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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	Mr. Abdul Hameed Khan Mr. Muhammad Akhtar I. Pathan Mr. Mohammad Musharraf Khan	(Chairman) (Director) (Director)
<b>AUDIT COMMITTEE</b>	Mr. Muhammad Akhtar I. Pathan Mr. Abdul Hameed Khan Mr. Mohammad Musharraf Khan	(Chairman) (Member) (Member)
<b>COMPANY SECRETARY</b>	Mr. Mohammad Musharraf Khan	
<b>BANKERS</b>	Askari Bank Limited Faysal Bank Limited Muslim Commercial Bank Limited Bank Al-Fallah Limited Royal Bank of Scotland Emirates Global Islamic Bank Atlas Bank Ltd.	
<b>AUDITORS</b>	M/s BDO Ebrahim & Company Chartered Accountants	
<b>LEGAL ADVISOR</b>	Syed Mazharul Haque Advocate Ghulam Ali & Co.	
<b>MANAGEMENT COMPANY</b>	M/s Royal Management Services (Pvt.) Limited	
<b>REGISTERED OFFICE</b>	Office No. 54, Ground Floor, Beverley Centre, 56-G, Blue Area, Islamabad	
<b>SHARE REGISTRAR</b>	Shares & Corporate Services (Pvt.) Limited, Mehersons Estate, 1st Floor, Block-E, Talpur Road, Karachi- 74000 Tel: 32429632-4 , Fax 32420015	

**DIRECTORS' REPORT**

The Board of Directors of Royal Management Services (Pvt) Limited, Managers First Pak Modaraba pleased to present herewith the Yearly Review of First Pak Modaraba together with Audited Accounts, Auditors and Directors Report thereon for the year ended 30th June 2010.

**KEY OPERATING / FINANCIAL HIGHLIGHTS:**

Year ended	(Rs. in million)	
	30.06.2010	30.06.2009
Total Income from Operations	9.328	3.574
Operating Expenses	4.646	4.797
Profit / (Loss) from Operation	4.682	(1.224)
Unrealized Gain / (Loss) on Re-measurement of Investment	(3.076)	(20.800)
Net Profit / (Loss)	6.896	(33.498)
Earning per Certificate (Rs.)	0.55	(2.67)
Declared Dividend (Rs.)	0.30	NIL

**REVIEW OF OPERATIONS:**

During the Year ended on 30th June 2010, the Overall operating performance of the First Pak Modaraba reflects that Operating Income increased to Rs.9.328 Million as against Rs.3.574 Million, registering 161% increase over the corresponding period last year. Profit from Operation stands to Rs.4.682 Million as against a loss of Rs. 1.224 Million in the year 2008-09. Further, Modaraba has recorded unrealized loss on re-measurement of Investment at Rs.3.076 Million as against a loss of Rs.20.800 Million in the corresponding period in 2009. The Net Profit of the Modaraba stands to Rs.6.896 Million as against a Loss of Rs.33.498 Million in the corresponding period last year. The Earning per Certificate stands to Rs.0.55 during the period under review, wiping out the Loss of Rs.2.67 per Certificate of the corresponding period last year 40% of net profit transferred to Statutory Reserve Fund, now the Reserve Fund reflects Rs.21.262 Million. Which indicates sound financial health of the Modaraba. The Modaraba has declared a Cash Dividend of 3% for the year ended 30th June 2010.

**Observations of External Auditors:**

The Observations of the External Auditors are clarified as under:

**1. Chief Executive Officer:**

During the year, the Board in their meeting held on October 09, 2009 has appointed a new Chief Executive for which application for approval of appointment has been sent to the Registrar of Modaraba. As the appointment is not yet confirmed by SECP for want of certain information, which were provided to SECP accordingly, yet the decision is pending with SECP for confirmation/approval. As soon as, the confirmation is received from SECP, the appointed Chief Executive Officer will take over the Management Company and its Modaraba.

**2. Investment:**

The amount under the head "investments" includes balance amounting to Rs. 1.838 million in Prudential Securities Limited (PSL) an unlisted public company. PSL has ceased its operations at Stock Exchange, yet the Company has sufficient assets to set off our Invested amount. Efforts are being made to call back the Invested amount. We have asked the Management of Prudential Securities Limited to provide us the latest Audited Financial Account to ascertain, the carrying value of Investment.

**3. Other Receivable:**

The amount under the head "other receivables" includes balance amounting to Rs.10.476 million due from Prudential Securities Limited. This amount is receivable against sale of various equity investments on July 16, 2008 and August 25, 2008. As per normal clearing, the balance was expected to be received on July 18, 2008 and August 27, 2008 respectively, however, the balance has remained outstanding as at June 30, 2010.

The Modaraba besides lodgment of claim against their aggregate receivable amounting to Rs.11.476 million from PSL with Karachi Stock Exchange (Guarantee) Limited on April 29, 2010, on call of claims due to suspension of business activities of PSL at the floor of Karachi Stock Exchange, have also entered into agreement with the Management of Prudential Securities Limited to purchase offered land at Norwal subject to fair assessment of value from a licensed Architect, the original title documents are in custody of the Modaraba.

**Corporate Governance:**

The Board adopted Code of Corporate Governance for listed companies issued by the Securities and Exchange Commission of Pakistan and implemented in wherever applicable during the period under review.

**Statement on Corporate and Financial Reporting Framework:**

- The Financial Statements prepared by the Management of the Modaraba, present fairly its state of affairs, the result of its operation, cash flow and change in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparations of Financial Statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
- The system of Internal Control is sound in design and has been effectively implemented and monitored.
- There have been no significant doubts upon the Modaraba ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- During the period 6 meetings of the Board of Directors were held. Attendance of each director was as follows:

Name of Director	Number of Meeting Attended.
Mr. Abdul Hameed Khan	6
Mr. Muhammad Akhtar I. Pathan	6
Mr. Muhammad Musharraf Khan	4

The Statement of pattern of certificate holders of the Modaraba as at 30th June 2010 as per code of corporate governance is annexed.



**Future Outlook:**

To put a vision to the aggravated Socio-Political and Economic conditions in general and Capital Market in particular, during the period under review, the trade and business activities shrunk to a large extent.

The improved trend is now being witnessed in the Capital Market, which provides us the room to curtail booked losses on Investment Portfolio to the maximum extent, yet, the Management cautiously monitoring its Investment Portfolio to earn maximum gains by disinvesting the existing share holding and to avail the opportunity of better addition in our Investments.

The Board of Directors attaching their emphasis for the recovery of Overdue finances, to improve our funding portfolio for better utilization in different business and corporate sectors with higher profitability earnings, to further improve the Net Profit. With the self sufficiency in funds and better liquidity, we are looking forward to explore more profitable avenues for deployment of funds.

The Management of the Modaraba intends to deploy its funds in short term Leasing (Ijra), Musharakah and Murabaha financing to increase its profitability and to lesser the risk of stagnancy of Modaraba funds.

**Acknowledgement:**

The Board of Directors expresses its thanks for the continuous guidance and support extended by the Registrar Modaraba and other officials of Security and Exchange Commission of Pakistan. Directors are also thankful to the Certificate Holders for reposing their confidence in the Management of the Modaraba and also appreciate the hard work and dedication of the staff of the Modaraba.

For & on behalf of the Board of Directors of  
**Royal Management Services (Pvt) Limited,**  
Managers First Pak Modaraba

Karachi.  
Dated: 08-10-2010

Chairman



**VISION STATEMENT**

“ To participate prominently in the economic and social development of the Country and increase prosperity of stakeholders through a well established and competitive Islamic financial system managed by motivated and efficient human resources”

**MISSION STATEMENT**

“We are in business to generate year to year increase in profit to reward our stake holders and the wider business environment. This will be achieved by making First Pak Modaraba a profitable and growing entity through exploiting the opportunities and avoiding threats in the environment”



**STATEMENT OF COMPLIANCE WITH BEST PRACTISES OF  
THE CODE OF CORPORATE GOVERNANCE  
As per clause (xlv)**

Name of Company **FIRST PAK MODARABA**  
Year Ended **June 30, 2010**

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

The Royal Management Services (Private) Limited (the Management Company), Managers of First Pak Modaraba, (the Modaraba) has applied the principles contained in the Code in the following manner:

1. The Modaraba encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes at least 3 independent non-executive directors and no director representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Modaraba.
3. All the resident directors of the Modaraba are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the period under review.
5. The Modaraba has prepared a 'Statement of Ethics and Business'
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board. However the office of CEO is vacant since October 2008 and application for approval of appointment of the CEO of the Modaraba is pending with the Registrar Modaraba.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged no orientation course for its directors during the year. However the Directors are well versed with the required laws and regulations.



10. On 09-10-2010 the Board has terminated the services of Mr. Muhammad Saeed and appointed a new CFO in his position.
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. In the absence of CEO, the financial statements of the Modaraba were duly endorsed by a Director and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of shareholding as Management Company.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the code except for the requirement to circulate half yearly financial information within two months of close of the period. This financial information was issued and circulated on April 13, 2010.
15. The Board has formed an audit committee. It comprises 3 members, of whom 3 are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function, headed by Head of internal audit, who is conversant with the policies and procedures of the Modaraba and is involved in the internal audit function on a full time basis. the Board has appointed Head of Internal Audit on 31-10-2009. The position remained vacant from 01-07-2009 to 31-10-2009.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and 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.
21. The related party transactions and methods have been placed before Audit Committee and approved by the BOD of Directors.

**For and Behalf of the Board  
Director**



## 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 for the year ended June 30, 2010 prepared by the Board of Directors of Royal Management Services (Private) Limited (the Modaraba Company) in respect of **FIRST PAK MODARABA** (the Modaraba) to comply with the Listing Regulations No. 37 (Chapter XI ) of the Karachi Stock Exchange (Guarantee) Limited, Chapter XI of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Chapter XI of Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba 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 Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code of Corporate Governance.

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

Further, the Listing Regulations require 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 alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. 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. 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.

**Chartered Accountants**

Engagement Partner: Qasim E. Causer

Karachi:

Dated: October 8, 2010



## AUDITORS' REPORT TO THE CERTIFICATE HOLDRES

We have audited the annexed balance sheet of **FIRST PAK MODARABA** (the 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 purpose of our audit.

These financial statements are the Modaraba Company's [Royal Management Services (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:

1. During the year, the Board in their meeting held on October 09, 2009 has appointed a new Chief Executive for which application for approval of appointment has been sent to the Registrar of Modaraba dated March 31, 2010. As the approval is pending and as there is no appointed Chief Executive, the provisions of Section 241 of the Companies Ordinance, 1984 have not been complied with as detailed in Note 31.1 to the financial statements.
2. The amount under the head "investments" includes balance amounting to Rs. 1.838 million in Prudential Securities Limited (PSL) an unlisted public company. PSL has ceased its operations and current year audited financial statements are not available. We have not been provided with sufficient appropriate audit evidence to support the carrying value of this investment.
3. The amount under the head "other receivables" includes balance amounting to Rs.10.476 million due from Prudential Securities Limited, a related party. This amount is receivable against sale of various equity investments on July 16, 2008 and August 25, 2008. As per normal clearing, the balance was expected to be received on July 18, 2008 and August 27, 2008 respectively, however, the balance has remained outstanding as at June 30, 2010.



During the year, as per minutes of meeting of Board of Directors, the management of PSL has offered their land situated at Narowal as collateral or sale against the outstanding balance. The Board of Directors of the management company in their meeting held on November 25, 2009 has accepted the offer by PSL subject to a fair value assessment obtained from licensed architects to determine the value of the land. We have observed that the Modaraba has signed a sale agreement with PSL dated December 12, 2009 for purchase of this land. As per Clause 1 of the Sale Agreement, the transfer of property in lieu of outstanding balance shall be treated as a full and final settlement of the outstanding amount. The transaction has not been recorded in the books of accounts pending transfer of title of land and receipt of relevant documents.

Further, an amount of Rs. 1.000 million is maintained with Prudential Securities Limited against margin for purchase of securities.

The Modaraba has also lodged claim against their aggregate receivable amounting to Rs. 11.476 million from PSL with Karachi Stock Exchange (Guarantee) Limited on April 29, 2010.

In the event of non recovery of outstanding balances, the Modaraba would incur a loss amounting to Rs. 11.476 million and "other receivable" and "short term deposit" balances would decrease by Rs. 10.476 million and Rs. 1.000 million respectively

**Except for adjustments in respect of matters stated above:**

- a) In our opinion proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) **In our opinion:**
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied, except for the change as stated in note 2.2 to the financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of Modaraba's business, and
  - iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- c) except for the adjustments in respect of matters stated above 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 the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2010 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) In our opinion, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without further qualifying our report we draw attention to the following matter:

As per section 23(1)(II) of Modaraba Ordinance, 1980, a Modaraba shall be wound up by the Tribunal on an application made by the Registrar if - (a) - Modaraba is unable to discharge its liabilities; (b) - the accumulated losses of the modaraba exceed 50% of the total amount subscribed by the holders of modaraba certificates; or (c) - the business of modaraba is being or have been conducted for fraudulent purpose or with intent to defraud the holders of Modaraba Certificates, or its creditors or any other person. We have noted the Modaraba's accumulated losses exceeded 50% of the issued, subscribed and paid up capital of the Modaraba.

The ability of the Modaraba to continue as a going concern is dependent on the ability of the management to restore the equity of the Modaraba as stated in notes 1.3 to the financial statements. If the management does not succeed in their efforts, the basis for preparation of financial statements on a going concern basis would not be valid and adjustments would have to be made for any gain or loss arising on realization of the Modaraba's assets and settlement of liabilities.

**KARACHI**  
**DATED: October 08, 2010**

**CHARTERED ACCOUNTANTS**  
Engagement Partner: Qasim E. Causer



## BALANCE SHEET

### AS AT JUNE 30, 2010

ASSETS		2010	2009
NON-CURRENT ASSETS	Note	Rupees	Rupees
Fixed assets- tangible			
Assets in own use	3	197,094	123,804
Ijarah assets	4	1,474,691	3,267,517
		1,671,785	3,391,321
Long-term deposits		45,000	37,500
		<u>1,716,785</u>	<u>3,428,821</u>
<b>CURRENT ASSETS</b>			
Short term investments	5	13,844,794	27,356,018
Short-term musharika finances	6	-	-
Short-term murabaha finances	7	-	16,160,077
Loans and advances	8	117,119	6,441
Trade deposit and short term prepayments	9	1,014,435	1,086,647
Tax refunds due from government	10	4,076,489	-
Other receivables	11	12,516,357	10,609,081
Taxation - net of provision	12	640,566	4,020,705
Cash and bank balances	13	37,758,680	1,532,490
		<u>69,968,440</u>	<u>60,771,459</u>
		<u>71,685,225</u>	<u>64,200,280</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized			
15,000,000 modaraba certificates of Rs. 10/- each		150,000,000	150,000,000
Issued, subscribed and paid-up capital			
12,540,000 modaraba certificates of Rs. 10/- each	14	125,400,000	125,400,000
Capital reserves			
Statutory reserve		21,261,577	18,502,915
Revenue reserves			
Fair value reserves		(3,037,125)	(3,037,125)
Accumulated losses		(77,311,763)	(81,449,756)
Certificate holders' equity		66,312,689	59,416,034
<b>NON-CURRENT LIABILITIES</b>			
Long term deposits	15	433,990	609,340
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	4,938,546	4,174,906
<b>CONTINGENCIES AND COMMITMENTS</b>	17		
		<u>71,685,225</u>	<u>64,200,280</u>

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

CHAIRMAN

DIRECTOR

DIRECTOR



## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
	Note	Rupees	Rupees
<b>OPERATING INCOME</b>			
Ijarah income		1,004,040	1,533,220
Dividend income		1,136,599	1,554,627
Profit on bank deposits		2,441,948	433,862
Gain / (loss) on sale of investments		4,587,975	(121,301)
Gain on disposal of fixed assets - own		-	120,000
Gain on disposal of fixed assets - ijarah		124,090	28,515
Other operating income		33,595	24,806
		<u>9,328,247</u>	<u>3,573,729</u>
<b>OPERATING EXPENSES</b>			
Operating expenses	18	2,592,158	3,115,141
Other operating charges	19	1,126,301	464,215
Depreciation on ijarah assets	4	702,011	1,101,056
Transaction cost on investments		225,986	116,843
		4,646,456	4,797,255
Gain / (loss) from operations		4,681,791	(1,223,526)
Reversal / (provision) against morabaha finance	20	6,032,825	(11,385,013)
Unrealized loss on re-measurement of investments		(3,076,073)	(20,800,443)
Provisions / impairment		(476,377)	(89,229)
		<u>2,480,375</u>	<u>(32,274,685)</u>
Profit / (loss) before taxation and management fees		7,162,166	(33,498,211)
Taxation - prior		500,784	-
Profit / (loss) before management fees		7,662,950	(33,498,211)
Modaraba company's management fee		766,295	-
Profit / (loss) for the year		6,896,655	(33,498,211)
Earnings / (loss) per certificate - basic and diluted	21	0.55	(2.67)

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

CHAIRMAN

DIRECTOR

DIRECTOR



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

	2010 Rupees	2009 Rupees
Profit / (loss) for the year	6,896,655	(33,498,211)
Net unrealised loss on available for sale investments	-	(243,750)
Total comprehensive income / (loss) for the year	<u>6,896,655</u>	<u>(33,741,961)</u>

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

CHAIRMAN

DIRECTOR

DIRECTOR



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

	2010 Rupees	2009 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) for the year	6,896,655	(33,498,211)
Adjustments for items not involving movement of funds:		
Dividend income	(1,136,599)	(1,554,627)
Provision against other receivables	476,377	89,229
Unrealized loss on re-measurement of investments (Gain) / loss on investment of securities	3,076,073 (4,587,975)	- 20,677,994
Gain on sale of fixed assets-in own use	-	(120,000)
Gain on sale of fixed assets-on Ijarah assets	(124,090)	(71,871)
(Reversal) / provision against Murabaha finance	(6,032,825)	11,385,013
Management fees	766,295	-
Provision for taxation	500,784	-
Depreciation - own assets	34,210	38,544
- Ijarah assets	702,011	1,101,056
	<u>(6,325,739)</u>	<u>31,545,338</u>
Operating profit / (loss) before working capital changes	570,916	(1,952,873)
Decrease / (increase) in current assets:		
Short term murabaha finances	22,192,902	(27,545,090)
Loans and advances	(110,678)	(1,928)
Trade deposit and short term prepayments	72,212	(918,209)
Tax refunds due from government	(500,784)	-
Other receivables	(2,413,924)	9,835,777
	19,239,728	(18,629,450)
(Decrease) / increase in current liabilities		
Long term deposits	(373,950)	(698,200)
Accrued and other liabilities	373,301	348,761
	(649)	(349,439)
Cash generated from / (used in) operations	19,809,995	(20,931,762)
Dividend paid	(2,006)	(3,505,592)
Management fees paid	-	(362,388)
Taxes paid	(640,566)	(58,034)
	<u>(642,572)</u>	<u>(3,926,014)</u>
Net cash generated from / (used in) operating activities	19,167,423	(24,857,776)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets - own assets	(107,500)	(82,400)
Investment-net	15,021,405	(20,749,801)
Proceeds from sale of fixed assets-own assets	-	120,000
Proceeds from sale of fixed assets- Ijarah assets	880,763	1,055,613
Long term deposits	7,500	100,000
Dividend received	1,256,599	1,476,627
Net cash generated from investing activities	17,058,767	(18,079,961)
Net increase / (decrease) in cash and cash equivalents	36,226,190	(42,937,737)
Cash and cash equivalents at beginning of the year	1,532,490	44,470,227
Cash and cash equivalents at end of the year	<u>37,758,680</u>	<u>1,532,490</u>

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

CHAIRMAN

DIRECTOR

DIRECTOR





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

	Issued, subscribed and paid up capital	Statutory Reserve	Revenue Reserves			Total
			Fair Value Reserved	Accumulated Losses	Sub Total	
			Rupees			
Balance as at July 01, 2008	125,400,000	18,502,915	(2,793,375)	(44,189,545)	(46,982,920)	96,919,995
Dividend paid for the year ended June 30, 2008	-	-	-	(3,762,000)	(3,762,000)	(3,762,000)
Total comprehensive loss for the year	-	-	(243,750)	(33,498,211)	(33,741,961)	(33,741,961)
Balance as at June 30, 2009	125,400,000	18,502,915	(3,037,125)	(81,449,756)	(84,486,881)	59,416,034
Total comprehensive income for the year	-	-	-	6,896,655	6,896,655	6,896,655
Transfer to statutory reserve	-	2,758,662	-	(2,758,662)	(2,758,662)	-
Balance as at June 30, 2010	125,400,000	21,261,577	(3,037,125)	(77,311,763)	(80,348,888)	66,312,689

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

CHAIRMAN

DIRECTOR

DIRECTOR



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

**1. THE COMPANY AND ITS OPERATIONS**

1.1 First Pak Modaraba (the Modaraba) was formed on August 15, 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under, having its registered office at Office No. 54, Ground Floor, Beverley Centre, 56-G, Blue Area, Islamabad and is managed by Royal Management Services (Private) Limited, a company incorporated in Pakistan under the Companies Ordinance 1984, and registered with the Registrar of Modaraba Companies and Modaraba under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980. The certificates of Modaraba are listed on the Karachi, Lahore and Islamabad Stock Exchanges.

The Modaraba is a multipurpose and perpetual Modaraba and is mainly engaged in the deployment of funds on murabaha and musharika arrangements, lease (Ijarah) financing and is also involved in trading of listed marketable securities.

1.2 During the year the Registrar (Modaraba) has passed an Order dated April 30, 2010 in respect of show cause notice dated May 10, 2007 under Sections 19, 20 and 32 of the Modaraba Companies and Modaraba ( Floatation and Control ) Ordinance, 1980. Management is in the process of complying with the requirements and guidelines of the Order.

1.3 The Modaraba's accumulated losses amounted to 61.65 % of the issued, subscribed and paid up capital of the Modaraba. The management of the Modaraba is confident that with the recovery of stuck up finances and the capital markets, the losses shall be recouped. Moreover, the management of the Modaraba is desirous to expand the business activities of the Modaraba in different sectors such as Ijarah Finance, Musharika Finance, Murabaha Finance etc. As such these financial statements have been prepared on a going concern basis.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws). Approved accounting standards comprise such International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of relevant laws or directives issued by SECP differ with the requirements of these standards, the requirements of the relevant laws and the said directives take precedence.

The SECP has issued directive (vide SRO431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Ijarah (Lease) transactions as defined by said Standard. The Modaraba has adopted the above said Standard.

**2.2 Change in accounting policy**

IAS 1 (Revised), 'Presentation of financial statements' becomes applicable for the current financial year for the first time. 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, requiring "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 separately in performance statement. Modarabas can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The Modaraba has preferred to present two statements; a profit and loss account and a statement of comprehensive income. These financial statements has been prepared under revised disclosure requirements.

2.3 Standards, interpretations and amendments that have been effective during the year

IAS 23 (amendment) "Borrowing cost (effective from January 1, 2009). The amendment made it mandatory to capitalize borrowing cost incurred to obtain the qualifying assets as part of the cost of that asset. The option of immediately expensing this borrowing cost is removed. The Modaraba's current accounting policy is in compliance with this amendment and therefore there is no effect on the Modaraba's financial statements.

2.4 Standard, interpretations and amendments that are effective in current year but not relevant to the Modaraba

IAS 38 (amendment) 'Intangible assets". The amendment is part of IASB's annual improvements project published in April 2009 and will applicable from the effective date of IFRS 3 (revised). The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any impact on the Modaraba's financial statements.

The other amendments which are part of IASB's annual improvements project published in April 2009 and mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant to the Modaraba's financial reporting and operations.

2.5 Standards, interpretations and amendments that are not yet effective and have not been early adopted by the Modaraba

The following amendments to approved accounting standards, effective for accounting periods beginning on or after January 1, 2010, are either not relevant to the Modaraba's current operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures:

IAS 1	-	Presentation of Financial Statements
IAS 7	-	Cash flows statement
IAS 17	-	Leases
IAS 32	-	Financial Instruments
IAS 36	-	Impairment of assets
IAS 39	-	Financial Instruments: Recognition and Measurement
IFRS 1	-	First time Adoption of International Financial Reporting Standards
IFRS 2	-	Share based Payment
IFRS 5	-	Non Current Assets Held for Sales and Discontinued Operation
IFRS 8	-	Operating Segments

2.6 Basis of preparation

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement", wherever applicable.

Permissible Islamic financial products including Murabaha (as a liability) and Musharaka have been used by the Modaraba, in line with the similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon. Accordingly, purchases, sales and Musharaka profits / reserves are not reflected in these financial statements except for Murabaha facility (as an asset) which has been accounted for in line with Islamic Financial Accounting Standard - 1.



The Securities and Exchange Commission of Pakistan ("SECP") has directed that Islamic Financial Accounting Standard 2 shall be followed in regard to the financial statements by companies and modarabas while accounting for Ijarah (Lease) transactions as defined by the said standard.

2.7 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency for the Modaraba.

2.8 Fixed assets-Tangible

a) Assets in own use

Assets in own use are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is charged to income applying the straight line method, whereby the cost of an asset is written off over its estimated useful life at the rates specified in note 3 of these financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. In respect of additions and disposals during the year, depreciation is charged from the day of acquisition and upto the day preceding the date of disposal respectively. Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Normal repairs and maintenance are charged to income as and when incurred. However, major renewals and improvements are capitalized.

b) Ijarah assets

All Ijarah transactions are accounted for as "operating lease". Ijarah assets are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is charged to income applying the annuity method whereby the cost of as asset less salvage value is written off over the lease period. In respect of additions and disposal during the year, depreciation is charged from the month of acquisition and upto the month preceding the month of disposal respectively.

2.9 Investment

Regular way purchase or sale of investments

All purchases and sales of investments are recognised using trade date accounting. Trade date is the date that the Modaraba commits to purchase or sell the investment.

Available for sale

Investment securities held by the Modaraba other than financial assets at fair value through profit and loss and held-to-maturity are classified as available-for-sale. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the balance sheet date. For investments where there is no active market, value is determined using valuation techniques.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realized within 12 months of the balance sheet date.



Fair value of quoted marketable securities is determined by reference to the stock exchange rates ruling at the balance sheet date.

Gains and losses on disposals during the year are taken to income currently.

**Derecognition**

All investment are de-recognised when the right to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

**2.10 Trade date accounting**

All 'regular way' purchase and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchases or sale of quoted investments require delivery within three working days after the transaction date as per stock exchange regulations.

**2.11 Ijarah rental receivable, Musharika and Morabaha finances**

Ijarah rental receivable, Musharika and Morabaha finances originated by the Modaraba are stated at cost less provision and suspense income. Provisions are recognised in accordance with the Prudential Regulations for the Modaraba. Bad debts are written off when identified.

**2.12 Loans and advances**

Loans and advances are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

**2.13 Trade deposits and short term prepayments**

Trade deposits and short term prepayments are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

**2.14 Other receivables**

Other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

**2.15 Provisions**

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**2.16 Profit distribution and other appropriations of profit**

Profit distribution and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

**2.17 Related party transactions**

All transactions with the related parties are priced on the arm's length basis. Prices for those transactions are determined on the basis of admissible valuation methods.



**2.18 Trade and other payables**

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Modaraba or not.

**2.19 Taxation**

**Current**

Provision for current taxation is based on taxable income at current rates after taking into account tax rebates and tax credits available, if any.

The income of non-trading modaraba is exempt from taxation under clause 100 of Part 1 of the Second schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income excluding realized and unrealized capital gains for the period is distributed amongst the certificate holders.

**Deferred**

The Modaraba accounts for deferred taxation on all material temporary differences 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 financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of ninety percent of distributable profit.

**2.20 Impairment**

The Modaraba assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account.

**2.21 Revenue recognition**

Income from morabaha is recognized on time proportion basis that takes into account the effective yield on the investments.

The profit on musharika arrangements is being shared by the Modaraba in an agreed ratio based on estimated profit for the transaction. Loss, if any will be shared equally by the Modaraba.

Dividend income from investments is recognized when shareholders' right to receive payment has been established.

Income from leases is recognised on a straight line basis when rentals becomes due.

Profit on deposits with bank is recognised on accrual basis.

**2.22 Staff retirement benefits- defined contribution plan**

The Modaraba operates a recognized provident fund for all eligible employees. Equal monthly contributions are made by the modaraba and employees at the rate of 8.33% per month of basic salary.

**2.23 Cash and cash equivalents**

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

**2.24 Share capital**

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new certificate are shown as a deduction in equity.

**2.25 Earnings per certificate**

The Modaraba presents earnings per certificate data for its ordinary certificates. Basic earning per certificate is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by weighted average number of certificates outstanding during the period.

**2.26 Financial instruments****a) Off-setting**

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

**b) Recognition and de-recognition**

Financial assets and liabilities are recognised when the Modaraba becomes a party to the contractual provisions of the instrument and de-recognised when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

**2.27 Significant accounting estimates and judgment**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

**Useful lives, pattern of flow of economic benefits and impairment**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of the assets for possible impairment on an annual basis and any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

**Provisions against non performing financing**

The Modaraba reviews its overdue receivables at each reporting date to assess whether provision should be recorded in the profit and loss account, in addition to the mandatory provisions required in accordance with the Prudential Regulations issued by the SECP. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

**3. FIXED ASSETS-OWNED ASSETS**

Particulars	COST				DEPRECIATION			
	As at 01-07-2009	Additions/ disposal	As at 30-06-2010	Rate %	As at 01-07-2009	Charge/ (Adjustment) for the year	As at 30-06-2010	Written down value as at 30-06-2010
Furniture and fixture	96,295	-	96,295	10	48,027	9,630	57,657	38,638
Office equipment	253,294	107,500	360,794	33.33	252,528	8,100	260,628	100,166
Motor vehicle	82,400	-	82,400	20	7,630	16,480	24,110	58,290
Total rupees - 2010	431,989	107,500	539,489		308,185	34,210	342,395	197,094
	-	-	-		-	-	-	-

**4. IJARAH ASSETS**

Plant and machinery	1,700,000	-	1,700,000	33.33	1,530,000	-	1,530,000	170,000
Motor vehicle	5,766,715	-	2,815,715	20 - 33.33	2,669,198	702,011 (1,860,185)	1,511,024	1,304,691
Total rupees - 2010	7,466,715	(2,951,000)	4,515,715		4,199,198	702,011 (1,860,185)	3,041,024	1,474,691
	-	(2,951,000)	-		-	-	-	-

**3. FIXED ASSETS-OWNED ASSETS**

Particulars	COST				DEPRECIATION			
	As at 01-07-2008	Additions/ disposal	As at 30-06-2009	Rate %	As at 01-07-2008	Charge/ (Adjustment) for the year	As at 30-06-2009	Written down value as at 30-06-2009
Furniture and fixture	96,295	-	96,295	10	38,397	9,630	48,027	48,268
Office equipment	253,294	-	253,294	33.33	231,244	21,284	252,528	766
Motor vehicle	280,082	82,400 (280,082)	82,400	20	280,082	7,630 (280,082)	7,630	74,770
Total rupees - 2009	629,671	82,400 (280,082)	431,989		549,723	38,544 (280,082)	308,185	123,804
	-	-	-		-	-	-	-

**4. IJARAH ASSETS**

Plant and machinery	1,700,000	-	1,700,000	33.33	1,530,000	-	1,530,000	170,000
Motor vehicle	6,869,015	-	5,766,715	20 - 33.33	1,686,701	1,101,055 (118,558)	2,669,198	3,097,517
Total rupees - 2009	8,569,015	(1,102,300)	7,466,715		3,216,701	1,101,055 (118,558)	4,199,198	3,267,517
	-	(1,102,300)	-		-	-	-	-



5. INVESTMENTS	Note	2010 Rupees	2009 Rupees
(Fully paid shares / units / certificates have a face value of Rs. 10/- each unless otherwise stated)			
Available-for-sale	5.1	1,837,875	1,837,875
Designated at fair value through profit and loss account	5.2	2,853,652	3,416,656
Held-for-trading	5.3	9,153,267	22,101,487
		<u>13,844,794</u>	<u>27,356,018</u>

## 5.1 Available for sale

2010	2009	Name of company	Note	2010 Rupees	2009 Rupees
<b>Number of Shares</b>					
<b>Unquoted securities</b>					
487,500	487,500	Prudential Securities Limited		4,875,000	4,875,000
		Cost		(3,037,125)	(3,037,125)
		Less: Fair value adjustments	5.1.1	<u>1,837,875</u>	<u>1,837,875</u>

5.1.1 The breakup value of shares of Prudential Securities Limited is Rs. 3.77 (2009: Rs. 3.77) per share based on audited financial statements for the year ended June 30, 2008.

## 5.2 Designated at fair value through profit &amp; loss account

2010	2009	Name of Company	2010 Rupees	2009 Rupees
<b>Quoted securities</b>				
100,809	100,809	<b>MUTUAL FUND</b>	2,825,677	2,706,722
		National Investment Trust Limited		
<b>LEASING COMPANY</b>				
279,749	279,649	Pak Industrial and Commercial Leasing Limited	27,975	100,710
<b>BANKS &amp; FINANCIAL INSTITUTIONS</b>				
120,000	120,000	Prudential Investment Bank Limited	-	456,000
-	108	First Dawood Investment Bank Limited	-	332
			-	456,332
<b>TEXTILE SPINNING / COMPOSITES</b>				
436,834	436,834	*Awan Textiles Mills Limited	-	152,892
			<u>2,853,652</u>	<u>3,416,656</u>

\* 243,454 shares are not in the name of the Modaraba.

			2010 Rupees	2009 Rupees
<b>MUTUAL FUNDS</b>				
-	2,000	PICIC Growth Fund	-	16,800
10,171	10,171	JS Aggressive Asset Allocation Fund	433,895	386,600
-	45,000	JS Growth Fund	-	171,900
-	20,000	JS Value Fund Limited	-	89,000
-	45,000	PICIC Energy Fund	-	202,500
-	10,000	PICIC Investment Fund	-	38,100
-	22,500	Golden Arrow Selected Stocks Fund Limited	-	50,850
-	15,000	Pakistan Premier Fund Limited	-	61,500
			433,895	1,017,250



## 5.3 Held for tradig

2010	2009	Name of Company	2010 Rupees	2009 Rupees
<b>Number of Shares/units/certificates</b>				
<b>Quoted securities</b>				
<b>LEASING COMPANY</b>				
-	1,040	Askari Leasing Limited	-	25,355
<b>INSURANCE</b>				
-	2,750	Adamjee Insurance Company Limited	-	230,973
-	51	PICIC Insurance Limited	-	305
2,500	30,000	Pakistan Reinsurance Company Limited	42,800	1,050,900
			42,800	1,282,178
<b>CEMENT</b>				
-	152	Pioneer Cement Limited	-	2,064
5,000	50,000	Fauji Cement Company Limited	22,750	329,500
8,000	5,100	D.G.Khan Cement Limited	188,960	151,215
-	4,750	Lafarge Pakistan Cement Limited	-	12,825
-	40,000	Maple Leaf Cement Limited	-	170,400
-	20,000	Dadabhoy Cement Industries Limited	-	42,400
-	4,000	Attock Cement Pakistan Limited	-	280,880
-	110,000	Dewan Cement Limited	-	302,500
2,500	-	Lucky Cement Limited	155,350	-
			367,060	1,291,784
<b>BANKS &amp; FINANCIAL INSTITUTIONS</b>				
-	318	NIB Bank Limited	-	1,511
905,318	578,000	Silk Bank Limited	2,453,412	3,126,980
-	25,000	Askari Bank Limited	-	382,000
9,000	11,250	Bank Al-Falah Limited	85,140	118,688
-	11,000	United Bank Limited	-	421,190
-	10,000	Bank Islami Pakistan Limited	-	63,700
-	20,000	Standard Chartered Bank Limited	-	169,800
40,000	40,000	Invest Capital Investment Bank Limited	34,000	62,000
-	10,000	Pervez Ahmed Securities Limited	-	52,900
20,000	17,188	Jahangir Siddiqui & Co. Limited	252,800	398,590
-	30,000	Atlas Bank Limited	-	101,700
-	2,777	Arif Habib Bank Limited	-	19,411
1,500	-	National Bank of Pakistan	96,150	-
10,000	-	JS Investment Limited	74,600	-
5,000	-	The Bank of Punjab	50,400	-
			3,046,502	4,918,470
<b>FUEL AND ENERGY</b>				
-	2,500	Pakistan State Oil Company Limited	-	534,125
-	65,000	Hub Power Company Limited	-	1,760,850
-	24	Attock Petroleum Limited	-	7,644
1,500	5,000	Kot Addu Power Company	62,610	211,300
-	125,000	Karachi Electric Supply Company Limited	-	331,250
-	40,000	Southern Electric Power Company Limited	-	128,400
-	7,524	Sui Northern Gas Pipeline Limited	-	240,392
4,000	8,100	Attock Refinery Limited	322,240	1,010,799
9,500	9,500	National Refinery Limited	1,737,075	2,090,190
			2,121,925	6,314,950
<b>TRANSPORT &amp; COMMUNICATIONS</b>				
5,000	10,000	Pakistan Telecommunications Company Ltd.	89,000	172,400
-	75,000	Pakistan International Airlines Corporation-(A)	-	249,000
-	20,000	Worldcall Telecom Limited	-	50,000
-	60,000	TRG Pakistan Limited	-	81,000
			89,000	552,400



**FIRST PAK MODARABA**

2010	2009	Name of Company	2010 Rupees	2009 Rupees
<b>Number of Shares/units/certificates Quoted securities</b>				
<b>TEXTILE COMPOSITE</b>				
20,447	75	Nishat Mills Limited	881,674	2,837
1,650	4,950	Nishat Chunnain Limited	28,479	42,620
14,000	-	Azgard Nine Limited	156,240	-
			1,066,393	45,457
<b>CHEMICAL &amp; PHARMACEUTICALS</b>				
-	125,000	BYCO Petroleum Limited	-	870,000
-	10,000	Engro Polymer & Chemicals Limited	-	191,600
-	12,500	Fauji Fertilizer Company Limited	-	1,086,875
-	440	Abbot Laboratories (Pakistan) Limited	-	35,288
3,012	3,012	Glaxo Smithkline (Pakistan) Limited	244,394	360,868
1,160	62,500	Fauji Fertilizer Bin Qasim Limited	30,207	1,105,625
-	12,000	I.C.I Pakistan Limited	-	1,683,000
-	2,500	Sitara Peroxide Limited	-	46,100
-	5,000	Lottee PTA Limited	-	14,300
6,000	-	Engro Corporation Limited	1,041,481	-
			1,316,082	5,393,656
<b>AUTOMOBILE ASSEMBLER</b>				
-	500	Al-Ghazi Tractors Limited (Face value of Rs. 5/- each)	-	81,000
-	20,000	Dewan Farooq Motors Limited	-	33,600
			-	114,600
<b>MISCELLANEOUS</b>				
5,130	20,130	Eco (Pakistan) Limited	12,261	122,592
-	15,000	Pace (Pakistan) Limited.	-	83,700
-	7,500	Siddique Sons Tin Plate Limited	-	63,825
			12,261	270,117
<b>PAPER AND BOARD</b>				
5,500	5,500	Packages Limited	651,750	863,720
<b>FOODS &amp; PERSONAL CARE PRODUCTS</b>				
5,000	5,000	Shakarganj Foods	5,600	11,550
			9,153,268	22,101,487

		2010 Rupees	2009 Rupees
<b>6 SHORT-TERM MUSHARIKA FINANCES</b>			
Secured finances	6.1	9,000,000	9,000,000
Provision for doubtful receivables	6.2	(9,000,000)	(9,000,000)
		<u>-</u>	<u>-</u>



**FIRST PAK MODARABA**

6.1 The Modaraba has entered into the musharika agreements with various customers, to contribute funds for financing with the object of sharing profit or loss in specified proportions. The profit or loss is to be shared with the customer in an agreed percentage of the contribution made. These are secured against pledge of physical shares and equitable mortgage on property.

	Note	2010 Rupees	2009 Rupees
<b>6.2 Provision for doubtful receivables</b>			
Opening balance		9,000,000	9,000,000
Add : (Reversal) / provision made during the year		-	-
Closing balance		<u>9,000,000</u>	<u>9,000,000</u>
<b>7 SHORT-TERM MURABAHA FINANCES</b>			
Unsecured finances			
Cordial Trading Corporation - CFS Murabaha	7.1	5,692,188	27,765,090
Secured finances			
Others	7.2	<u>9,647,517</u>	<u>9,767,517</u>
		15,339,705	37,532,607
Provision for doubtful receivables	7.3	<u>(15,339,705)</u>	<u>(21,372,530)</u>
		-	16,160,077

7.1 This represents balance of CFS murabaha finance after realization of collateral of various listed securities which were transferred in CDC account of the Modaraba for the purpose of securing the finance. The CFS murabaha finance carries markup at the rate of 20% per annum. As at the balance sheet date, the exposure of the murabaha finance after realization of all collateral securities is Rs. 5.692 million. During the year, the Modaraba has issued legal notice dated April 21, 2010 and final notice dated June 22, 2010 for recovery of remaining outstanding balance of Rs. 5.692 million excluding profit against which no response has been received from Cordial Trading Corporation.

7.2 This represents amount receivable against morabaha transactions on deferred payment basis at the specified profit margin ranging between 16% to 23% (2009: 16% to 23% per annum). These are secured against pledge of marketable securities and equitable mortgage of property. The repayment period of morabaha finances ranges from 6 months to 1 year.

<b>7.3 Provision for doubtful receivables</b>			
Opening balance		21,372,530	9,987,517
Add : (Reversal) / provision made during the year		<u>(6,032,825)</u>	<u>11,385,013</u>
Closing balance		<u>15,339,705</u>	<u>21,372,530</u>



8 LOANS AND ADVANCES	Note	2010 Rupees	2009 Rupees
(Unsecured - considered goods)			
Loan			
To staff		55,000	6,974
Advances			
Advance against expenses		62,119	6,441
		117,119	13,415
Less: Provision against loans and advances		-	(6,974)
		117,119	6,441
<b>9 TRADE DEPOSIT AND SHORT TERM PREPAYMENTS</b>			
Deposit	9.1	1,000,000	1,000,000
Prepayments		14,435	86,647
		1,014,435	1,086,647

9.1 This represents balance given to Prudential Securities Limited, a related party, against margin deposit for purchase of shares.

#### 10 TAX REFUNDS DUE FROM GOVERNMENT

(Considered good)			
Income tax refundable	10.1 & 10.2	4,076,489	-

**10.1** This refundable has been recorded on the basis of the Income Tax Appellate Tribunal order dated April 06, 2010 for the assessment years 1999-2000 to 2001-2002 and tax demand of Rs. 145,896 net off in respect of assessment year 2002-2003. Refund application has been submitted vide letter dated June 18, 2010 for the encashment of refund for the assessment years 1999-2000 to 2001-2002 which is still under process.

**10.2** Return for tax year upto 2009 have not been selected for audit and therefore, the same are considered to be deemed assessed. However, the Commissioner of Income Tax can select any return for audit or amend the same within specified time periods.

#### 11 OTHER RECEIVABLES

Considered good			
Receivable against sale of shares	11.1	11,303,593	10,476,377
Accrued profit on bank deposits		485,928	3,954
Dividend receivable		8,750	128,750
Others		718,086	-
		12,516,357	10,609,081
Considered doubtful			
Receivable against sale of shares		476,377	435
Others		-	89,294
Less: Provision against other receivable		(476,377)	(89,729)
		-	-
		12,516,357	10,609,081

**11.1** This represents balance receivable against sale of various listed companies shares from Prudential Securities Limited, a related party, amounting to Rs. 10.476 million (2009: Rs. 10.476 million). The balance is outstanding since August 31, 2008.



12 TAXATION - NET OF PROVISION	Note	2010 Rupees	2009 Rupees
Advance tax		640,566	7,582,886
Provision for taxation		-	(3,562,181)
		640,566	4,020,705
<b>13 CASH AND BANK BALANCES</b>			
Cash in hand		4,230	2,270
Cash at bank			
In current accounts		19,446	18,994
In deposit accounts	13.1	37,735,004	1,511,226
		37,754,450	1,530,220
		37,758,680	1,532,490

13.1 The balances in deposit accounts carry profit at rates ranging from 3.00% to 12.85% (2009: 3.00% to 12.00%) per annum.

#### 14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010 Rupees	2009 Rupees
<b>Number of Certificates</b>				
Modaraba certificates of Rs. 10 each				
10,000,000	10,000,000	Certificates fully paid in cash	100,000,000	100,000,000
2,540,000	2,540,000	Certificates issued as fully paid bonus certificates	25,400,000	25,400,000
12,540,000	12,540,000		125,400,000	125,400,000

#### 15 LONG TERM DEPOSITS

Ijarah security deposits	765,840	1,315,140
Less: Current portion shown in current liabilities	(331,850)	(705,800)
	433,990	609,340

#### 16 TRADE AND OTHER PAYABLES

Current portion of security deposits	331,850	705,800
Auditors' remuneration	232,500	180,000
Management fee payable	766,295	-
Unclaimed dividend	2,589,590	2,591,596
Workers' welfare fund	143,243	-
Other payables	875,068	697,510
	4,938,546	4,174,906

**17 CONTINGENCIES AND COMMITMENTS****17.1 Contingencies**

An individual has filed a suit before the High Court of Sindh against the Modaraba and its management company, along with nine other group companies of the Prudential Group, and the Chairman of the Prudential Group for "Injunction and Specific Performance" in respect of an agreement between the individual and the Chairman of the Prudential Group for purchase of sponsors shares. However, the management is confident that the ultimate outcome of the case would not affect the financial position of the Modaraba.

**17.2 Commitments**

There were no commitments as at the balance sheet date.

	Note	2010 Rupees	2009 Rupees
<b>18 OPERATING EXPENSES</b>			
Salaries, allowances and other benefits	18.1	767,901	1,538,839
Rent, rates and taxes		2,375	1,988
Electricity charges		136,855	210,700
Postage and telephone		219,407	352,102
Printing and stationary		123,268	121,579
Fees and subscription		699,628	320,064
Repair and maintenance		156,462	60,429
Depreciation on fixed assets-in own use	3	34,210	38,544
Insurance		19,415	16,592
Registrar services		270,000	180,000
Entertainment		56,883	42,222
Zakat		11,512	7,669
Bank charges		3,360	4,300
Advertisement		16,100	30,800
Traveling and conveyance		72,812	176,717
Miscellaneous Expenses		1,970	12,596
		<u>2,592,158</u>	<u>3,115,141</u>

**18.1** This amount includes Rs. 0.029 million (2009: Rs. 0.019 million) in respect of employees' retirement benefits.

**19 OTHER OPERATING CHARGES**

Auditor's remuneration	19.1	315,058	245,115
Legal and professional		668,000	219,100
Workers' welfare fund		143,243	-
		<u>1,126,301</u>	<u>464,215</u>

**19.1 Auditor remuneration**

Audit fee	187,500	150,000
Special certificate and other charges	30,000	40,000
Half yearly review	50,000	40,000
Out-of-pocket expenses	47,558	15,115
	<u>315,058</u>	<u>245,115</u>



	Note	2010 Rupees	2009 Rupees
<b>20 REVERSAL / (PROVISION) AGAINST MURABAHA FINANCE</b>			
Murabaha finances - reversal / (provision)		<u>6,032,825</u>	<u>(11,385,013)</u>

**21 EARNINGS PER CERTIFICATE****21.1 Basic**

Basic earnings per certificate are calculated by dividing the net profit for the year by the weighted average number of certificates outstanding during the year as follows:

Profit / (loss) after taxation for the year	<u>6,896,655</u>	<u>(33,498,211)</u>
Weighted average number of Modaraba certificates	<u>12,540,000</u>	<u>12,540,000</u>
Earnings / (loss) per certificate	<u>0.55</u>	<u>(2.67)</u>

**21.2 Diluted**

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

**22 PROFIT DISTRIBUTION AND APPROPRIATION**

Subsequent to the year ended June 30, 2010, the Board of Directors of the Management Company has declared a final distribution of Rs. 3% per certificate, amounting to total profit distribution of Rs. 3.762 million (2009: nil) in its meeting held on October 8, 2010.

**23 TRANSACTIONS WITH RELATED PARTIES**

The related parties and associated undertakings comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are as under:

Relations with the Modaraba	Nature of transaction	2010 Rupees	2009 Rupees
<b>Associated undertaking</b>	Receivable against expenses paid on behalf of the management company	705,066	-
	Management fee	766,295	-
	Dividend paid	-	376,200
<b>Group Company</b>	Payment made against common facility of utilities used	-	35,700
	Payment made against purchase of equity investments	-	69,458,794
	Received against sale of equity investments	-	59,856,076
	Brokerage paid for purchase equity investments	-	102,770

**23.1** No remuneration in kind has been paid by the Modaraba to the directors and key management personnel.



**24 CAPITAL MANAGEMENT**

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. The Board of Directors of the management company (the Board) monitors the return on capital, which the Modaraba defines as net profit after taxation divided by total Certificate holders' equity. The Board also monitors the level of dividend to ordinary Certificate holders. There were no changes to the Modaraba's approach to capital management during the year and the Modaraba is not subject to externally imposed capital requirements.

**25 FINANCIAL INSTRUMENTS****25.1 Risk management policies**

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

The Modaraba primarily invests in Ijarah assets and diversified portfolio of listed securities. Such investments are subject to varying degrees of risk, when emanate from various factors that include but are not limited to:

**25.2 Credit risk**

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

**Exposure to credit risk**

The maximum exposure to credit risk before any credit enhancements at June 30, 2010 is the carrying amount of the financial assets as set out below:

	2010 Rupees	2009 Rupees
<b>Nature of financial assets</b>		
Long-term deposits	45,000	37,500
Investments	13,844,794	27,356,018
Short-term murabaha finances	-	16,160,077
Loans and advances	55,000	6,974
Trade deposit	1,000,000	1,000,000
Other receivables	12,516,357	10,698,810
Bank balances	<u>37,758,680</u>	<u>1,532,490</u>
	<u>65,219,831</u>	<u>56,791,869</u>

**Concentration of credit risk**

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

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

**25.3 Liquidity risk**

Liquidity risk is the risk that the Modaraba will not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In the case of Modaraba, the liquidity level of Modaraba remained on satisfactory level during the year and Modaraba did not face any difficulty problem for generation of liquidity.

Note 26 to the financial statements summarizes the maturity profile of the Modaraba's financial instruments.

**Mitigating / managing the risk**

Modaraba's policy is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off. Only a limited proportion of its investments are not actively traded.

**25.4 Market Risk****a Market price risk**

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

**Exposure**

As at June 30, 2010, the fair value of equity securities exposed to price risk were as follows:

Particulars	2010 Rupees	2009 Rupees
Exposure classified as Available-for-sale	1,837,875	1,837,875
Exposure classified as Designated at fair value through profit and loss account	2,853,652	3,416,656
Exposure classified as Held for trading	<u>9,153,267</u>	<u>22,101,487</u>
	<u>13,844,794</u>	<u>27,356,018</u>



**Risk Management**

The Modaraba's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by Management Committee.

The majority of the Modaraba's investments are publicly traded and are valued at the rates provided stock exchange which is set as per the trading trend and volumes in the security.

The following table illustrates the sensitivity of the profit for the year and the certificate holders' equity to an increase or decrease of 5% in the fair values of the Modaraba's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Modaraba's equity securities at each statement of assets and liabilities date, with all other variables held constant.

	2010 Rupees	2009 Rupees
Short term investments	<u>692,240</u>	<u>1,367,801</u>

**b Profit rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

**Risk Exposure**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings.

As at June 30, 2010, the profile of the Modaraba's variable value financial instruments were as follows:

**Fixed rate instruments**

Short term murahaba finances	-	16,160,077
Cash at banks	<u>37,735,004</u>	<u>1,511,226</u>
	<u>37,735,004</u>	<u>17,671,303</u>

	2010 Effective Rate (In percent)	2009
Short term murahaba finances	20	20
Cash at banks	<u>3 to 12.85</u>	<u>3 to 12</u>

Fair value sensitivity analysis for fixed rate instruments \*

An increase of 100 basis points in interest rates would have increased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.



Asset class (having variable interest rates)	(Increase / decrease) (+/-)	Changes in profit / (loss)	
		2010 Rupees	2009 Rupees
Short - term murahaba finances	100 basis points	-	<u>161,601</u>
Cash at bank	100 basis points	<u>377,350</u>	<u>15,112</u>

\*Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

**Risk management / Mitigation**

The Modaraba monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Modaraba's policy requires the Modaraba management to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

The average effective duration of the Modaraba's portfolio is a measure of the sensitivity of the fair value of the Modaraba's fixed interest securities to changes in market interest rates.

The Modaraba's policy refrains from holding interest bearing instruments that induce the average effective duration of the fixed interest portfolio to pass the benchmark of the average duration.



## 26. MATURITIES OF ASSETS AND LIABILITIES

	2010				
	Total	Upto one month	One month to three months	Over three month to 1 year	Over one to five years
.....Rupees.....					
<b>Assets</b>					
Fixed assets - own assets	197,094	-	-	-	197,094
- ijarah assets	1,474,691	331,850	-	-	1,142,841
Long term deposit	45,000	-	-	-	45,000
Short term investments	13,844,794	-	-	13,844,794	-
Loans and advances	117,119	62,119	-	55,000	-
Trade deposit and short term prepayments	1,014,435	14,435	-	1,000,000	-
Tax refund due from government	4,076,489	-	-	4,076,489	-
Other receivables	12,516,357	12,516,357	-	-	-
Taxation-net of provision	640,566	-	-	640,566	-
Cash and bank balances	37,758,680	37,758,680	-	-	-
	71,685,225	50,683,441	-	19,616,849	1,384,935
<b>Liabilities</b>					
Long term deposit	433,990	-	-	-	433,990
Trade and other payables	4,938,546	-	-	4,938,546	-
	5,372,536	-	-	4,938,546	433,990
<b>Total</b>	<b>66,312,689</b>	<b>50,683,441</b>	<b>-</b>	<b>14,678,303</b>	<b>950,945</b>
<b>2010 Rupees</b>					
Represented by:					
Issued, subscribed and paid-up capital	125,400,000				
Statutory reserves	21,261,577				
Fair value reserves	(3,037,125)				
Accumulated losses	(77,311,763)				
	<u>66,312,689</u>				

	2009				
	Total	Upto one month	One month to three months	Over three month to 1 year	Over one to five years
.....Rupees.....					
<b>Assets</b>					
Fixed assets - own assets	123,804	-	-	-	123,804
- ijarah assets	3,267,517	420,000	-	512,000	2,335,517
Long term deposit	37,500	-	-	-	37,500
Short term investments	27,356,018	-	-	27,356,018	-
Short-term murabaha finances	16,160,077	-	-	16,160,077	-
Loans and advances	6,441	6,441	-	-	-
Trade deposit and short term prepayments	1,086,647	86,647	-	1,000,000	-
Other receivables	10,609,081	10,609,081	-	-	-
Taxation-net of provision	4,020,705	-	-	4,020,705	-
Cash and bank balances	1,532,490	1,532,490	-	-	-
	64,200,280	12,654,659	-	49,048,800	2,496,821
<b>Liabilities</b>					
Long term deposit	609,340	-	-	-	609,340
Trade and other payables	4,174,906	-	-	4,174,906	-
	4,784,246	-	-	4,174,906	609,340
<b>Total</b>	<b>59,416,034</b>	<b>12,654,659</b>	<b>-</b>	<b>44,873,894</b>	<b>1,887,481</b>
<b>2009 Rupees</b>					
Represented by:					
Issued, subscribed and paid-up capital	125,400,000				
Statutory reserves	18,502,915				
Fair value reserves	(3,037,125)				
Accumulated losses	(81,449,756)				
	<u>59,416,034</u>				



## 27 FINANCIAL INSTRUMENT

## 27.1 Financial assets and liabilities

Effective yield / profit rate %	June 30, 2010				
	Total	Exposed to interest rate risk		Not exposed to interest rate risk	
		Within one year	More than one year	Within one year	More than one year
<b>Financial assets</b>					
Long-term deposits	45,000	-	-	-	45,000
Short term investments	13,844,794	-	-	13,844,794	-
Short term murabaha finances	20	-	-	-	-
Loans and advances	55,000	-	-	55,000	-
Trade deposit	1,000,000	-	-	1,000,000.00	-
Other receivables	12,516,357	-	-	12,516,357	-
Cash and bank balances	3.00 to 12.85	37,758,680	37,735,004	-	23,676
		65,219,831	37,735,004	-	27,439,827
		765,840	-	-	331,850
Long-term deposits		4,463,453	-	-	4,463,453
Trade and other payables		5,229,293	-	-	4,795,303
		59,990,538	37,735,004	-	22,644,524
On balance sheet gap		1,474,691	331,850	1,142,841	-
Ijarah assets *					

\*Ijarah assets has been included above in order to depict a true picture of the gap between the assets and liabilities of the Modaraba.

The expected rate of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

## 27.2 Financial assets and liabilities

Effective yield / profit rate %	June 30, 2009				
	Total	Exposed to interest rate risk		Not exposed to interest rate risk	
		Within one year	More than one year	Within one year	More than one year
<b>Financial assets</b>					
Long-term deposits	37,500	-	-	-	37,500
Short term investments	27,356,018	-	-	27,356,018	-
Short term murabaha finances	20	16,160,077	16,160,077	-	-
Loans and advances	6,974	-	-	6,974	-
Trade deposit	1,000,000	-	-	1,000,000.00	-
Other receivables	10,698,810	-	-	10,698,810	-
Cash and bank balances	3.00 to 12.00	1,532,490	1,511,226	-	21,264
		56,791,869	17,671,303	-	39,083,066
		1,315,140	-	-	705,800
Long-term deposits		3,469,106	-	-	3,469,106
Trade and other payables		4,784,246	-	-	4,174,906
		52,007,623	17,671,303	-	34,908,160
On balance sheet gap		3,267,517	708,477	2,559,040	-
Ijarah assets *					

\*Ijarah assets has been included above in order to depict a true picture of the gap between the assets and liabilities of the Modaraba.

The expected rate of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

**28 AMALGAMATION OF FIRST PAK MODARABA AND PRUDENTIAL STOCKS FUND LIMITED**

28.1 The Board in their meeting held on July 07, 2005 have approved amalgamation of Prudential Stocks Fund Limited (PSFL), with and into the modaraba under section 282 L and section 503 of the Companies Ordinance, 1984. The Extra Ordinary General Meeting (EOGM) of the certificate holders of Modaraba scheduled to be held on January 19, 2006 had been postponed by the Order of the Honorable High Court of Sindh due to stay order obtained by the shareholders of PSFL. The proposed amalgamation would take effect once the case filed by the shareholders of PSFL is decided by the Honorable High Court of Sindh and the related legal formalities and the requirements of the Companies Ordinance, 1984 have been fulfilled. The board in their meeting held October 05, 2009 has withdrawn the merger / amalgamation of First Pak Modaraba with Prudential Stock Funds Limited after obtaining legal opinion.

28.2 The Board of Manager of First Pak Modaraba in their meeting held on January 01, 2007 had approved that the merger of First Pak Modaraba by way of Amalgamation with and into First Prudential Modaraba. Subsequently the application for merger submitted before the Registrar of Modaraba, was withdrawn. The swap ratio shall be re-determined and the entire merger process shall be initiated afresh under the joint signatories of CEO's of First Prudential Modaraba and First Pak Modaraba. The Board of First Pak Modaraba agreed with the recommendation of the Board of Directors of First Prudential Modaraba at the meeting held on October 09, 2008. Moreover, no swap ratio is redetermined during the year.

SECP has approved the request of withdrawal vide letter no. SC/M/RW/FPM/2008-941 dated May 19, 2008.

**29 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However no significant reclassification have been made during the year.

**30 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 08-10-2010 by the Board of Directors of the management company.

**31 GENERAL**

31.1 During the year, the Board in their meeting held on October 09, 2009 has appointed a new Chief Executive for which application for approval of appointment has been sent to the Registrar of Modaraba dated March 31, 2010.

Subsequent to balance sheet date, a letter has been received from Joint Registrar (Modarabas) requesting clarification with respect to certain matters. The Modaraba management company has submitted a letter dated September 24, 2010 clarifying the points noted and deficiencies identified by the Joint Registrar (Modarabas). As the approval is pending, the position of the Chief Executive remain vacant in the absence of the Chief Executive, these financial statements have been signed by the chairman and two other directors as approved by the Board.

31.2 Figures have been rounded off to nearest rupee.

CHAIRMAN

DIRECTOR

DIRECTOR

**KEY OPERATING AND FINANCIAL DATA  
FOR LAST SIX YEARS**

YEAR	(Rs. in 000)					
	2010	2009	2008	2007	2006	2005
Paid up Capital	125,400	125,400	125,400	125,400	125,400	125,400
Certificate	12,540	12,540	12,540	12,540	12,540	12,540
Holders Equity	66,312	59,416	96,919	97,551	91,374	93,132
Current Liabilities	4,939	4,174	3,932	4,836	4,015	8,090
Fixed Assets	1,672	3,391	5,432	4,613	3,280	2,415
Current Assets	69,968	60,771	96,590	98,369	92,503	99,283
Operating Profit/Loss	4,682	(1,224)	9,260	6,458	(65)	(2,700)
Taxation	(501)	-	90	-	-	(4,094)
Earning/(Loss) per Certificate (Rs.)	0.55	(2.67)	0.45	0.516	(0.141)	0.310



## PATTERN OF SHARE HOLDINGS AS AT 30.06.2010

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS		TOTAL SHARES HELD
905	1	100	46,351
1,371	101	500	269,710
1,171	501	1000	758,272
583	1001	5000	1,187,182
83	5001	10000	591,705
38	10001	15000	488,366
10	15001	20000	174,439
6	20001	25000	142,220
7	25001	30000	180,845
4	30001	35000	124,915
2	35001	40000	71,706
4	40001	45000	166,705
6	45001	50000	285,346
1	60001	65000	62,700
1	65001	70000	65,835
1	95001	100000	100,000
1	105001	110000	109,725
1	110001	115000	111,860
1	120001	125000	124,600
2	125001	130000	250,892
1	145001	150000	149,790
1	160001	165000	160,500
1	185001	190000	185,053
2	245001	250000	500,000
1	285001	290000	290,000
1	295001	300000	300,000
1	335001	340000	337,919
1	495001	500000	500,000
1	540001	545000	544,568
1	865001	870000	868,500
1	1035001	1040000	1,036,296
1	1095001	1100000	1,100,000
1	1250001	1255000	1,254,000
<u>4,212</u>			<u>12,540,000</u>



## CATEGORIES OF CERTIFICATE HOLDING AS ON 30-06-2010

	No of Certificate holders	No of Certificate Held	Total No of Certificate	Percentage
<b><u>ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES</u></b> 1			1,254,000	10.000
ROYAL MANAGEMENT SERVICES (PVT) LIMITED		1,254,000		
<b><u>NIT AND ICP</u></b>	1		3,500	0.028
INVESTMENT CORPORATION OF PAKISTAN		3,500		
<b><u>DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN</u></b>	1		25	0.000
MR. MOHAMMAD MUSHARRAF KHAN		25		
<b><u>EXECUTIVE</u></b>	-----	-----	-----	-----
<b><u>PUBLIC SECTOR COMPANIES AND CORPORATIONS.</u></b>	1		109,725	0.875
<b><u>STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD</u></b>		109,725		
<b><u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABA AND MUTUAL FUNDS.</u></b>	8		4,894	0.039
BANKOF KHYBER		1,526		
NATIONAL DEVELOPMENT LEASING CORPORATION LTD.		350		
NEW JUBILEE INSURANCE COMPANY LTD.		500		
MODARABA AL MALL		923		
L.T.V. CAPITAL MODARABA		1,345		
FIRST PRUDENTIAL MODARABA		100		
FIRST EQUITY LEASING MODARABA		150		
<b><u>CERTIFICATEHOLDING TEN PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY</u></b>	----	----	----	----
<b><u>INDIVIDUALS</u></b>	4156		10,611,444	84.621
<b><u>OTHER CORPORATE CERTIFICATEHOLDERS</u></b>	44		556,412	4.437
<b>TOTAL</b>	<u>4212</u>		<u>12,540,000</u>	<u>100.000</u>

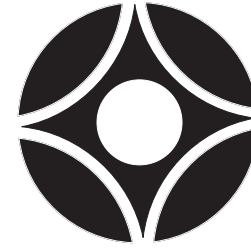


**VISION STATEMENT**

“ To participate prominently in the economic and social development of the Country and increase prosperity of stakeholders through a well established and competitive Islamic financial system managed by motivated and efficient human resources”

**MISSION STATEMENT**

“We are in business to generate year to year increase in profit to reward our stake holders and the wider business environment. This will be achieved by making First Pak Modaraba a profitable and growing entity through exploiting the opportunities and avoiding threats in the environment”



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**FIRST**

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**PAK**

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**MODARABA**

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**19TH ANNUAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2010**

*Managed by:*

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**Royal Management Services (Pvt.) Limited**

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