



FIRST

PAK

MODARABA

**21ST ANNUAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2012**

Managed by:

Royal Management Services (Pvt.) Limited

BOOK - POST
Printed Matter

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Abdul Hameed Khan Mr. Muhammad Akhtar I. Pathan Mr. Mohammad Musharraf Khan	(Chairman) (Director) (Director)
AUDIT COMMITTEE	Mr. Muhammad Akhtar I. Pathan Mr. Abdul Hameed Khan Mr. Mohammad Musharraf Khan	(Chairman) (Member) (Member)
HUMAN RESOURCE AND REMUNERATION COMMITTEE	Mr. Abdul Hameed Khan Mr. Muhammad Akhtar I. Pathan Mr. Mohammad Musharraf Khan	(Chairman) (Member) (Member)
SHARIAH ADVISOR	Mufti Muhammad Ibrahim Essa	
COMPANY SECRETARY	Mr. Mohammad Musharraf Khan	
BANKERS	Burj Bank Limited Habib Bank Ltd. (Islamic Banking) Albaraka Bank (Pakistan) Ltd. Faysal Bank Limited Bank Al-Fallah Limited Summit Bank Ltd.	
AUDITORS	M. Yousuf Adil Saleem & Co. Chartered Accountants	
LEGAL ADVISOR	Mandviwalla & Zafar Advocates	
MANAGEMENT COMPANY	M/s Royal Management Services (Pvt.) Limited	
REGISTERED OFFICE	Office No. 54, Ground Floor, Beverley Centre, 56-G, Blue Area, Islamabad	
SHARE REGISTRAR	Shares & Corporate Services (Pvt.) Limited, Mehersons Estate, 1st Floor, Block-E, Talpur Road, Karachi- 74000 Tel: 32429632-4 , Fax 32420015	



CHAIRMAN'S REVIEW

The Board of Directors of Royal Management Services (Pvt) Limited, Managers First Pak Modaraba are pleased to present herewith the Yearly Review of First Pak Modaraba together with Audited Accounts and Auditors' Report thereon for the year ended 30th June 2012.

KEY OPERATING / FINANCIAL HIGHLIGHTS	(Rs. in million)	
	2012	2011
Total Income from Operations	8.200	8.831
Operating Expenses	4.801	4.777
Profit from Operation	3.399	4.054
Unrealized Gain / (Loss) on Re-measurement of Investment	(1.521)	(0.189)
Reversal of provision against doubtful Receivables	.	11.116
Net Profit / (Loss)	1.886	13.432
Earning per Certificate	0.15	1.07
Dividend declared	0.12	0.40

REVIEW OF OPERATIONS:

The Board of Directors is pleased to announce a cash dividend @ 1.20 percent (Re.0.12 per certificate) for the year ended 30-06-2012, to the certificate holders of the First Pak Modaraba. The Management of Modaraba has waived its management fee for this year to provide maximum return to the certificate holders.

During the year ended on 30th June 2012, the Overall operating performance of the First Pak Modaraba reflects that Operating Income decreased to Rs.8.20 Million as against Rs.8.831 Million during the last year. Modaraba has earned Rs.1.196 Million capital gain on sale of investment . Operating expenses has slightly increased to Rs.4.801 Million from Rs.4.777 Million as compared to last year FY 2010-11. Further, it recorded unrealized loss on re-measurement of Investment of Rs.1.521 Million as against a loss of Rs.0.189 Million in FY 2010-11. The Net Profit of the Modaraba stands to Rs.1.886 Million as against a profit of Rs.13.432 Million last year. The Earning per Certificate stands to Re.0.15 during the year as against Rs.1.07 during last year which was mainly because of reversal from provision.

In view of the order of Registrar Modaraba for change of Management of Modaraba, which was stayed by Sindh High Court, activities of your Modaraba presently are almost at a stand-still. We understand that this is damaging the interest of certificate holders but we have very little in our hands to counter the situation. Let us pray together that the situation changes as soon as possible.

Keeping in view the adverse economic indicators, your management adopted strict credit policies and conservative approach for fresh disbursement. Similarly, trading in the stock market was done on a very calculated manner. Your Modaraba, while remaining cautious and prudent during the prevailing economic slowdown, is focused to take benefit of good opportunities that add value of all stake holders.



Observations of External Auditors:

1. The amount under the head "Advances, prepayments and other receivables" include balance amounting to Rs.10.476 million against sale proceeds of various equity investments and Rs.1.00 million against cash margin deposit due from Prudential Securities Limited (PSL). The Modaraba besides lodgment of claim against their aggregate receivables amounting to Rs.11.476 Million from PSL with Karachi Stock Exchange (Guarantee) Limited on April 29, 2010 on call of claim due to suspension of operation of PSL at Karachi Stock Exchange (Guarantee) Limited. To cover this outstanding we have also signed an agreement with PSL to purchase offered land at Narowal, the original title documents are in custody of the Modaraba.

2. The amount under the head "investment" includes an amount of 1.838 million in Prudential Securities Limited (PSL) an unlisted public company. We have asked PSL to provide us the latest Audited Financial Statements to determine fair value of our investment. The operation of PSL has been ceased at Stock Exchange and we are trying to call back our invested amount as PSL has sufficient assets to set off our invested amount.

Sharia Compliance and Sharia Audit Mechanism

In February 2012, the Specialized Companies Division (Modaraba wing) of Securities & Exchange Commission of Pakistan issued a circular regarding Sharia Compliance and Sharia Audit Mechanism for Modarabas. The circular requires every modaraba to have a Sharia Advisor on its panel. The Board appointed Mufti Muhammad Ebrahim Essa as Sharia Advisor.

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 operations, cash flows and changes in equity.
- Proper books of account of the 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 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 significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations except for those reported in Auditors' review report on compliance of code of corporate governance
- Key operating and financial data of last six years in a summarized form is annexed.
- During the year 8 meetings of Board of Directors were held. Attendance by each director was as follows:

Name of Director	Number of meeting Attended
Mr. Abdul Hameed Khan	8
Mr. M. Akhtar I. Pathan	7
Mr. Muhammad Musharraf Khan	8

- The Statement of pattern of certificate holding of the Modaraba as at 30th June 2012 as per code of corporate governance is annexed.



FUTURE OUTLOOK

The financial year 2012-13 is not expected to bring any respite from the already adverse economic situation in the country. The last year effect of floods will be more visible in the future. The management is keeping a vigilant eye on the economic front but at the same time exploring opportunities to do sound and secure business based on principles of good credit. The management is cautiously monitoring its investment portfolio to maximize the returns while adopting the timely decision making techniques to minimize the risks associated with the capital markets.

Recoveries of the outstanding amounts will remain a high priority for the management during the current financial year. With the self sufficient in funds and better liquidity, we are looking forward to explore more profitable avenues for employment of funds. We are fully geared to maintain this upward trend and Inshah Allah foresee to achieve better result and to regularly pay progressive rate of return to the certificate holders of the Modaraba.

Auditors

On the recommendation of Audit Committee, the Board has approved the appointment of Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors for the year ended June 30, 2013, subject to approval by the Registrar Modaraba, SECP. .

Acknowledgement:

The Board of Directors express is thankful to its Certificate Holder for reposing their confidence in the Management of the Modaraba and also appreciates 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

Chairman

Karachi.
October 9, 2012



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 (XI)

Name of Company **FIRST PAK MODARABA**
Year Ended **June 30, 2012**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited & Islamabad Stock Exchange (Guarantee) Limited, 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); Manager of First Pak Modaraba, (the Modaraba) has applied the principles contained in the CCG in the following manner.

1) The Management Company encourages representation of independent non-executive directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Abdul Hameed Khan Mr. M. Akhter I Pathan
Executive Director	None
Non-Executive Directors	Mr. Muhammad Musharraf Khan

2) The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company.

3) All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4) No casual vacancies occurring on the Board. A casual vacancy of Chief Executive Officer occurred in the year 2008 have not been filled yet.

5) The Management Company is in process of preparing a “Code of Conduct” and will ensure that appropriate steps will be taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.

6) The Board has developed a vision/mission statement and overall corporate strategy and Management Company is in the process of developing significant policies that will be approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended will be 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 non-executive directors, have been taken by the Board. However, the office of CEO is vacant since October 2008.



- 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 will arrange for certification under “The Board Development Series” program offered by Pakistan Institute of Code of Corporate Governance for their Directors to acquaint them with their duties and responsibilities as per timelines provided by the Securities & Exchange Commission of Pakistan.
- 10) The board has approved appointment of Head of Internal Audit on April 04, 2012 including his remuneration and terms and conditions of employment. There was no new appointment of Chief Financial Officer and Company Secretary during the year. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer and Company Secretary have been approved by the Board of Directors.
- 11) The directors’ report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12) As the Management Company has no Chief Executive Officer (CEO), the financial statements of the Modaraba were duly endorsed by a Director in the absence of CEO and by Chief Financial Officer before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14) The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
- 15) The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has formed an HR and Remuneration Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
- 18) The Board has set up an effective internal audit function.
- 19) The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the 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 the ICAP.



- 20) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21) The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba’s securities, was determined and intimated to directors, employees and stock exchange(s).
- 22) Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23) We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi
Date: October 9, 2012

For & on behalf of the Board of Directors

CHAIRMAN

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 prepared by the Board of Directors of **Royal Management Services (Private) Limited (the Modaraba Management Company)** representing **First Pak Modaraba [The Modaraba]**, for the year ended June 30, 2012, to comply with the relevant Listing Regulations of the respective Stock Exchange where the Modaraba 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 Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our 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, the Listing Regulation of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited require the Management Company 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 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.

We report that

1. Clause (xiv) of the Code of Corporate Governance laid down the qualification and experience requirement of the Head of Internal Audit which states that no person shall be appointed as the Head of Internal Auditor of the listed company unless he / she has at least five years of relevant audit experience and is:

- a) a member of a recognized body of professional accountants; or
- b) a Certified Internal Auditor; or
- c) a Certified Fraud Examiner; or
- d) a Certified Internal Control Auditor.

However, it is observed that the Head of Internal Audit of the Modaraba does not meet the qualification and experience criteria as laid down by the Code, therefore it cannot be said that the internal audit function is effective.



Except for the matters stated above, 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, 2012.

Further, we draw attention to the following were non-compliances have been observed.

- Clause (iii) of the Code of Corporate Governance requires that any casual vacancy is to be filled within 90 days. The position of chief executive officer is vacant since October, 2008. Since the rejection of the proposed appointment twice by Securities and Exchange Commission of Pakistan (SECP) on October 29, 2011 and September 08, 2011, the Modaraba has neither appointed nor applied again to the Registrar Modaraba for appointment of a chief executive officer, hence the position of CEO is vacant to date.
- Sub-clause (a) of Clause (v) of the Code of Corporate Governance requires that the Board of Directors put in place Code of Conduct that promotes integrity for the Board, senior management and other employees and take appropriate steps to disseminate it throughout the Modaraba along with supporting policies and procedures and these shall be put on the Modaraba's website. However, as at year end the Management Company has not yet placed the Code of Conduct on its website.
- Sub-clause (b) of Clause (v) of the Code of Corporate Governance requires that the Board of Directors shall ensure that adequate systems and controls are in place for identification and redress of grievances arising from unethical practices. However, no proper policymaking is carried or implemented in this respect.
- Sub-clause (c) of Clause (v) of the Code of Corporate Governance requires the Management Company to maintain a complete record of particulars of the significant policies, as may be determined, along with the dates on which they were approved or amended by the Board of Directors. The Management Company has not kept such record of significant policies. However the draft investment and credit policies have been prepared and are in process of Board approval.
- Clause (xi) of the Code of Corporate Governance requires that all listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with the Code, applicable laws, their duties and responsibilities. However during the year only one director attended the orientation course.
- Clause (xiii) of the Code of Corporate Governance laid down the qualification and experience requirement for Chief Financial Officer (CFO) which states that no person shall be appointed as the CFO of the listed company unless he / she has at least five years of experience of handling financial or corporate affairs of a listed company or a bank or a financial institution and is a member of recognized body of professional accountants; or has a postgraduate degree in finance from a recognized university or equivalent.

However, currently CFO of the Modaraba has postgraduate degree other than in finance but has experience of more than five years of handling financial affairs of listed entity.



- Clause (xxi) of the Code of Corporate Governance requires the financial statements of the Modaraba to be presented for Board's consideration and approval under signature of Chief Executive Officer and Chief Financial Officer. Further, Clause (vi) of the Code requires Board of Directors to define the respective roles and responsibilities of the Chairman and Chief Executive Officer. Due to non-appointment of Chief Executive Officer these requirements have not been met.

Chartered Accountants

Karachi
Dated: October 9, 2012



AUDITORS' REPORT TO THE CERTIFICATE HOLDRES

We have audited the annexed balance sheet of **First Pak Modaraba** (the Modaraba) as at June 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's [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 Management 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) "Advances, prepayments and other receivables" include a long outstanding balance of Rs.10.476 million (refer note 9.2 to the financial statements) receivable on account of stock market transactions and Rs. 1 million (refer note 9.1 to the financial statements) as deposit on account of security paid against trading in shares. These amounts are due from Prudential Securities Limited (PSL). Operations of PSL have been ceased by Karachi and Lahore Stock Exchanges and the Modaraba has filed claim with Karachi Stock Exchange for these amounts. In our opinion, there is very remote chance of recoverability of Rs. 11.476 million; however no provision has been made by the Modaraba for doubtful recoveries of these amounts.

b) Investments (refer note 6.1 to the financial statements) include investment of Rs. 4.875 million in Prudential Securities Limited (PSL) - an unlisted public company; classified as available for sale carried at Rs. 1.838 million against which an unrealized loss on revaluation of Rs. 3.037 million is reflected in reserves. The operations of PSL have been ceased which indicates a significant and prolonged decline in the fair value of this investment below its carrying value resulting in an objective evidence of impairment; therefore, in our opinion this investment should be fully impaired. However, no impairment has been made in respect of carrying amount of Rs.1.838 million, and unrealized loss on revaluation of Rs. 3.037 million has not been reclassified from equity to profit and loss account, which is in contravention to the requirements of the International accounting standards.



In respect of matters stated in paragraphs (a) and (b), had the provision been made "advances, prepayments and other receivables" would have been reduced by Rs 11.476 million, investments by Rs 1.838 million, unrealized loss on 'Available for sale investment' by Rs. 3.037 million and profit for the year would have convert into loss amounting to Rs 14.46 million.

c) in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of First Pak 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;

d) in our opinion:s

a. except for paragraphs (a) and (b) above, the balance sheet and the related 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;

b. the expenditure incurred during the year was for the purpose of the Modaraba's business; and

c. the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

e) in our opinion, except for the effects of the matters stated in paragraphs (a) and (b) the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

f) in our opinion, 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.



g) We draw attention to the following matters:

i. The position of chief executive officer is vacant since October, 2008. Since the rejection of the proposed appointment twice by Securities and Exchange Commission of Pakistan (SECP) on October 29, 2011 and September 08, 2011, the Modaraba has neither appointed nor applied again to the Registrar Modaraba for appointment of a chief executive officer, hence the position of CEO is vacant to date.

ii. The Modaraba incurred expenditure of Rs. 0.886 million on behalf of the Management Company and disclosed as other receivable (refer note 9.3 to the financial statements) which is in contravention of the Section 17 of Modaraba Companies and Modaraba (Flotation and Control) Ordinance.

iii. Towards note 1.2 to the financial statements regarding appointment of Administrator by Securities and Exchange Commission of Pakistan (SECP) which has been stayed by the Sindh High Court.

Our report is not qualified in respect of paragraph 'g' above.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Dated: October 9, 2012



BALANCE SHEET

AS AT JUNE 30, 2012

ASSETS	Note	2012 Rupees	2011 Rupees
Current Assets			
Cash and bank balances	5	9,086,062	19,292,322
Investments	6	47,443,006	43,369,403
Musharika and morabaha finance	7	-	-
Ijarah rentals receivable	8	-	-
Advances, prepayments and other receivables	9	14,587,867	12,439,224
Accrued profit	10	907,265	597,720
Tax refundable - considered good		4,512,654	4,272,055
Total Current Assets		76,536,854	79,970,724
Non - Current Assets			
Property and equipment -Ijarah	11	548,192	1,691,018
Property and equipment - owned	12	73,214	135,154
Long term investments	6.3	1,350,000	-
Advance to staff	13	12,500	85,000
Long term deposits		45,750	45,000
Total Non - Current Assets		2,029,656	1,956,172
TOTAL ASSETS		78,566,510	81,926,896
LIABILITIES			
Current Liabilities			
Current portion of ijarah deposits		-	366,990
Accrued and other liabilities	14	1,677,626	2,072,928
Unclaimed profit distribution		3,748,284	3,038,396
Total Current Liabilities		5,425,910	5,478,314
Non - Current Liabilities			
Long term ijarah deposits	15	287,400	465,400
TOTAL LIABILITIES		5,713,310	5,943,714
NET ASSETS		72,853,200	75,983,182
REPRESENTED BY			
Certificate Capital			
12,540,000 Modaraba Certificates of Rupees 10/- each	16	125,400,000	125,400,000
Statutory reserve		24,325,280	23,948,076
Accumulated loss		(73,834,955)	(70,327,769)
Unrealized loss on available for sale investment		(3,037,125)	(3,037,125)
		72,853,200	75,983,182
Contingencies and commitments	17		

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

These financial statements have been signed by three directors instead of chief executive officer and two directors as procedure of appointment of chief executive officer is under process.

DIRECTOR

DIRECTOR

DIRECTOR



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
INCOME			
Return on term deposit receipts and PLS accounts		4,829,303	4,737,227
Gain on sale of investments		1,196,340	2,210,735
Ijarah rentals		751,404	766,840
Dividend income		1,361,798	1,080,969
Other income	18	60,815	35,396
		8,199,660	8,831,167
Unrealised loss on remeasurement of held for trading investments		(1,520,809)	(189,012)
Impairment (losses) and reversal against doubtful receivables	19	-	11,116,377
		6,678,851	19,758,532
EXPENDITURE			
Depreciation on ijarah assets		(534,042)	(520,823)
Administrative expenses	20	(4,228,239)	(3,986,535)
Workers welfare fund		(38,331)	(269,580)
		(4,800,612)	(4,776,938)
Profit for the year		1,878,239	14,981,594
Modaraba company's management fee		-	(1,498,159)
Profit before taxation		1,878,239	13,483,435
Provision for taxation	21	7,779	(50,942)
Profit after taxation		1,886,018	13,432,493
Other Comprehensive income			
Surplus on revaluation of available for sale investment		-	-
Total income for the year		1,886,018	13,432,493
Earnings per certificate	22	0.15	1.07

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

These financial statements have been signed by three directors instead of chief executive officer and two directors as procedure of appointment of chief executive officer is under process.

DIRECTOR

DIRECTOR

DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,878,239	13,432,493
Adjustments for non-cash changes and other items:		
Gain on sale of investments	(1,196,340)	(2,210,735)
Dividend income	(1,361,798)	(1,080,969)
Gain on disposal-ijarah assets	(4,323)	-
Unrealised loss on remeasurement of held for trading investments	1,520,809	189,012
Impairment (losses) and reversal against doubtful receivables	-	(11,116,377)
Depreciation on ijarah assets	534,043	520,823
Depreciation-owned	61,940	61,940
	<u>(445,669)</u>	<u>(13,636,306)</u>
	<u>1,432,570</u>	<u>(203,813)</u>
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Musharika and morabaha finance	-	10,640,000
Ijarah rentals receivable	111,000	13,020
Advances, prepayments and other receivables	(2,368,118)	1,842,031
Accrued profit	(309,545)	(111,792)
	<u>(2,566,663)</u>	<u>12,383,259</u>
(Decrease) / increase in operating liabilities		
Long term ijarah deposits	(544,990)	66,550
Accrued and other liabilities	(344,360)	55,822
	<u>(889,350)</u>	<u>122,372</u>
Cash (used in) / generated from operations	<u>(2,023,443)</u>	<u>12,301,818</u>
Income tax adjustment / (paid)	8,212	(304,665)
Net cash (used in) / generated from operating activities	<u>(2,015,231)</u>	<u>11,997,153</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,361,798	1,089,719
Investments (made) / encashed -net	(5,748,072)	5,497,114
Long term deposit paid	(750)	-
Purchase of ijarah assets	-	(958,000)
Proceeds from disposal-ijarah assets	502,107	220,850
Net cash (used in) / generated from investing activities	<u>(3,884,917)</u>	<u>5,849,683</u>



	2012 Rupees	2011 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(4,306,112)	(3,313,194)
Net cash used in financing activities	<u>(4,306,112)</u>	<u>(3,313,194)</u>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	<u>(10,206,260)</u>	14,533,642
Cash and cash equivalents at beginning of the year	<u>19,292,322</u>	4,758,680
Cash and cash equivalents at end of the year	<u><u>9,086,062</u></u>	<u><u>19,292,322</u></u>

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

These financial statements have been signed by three directors instead of chief executive officer and two directors as procedure of appointment of chief executive officer is under process.

DIRECTOR

DIRECTOR

DIRECTOR



Standards/Amendments/Interpretations	Effective for (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of Financial Statements	January 1, 2011
IAS 24 (as revised in 2009) - Related Party Disclosures	January 1, 2011
Amendment to IAS 34 - Interim Financial Reporting	January 1, 2011
Amendment to IFRS 7 – Disclosures – Transfer of Financial Assets	July 1, 2011
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011

2.3 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective for (accounting period beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendments to IAS 19 - Employee Benefits	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Modaraba as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11



Improvements / amendments to IFRS and interpretations (Others)

IFRS 7 – Financial Instruments: Disclosures (Amendment)

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)

3. BASIS OF PREPARATION

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property and equipment

(i) Ijarah and Depreciation

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

(ii) In own use and depreciation

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

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

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

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

4.2 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.

i) Held for trading "at fair value through profit or loss"

These investments are initially recognised at fair value and subsequently measured at fair value. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investment held for trading is to be included in profit and loss account.

ii) Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised in profit and loss as other comprehensive income.



iii) Held to maturity

These are investments with fixed or determinable payments and fixed maturity, and which, the Modaraba has positive intent and ability to hold till maturity. Held to maturity investments are initially recognised at fair value plus transaction cost and are subsequently measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

iv) Loan and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized at fair value upon origination and are subsequently measured at amortized cost by the effective interest method. Short term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

v) Derecognition

All investments are de-recognised when the rights 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.

4.3 Ijarah rentals receivable, ijarah, morabaha and musharika finances

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

4.4 Staff retirement benefits

Defined contribution plan

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

4.5 Provisions

Provisions are 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.

4.6 Impairment

Financial Assets

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

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



Available-for-sale financial investments

For available-for-sale financial investments, the modaraba assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account - is removed from equity and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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

Non-financial assets

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

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

4.7 Revenue recognition

4.7.1 Ijarah rentals

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

4.7.2 Hire purchase transactions

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



4.7.3 Morabaha and musharika transactions

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

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

4.7.4 Dividend income

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

4.7.5 Markup income

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

4.8 Taxation

Current

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

The income of non-trading modaraba is exempt from 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 unrealised capital gains for the period is distributed amongst the certificate holders.

Deferred

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

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

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.9 Foreign currencies translation

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

4.10 Financial assets

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.



4.11 Financial liabilities

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

4.12 Cash and cash equivalents

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

4.13 Offsetting of financial assets and financial liabilities

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

4.14 Profit distribution

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

4.15 Significant accounting estimates and judgment

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

- i) classification of investments (Note 6)
- ii) provision for doubtful receivables (Note 19)
- iii) depreciation on property, plant and equipment (Note 11 & 12)
- iv) provision against doubtful investments (Note 6)



	Note	2012 Rupees	2011 Rupees
5. CASH AND BANK BALANCES			
Cash in hand		2,735	146
Cash at banks			
Current accounts		2,534,170	10,647,346
Saving accounts	5.1	6,549,157	8,644,830
		9,083,327	19,292,176
		<u>9,086,062</u>	<u>19,292,322</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 4% to 11 % (June 2011 : 4% to 11.50%) per annum.

6. INVESTMENTS

Available for sale	6.1	1,837,875	1,837,875
Held for trading at fair value through profit or loss account	6.2	9,905,131	11,531,528
Loan and receivables	6.3	35,700,000	30,000,000
		<u>47,443,006</u>	<u>43,369,403</u>

6.1 Available for sale

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

2012 Number of Shares Unquoted securities	2011 Number of Shares Unquoted securities	Name of company	2012 Rupees	2011 Rupees
487,500	487,500	Prudential Securities Limited		
		Cost	4,875,000	4,875,000
		Less: Fair value adjustments	(3,037,125)	(3,037,125)
			<u>1,837,875</u>	<u>1,837,875</u>

6.1.1 The breakup value of shares of Prudential Securities Limited was Rs. 3.77 (2011: 3.77) per share based on last available audited financial statements for the year ended June 30, 2008.

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

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

2012 Number of Certificates / Shares	2011 Number of Certificates / Shares	Name of Company	2012 Rupees	2011 Rupees
Open-end Mutual Funds				
100,809	100,809	National Investment Trust Limited	3,050,480	3,240,001
-	22,471	JS Aggressive Asset Allocation Fund	-	506,047
Oil and gas				
-	5,000	Byco Petroleum Pakistan Limited	-	45,350
5,000	-	National Refinery Limited	1,156,950	-
-	1,000	Pakistan Oilfields Limited	-	359,010
1,000	-	Pakistan State Oil Company Limited	235,840	-
Chemicals				
9,700	6,400	Engro Corporation Limited	987,848	1,044,800
52,500	61,900	Fauji Fertilizer Bin Qasim Limited	2,143,050	2,609,085
4,000	2,000	ICI Pakistan Limited	524,280	303,700
40,000	30,000	Lotte Pakistan PTA Limited	281,200	414,900
Construction and materials				
3,000	15,000	D.G. Khan Cement Company Limited	118,140	344,850
1,000	2,000	Lucky Cement Limited	115,390	141,680
General Industrials				
2,000	2,000	Packages Limited	199,400	220,000
Personal Goods				
-	44,000	Azgard Nine Limited	-	242,880
6,650	5,000	Nishat (Chunian) Limited	115,644	111,450
-	1,650	Nishat (Chunian) Limited 15% NVCCP	-	44,550
-	5,837	Nishat Mills Limited	-	293,835
Pharma And bio tech				
3,044	2,012	GlaxoSmithKline Pakistan Limited	192,504	177,638
Fixed Line Telecommunication				
2,500	-	Pakistan Telecommunication Company Limited	34,225	-
Electricity				
12,000	17,500	The Hub Power Company Limited	502,680	656,250
5,500	18,200	Kot Addu Power Company Limited	247,500	775,500
Suspended / Delisted Company				
120,000	120,000	Prudential Investment Bank Limited	-	-
279,749	279,749	Pakistan Industrial & Commercial Leasing Limited	-	-
			<u>9,905,131</u>	<u>11,531,528</u>



	Note	2012 Rupees	2011 Rupees
6.2.1 Unrealized loss on changes in fair value of held for trading investments			
Weighted average cost of investments		11,425,940	11,720,540
Unrealized loss on changes in fair value of held for trading investments		(1,520,809)	(189,012)
Market value of investments		9,905,131	11,531,528

6.3 Loan and receivables

- Term deposit receipts	6.3.1	33,000,000	30,000,000
- Other receivables	6.3.2	4,050,000	-
Less: Long term portion		(1,350,000)	-
		2,700,000	-
		35,700,000	30,000,000

6.3.1 Effective mark-up rate in respect of term deposit accounts carried at fair value ranges from 10.50% to 14.25% (June 2011: 12.90% to 14.25%) per annum.

6.3.2 This represent investments made in the term deposit certificate of Invest Capital Investment Bank Limited (ICIBL). The management of the Modaraba on April 30, 2012 entered into a settlement agreement with the ICIBL. As per revised terms the ICIBL paid Rs. 500,000/- at the time of execution and signing of the agreement and the remaining investment of Rs. 4,500,000/- to be paid in 20 equal monthly installments, first installment was due on 30 days after execution and signing of the agreement. Profit accrued on the investment from date of default i.e. October 27, 2011 were waived. Moreover, no markup will be charged during repayment period. After the date of agreement the Modaraba has been receiving monthly installments in time.

7. MUSHARIKA AND MORABAHA FINANCE

Morabaha finance - Unsecured		15,319,705	15,319,705
Musharika finance - Unsecured		-	-
		15,319,705	15,319,705
Less: Provision for doubtful morabaha and musharika finance - net	7.1	(15,319,705)	(15,319,705)

7.1 Movement of provision

Opening balance		15,319,705	24,339,705
Reversal during the year		-	(9,020,000)
Closing balance		15,319,705	15,319,705

8. IJARAH RENTALS RECEIVABLE

Considered doubtful		119,542	230,542
		119,542	230,542
Less: Provision for doubtful receivables		(119,542)	(230,542)
		-	-



	Note	2012 Rupees	2011 Rupees
8.1 Movement of provision			
Opening balance		230,542	230,542
Charge for the year		-	-
Reversal during the year		(111,000)	-
Closing balance		119,542	230,542

8.2 Future minimum ijarah rentals receivable

Within one year		297,984	751,404
After one year but not more than five years		49,664	384,008
		347,648	1,135,412

9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Considered good			
Advance tax		457,691	749,665
Current portion of advance to staff	12	117,000	60,000
Deposit	9.1	1,000,000	1,000,000
Prepayments		140,830	139,435
Receivables			
Against sale of shares	9.2	11,969,938	10,476,377
Others	9.3	902,408	13,747
		14,587,867	12,439,224
Less: Provision for doubtful receivables		-	-
		14,587,867	12,439,224

9.1 The amount was paid to Prudential Securities Limited (PSL) as advance for purchase of securities. The PSL defaulted and claim for the amount has been filed with the Karachi Stock Exchange.

9.2 These amount include claim of Rs. 10.476 million (2011: Rs. 10.476 million) receivable from defaulted stock broker.

9.3 It includes Rs. 886,442 (2011: Rs. Nil) receivable from the Management Company against various expenses paid on their behalf.

10. ACCRUED PROFIT

Considered good			
Loan and receivable - term deposit receipts		907,265	597,720
Considered doubtful			
Musharika and morabaha finance		4,028,913	4,028,913
		4,936,178	4,626,633
Less: Provision for doubtful receivables	10.1	(4,028,913)	(4,028,913)
		907,265	597,720

10.1 Movement of provision

Opening Balance		4,028,913	13,598,917
Written off during the year		-	(7,950,004)
Reversal during the year		-	(1,620,000)
Closing Balance		4,028,913	4,028,913



11. PROPERTY, PLANT AND EQUIPMENT -IJARAH

	Cost		Depreciation		Carrying value at June 30, 2012	Rate%		
	at July 1, 2011	Additions/ (Disposals) at June 30, 2012	Accumulated at July 1, 2011	For the year / (on disposals) June 30, 2012			Impairment Charge for the year	
Vehicles	3,434,715	(2,106,715)	1,743,697	534,043 (1,608,932)	668,808	111,000	548,192	20-33.33
			1,743,697	534,043 (1,608,932)	668,808	111,000	548,192	
- For comparative period								
	Cost		Depreciation		Carrying value at June 30, 2011	Rate%		
at July 1, 2010	Additions/ (Disposals)	at June 30, 2011	Accumulated at July 1, 2010	For the year / (on disposals) June 30, 2011			Impairment Charge for the year	
Plant and machinery	1,700,000	-	1,530,000	- (1,530,000)	-	-	-	33.33
Vehicles	2,815,715	958,000 (339,000)	1,511,024	520,823 (288,150)	1,743,697	-	1,691,018	20-33.33
	4,515,715	958,000 (2,039,000)	3,041,024	520,823 (1,818,150)	1,743,697	-	1,691,018	



12. PROPERTY AND EQUIPMENT - OWN

	Cost		Depreciation		Carrying value at June 30, 2012	Rate%		
	at July 1, 2011	Additions/ (Disposals) at June 30, 2012	Accumulated at July 1, 2011	For the year / (on disposals) June 30, 2012			Impairment Charge for the year	
Office equipment	360,794	-	360,794	296,458	35,830	332,288	28,506	33.33
Furniture and fixtures	96,295	-	96,295	67,287	9,630	76,917	19,378	10
Motor vehicles	82,400	-	82,400	40,590	16,480	57,070	25,330	20
	539,489	-	539,489	404,335	61,940	466,275	73,214	
- For comparative period								
	Cost		Depreciation		Carrying value at June 30, 2011	Rate%		
at July 1, 2010	Additions/ (Disposals)	at June 30, 2011	Accumulated at July 1, 2010	For the year / (on disposals) June 30, 2011			Impairment Charge for the year	
Office equipment	360,794	-	360,794	260,628	35,830	296,458	64,336	33.33
Furniture and fixtures	96,295	-	96,295	57,657	9,630	67,287	29,008	10
Motor vehicles	82,400	-	82,400	24,110	16,480	40,590	41,810	20
	539,489	-	539,489	342,395	61,940	404,335	135,154	



	Note	2012 Rupees	2011 Rupees
13. ADVANCE TO STAFF			
Considered good		129,500	145,000
Current portion		<u>(117,000)</u>	<u>(60,000)</u>
		<u>12,500</u>	<u>85,000</u>

14. ACCRUED AND OTHER LIABILITIES

Related parties

Management fees payable	-	210,217
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Others

Workers welfare fund	451,154	412,823
Auditors' remuneration	310,000	340,000
Charity fund payable	63,548	367,523
Provision for taxation	-	50,942
Other payables	852,924	691,423

<u>1,677,626</u>	<u>2,072,928</u>
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15. LONG TERM IJARAH DEPOSITS

Ijarah deposits	287,400	832,390
Current portion	-	(366,990)

<u>287,400</u>	<u>465,400</u>
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16. CERTIFICATE CAPITAL

2012	2011		2012 Rupees	2011 Rupees
Number of Certificates				
Authorised				
<u>15,000,000</u>	<u>15,000,000</u>	Modaraba certificates of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up				
10,000,000	10,000,000	Modaraba certificates of Rs.10/- each fully paid in cash	100,000,000	100,000,000
2,540,000	2,540,000	Modaraba certificates of Rs.10/- each fully paid bonus certificates	25,400,000	25,400,000
<u>12,540,000</u>	<u>12,540,000</u>		<u>125,400,000</u>	<u>125,400,000</u>

As at June 30, 2012, the Royal Management Services (Private) Limited (the Management Company) held 1,254,000 (2011: 1,254,000) certificates of Rs. 10 each.

17. CONTINGENCIES AND COMMITMENTS

No contingencies and commitments exist at the year end.



	Note	2012 Rupees	2011 Rupees
18. OTHER INCOME			
Gain on disposal of property and equipment- Ijarah		4,323	-
Others		56,492	35,396
		<u>60,815</u>	<u>35,396</u>

19. IMPAIRMENT (LOSSES) AND REVERSAL AGAINST**DOUBTFUL RECEIVABLES****Impairment losses:**

Ijarah assets	(111,000)	-
---------------	-----------	---

Reversal against doubtful receivables:

Musharika and morabaha finance	-	10,640,000
Ijarah finance	111,000	-
Other receivable	-	476,377
	-	<u>11,116,377</u>

20. ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits	20.1	961,104	836,959
Fees and subscription		486,271	518,092
Telephone and postage		479,194	420,065
Legal and professional		377,500	215,000
Registrar services		360,000	360,000
Auditors' remuneration	20.2	410,000	392,500
Travelling and conveyance		137,406	214,964
Printing and stationery		181,818	164,582
Transaction cost on investment		103,353	161,818
Repairs and maintenance		124,911	130,387
Security services		108,000	103,000
Rent, rate and taxes		132,079	112,079
Electricity, water and gas		65,791	64,069
Entertainment		105,820	67,857
Advertisement		-	66,026
Depreciation-owned assets		61,940	61,940
Miscellaneous		133,052	97,197
		<u>4,228,239</u>	<u>3,986,535</u>

20.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2012			2011		
	Officers	Other	Total Employees	Officers	Other	Total Employees
Rupees.....		Rupees.....		
Remuneration	525,000	325,000	850,000	480,000	295,039	775,039
Provident fund	24,452	13,600	38,052	22,572	8,388	30,960
Medical expenses	24,452	13,600	38,052	22,572	8,388	30,960
Others	35,000	-	35,000	-	-	-
	<u>608,904</u>	<u>352,200</u>	<u>961,104</u>	<u>525,144</u>	<u>311,815</u>	<u>836,959</u>
No. of persons	2	3		2	3	



	2012 Rupees	2011 Rupees
20.2 AUDITORS' REMUNERATION		
Statutory audit fee	250,000	250,000
Half year review fee	75,000	75,000
Review of code of corporate governance	25,000	25,000
CDC certification	10,000	10,000
Out of pocket expenses	50,000	32,500
	<u>410,000</u>	<u>392,500</u>

21. Provision for Taxation

Current for the year	-	50,492
for prior year	(7,779)	-
	<u>(7,779)</u>	<u>50,492</u>

The income of the Modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. The management intends to distribute the profit and accordingly no provision for tax has been made in the current year. The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance, 2001.

22. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit for the year (Rupees)	1,886,018	13,432,493
Weighted average number of ordinary certificates	<u>12,540,000</u>	<u>12,540,000</u>
Earnings per certificate (Rupees per certificate)	<u>0.15</u>	<u>1.07</u>

23. RELATED PARTY TRANSACTIONS

The related parties comprise of associated undertakings, directors of the Modaraba Management Company. The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows: -

Relationship with the Company	Nature of transaction	2012 Rupees	2011 Rupees
Modaraba Company	Management fee	-	1,498,159
	Expenses paid on behalf of the Modaraba Company	886,442	582,876
	Expenses reimbursed by the Modaraba Company	-	1,287,942
	Dividend paid	501,600	376,200
Provident Fund	Contribution made	38,052	30,960
Director	Honorarium expense	-	120,000

**24. Financial Risk Management**

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

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

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

24.1 Liquidity risk management

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Modaraba holds total current assets of Rs. 76.54 million against its current liability of Rs. 5.425 million which lead to total surplus of Rs. 71.11 million.

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

2012	Total	More than		
		Upto three months	three months and upto one year	More than one year
..... Rupees				
Accrued and other liabilities	1,677,626	1,677,626	-	-
Unclaimed profit distribution	3,748,284	3,748,284	-	-
Ijarah deposits	287,400	-	-	287,400
	5,713,310	5,425,910	-	287,400
2011				
Accrued and other liabilities	2,072,928	2,072,928	-	-
Unclaimed profit distribution	3,038,396	3,038,396	-	-
Ijarah deposits	832,390	111,000	255,990	465,400
	5,943,714	5,222,324	255,990	465,400

24.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (morabaha finance, ijarah rental receivables), deposits with bank and financial institutions and other receivables.



The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Modaraba's maximum exposure to credit risk related to financial instruments at June 30, 2012 and June 30, 2011 is the carrying amounts of following financial assets

	2012	2011
Advances, prepayments and other receivables	14,587,867	12,439,224
Balances with banks and financial institutions	44,783,327	49,292,176
	59,371,194	61,731,400

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

Bank balances	Rating Agency	Short Term	Long Term	2012	2011
Faysal Bank Limited	PACRA	A1+	AA	721,465	11,183,654
Burj Bank Limited	JCR-VIS	A-2	A	36,683,858	-
Habib Bank Limited					
Islamic Banking	JCR-VIS	A-1+	AA+	3,021,442	-
Bank of Khyber	PACRA	A2	A-	-	25,000,000
Invest Capital Investment					
Bank Limited	JCR-VIS	D - Default	D - Default	4,050,000	5,000,000
Summit Bank	JCR-VIS	A-2	A	1,224,086	7,524,912

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

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

	As at June 30, 2012				
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	119,542	119,542
Morabaha finance	-	-	-	15,319,705	15,319,705

	As at June 30, 2011				
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	230,542	230,542
Morabaha finance	-	-	-	15,319,705	15,319,705

Total impairment against these assets as at June 30, 2012 is Rs. 15,439,247/- (June 2011: 15,550,247/-)

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments.



FIRST PAK MODARABA

Detail of the industrial sector analysis of Ijarah (Cost) and morabaha (original Principal amount) portfolio are as under.

Sector	2012		2011	
	Rupees	%	Rupees	%
Fuel & Energy	717,681	4.31%	717,681	3.83%
Auto & Allied Egg.	958,000	5.75%	958,000	5.11%
Dairy, Poultry and Fish farming	6,102,024	36.65%	6,102,024	32.54%
Health Care	2,500,000	15.02%	2,500,000	13.33%
Printing and Packaging	-	0.00%	600,000	3.20%
Trading	6,000,000	36.04%	6,000,000	31.99%
Plastic	-	0.00%	616,715	3.29%
Miscellaneous	370,000	2.22%	1,260,000	6.72%
	<u>16,647,705</u>	<u>100.00%</u>	<u>18,754,420</u>	<u>100.00%</u>

24.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Modaraba is exposed to profit rate and currency risks.

24.3.1 Profit rate risk

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



FIRST PAK MODARABA

June 30, 2012

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit risk
Cash and bank balances	4-11	9,086,062	9,072,497	-	-	-	-	13,565
Investments	10.5-14.25	47,443,006	188,300	33,382,234	1,816,802	1,304,243	-	11,743,006
Musharika and morabaha finance	-	-	-	-	-	-	-	-
Ijarah rentals receivable	-	-	-	-	-	-	-	-
Advances, prepayments and other receivables	-	14,587,867	327,145	575,630	-	-	-	14,587,867
Accrued profit	-	907,265	-	-	-	-	-	12,500
Advance to staff	-	12,500	-	-	-	-	-	45,750
Long term deposits	-	45,750	-	-	-	-	-	-
Total Financial assets as at June 30, 2012		72,082,450	9,587,942	33,957,864	1,816,802	1,304,243	-	26,402,688
Accrued and other liabilities	-	1,677,626	-	-	-	-	-	1,677,626
Unclaimed profit distribution	-	3,748,284	-	-	-	-	-	3,748,284
Ijarah deposit	-	287,400	-	-	-	-	-	287,400
Total Financial liabilities as at June 30, 2012		5,713,310	-	-	-	-	-	5,713,310
Total yield / profit risk sensitivity gap		9,587,942	33,957,864	1,816,802	1,304,243	-	-	32,115,998
Cumulative yield / profit risk sensitivity gap		9,587,942	43,545,806	45,362,608	46,666,851	46,666,851	46,666,851	78,782,849



June 30, 2011

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one years	Over one year to five years	Over five years	Not exposed to yield / profit risk
Cash and bank balances	4-11.5	19,292,322	19,281,346	-	-	-	-	10,976
Investments	12.9-14.25	43,369,403	5,000,000	25,000,000	-	-	-	13,369,403
Musharika and morabaha finance	-	-	-	-	-	-	-	-
Ijarah rentals receivable	-	-	-	-	-	-	-	-
Advances, prepayments and other receivables	-	13,527,165	185,391	412,329	-	-	-	13,527,165
Accrued profit	-	597,720	-	-	-	-	-	-
Advance to staff	-	85,000	-	-	-	-	-	85,000
Long term deposits	-	45,000	-	-	-	-	-	45,000
Total Financial assets as at June 30, 2011		76,916,610	24,466,737	25,412,329	-	-	-	27,037,544
Accrued and other liabilities	-	2,072,928	-	-	-	-	-	2,072,928
Unclaimed profit distribution	-	3,038,396	-	-	-	-	-	3,038,396
Ijarah deposit	-	832,390	-	-	-	-	-	832,390
Total Financial liabilities as at June 30, 2011		5,943,714	24,466,737	25,412,329	-	-	-	5,943,714
Total yield / profit risk sensitivity gap								
Cumulative yield / profit risk sensitivity gap			24,466,737	49,879,066	24,466,737	49,879,066	49,879,066	82,860,324



24.3.2 Equity price risk

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

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

	2012	2011
Investments	9,905,131	11,531,528

Sensitivity analysis

The table below summarises the impact of increase/decrease in Karachi Stock Exchange index on the modaraba's profit after tax and on equity. The analysis is based on the assumption that the equity index had increased/decreased by 5% with all other variables held constant and all modaraba's equity instruments moved on perfect correlation with the index.

Index	Impact on profit after tax and equity	
	2012	2011
KSE 100(5% increase)	(1,289,743)	668,470
KSE 100(5% decrease)	1,289,743	(668,470)

24.3.3 Currency risk

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

24.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values.

24.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Quoted companies	9,905,131	-	-	9,905,131
Available-for-sale financial assets				
Unlisted entities	-	1,837,875	-	1,837,875
Loan and receivable financial assets				
Term deposit receipt	-	35,700,000	-	35,700,000

24.5 Financial instrument by category

As at June 30, 2012

	Loan and receivables	Assets at fair value through profit & loss	Available-for-sale	Total
.....Rupees.....				
ASSETS				
Cash and bank balances	9,086,062	-	-	9,086,062
Investments	35,700,000	9,905,131	1,837,875	47,443,006
Musharika and morabaha finance	-	-	-	-
Ijarah rentals receivable	-	-	-	-
Advances, prepayments and other receivables	14,587,867	-	-	14,587,867
Accrued profit	907,265	-	-	907,265
Advance to staff	12,500	-	-	12,500
Long term deposits	45,750	-	-	45,750
	60,339,444	9,905,131	1,837,875	72,082,450
LIABILITIES				
Ijarah deposits	287,400	-	-	287,400
Accrued and other liabilities	1,677,626	-	-	1,677,626
Unclaimed profit distribution	3,748,284	-	-	3,748,284
	5,713,310	-	-	5,713,310

As at June 30, 2011

	Loan and receivables	Assets at fair value through profit & loss	Available-for-sale	Total
ASSETS				
Cash and bank balances	19,292,322	-	-	19,292,322
Investments	30,000,000	11,531,528	1,837,875	43,369,403
Musharika and morabaha finance	-	-	-	-
Ijarah rentals receivable	-	-	-	-
Advances, prepayments and other receivables	12,439,224	-	-	12,439,224
Accrued profit	597,720	-	-	597,720
Advance to staff	85,000	-	-	85,000
Long term deposits	45,000	-	-	45,000
	62,459,266	11,531,528	1,837,875	75,828,669
LIABILITIES				
Ijarah deposits	832,390	-	-	832,390
Accrued and other liabilities	2,072,928	-	-	2,072,928
Unclaimed profit distribution	3,038,396	-	-	3,038,396
	5,943,714	-	-	5,943,714

**25. CAPITAL RISK MANAGEMENT**

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As at balance sheet date Modaraba do not have any exposure in short term and long term borrowing and it has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further Modaraba has very positive current ratio of 14.11:1 (2011: 14.60:1).

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During the current year, the Modaraba's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio to zero.

26. SEGMENT INFORMATION

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

The Chief Financial Officer who is also the member of investment committees 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.

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

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

27. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of appropriate presentation.

Term deposit receipts amounting to Rs. 30 millions have been reclassified to investment as line item under the Loan and receivables - term deposit receipts. Previously, it was shown in cash and bank balances.

As the aforementioned reclassification does not have any impact on the face of the profit and loss accounts, therefore, the Modaraba has not presented the balance sheet as at the beginning of the earliest comparative period presented i.e. (June 30, 2011).

28. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have approved profit distribution of Rs. 1,504,800 at the rate of 1.2 % (Rs. 0.12 per certificate of Rs. 10) for the year ended June 30, 2012. These financial statements do not reflect this distribution.

29. DATE OF AUTHORISATION OF ISSUE

These financial statements has been authorised for issue on October 9, 2012 by the Board of Directors of the Royal Management Services (Private) Limited.

30. FIGURES

Figures have been rounded off to the nearest Rupee.

These financial statements have been signed by three directors instead of chief executive officer and two directors as procedure of appointment of chief executive officer is under process.

DIRECTOR

DIRECTOR

DIRECTOR



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

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

Year	2012	2011	2010	2009	2008	2007
Paid up Capital	125.400	125.400	125.400	125.400	125.400	125.400
Statutory Reserve	24.325	23.948	21.262	18.503	18.503	16.813
Certificate Holders' Equity	72.853	75.983	66.312	59.416	96.919	97.551
Certificate	12.540	12.540	12.540	12.540	12.540	12.540
Current Liabilities	5.426	5.478	4.939	4.174	3.932	4.836
Non-Current Assets	2.030	1.956	1.717	3.429	5.570	4.833
Current Assets	76.537	79.971	69.968	60.771	96.590	98.369
Profit/(Loss) before taxation	1.886	13.483	6.396	(33.498)	5.721	6.469
Taxation	(0.008)	0.051	(0.501)	-	0.090	-
Earning/(Loss) per Certificate (Rs.)	0.15	1.07	0.55	(2.67)	0.45	0.52
Dividend (%)	1.2%	3%	3%	Nil	3%	3%



PATTERN OF SHARE HOLDINGS AS AT 30.06.2012

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS	TOTAL SHARES HELD
908	1 - 100	45,311
1,343	101 - 500	259,042
1,144	501 - 1000	737,773
555	1001 - 5000	1,109,621
76	5001 - 10000	533,310
48	10001 - 15000	611,861
13	15001 - 20000	230,066
8	20001 - 25000	187,900
5	25001 - 30000	184,827
5	30001 - 35000	157,117
2	35001 - 40000	75,827
3	40001 - 45000	127,571
5	45001 - 50000	242,119
2	60001 - 65000	127,700
1	65001 - 70000	68,835
1	80001 - 85000	85,000
1	105001 - 110000	109,725
1	110001 - 115000	111,860
2	125001 - 130000	250,892
1	145001 - 150000	149,790
1	160001 - 165000	160,500
2	205001 - 210000	414,232
2	245001 - 250000	500,000
1	285001 - 290000	290,000
1	325001 - 330000	327,838
1	335001 - 340000	337,919
1	395001 - 400000	400,000
1	495001 - 500000	1,000,000
1	540001 - 545000	544,568
1	865001 - 870000	868,500
1	1035001 - 1040000	1,036,296
1	1250001 - 1255000	1,254,000
<u>4,138</u>		<u>12,540,000</u>



CATEGORIES OF CERTIFICATE HOLDING AS ON 30-06-2012

	No of Certificate holders	No of Certificate Held	Total No of Certificate	Percentage
ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES	1		1,254,000	10.00
ROYAL MANAGEMENT SERVICES (PVT) LIMITED		1,254,000		
NIT AND ICP	1		3,500	0.03
INVESTMENT CORPORATION OF PAKISTAN		3,500		
DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN	1		25	0.00
MR. MOHAMMAD MUSHARRAF KHAN		25		
EXECUTIVE	-----	-----	-----	-----
PUBLIC SECTOR COMPANIES AND CORPORATIONS.	1		109,725	0.87
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD		109,725		
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABA AND MUTUAL FUNDS	6		10,746	0.09
THE BANKOF KHYBER		1,526		
NATIONAL DEVELOPMENT LEASING CORPORATION LTD.		350		
NEW JUBILEE INSURANCE COMPANY LTD.		500		
L.T.V. CAPITAL MODARABA		1,345		
FIRST PRUDENTIAL MODARABA		100		
PROGRASIVE INS. CO LTD.		6925		
CERTIFICATEHOLDING TEN PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY	----	----	----	----
INDIVIDUALS	4094		10,494,108	83.69
OTHER CORPORATE CERTIFICATEHOLDERS	34		667,896	5.32
TOTAL				
	<u>4138</u>		<u>12,540,000</u>	<u>100.00</u>



NOTICE OF THE ANNUAL REVIEW MEETING

Notice is hereby given that the 13th Annual Review Meeting of the Modaraba's Certificate Holders of First Pak Modaraba will be held on October 31, 2012 at 12.00 noon at Office No. 54, Ground Floor, 56 – G, Beverly Centre Blue Area, Islamabad to review the performance of Modaraba for the year ended June 30, 2012 in terms of clause 20 of the Prudential Regulation for Modaraba issued vide Circular No. 5/2000 by Registrar Modaraba.

By Order of the Board

Karachi
October 9, 2012

Muhammad Musharraf Khan
Company Secretary

Notes:-

1. The Modaraba Certificates transfer Book shall remain closed from October 24, 2012 to October 31, 2012 (both days inclusive) to determine the name of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the registrar Office of the Modaraba (whose address is given below) upto the close of business hours on October 23, 2012 will be treated in time.

2. The Certificate Holders are advised to notify to the Registrar of First Pak Modaraba of any change in their addresses to ensure prompt delivery of mails, Further, any Certificate for transfer etc. should be lodged with the Registrar Shares & Corporate Services (Pvt.) Limited, Mehersons Estate, First Floor, Block E, Talpur Road, Near. NBP Head Office, Karachi.

3. Accounts Holders holding Book entry securities of the Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in additions, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.