166	174,166	-	
	<u>1,185,539</u>	<u>523,580</u>	<u>661,959</u>	<u>661,959</u>	-	
----- 2009 -----						
	-	-	-	-	-	

8 FUTURE RENTALS RECEIVABLES AGAINST IJARAH ARRANGEMENTS

Future minimum lease rentals receivable on the basis of lease agreements executed upto 30 June are as follows:

	2010	2009
	----- (Rupees) -----	
Not later than one year	5,992,091	4,837,483
Later than one year but less than five years	8,592,478	9,438,832

General description of ijarah arrangements

This represents ijarah arrangements made by the modaraba at profit rates ranging from 14% to 25% (2009:13.51% to 19.43%) per annum. Most of the Ijarahs are of machinery and vehicles. These are secured against assets under ijarah, personal / corporate guarantees, promissory notes executed by Musta'jir and other collaterals.

	2010	2009
	----- (Rupees) -----	
9 INVESTMENT IN SUBSIDIARY	17,130,321	7,808,922

This represents equity investment in Alka Power Limited. Modaraba holds 80,000 shares of Rs. 100/- each, acquired at a cost of Rs. 80/- per share. This represents an advance against equity against which at Rs. 100/- per share will be issued.

	Note	2010	2009
		----- Rupees -----	
10 LONG TERM MURABAHA FINANCE			
Opening receivables - gross	10.1	30,000,000	30,000,000
Current portion of Murabaha Finance		30,000,000	-
Murabaha finance - due after one year		<u>-</u>	<u>30,000,000</u>



- 10.1 "This represents Murabaha arrangements made with a single party in March 2008 for a period of three years, maturing on March 2011 carrying profit at a rate of 10.5% p.a payable monthly. The facility is secured by hypothecation of current assets and personal guarantees of borrowers.

This facility is provided to certificate holder holding 9.9% of the issued and paid up modaraba certificates. Part II of Prudential Regulations 7 restricts providing of facility to major certificate holders. Modaraba expects to receive the amount by maturity date March, 2011

	2010	2009
	-----Rupees-----	
11 MUSHARAKA FINANCE	<u>86,786,302</u>	<u>85,000,000</u>

These were arranged for the purpose of normal business activities of the Modaraba from a modaraba. The maximum period of the arrangements is twelve months. The provisional rates of profit payable were from 14% to 18% per annum. The arrangements were secured against pledge of marketable securities and hypothecation of books debts.

12 SHORT TERM FINANCE - SECURED

The facility with a limit of Rs. 40 million was initially obtained for one year on June 10, 2008 as short term finance for working capital requirements including making short term investment from Arif Habib Bank Limited, carrying mark up at 3-months KIBOR ask average rate plus 3% pa with margin of 30% minimum. It is secured against marketable securities of KSE-30 index publicly quoted companies under Bank's pledge at Central Depository Company Limited with a minimum margin of 30% (as per Bank's approved list) on overall exposure.

	Note	2010	2009
		-----Rupees-----	
13 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		783,492	1,532,935
Musharaka profit payable		8,208,177	3,712,056
Payment received against sale of shares		-	8,297,809
Other liabilities		6,387,880	1,732,651
		<u>15,379,549</u>	<u>15,275,451</u>

14 CUSTOMERS' SECURITY DEPOSITS

Security deposits of ijarah	4,514,293	3,653,483
Less: repayable/adjustable after one year	(4,219,293)	(3,093,883)
Current portion of security deposit	<u>295,000</u>	<u>711,600</u>



15	CERTIFICATE CAPITAL	2010	2009
		-----Rupees-----	
	Authorised certificate capital		
	2010		
	2009		
	No. of certificates		
	<u>50,000,000</u>		
	<u>50,000,000</u>		
	Modaraba certificates of Rs.10	<u>500,000,000</u>	<u>500,000,000</u>
	 Issued, subscribed and paid-up capital		
	18,500,000		
	18,500,000		
	Modaraba Certificates of Rs 10 each fully paid in cash	185,000,000	185,000,000
	1,687,500		
	1,687,500		
	Modaraba Certificates of Rs 10 each issued as fully paid bonus certificates	16,875,000	16,875,000
	<u>20,187,500</u>		
	<u>20,187,500</u>		
		<u>201,875,000</u>	<u>201,875,000</u>
16	<p>"Statutory reserve represents profit set aside in accordance with the requirements of 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.</p> <p>During the current year, the Modaraba has transferred an amount of Rs 416,410 which represents 20% of the profit after tax."</p>		
17	<p>CONTINGENCIES AND COMMITMENTS</p> <p>There were no known contingencies as at June 30, 2010 (2009: Nil).</p>		
18	INCOME ON MUSHARAKA TRANSACTIONS	2010	2009
		-----Rupees-----	
	Profit on musharaka arrangements	46,514,278	33,720,289
	Suspended income	(9,056,664)	(6,716,659)
		<u>37,457,614</u>	<u>27,003,630</u>
19	DIVIDEND INCOME ON EQUITY INVESTMENTS		
	Dividend Income	1,864,559	2,011,416
		-	-
		<u>1,864,559</u>	<u>2,011,416</u>



	Note	2010	2009
		-----Rupees-----	
20 OTHER INCOME			
Profit on bank deposits		20,912	77,528
Loss on trading activity		(943,214)	-
Income on sale of shares under agreement		6,529,894	-
Gain /(Loss)on disposal of own assets		-	7,573
Other income		1,435,425	76,200
		<u>7,043,017</u>	<u>161,301</u>
21 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	21.1	9,866,463	9,036,056
Corporate expenses		-	-
Rent rates and taxes		-	2,500
Traveling and conveyance		598,988	166,075
Entertainment		296,765	143,975
Repair and maintenance		143,311	125,933
Registrar services		141,312	145,195
Utilities		115,518	116,495.00
Printing and stationery		317,321	309,181
Fee and subscription		242,818	579,972
Legal and professional		25,738	29,611
Auditors' remuneration	21.2	320,900	265,000
Insurance		33,312	41,697
Postage		59,904	104,792
Telephone		575,123	497,297
Depreciation on fixed assets - owned		1,537,065	1,409,963
Motor vehicle running and maintenance		188,700	119,175
Stamp paper and revenue stamps		2,760	149,523
Advertisement		63,500	24,000
Donation		-	20,000
Zakat		-	6,500
Miscellaneous		157,964	180,696
		<u>14,687,462</u>	<u>13,473,636</u>
21.1 Remuneration of Officers			
Remuneration		9,291,497	8,441,084
Bonus		-	-
Employer's contribution to provident fund		287,966	231,472
Gratuity		-	-
Others		287,000	363,500
		<u>9,866,463</u>	<u>9,036,056</u>
Number of persons		<u>16</u>	<u>14</u>

Officers are also provided with free use of modaraba's vehicles.



	Note	2010	2009
21.2 Auditor's Remuneration		-----Rupees-----	
Audit fee		300,000	255,000
Out-of-pocket expenses		20,900	10,000
		<u>320,900</u>	<u>265,000</u>
22 MODARABA MANAGEMENT COMPANY FEE			
In accordance with the Modaraba Companies and Modaraba Rules, 1981 management fee at the rate of 10% of annual profits is payable to the Management Company amounting to Rs 231,339.(2009:182,676).			
		2010	2009
		------(Rupees)-----	
23 FINANCE COST			
Mark up on short term finance		3,280,753	4,060,187
Profit on Musharaka finance		12,650,233	3,712,055
Bank charges		14,567	8,854
		<u>15,945,553</u>	<u>7,781,096</u>
24 TAXATION			
No provision with respect to current & deferred taxation has been made in these accounts on the promise that under the current tax law income of non-trading Modarabas is exempt from Income tax provided that they distribute ninety percent cash profit to certificate holders out of current years total profit after appropriating Statutory Reserves.			
		2010	2009
		------(Rupees)-----	
25 EARNINGS PER CERTIFICATE			
Profit for the year		<u>2,082,051</u>	<u>1,644,081</u>
Weighted average number of modaraba certificates outstanding during the year		<u>20,187,500</u>	<u>20,187,500</u>
Earnings per certificate		<u>0.10</u>	<u>0.08</u>
26 IMPAIRMENT LOSS ON AVAILABLE FOR SALE INVESTMENTS			

The Karachi Stock Exchange (Guarantee) Limited (KSE) placed a "Floor Mechanism" on the market value of securities effective from August 27, 2008 till December 15, 2008, based on the closing prices of securities prevailing as on August 27, 2008. Consequent to the introduction of Floor Mechanism, the market volume declined significantly during the said period. Subsequent to the lifting of the floor, there were lower floors on a number of securities at December 31, 2008. The equity securities were valued at prices quoted on KSE on December 31, 2008 without any adjustment.

Due to unprecedented decline in equity security prices and financial crisis, the SECP allowed to show impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investment held as 'Available for Sale' to quoted market prices under equity and take this amount to the profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. The amount taken to equity was required to be treated as a charge to the profit and loss account for the purposes of distribution as dividend. Pursuant to this, the Modaraba has charged the entire amount to the profit and loss account by December 31, 2009.



	2010	2009
	-----Rupees-----	
Impairment loss of available for sale investment as on December 31, 2008	5,924,810	11,958,099
Realized/unrealized gain for two quarters	(3,050,810)	(108,479)
Impairment loss transferred to profit and loss for the year	(2,874,000)	(5,924,810)
Impairment loss carried forward	<u>-</u>	<u>5,924,810</u>

27 MATURITIES OF ASSETS AND LIABILITIES

Assets	-----2010-----				
	Amount	Up to one year	One month to three month	Three month to one year	One year to five years
	-----Rupees-----				
Bank balances	1,057,514	1,057,514	-	-	-
Advances,deposits & other receivables	54,713,730	11,879,506	2,902,547	39,931,677	-
Short term investments	23,307,166	21,852,811	-	1,454,355	-
Short term musharaka investment	227,655,959	21,708,000	10,850,000	195,097,959	-
Lease rental receivable	1,513,948	-	1,513,948	-	-
Current portion of murabaha finance	30,000,000	-	-	-	30,000,000
Long term investment	17,130,321	-	-	-	17,130,321
Long term loans and deposits	3,379,960	-	475,000	952,160	1,952,800
Fixed assets	21,122,916	-	-	-	21,122,916
Total assets as at June 30,2010	379,412,484	56,497,831	15,741,495	237,436,151	70,206,037

Liabilities	-----2010-----				
	Amount	Up to one year	One month to three month	Three month to one year	One year to five years
	-----Rupees-----				
Creditors, accrued and other liabilities	15,698,690	-	-	15,379,549	-
Short term finance - secured	20,848,123	-	-	20,848,123	-
Musharaka finance	86,786,302	-	-	86,786,302	-
Due to management company	231,339	-	-	231,339	-
Unclaimed profit distribution	4,140,291	-	-	4,140,291	-
Long term security deposits	4,513,123	-	500,000	220,000	3,794,293
Total liabilities as at June 30,2010	131,898,727	-	500,000	127,605,604	3,794,293
Net balance	247,982,786	56,497,831	15,241,495	109,830,546	65,411,744
Certificate holders' equity	247,982,787				

	-----2009-----				
	Amount	Up to one year	One month to three month	Three month to one year	One year to five years
	-----Rupees-----				
Bank balances	1,143,866	1,143,866	-	-	-
Advances,deposits & other receivables	25,698,180	1,449,452	650,961	7,188,842	-
Short term investments	27,136,948	26,496,458	-	640,490	-
Short term musharaka investment	252,471,956	2,351,942	98,500,000	151,620,014	-
Lease rental receivable	1,441,620	-	1,441,620	-	-
Long term investment	7,808,922	-	-	-	7,808,922
Long term morabaha investment - secured	30,000,000	-	-	-	30,000,000
Long term loans and deposits	1,230,660	-	135,360	-	1,095,300
Fixed assets	22,935,314	-	-	-	22,935,314
Total assets as at June 30,2009	369,867,466	31,441,718	100,727,941	159,449,346	61,839,536



Liabilities	Amount	Up to one year	One month	Three month to one year	One year to five years
			to three month		
-----Rupees-----					
Creditors, accrued and other liabilities	15,275,451	493,204	3,585,440	10,941,807	-
Short term finance - secured	20,848,123	-	-	20,848,123	-
Musharaka finance	85,000,000	-	50,000,000	35,000,000	-
Long term security deposits	3,653,483	-	16,622	-	3,786,861
Due to management company	752,628	-	-	752,628	-
Unclaimed profit distribution	5,123,100	-	-	-	5,123,100
Total liabilities as at June 30,2009	130,652,786	493,204	53,602,062	45,941,807	3,786,861
Net balance	239,214,681	30,948,514	47,125,879	113,507,539	58,052,675
Certificate holders' equity	239,064,681				

28 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2010 -----

	Loans and receivables	Availabe for sale	Held for trading	Total
ASSETS				
Bank balances	1,057,514	-	-	1,057,514
Ijarah rental receivable	1,513,948	-	-	1,513,948
Advances,deposits & other receivables	1,262,506	-	-	1,262,506
Short term investments	-	21,852,811	1,454,355	23,307,166
Other receivables	53,451,224	-	-	53,451,224
Short term musharaka investment	227,655,959	-	-	227,655,959
Current portion of murabaha finance	30,000,000	-	-	30,000,000
Long term loans and deposits	3,379,960	-	-	3,379,960
	318,321,111	21,852,811	1,454,355	341,628,277

----- As at June 30, 2010 -----

	Liabilities at fair value through profit or loss	Other financial liabilities	Held to maturity	Total
LIABILITIES				
Musharaka finance	-	86,786,302	-	86,786,302
Short term finance-secured	-	20,848,123	-	20,848,123
Accrued & other liabilities	-	15,379,549	-	15,379,549
Due to management company	-	231,339	-	231,339
Unclaimed profit distribution	-	4,140,291	-	4,140,291
	-	127,385,604	-	127,385,604



----- As at June 30, 2009 -----				
ASSETS	Loans and receivables	Assets at fair value through profit & loss	Held for trading	Total
				-
Bank balances	1,143,866	-	-	1,143,866
Ijarah rental receivable	1,441,620	-	-	1,441,620
Advances, deposits & other receivables	25,698,180	-	-	25,698,180
Short term investments	-	26,496,458	640,490	27,136,948
Other receivables	24,972,673	-	-	24,972,673
Short term musharaka investment	252,471,956	-	-	252,471,956
Long term morabaha investment	30,000,000	-	-	30,000,000
Long term loans and deposits	1,230,659	-	-	1,230,659
	<u>336,958,954</u>	<u>26,496,458</u>	<u>640,490</u>	<u>364,095,902</u>

----- As at June 30, 2009 -----				
LIABILITIES	Liabilities at fair value through profit or loss	Other financial liabilities	Held to maturity	Total
Musharika finance	-	85,000,000	-	85,000,000
Short term finance-secured	-	20,848,123	-	20,848,123
Accrued & other liabilities	-	15,275,451	-	15,275,451
Due to management company	-	752,627	-	752,627
Unclaimed profit distribution	-	5,123,100	-	5,123,100
Total non-current liabilities	<u>-</u>	<u>126,999,301</u>	<u>-</u>	<u>126,999,301</u>

29 FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations through equity & borrowings. The Modaraba utilises funds in ijarah financing, musharaka financing and murabaha financing. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

29.1 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk.

(i) 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.

(ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is exposed to equity price risk as modaraba hold available for sale and held for trading investments.



Reporting date all index points	2010		2009	
	Changes in KSE all index	9721 Effects on profit before tax	7169 Effects on equity	
-----Rupees-----				
Available for sale investments				
	+10%	-		2,185,281
2010	-10%	-		(2,185,281)
	+10%	-		2,649,646
2009	-10%	-		(2,649,646)
Held for trading investments				
	+10%	145,553		-
2010	-10%	(145,553)		-
	+10%	64,049		-
2009	-10%	(64,049)		-

(iii) **Profit rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market mark up rates.

The Modaraba has no significant long-term interest-bearing assets. The Modaraba's mark up/profit rate risk arises from long term Murabaha financing, short term Musharika financing, investments and ijarah.

At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:

	2010	2009
-----Rupees-----		
Fixed rate instruments		
Financial assets		
Long term murabaha finance	30,000,000	30,000,000
Ijara rentals receivable	1,513,948	1,441,620
Floating rate instruments		
Financial assets		
Bank balances-deposit accounts	82,537	941,072
short term investments:		
At fair value through profit or loss	1,455,526	640,490
Available-for-sale investments	21,852,811	26,496,458

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Modaraba.

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 233,908 lower /higher and loss after taxation for the year 2009: Rupees 280,780 higher / lower respectively. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.



29.2 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 is exposed to credit risk in respect of long term murabaha, musharaka and ijara arrangements.

The Modaraba attempts to control credit risk by diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or businesses, monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties. It also obtains securities when appropriate.

The maximum exposure to credit risk at the reporting date was as follows:

	2010	2009
	-----Rupees-----	
Financial assets		
Bank balances	1,057,514	1,143,866
Ijarah rental receivable	1,513,948	1,441,620
Advances, deposits & other receivables	1,262,506	725,507
Short term investments	23,307,166	27,136,948
Other receivables	54,794,303	24,972,673
Short term musharaka investment	227,655,959	252,471,956
Current portion of murabaha finance	30,000,000	30,000,000
Long term loans and deposits	3,379,960	1,230,659
	<u>342,971,356</u>	<u>339,123,229</u>

Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables (murabaha financing and musharaka receivables) at the reporting date by type of customer was:

	2010	2009
	-----Rupees-----	
Chemical and pharmaceutical	30,000,000	30,000,000
Education	40,495,015	35,676,942
Engineering and Construction	800,000	800,000
Miscellaneous	186,360,944	215,994,908
	<u>257,655,959</u>	<u>282,471,850</u>

The age of musharaka and ijarah rental receivables and related impairment loss at the balance sheet date was:

Aging of musharaka and ijarah rental receivables		
Not past due	227,655,959	253,913,576
Past due 0 - 180 days	28,556,664	7,960,732
Past due 181 - 365 days	-	-
1 - 2 years	-	19,500,000
More than 2 years	19,500,000	-

Due to the Modaraba long standing business relationships with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counter parties on their obligations to the Modaraba. Accordingly, the credit risk is a moderate.



29.3 Liquidity Risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The Modaraba's management closely monitors the Modaraba's liquidity and cash flow position.

-----As at June 30, 2010-----				
	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees-----				
Current liabilities				
Musharika finance	88,000,000	-	88,000,000	-
Short term finance-secured	20,848,123	20,848,123	-	-
Accrued & other liabilities	13,070,667	800,000	2,200,000	10,070,667
Due to management company	1,296,677	-	1,296,677	-
Unclaimed profit distribution	4,730,744	-	-	4,730,744
Total current liabilities	127,946,211	21,648,123	91,496,677	14,801,411
Non-current liabilities				
Security deposits	4,219,293	-	295,000	3,924,293
Total non-current liabilities	4,219,293	-	295,000	3,924,293
-----As at June 30, 2009-----				
	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees-----				
Current liabilities				
Musharika finance	85,000,000	-	-	85,000,000
Short term finance-secured	20,848,123	-	20,848,123	-
Accrued & other liabilities	15,275,451	760,000	1,200,767	13,314,684
Due to management company	752,627	-	752,627	-
Unclaimed profit distribution	5,123,100	-	-	5,123,100
Total current liabilities	126,999,301	760,000	22,801,517	103,437,784
Non-current liabilities				
Security deposits	3,091,883	-	-	3,091,883
Total non-current liabilities	3,091,883	-	-	3,091,883

30 CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of dividends paid to certificate-holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Short term borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.



	2010	2009
	-----Rupees-----	
Total borrowings	107,634,425	105,848,123
Less: cash and bank balances	1,057,514	1,143,866
Net debt	<u>106,576,911</u>	<u>104,704,257</u>
Total equity	<u>379,413,654</u>	<u>369,867,465</u>
Total capital	<u><u>201,875,000</u></u>	<u><u>201,875,000</u></u>
Gearing ratio	53%	52%

31 RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba comprise of its Management Company, associated companies, directors of the Management Company and key management personnel. Transactions with related parties are as follows:

Transactions during the year	Relationship	2010	2009
		-----Rupees-----	
Modaraba management fee	Management Company	236,339	182,676
Associated companies			
Doosalani Securites (Pvt) Ltd			
Recovery against Musharika	Holds 34% of the paid up certificates of Modaraba	10,000,000	32,464,856
Markup charged on Musharika facility		8,355,630	6,490,247
Musharika markup received		-	6,281,205
Major certificate holders			
Markup charged and received on Murabaha with United Ethanol Industries	Holds 10% of the paid up certificates of Modaraba	3,150,000	3,150,000
University of Management and Technology			
Recovery against Musharika	Holds 16% of the paid up certificates of Modaraba	-	-
Markup charged on Musharika facility		6,120,000	5,488,767
Musharika markup received		5,440,986	-
Key management personnel remuneration			
Salaries and benefits		9,291,497	8,441,084
Contribution to staff provident fund		287,966	231,472
Other benefits		287,000	363,500
No. of persons		16	14



Transactions during the year	Relationship	2010	2009
		-----Rupees-----	
outstanding Balance at the year end			
Receivable from modaraba management company		9,274,649	7,026,047
Modaraba management fee payable		231,339	752,627
Receivable from Dossiani Securities (Private) Limited		58,064,933	59,759,078
Receivable from United Ethanol Industries		30,000,000	30,000,000
Receivable from University of Management and Technology		40,207,067	39,488,767
32	SEGMENT BY CLASS OF BUSINESS		
32.1	Musharaka investment		
	Brokerage house	53,340,315	64,813,290
	Group	89,000,000	89,000,000
	Education	77,013,557	76,723,560
	Engineering	7,502,085	1,635,000
	Others	800,000	800,000
		<u>227,655,957</u>	<u>232,971,850</u>
32.2	Ijarah assets		
	Engineering	27,685	-
	Education	500,000	948,397
	Individuals	986,263	493,223
		<u>1,513,948</u>	<u>1,441,620</u>

33 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of directors of management company in their meeting held on October 29, 2010 has approved distribution @3%(2009:nil). The financial statements of the modaraba for the year ended June 30, 2010 do not include the effect of distribution which will be accounted for the financial statements of modaraba for the year ending June 30, 2011.

34 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 29, 2010 by the board of directors of the Modaraba Management Company.

35 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of appropriate presentation. Significant reclassifications and rearrangements are as follows:

Current portion of customer security deposit of year 2009 has been reclassified for comparison with the current portion of year 2010. Previously, it was shown under the head 'Customer security deposit'.

36 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive

Director

Director


FIRST IBL MODARABA

 PATTERN OF HOLDING OF CERTIFICATE HELD BY THE CERTIFICATE HOLDERS
 AS AT June 30, 2010

NO. OF CERTIFICATE HOLDERS	CERTIFICATES HOLDER		TOTAL CERTIFICATES HELD
	From	TO	
209	1	50	4,382
153	51	100	11,562
322	101	500	87,869
210	501	1000	148,644
253	1001	5000	510,860
29	5001	10000	191,749
9	10001	15000	111,682
4	15001	20000	74,500
4	20001	25000	91,331
2	25001	30000	53,995
2	30001	35000	67,500
2	35001	40000	72,742
2	40001	45000	85,007
2	50001	55000	102,201
1	55001	60000	58,000
2	90001	95000	185,058
2	95001	100000	197,002
1	120001	125000	125,000
1	130001	135000	135,000
2	195001	200000	399,569
1	235001	240000	235,068
1	305001	310000	305,299
1	505001	510000	509,990
2	600001	1100000	1,712,896
2	1100001	1600000	2,607,679
1	1600001	2100000	2,000,000
1	2600001	3100000	3,070,000
1	6600001	7100000	7,032,915
1,222			20,187,500

FIRST IBL MODARABA

 CATEGORIES OF CERTIFICATES HOLDERS
 AS AT June 30, 2010

CATEGORIES OF CERTIFICATES HOLDERS	NUMBER	CERTIFICATES HELD	PERCENTAGE
NATIONAL INVESTMENT TRUST	2	2,289,670	11.34
INVESTMENT CORPORATION OF PAKISTAN	1	3,006	00.01
PUBLIC SECTOR COMPANIES AND CORPORATIONS	1	191	00.00
BANKS	5	568,216	02.81
DEVELOPMENT FINANCE INSTITUTIONS	1	1,000	00.00
INSURANCE COMPANIES	4	517,608	02.56
MODARABAS	1	70	00.00
JOINT STOCK COMPANIES	14	9,290,917	46.03
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	2	2,030,905	10.06
OTHERS	2	3,097,500	15.34
INDIVIDUALS	1,189	2,388,417	11.85
	1,222	20,187,500	100.00



FIRST IBL MODARABA
DETAIL OF CATEGORIES OF CERTIFICATE HOLDRES

CATEGORIES OF CERTIFICATES HOLDERS	NO. OF CERTIFICATE HOLDERS	CERTIFICATES HELD
NATIONAL INVESTMENT TRUST		
03889-28 NATIONAL BANK OF PAKISTAN		862,896
02154-27 NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	2	1,426,774
		<u>2,289,670</u>
INVESTMENT CORPORATION OF PAKISTAN		
00638 INVESTMENT CORPORATION OF PAK.	1	3,006
		<u>3,006</u>
PUBLIC SECTOR COMPANIES AND CORPORATIONS		
00611 M/S. NAFEEES COTTON MILLS LTD.	1	191
		<u>191</u>
BANKS		
02295-39 FAYSAL BANK LIMITED		199,569
00430 M/S. CRESCENT INVESTMENT BANK LIMITED.		4,348
03079-34 SONERI BANK LIMITED		58,000
00792 THE BANK OF PUNJAB		1,000
03871-86 THE BANK OF PUNJAB		305,299
	5	<u>568,216</u>
DEVELOPMENT FINANCE INSTITUTIONS		
01519 NATIONAL DEVELOPMENT FINANCE CORPORATION INVESTAR	1	1,000
		<u>1,000</u>
INSURANCE COMPANIES		
00435 M/S. ASIA INSURANCE CO. LTD.		5,843
00227 M/S. GULF INSURANCE COMPANY LTD.		1,200
01104 M/S. SILVER STAR INS. CO. LTD.		575
02683-23 STATE LIFE INSURANCE CORP. OF PAKISTAN		509,990
	4	<u>517,608</u>
MODARABAS		
03277-2906 FIRST TRI-STAR MODARABA	1	70
		<u>70</u>
JOINT STOCK COMPANIES		
06882-25 AWJ SECURITIES (SMC-PRIVATE) LIMITED.		584
03855-21 DARSON SECURITIES (PRIVATE) LIMITED		168
04481-26 DOSSLANI'S SECURITIES (PVT) LIMITED		7,032,915
11668-24 DURVESH SECURITIES (PVT) LTD		43
05587-22 FIRST NATIONAL EQUITIES LIMITED		200,000
07385-17 ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED		1,000
04978-42 LIVE SECURITIES LIMITED		221
00639 M/S. D.S.CORPORATION (PVT) LTD		11,687
11353-22 NATIONAL INVESTMENT TRUST LIMITED		36,742
01536 NH SECURITIES (PVT)LTD.		165
03525-63474 PYRAMID INVESTMENTS (PVT) LTD.		800
03525-57191 SARFRAZ MAHMOOD (PRIVATE) LTD		512
03996-37100 TAG HOLDING (PRIVATE) LIMITED		6,080
01222-9970 UNITED ETHANOL INDUSTRIES LIMITED		2,000,000
	14	<u>9,290,917</u>
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
00001 IBL MODARABA MANAGEMENT (PRIVATE) LIMITED		1,180,905
01783 IBL MODARABA MANAGEMENT (PVT.) LTD.		850,000
	2	<u>2,030,905</u>
OTHERS		
01777 GOVT. COLLEGE UNIVERSITY		27,500
09316-2463 UNIVERSITY OF MANAGEMENT & TECHNOLOGY		3,070,000
	2	<u>3,097,500</u>
CATEGORIES TOTAL	33	17,799,083
INDIVIDUALS	1,189	2,388,417
GRAND TOTAL	1,222	<u>20,187,500</u>

FIRST IBL MODARABA

CERTIFICATE HOLDERS HOLDING 10% OR MORE VOTING INTEREST IN THE COMPANY

AS AT June 30, 2010

	CERTIFICATES HELD	PERCENTAGE
JOINT STOCK COMPANIES		
04481-26 DOSSLANI'S SECURITIES (PVT) LIMITED	7,032,915	34.84
OTHERS		
09316-2463 UNIVERSITY OF MANAGEMENT & TECHNOLOGY	3,070,000	15.21
NATIONAL INVESTMENT TRUST		
02154-27 NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT.	2,289,670	11.34
03889-28		
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
00001 IBL MODARABA MANAGEMENT (PRIVATE) LIMITED	2,030,905	10.06
01783		