



First IBL Modaraba



# Annual Report 2009



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## Corporate Information

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



## Directors' Report

The Board of Directors of IBL Modaraba Management (Private) Limited., the Management Company of First IBL Modaraba (FIM), has pleasure in presenting to the certificate holders the Annual Report of the Modaraba together with Audited Accounts for the period from July 01, 2008 to June 30, 2009.

### Financial Results

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

|   | <b>(Rs. in "000")</b> |                  |
|---|-----------------------|------------------|
|   | <b>June 2009</b>      | <b>June 2008</b> |
| Total Operating Income                  | 34,036                | 25,619           |
| Profit before Management Fee & taxation | 1,826                 | 5,462            |
| Management Fee – 10%                    | (182)                 | (546)            |
| Profit before tax                       | 1,644                 | 4,916            |
| Provision for Taxation                  | -                     | -                |
| Net Profit after tax                    | 1,644                 | 4,916            |

### Review of Operations:

This fiscal year was characterized by continuing domestic and global uncertainty, but during these difficult times First IBL Modaraba has been successful in maintaining a sustainable position.

Volatility of the stock market, unstable political environment, global economic crisis, acute competition with the Commercial Banks and Leasing Companies has affected the business activities of the Modarabas in general and has also slowed down the business activities in other sectors. In spite of all negative factors affected the macro economy the modaraba has still booked operating income of Rs.34.036 million as compared to Rs.25.619 million in the preceding year ended June 30, 2008. The overall operating income of the modaraba is increased by 32.85%.

As First IBL Modaraba was acquired by the management on December 14, 2007, at the time, the SECP had imposed the condition for injecting funds of Rs. 85.00 Million in equity of the Modaraba by January 31, 2008. The management successfully injected the required funds before the due date. The certificates against the said funds were issued in the current financial year.

The major revenue during the year is generated from the Musharika facilities. The Musharika profit during the year was Rs.27.003 Million as compared to the Rs.15.203 million last year. The Modaraba has a diversified portfolio to maintain sustainable growth. During the year under review modaraba has also booked an income of Rs.6.519 million from Ijarah facility.

During the year FIM in compliance of instructions issued by Securities & Exchange Commission of Pakistan (SECP) vide SRO No. 150(I)/2009 dated February 13, 2009, has booked impairment loss of Rs. 5.924 million on available for sale investment, which resulted in reduction of the profit for the year by Rs.5.924 million. In addition the Management during the year under review curtailed the cost and thus resulted in the reduction of administrative expense by 2%.

The Modaraba is also continuously building statutory reserves out of the profit of each year, which accumulated to Rs.33.897 million as compared to Rs. 33.568 Million at the end of preceding year.

The management has progressively tightened the underwriting criteria, improved our assessment of customer affordability and improved collection processes. We have actively withdrawn from some high risk investment and we are targeting higher quality and low risk businesses.

Other actions to manage risk over long-run are aligned with the key trends which are shaping Pakistan's economy. The Modaraba has acquired 80% share holding of Alka Power (Private) Limited. The company has been issued letter of intent of two Hydro Power Projects of 2.08 MW and 3.03 MW by Punjab Power Development Board (PPDB). Alka Power



(Private) Limited is registered as Private Limited Company under the Companies Ordinance 1984. Feasibility study of the projects has been approved by a panel of experts of PPDB and formal letter of support shall be issued after the finalization of tariff with NEPRA. Negotiations for the tariff are already in progress. The Company expects to commence project implementation activities as soon as the tariff is approved. These projects would not only mitigate our risk but would also provide steady income for our certificate holders.

### **CORPORATE RESTRUCTURING**

Keeping in view the acute liquidity squeezed due to current economic downturn in the country prevailing for the last one year the Management has requested to the Certificate Holders for their decision on the alternatives for financial structuring of First IBL Modaraba. The options to be placed to the certificate holders for their consent and the management will progress accordingly.

#### **A. Options**

The proposed options for restructuring of First IBL Modaraba are:

- a) To merge Khoja's Capital Management (Pvt) Limited with First IBL Modaraba
- b) To merge First IBL Modaraba into Khoja's Capital Management (Pvt) Limited

### **Corporate Governance:**

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

- The financial statements prepared by the Management of Modaraba present fairly its state of affairs, the result of its operations, cash flows and changes in the equity.
- Proper books of accounts of Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements. During the year 2007 Islamic Financial Accounting Standard (IFAS) - 2 "Ijarah" was issued by the Institute of Chartered Accountants of Pakistan and the same was notified by the Securities and Exchange Commission of Pakistan (SECP) vide an SRO dated 22 May 2007. Under the IFAS 2, the "Ijarah" transactions are required to be accounted for as operating leases. The IFAS is operative for financial statements covering the periods beginning on or after 1 July 2007 and is required to be followed on those Ijarahs which commence on or after 1 July 2007. Later on, the SECP extended its implementation to July 01, 2008 and is required to be followed on those Ijarahs which commence on or after July 01, 2008. Accordingly, the modaraba has adopted the above standard effective July 01, 2008.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices and Corporate Governance as detailed in the listing regulations.
- There has been no trading in company shares by Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

### **Attendance of Board Meetings:**

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

|    | <b>Name of Director</b> | <b>Number of Meetings</b> | <b># of Meeting Attended</b> | <b>Leave of Absence</b> |
|----|-------------------------|---------------------------|------------------------------|-------------------------|
| 1) | Dr. Hassan Sohaib Murad | 4                         | 4                            | 0                       |
| 2) | Mr. Alc Imran           | 4                         | 4                            | 0                       |
| 3) | Mr. Arslan Khakwani     | 4                         | 4                            | 0                       |
| 4) | Mr. Shaheen Rashid      | 4                         | 4                            | 0                       |



**Operating Data for six years:**

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

**Pattern of Certificate holding:**

The detailed pattern of certificate holding as on 30/6/2009 is annexed to this report.

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

**The Economy and Future prospects:**

Pakistan is facing a critical economic and political situation that has affected the confidence of the local as well as foreign investors also. This leads to serious macro-economic imbalances, declining economic growth, rising poverty, and poor social indicators and liquidity crunch to the financial sector.

To overcome the current economic scenario, the management has decided to strengthen the overall structure of the Modaraba by acquisition and mergers of NBFC's with modaraba. This will provide opportunity to the management for surviving in the long run.

**Auditors**

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

**Acknowledgment**

In the end, Board wishes to thank SECP for their guidance and support.

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

On Behalf of the Board

Dr. Hasan Sohaib Murad  
Chairman

23-10-2009



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

**BALANCE SHEET SUMMARY**

(Rs. in million)

| Year Ended June 30, 2009                  | 2004          | 2005          | 2006          | 2007          | 2008          | 2009           |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>EQUITY</b>                             |               |               |               |               |               |                |
| Issued, subscribed & paid up capital      | 116.88        | 116.88        | 116.88        | 116.88        | 116.88        | 201.88         |
| Statutory Reserve                         | 21.73         | 27.09         | 30.96         | 32.58         | 48.34         | 31.56          |
| Revenue Reserve and Unappropriated profit | 39.41         | 6.33          | 12.34         | 14.97         | 6.74          | 5.62           |
| Modaraba certificate deposit money        | -             | -             | -             | -             | 85            | -              |
| <b>Total Equity</b>                       | <b>178.02</b> | <b>150.30</b> | <b>160.18</b> | <b>164.43</b> | <b>256.96</b> | <b>239.06</b>  |
| <b>LIABILITIES</b>                        |               |               |               |               |               |                |
| Customer Security Deposit                 | -             | -             | -             | -             | 3.69          | 3.8            |
| Other Deffered Liabilities                | 0.08          | 0.17          | 0.34          | 0.36          | -             | -              |
| <b>CURRENT LIABILITIES</b>                |               |               |               |               |               |                |
| Short term finance                        | -             | -             | -             | -             | -             | 20.8           |
| Short term Morabaha & Musharakah          | 33.00         | 33.00         | 33.00         | 31.96         | -             | 85.0           |
| Unclaimed profit distribution             | -             | -             | -             | -             | 2.35          | 5.1            |
| Other Current Liabilities                 | 13.78         | 22.83         | 11.13         | 10.50         | 11.52         | 16.0           |
| <b>Total Current Liabilities</b>          | <b>46.78</b>  | <b>55.83</b>  | <b>44.13</b>  | <b>42.46</b>  | <b>17.56</b>  | <b>130.802</b> |
| <b>Total Liabilities</b>                  | <b>224.88</b> | <b>206.30</b> | <b>204.65</b> | <b>207.25</b> | <b>274.52</b> | <b>369.87</b>  |
| <b>ASSETS</b>                             |               |               |               |               |               |                |
| Assets Leased Out                         | -             | -             | -             | -             | 22.8          | 19.2           |
| Assets in own Use                         | 0.02          | 1.07          | 0.80          | 0.99          | 4.6           | 3.7            |
| Long Term Morabaha & Musharaka            | 88.30         | -             | -             | -             | 30            | 30             |
| Long Term Investment                      | -             | -             | -             | -             | -             | 7.8            |
| Other Long Term Assets                    | 0.10          | -             | -             | 12.87         | 1.41          | 1.2            |
|   | 88.42         | 1.07          | 0.80          | 13.86         | 58.81         | 61.98          |
| <b>Current Assets</b>                     |               |               |               |               |               |                |
| Short term Morabaha & Musharaka           | 66.53         | 71.68         | 42.50         | 146.79        | 119.96        | 252.472        |
| Lease rental receivables                  | -             | -             | -             | -             | 0.49          | 1.442          |
| Short Term Investments                    | 52.27         | 13.26         | 33.290        | 20.35         | 62.50         | 27.137         |
| Other Current Assets                      | 16.58         | 77.64         | 4.45          | 7.57          | 9.02          | 24.973         |
| Advance, Deposits and prepayments         | -             | -             | -             | -             | 1.78          | 0.726          |
| Cash & Bank Balances                      | 1.08          | 42.65         | 123.61        | 18.68         | 21.96         | 1.144          |
| <b>Total Current Assets</b>               | <b>136.46</b> | <b>205.23</b> | <b>203.85</b> | <b>193.39</b> | <b>215.71</b> | <b>307.89</b>  |
| <b>Total Assets</b>                       | <b>224.88</b> | <b>206.30</b> | <b>204.65</b> | <b>207.25</b> | <b>274.52</b> | <b>369.87</b>  |



## Income Statement Highlights

(Rs. in million)

| Year Ended June 30,                             | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>INCOME</b>                                   |              |              |              |              |              |              |
| Lease   | -            | -            | -            | -            | 6.20         | 6.5          |
| Musharaka & Morabaha                            | 17.65        | 13.34        | 7.00         | 13.16        | 16.47        | 30.2         |
| Capital Gain on Investment                      | 0.33         | 15.86        | 6.54         | 1.66         | 0.96         | (4.8)        |
| Dividend  | 1.81         | 0.67         | 2.03         | 2.18         | -            | -            |
| Investment income                               | -            | -            | -            | -            | 1.59         | 2.0          |
| Other   | 0.52         | 0.65         | 0.10         | 0.62         | 0.39         | 0.2          |
| <b>Total Income</b>                             | <b>20.31</b> | <b>30.52</b> | <b>15.67</b> | <b>17.62</b> | <b>25.62</b> | <b>34.04</b> |
| <b>EXPENSES</b>                                 |              |              |              |              |              |              |
| Operating                                       | 4.48         | 6.25         | 5.50         | 4.69         | 13.68        | 19.399       |
| Financial                                       | 6.80         | 3.56         | 4.41         | 4.60         | 2.97         | 7.781        |
| Amortisation, Depreciation                      | -            | -            | 0.27         | 0.38         | 4.34         | 4.205        |
| Provision for Doubtful Receivable               | -            | (5.69)       | -            | -            | -            | -            |
| Provision for diminution in value of Investment | (1.12)       | 0.30         | (0.47)       | (1.10)       | (0.83)       | 0.826        |
| <b>Total Expenses</b>                           | <b>10.16</b> | <b>4.42</b>  | <b>9.71</b>  | <b>8.57</b>  | <b>20.16</b> | <b>32.21</b> |
| Profit /(Loss) before Management Fee            | <b>10.15</b> | <b>26.10</b> | <b>5.96</b>  | <b>9.05</b>  | 5.46         | 1.83         |
| Less:- Management Fee                           | 1.02         | 2.61         | 0.60         | 0.90         | 0.55         | 0.18         |
| Profit before Taxation                          | 9.13         | 23.49        | 5.36         | 8.14         | 4.92         | 1.64         |
| Less:- Taxation                                 | -            | -            | (1.89)       | -            | -            | -            |
| <b>Net Profit</b>                               | <b>9.13</b>  | <b>23.49</b> | <b>7.25</b>  | <b>8.14</b>  | <b>4.92</b>  | <b>1.642</b> |
| <b>APPROPRIATIONS</b>                           |              |              |              |              |              |              |
| Final Dividend                                  | 6.43         | 11.69        | 8.18         | 9.35         | 5.83         | -            |
| Statutory Reserves                              | 2.29         | 7.05         | 2.17         | 1.63         | 0.983        | 0.328        |



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

1. The Board presently comprises four directors including non-executive directors.
2. The directors have confirmed that none of them is serving as director in more than ten companies.
3. All the directors of the Modaraba Company are registered as tax payers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as defaulter by the stock exchange.
4. No casual vacancy on the Board occurred during the year.
5. The Modaraba has prepared a code of conduct encompassing the Modaraba's principles of ethics and business practices, which has been signed by all directors and has been circulated to all employees of the First IBL Modaraba.
6. The board has developed a vision/Mission statement, overall corporate strategy and significant policies of the First IBL Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions have been taken by the board. The terms of appointment and remuneration package of the Chief Executive Officer of the Modaraba Management Company have been approved by the board of directors of the management company.
8. The meetings of the board were presided over by the chairman whenever present. The board met at least once in every quarter to approve the quarterly accounts of the Modaraba. Written notices of the board meetings including agendas were appropriately circulated before the meeting. The minutes of the meetings were recorded and circulated amongst the directors.
9. The majority of the directors, being members of professional accountancy bodies, are conversant with their duties and responsibilities under the relevant laws applicable to Modaraba and provisions of code of corporate Governance. Nevertheless, an orientation course for all the directors is planned to be conducted shortly to acquaint them with their duties and responsibilities under the relevant laws.
10. The appointment, remuneration and terms and conditions of employment of the chief financial officer & company secretary (both being the same person) and head of internal audit of Modaraba have been determined by the CEO with the approval of the board.
11. The directors' report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The financial statements of the First IBL Modaraba were duly endorsed by CEO and CFO before approval of the Board.



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

October 23, 2009

On behalf of the Board

Dr. Hasan Sohaib Murad  
Chairman & Chief Executive



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

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

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Modaraba to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. 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 Management Company'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, 2009.

Karachi  
October 23, 2009

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of First IBL Modaraba as at June 30, 2009 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the modaraba company's [IBL Modaraba Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- (a) in our opinion, proper books of accounts have been kept by the modaraba company in respect of First IBL Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matter disclosed in note 5.2 to the financial statements, 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, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and.
- (d) 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.

**Rahman Sarfaraz**  
**Rahim Iqbal Rafiq**  
**Chartered Accountants**

Karachi,  
October 23, 2009



**FIRST IBL MODARABA  
BALANCE SHEET  
AS AT JUNE 30, 2009**

|                                       | Notes | 2009<br>Rupees     | 2008<br>Rupees<br>Restated |
|---------------------------------------|-------|--------------------|----------------------------|
| <b>ASSETS</b>                         |       |                    |                            |
| <b>Current Assets</b>                 |       |                    |                            |
| Lease rental receivables              |       | 1,441,620          | 492,970                    |
| Short term investments                | 4     | 27,136,948         | 62,502,463                 |
| Musharika Finance                     | 5     | 252,471,956        | 119,964,858                |
| Advances, deposits & prepayments      | 6     | 725,507            | 1,418,562                  |
| Other receivables                     | 7     | 24,972,673         | 9,016,262                  |
| Cash & bank balances                  | 8     | 1,143,866          | 21,955,965                 |
|                                       |       | <b>307,892,570</b> | <b>215,351,080</b>         |
| <b>Non-current assets</b>             |       |                    |                            |
| Tangible fixed assets                 | 9     | 22,935,314         | 27,405,355                 |
| Long term deposits                    |       | 1,230,659          | 1,411,020                  |
| Long term Investment                  | 10    | 7,808,922          | 360,000                    |
| Long term murabaha                    | 11    | 30,000,000         | 30,000,000                 |
|                                       |       | <b>61,974,895</b>  | <b>59,176,375</b>          |
| <b>TOTAL ASSETS</b>                   |       | <b>369,867,465</b> | <b>274,527,455</b>         |
| <b>LIABILITIES &amp; EQUITY</b>       |       |                    |                            |
| <b>Current liabilities</b>            |       |                    |                            |
| Musharika finance                     | 12    | 85,000,000         | -                          |
| Short term finance-secured            | 13    | 20,848,123         | -                          |
| Accrued & other liabilities           | 14    | 15,275,451         | 5,744,905                  |
| Due to management company             |       | 752,627            | 569,951                    |
| Unclaimed profit distribution         |       | 5,123,100          | 2,352,287                  |
|                                       |       | <b>126,999,301</b> | <b>8,667,143</b>           |
| <b>Non-current liabilities</b>        |       |                    |                            |
| Lease key money                       |       | 3,803,483          | 3,694,483                  |
| <b>TOTAL LIABILITIES</b>              |       | <b>130,802,784</b> | <b>12,361,626</b>          |
| <b>Certificate holders equity</b>     |       |                    |                            |
| Certificate capital                   | 15    | 201,875,000        | 116,875,000                |
| Reserves                              |       | 31,889,956         | 50,462,621                 |
| Unappropriated profit                 |       | 5,299,725          | 9,828,209                  |
|                                       |       | <b>239,064,681</b> | <b>177,165,830</b>         |
| Modaraba certificates deposit money   |       | -                  | 85,000,000                 |
| Contingencies & commitments           | 16    | -                  | -                          |
| <b>TOTAL EQUITY &amp; LIABILITIES</b> |       | <b>369,867,465</b> | <b>274,527,456</b>         |

The investments in equity securities held as 'available for sale' are valued at prices quoted on the stock exchange as of June 30, 2009 and resulting decline in market value below cost is reported in the 'unrealized gain/loss' on remeasurement of available for sales securities in equity. Had the impairment loss been transferred to profit and loss account, the unrealized loss on remeasurement of available for sale securities would have been decreased by Rs. 5.9 million with consequential effect on 'reserve' (see note 2.3 & 2.5)

The attached notes 1 to 34 notes form an integral part of these financial statements.

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CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR





**FIRST IBL MODARABA  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2009**

|  | Notes | 2009<br>Rupees    | 2008<br>Rupees<br>Restated |
|--|-------|-------------------|----------------------------|
| <b>OPERATING INCOME</b>  |       |                   |                            |
| Musharika profit   | 17    | 27,003,630        | 15,203,623                 |
| Murahaba profit  |       | 3,150,000         | 1,267,241                  |
| Ijarah income  |       | 6,519,516         | 6,203,804                  |
| (Loss) / Gain on sale of investments                               |       | (4,809,077)       | 961,199                    |
| Investment income  | 18    | 2,011,416         | 1,594,797                  |
| Other income   | 19    | 161,301           | 388,556                    |
|  |       | <b>34,036,786</b> | <b>25,619,220</b>          |
| <b>OPERATING EXPENSES</b>  |       |                   |                            |
| Administrative Expenses  | 20    | 13,473,636        | 13,680,621                 |
| Amortization expense   |       | 4,204,631         | 4,335,863                  |
| Impairment on Available for sale Investment                        | 25    | 5,924,810         | -                          |
| Financial charges  | 21    | 7,781,096         | 2,973,388                  |
|  |       | <b>31,384,173</b> | <b>20,989,872</b>          |
| <b>OPERATING PROFIT</b>  |       | <b>2,652,613</b>  | <b>4,629,348</b>           |
| Revaluation gain on investment at fair value through profit & loss |       | (825,856)         | 833,165                    |
|  |       | <b>1,826,757</b>  | <b>5,462,513</b>           |
| Management fee   |       | (182,676)         | (546,251)                  |
| Profit for the year before tax                                     |       | <b>1,644,081</b>  | <b>4,916,262</b>           |
| Taxation   |       | -                 | -                          |
| <b>Profit for the year after tax</b>                               |       | <b>1,644,081</b>  | <b>4,916,262</b>           |
| <b>Earning per certificate basic/diluted</b>                       |       | <b>0.08</b>       | <b>0.42</b>                |

In accordance with SRO 150(1)2009, dated February 13, 2009, the impairment loss on 'available for sale' equity securities has been reported in equity. In case the impairment loss was charged to profit and loss account, profit for the period would have been lower by Rs. 5.9 million and earning per share would have been lower by Re.0.29 (see note 2.3 & 25).

'The attached notes 1 to 34 notes form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR





**FIRST IBL MODARABA  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2009**

|   | Note | 2009<br>Rupees | 2008<br>Rupees<br>Restated |
|---|------|----------------|----------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>            |      |                |                            |
| Profit before taxation                                |      | 1,644,081      | 4,916,262                  |
| Adjustments for non-cash charges and other items:     |      |                |                            |
| Depreciation on fixed assets in own use               |      | 1,392,540      | 1,154,242                  |
| Depreciation on Ijarah assets                         |      | 4,140,177      | 4,335,863                  |
| Provision for gratuity                                |      | -              | -                          |
| Finance cost  |      | 7,781,096      | 2,956,208                  |
| Impairment on AFS Investment                          |      | 5,924,810      | -                          |
| Loss / (Gain) on sale of fixed asset                  |      | (7,573)        | 95,175                     |
| Profit before working capital changes                 |      | 20,875,131     | 13,457,750                 |
| Effect on cash flows due to working capital changes:  |      |                |                            |
| <b>(Increase)/decrease in current assets</b>          |      |                |                            |
| Short term investments                                |      | 15,774,432     | (30,192,946)               |
| Lease rental receivable                               |      | (948,650)      | (492,970)                  |
| Musharika receivable                                  |      | (132,507,098)  | 26,828,705                 |
| Advance and prepayments                               |      | 693,055        | (1,380,009)                |
| Other receivables                                     |      | (15,956,411)   | (1,812,158)                |
|   |      | (132,944,672)  | (7,049,378)                |
| <b>Increase/(decrease) in current liabilities</b>     |      |                |                            |
| Musharika arrangement                                 |      | 105,848,123    | (31,960,000)               |
| Accrued and other liabilities                         |      | 4,324,270      | 5,864,988                  |
| Due to management company                             |      | 182,676        | (2,728,206)                |
|   |      | 110,355,069    | (28,823,218)               |
| Cash used in operations                               |      | (1,714,472)    | (22,414,846)               |
| Taxes paid  |      | -              | (35,459)                   |
| Staff gratuity paid                                   |      | -              | (361,274)                  |
| Finance cost paid                                     |      | (7,781,096)    | (2,956,208)                |
|   |      | (7,781,096)    | (3,352,941)                |
| Net cash used in operating activities                 |      | (9,495,568)    | (25,767,787)               |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>            |      |                |                            |
| Long term deposits                                    |      | 180,361        | (1,386,020)                |
| Long term murahaba                                    |      | -              | (30,000,000)               |
| Lease key money                                       |      | 109,000        | 3,694,483                  |
| Advance against vehicles                              |      | -              | 12,842,000                 |
| Disposal of leased assets                             |      | 69,552         | 12,915,266                 |
| Investments in subsidiary                             |      | (7,448,922)    | (360,000)                  |
| Fixed capital expenditure - leased out                |      | (571,000)      | (40,055,997)               |
| Fixed capital expenditure - own use                   |      | (532,094)      | (5,750,594)                |
| Proceeds from sale of fixed assets                    |      | (50,490)       | 893,435                    |
| Net cash used in investing activities                 |      | (8,243,593)    | (46,847,427)               |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>            |      |                |                            |
| Modaraba certificates deposit money                   |      | -              | 85,000,000                 |
| Profit distribution paid                              |      | (3,072,937)    | (9,111,556)                |
| Net cash from / (used in) financing activities        |      | (3,072,937)    | 75,888,444                 |
| Net (decrease)/ increase in cash and cash equivalents |      | (20,812,098)   | 3,273,230                  |
| Cash and bank balances opening                        |      | 21,955,965     | 18,682,736                 |
| Cash and bank balances closing                        | 8    | 1,143,866      | 21,955,965                 |

The attached notes 1 to 34 notes form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE

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DIRECTOR

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DIRECTOR

**FIRST IBL MODARABA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2009**

| Particulars   | Rupees              |                   |                    |   |                  |                   |                    |
|---|---------------------|-------------------|--------------------|---|------------------|-------------------|--------------------|
|   | Certificate capital | Statutory reserve | Accumulated Profit | Net unrealized (loss)/gain on investment - available for sale | Sub Total        | Total Reserve     | TOTAL EQUITY       |
| <b>Balance as at June 30, 2007 (as restated)</b>                          | 116,875,000         | 32,585,031        | 15,245,199         | (268,179)   | 14,977,020       | 47,562,051        | 164,437,051        |
| Profit distributed for the year ended June 2007 @ Rs0.8per certificate    |                     |                   | (9,350,000)        |   | (9,350,000)      | (9,350,000)       | (9,350,000)        |
| Reversal of deficit on disposal of shares                                 |                     |                   |                    |   |                  |                   |                    |
| Profit for the year   |                     |                   | 4,916,262          |   | 4,916,262        | 4,916,262         | 4,916,262          |
| Net unrealized gain/(loss) on investments - available for sale            |                     |                   |                    | 17,162,517  | 17,162,517       | 17,162,517        | 17,162,517         |
| Transfer from profit and loss account @20%                                |                     | 983,252           | (983,252)          |   | (983,252)        |                   |                    |
| Balance as at June 30, 2008 (restated note 31)                            | 116,875,000         | 33,568,283        | 9,828,208          | 16,894,338  | 26,722,546       | 60,290,830        | 177,165,830        |
| Profit distributed for the year ended June 2008 @ Rs 0.289per certificate |                     |                   | (5,843,750)        |   | (5,843,750)      | (5,843,750)       | (5,843,750)        |
| Reversal of deficit on disposal of shares                                 |                     |                   |                    |   |                  |                   |                    |
| Profit for the year   |                     |                   | 1,644,081          |   | 1,644,081        | 1,644,081         | 1,644,081          |
| Net unrealized gain/(loss) on investments - available for sale            |                     |                   |                    | (24,826,289)  | (24,826,289)     | (24,826,289)      | (24,826,289)       |
| Impairment on available for sale investment                               |                     |                   |                    | 5,924,810   | 5,924,810        | 5,924,810         | 5,924,810          |
| Transfer from profit and loss account @20%                                |                     | (328,815)         | (328,815)          |   | (328,815)        |                   |                    |
| Modaraba certificate issued   | 85,000,000          |                   |                    |   |                  |                   | 85,000,000         |
| <b>Balance as at June 30, 2009</b>  | <b>201,875,000</b>  | <b>33,897,098</b> | <b>5,299,724</b>   | <b>(2,007,141)</b>  | <b>3,621,398</b> | <b>37,189,682</b> | <b>239,064,682</b> |

The attached notes 1 to 30 notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



**FIRST IBL MODARABA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

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

During the year Modaraba acquired 80% share holding of Alka Power Private Limited (note 10). The Alka Power (Private) Limited has been issued letter of intent of two Hydro Power Projects of 2.08 MW and 3.03 MW by Punjab Power Development Board (PPDB). Alka Power (Private) Limited is registered as Private Limited Company under the Companies Ordinance 1984. Feasibility study of the projects have been approved by a panel of experts of PPDB and formal letter of support shall be issued after the finalization of tariff with MAPCO, GAPCO. Negotiations for the tariff are already in progress. The Company expects to commence its project activities as soon as the tariff is approved.

These financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

**2 STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations and directives issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") and the Islamic Financial Accounting standards(IFASs) as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Wherever, the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

**2.2 ADOPTION OF APPROVED ACCOUNTING STANDARDS**

**2.2.1 Adoption of International Financial Reporting Standard - 7 "Financial Instruments: Disclosures"**

During current year, the Modaraba adopted IFRS 7 "Financial Instruments: Disclosures" which is applicable for annual periods beginning on or after 01 July 2008. IFRS 7 requires extensive disclosures about the significance of financial instruments for the Modaraba's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements include many disclosures previously required by International Accounting Standard (IAS) 32- "Financial Instruments : Presentation". The Modaraba has adopted this standard from the financial year beginning 01 July 2008 and its initial application has led to extensive disclosures in the Modaraba's financial statements.

**2.2.2 Adoption of Islamic Financial Accounting Standard - 2 "Ijarah"**

Securities and Exchange Commission of Pakistan through its SRO 431 (1)/2007 dated May 22, 2007 notified and the Modaraba has adopted the Islamic Financial Reporting Standard - 2 (IFAS-2). As per requirements of IFAS-2, the muj'ir (lessors) shall present assets subject to ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use. Ijarah income from Ijarah should be recognized in income on accrual basis as and when rentals become due, unless another systematic basis is more representative of the time pattern in which benefit of used derived from the leased asset is diminished and costs, including depreciation, incurred in earning the ijarah income are recognized as an expense.



As per SECP letter No. SC/M/RS/FPM/2009-101 dated March 11, 2009, IFAS-2 is applicable for accounting treatment of leasing (ijarah) transactions executed on or after July 01, 2008. Accordingly, the Modaraba has changed its accounting policy for treatment of leasing (ijarah) transactions executed on or after July 01, 2008. The change results, decrease in profit for the year by Rs.2,820/-.

### 2.3 IMPAIRMENT LOSS ON AVAILABLE FOR SALE INVESTMENTS

The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities effective from August 27, 2008 till December 15, 2008, based on the closing prices of securities prevailing as on August 27, 2008. Consequent to the introduction of Floor Mechanism, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. Subsequent to the lifting of floor, there were lower floors on a number of securities at December 31, 2008.

International Accounting Standard 39 – 'Financial Instruments: Recognition and Measurement' (IAS 39) requires that available for sale equity instruments are impaired when there is a significant or prolong decline in the fair value below its cost and such impairment loss should be transferred from equity to profit and loss account. The equity securities were valued at prices quoted on KSE on December 31, 2008 without any adjustment as allowed by Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated January 29, 2009.

However, due to unprecedented decline in equity security prices and financial crisis, the SECP vide S.R.O. 150 (I)/2009 dated February 13, 2009 has allowed that impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investment held as 'Available for Sale' to quoted market prices, may be shown under the equity. The amount taken to equity including any adjustment / effect for price movements shall be taken to profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. Further, the amount taken to equity at December 31, 2008 shall be treated as a charge to profit and loss account for the purposes of distribution as dividend.

Pursuant to the above, the Modaraba has initially disclosed the impairment loss as on December 31, 2008 on valuation of listed equity investment held as "Available for Sale" as part of equity. Subsequent to December 31, 2008, the relevant portion of net unrealized loss on valuation of available for sale investments attributable to the half year ended June 30, 2009 has been transferred to profit and loss account as disclosed in note 25 to these financial statements.

### 2.4 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards, International Accounting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

- Revised IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
- Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) - Puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.
- Amendment to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-



vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

- Revised IFRS 3- Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) Interest to be measured at either fair value, or at its proportionate Interest In the Identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes In ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.
- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's .chief operating decision maker. in order to assess each segment's performance and to allocate resources to them.
- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 January 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging Instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability Is discharged, this is recognized In equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.
- IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged Items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

- IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces It with a requirement to present dividends as income In the separate financial statements of the Investor.
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of



its project on insurance contracts. The standard also requires that an entity issuing Insurance contracts (an insurer) to disclose information about those contracts.

- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- Amendments to IAS 39 and IFRIC 9 - Embedded Derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.
- Amendment to IFRS 2 - Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

## **2.5 INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE MODARABA**

"The following interpretation to existing standards has been published and is mandatory for the Modaraba's accounting year beginning on July 01, 2008 but is not relevant for the Modaraba's operations:"

- IFRIC 12 - Service Concession Agreements January 01, 2008
- IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Since the Modaraba is not involved in public sector services, the implementation of this interpretation does not affect its financial statements.
- IFRIC 13 - Customer Loyalty Programs July 01, 2008
- IFRIC 13 Clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The adoption of this Interpretation has led to a change in the timing of recognition of revenue at the time of making sale.
- January 01, 2008 IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except for the measurement at fair value of certain financial instruments in accordance with the requirements of IAS - 39 " Financial Instruments: Recognition and Measurement " and accounting for morabaha investment as required by Islamic Financial accounting Standard (IFAS) -1 "Morahaba".Securities and Exchange Commission of Pakistan vide S.R.O. 865(1)/2005 dated 24 August 2005 has notified for adoption the Islamic Financial Accounting Standard I(IFAS 1) issued by Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha Transactions for financial periods beginning on or after 1 January 2006. This standard has not been adopted by the Modaraba on the basis that SECP has not issued any circular for its applicability on Modarabas and the IFRS itself mentions the applicability on Financial Statement of Banks.





The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes.

### 3.2 Tangible fixed assets

Assets in own use

These are stated at cost less accumulated depreciation and impairments, if any. Depreciation is charged to income using "Straight line method" so as to write off the historical cost of an asset over its estimated useful life at the following rates:

|                       | Rate in %age |
|-----------------------|--------------|
| Equipment             | 20%          |
| Furniture and fixture | 20%          |
| Vehicles              | 20%          |

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired. Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

Assets given to customers under ijarah arrangements

All lease agreements are accounted for as operating lease. Assets leased out are stated at cost less accumulated amortization. Amortization is charged to income applying the annuity method whereby the depreciable value of assets is amortized over the lease period. In respect of additions and transfers during the year, amortization is charged proportionately to the period of lease.

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Change in accounting Estimate for lease (ijarah) agreements executed on or after July 01, 2008

Pursuant to the adoption of IFAS - 2 as referred in note 2.2.2 above, lease (ijarah) agreements executed on or after July 01, 2008 are recorded in the books of accounts as operating lease in line with the requirements of IFAS-2 "Ijarah". Assets given to customers under ijarah arrangements are recognized as assets under ijarah arrangements and depreciated on straight line basis over the shorter of lease term or their useful life. Lease rentals are recognized as income on accrual basis as and when the rental become due over the lease period whereas costs, including depreciation, incurred in earning the ijara income are recognized as expense.

#### Impairment

- 3.3 The carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized.

### 3.4 Investments

#### Available for sale

Investment classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value, unless the fair value can not be reliably measured. The fair value of publicly traded securities is based on quoted market price. Other investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which they arise.

All purchases and sales of investments are recognized on the trade date which is the date that the Modaraba commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date, the Modaraba reviews the carrying amounts of the investments to assess whether there is an indication that such investments have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal in impairment is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Pursuant to the requirement of S.R.O. 150 (I)/2009 dated February 13, 2009 issued by SECP as disclosed in note 2.3 financial statements impairment loss, as on December 31, 2008 due to valuation of listed equity investment held as "Available for Sale" to quoted market prices, has been shown under the equity. Half of the amount as has been shown in equity as at December 31, 2008 including any adjustment / effect for price movements as at June 30, 2009 is charged to profit and loss account as disclosed in note 25 to the financial statements. Further, the remaining balance of amount as has been shown in equity as at December 31, 2008 shall be treated as a charge to profit and loss account for the purposes of distribution of dividend.

#### At fair value through profit and loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investment at fair value through profit and loss.

These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity are determined on the basis of prevailing market prices.

#### Derecognition

All investments are de-recognized 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.

### 3.5 Ijarah rentals, Murabaha and Musharika Finances

Lease rentals, Murabaha and Musharika finances are stated net of provision. Provision is recognized for lease rentals, Murabaha and Musharika finances receivables in accordance with the prudential regulations for Modaraba's issued by the Security and Exchange Commission of Pakistan. Bad debts are written off when identified.

### 3.6 Other receivables

Debts considered irrecoverable are written off and provision thereagainst where required is made in accordance with prudential regulations issued by Securities and Exchange Commission of Pakistan.

### 3.7 Morabaha Investment

Morabaha investments are stated net of provision. Provision is recognized in accordance with Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan or on the estimate of management, whichever is higher. Bad debts are written off when identified.



Morabaha receivable shall be recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

### **3.8 Musharaka investment**

Musharaka investments are stated net of provision. Provision is recognized in accordance with Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan or on the estimate of management, whichever is higher. Bad debts are written off when identified.

### **3.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit accounts and short term placements with banks / financial institutions.

### **3.10 Financial Instruments**

#### **Recognition and derecognition**

All the financial assets and financial liabilities are recognized at the time when the Modaraba becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### **Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

### **3.12 Staff retirement benefit**

#### **Defined benefit plan**

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

### **3.13 Profit distribution and appropriations**

Profit distribution and appropriations to reserve are recognized as liability in the financial statements in the period 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.

### **3.14 Taxation**

#### **Current**

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits after transfer to Statutory Reserve are distributed to the certificateholders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.

#### **Deferred**

The Modaraba accounts for deferred taxation using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However,



deferred tax liability has not been provided in these accounts as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

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

### 3.15 Revenue recognition

Revenue is recognized on the following basis:-

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

## 4 INVESTMENTS

### QUOTED COMPANIES AND MODARABAS

Unless otherwise stated, holdings are in ordinary certificates / shares of Rupees 10 each.

|                                     |     | 2009<br>Rupees    | 2008<br>Rupees    |
|-------------------------------------|-----|-------------------|-------------------|
| Available for sale                  | 4.1 | 26,496,458        | 59,879,753        |
| At fair value through profit & loss | 4.2 | 640,490           | 2,622,710         |
|                                     |     | <u>27,136,948</u> | <u>62,502,463</u> |

#### 4.1 Available for sale

| 2009<br>No. of shares/<br>Certificates | 2008      | Name of entity                   | 2009<br>Rupees    | 2008<br>Rupees    |
|--|-----------|----------------------------------|-------------------|-------------------|
| 1,379,500                              | 1,379,500 | First UDL Modaraba               | 4,842,045         | 6,580,215         |
| 233,967                                | 233,967   | Searle Pakistan Ltd              | 10,423,230        | 21,417,339        |
| 398,360                                | 346,429   | United Distributors Pakistan Ltd | 4,107,091         | 8,918,369         |
| 87,759                                 |           | - IBL Healthcare Limited         | 1,196,155         | -                 |
| 10,300                                 | 3,000     | Jahangir Siddiqui & Co. Ltd.     | 238,857           | 1,590,450         |
| -                                      | 14,000    | Engro Chemical Pak Ltd           | -                 | 3,931,340         |
| 16,000                                 | 16,000    | Pakistan State Oil               | 3,418,400         | 6,675,840         |
| 487,500                                | 400,000   | PCCL Cement                      | 1,316,250         | 2,720,000         |
| -                                      | 10,000    | Packages Ltd                     | -                 | 2,518,900         |
| 35,000                                 | 200,000   | NIB Bank Ltd                     | 166,250           | 2,274,000         |
| -                                      | 15,000    | Tri Pack Films                   | -                 | 2,583,300         |
| 25,000                                 |           | - Nimir Industrial Chemicals     | 34,500            | -                 |
| 22,000                                 |           | - Sitara Peroxide                | 405,680           | -                 |
| 50,000                                 | 50,000    | Bosicor Pakistan Limited         | 348,000           | 670,000           |
|  |           |                                  | <u>26,496,458</u> | <u>59,879,753</u> |

- 4.1.1 Modaraba has entered into an agreement for the sale of shares of First UDL Modaraba , Searle Pakistan Limited and United Distributors Pakistan Limited and also received part payment as disclosed in note 14.1. The buyer has not made the balance payment by due date and as such the account received has been classified as an advance.




**4.2 At fair value through profit and loss**

| 2009                        | 2008    | Name of entity                            | 2009           | 2008             |
|-----------------------------|---------|---|----------------|------------------|
| No. of shares/ Certificates |         |   | Rupees         | Rupees           |
| 863                         | 863     | Crescent Leasing Corporation Ltd-al zamin | 1,614          | 3,193            |
| 770                         | 770     | Saif Textile Mills Ltd                    | 3,080          | 7,692            |
| 200                         | 1,000   | Attock Refinery Ltd                       | 24,958         | 249,880          |
| 3,000                       | 6,000   | Nishat Mills Ltd                          | 113,460        | 515,820          |
| 100,000                     | 100,000 | First Punjab Modaraba                     | 170,000        | 730,000          |
| 1,500                       | 1,500   | Dost Steel Ltd                            | 8,010          | 32,760           |
| 5,000                       | 5,000   | Pace                                      | 27,900         | 141,700          |
| 4,000                       | 4,000   | Honda Atlas Cars                          | 51,400         | 150,520          |
| 5,000                       | 5,000   | Dewan Cement                              | 13,750         | 61,300           |
| 10,000                      | 16,000  | Fauji Fertilizer Bin Qasim                | 176,900        | 575,520          |
| 2,750                       | 2,500   | Crescent Steel & Allied Prod.             | 49,418         | 154,325          |
|                             |         |   | <u>640,490</u> | <u>2,622,710</u> |
|                             |         |   | <b>2009</b>    | <b>2008</b>      |
|                             |         |   | <b>Rupees</b>  | <b>Rupees</b>    |

**5 MUSHARIKA FINANCE - SECURED (CONSIDERED GOOD)**

|                                   |     |                    |                    |
|-----------------------------------|-----|--------------------|--------------------|
| Musharika receivables             | 5.2 | 252,471,956        | 119,964,858        |
| Provision for doubtful receivable |     | -                  | -                  |
|                                   |     | <u>252,471,956</u> | <u>119,964,858</u> |

5.1 This represents musharika finance provided to customers for business activities for a maximum period of twelve months. The provisional rate of profit on these finances ranges from 12% to 20% (2008:12% to 19%) per annum and secured by way of hypothecation of goods and book debts.

5.2 This includes an amount of Rs.19.5 million which is over due, provision amounting to Rs.9.75 million has not been made in these financial statements against this amount as required by the Prudential Regulations applicable to Modaraba, whereas the profit accrued thereon (note 17) has been suspended for the reason that the Modaraba expects to recover the said amount in full. Had the provision been made for the year lower would have been lower by the said amount and earning per share would have been lower by Rs.0.48 per certificate.

**6 ADVANCES, DEPOSIT AND PREPAYMENTS - CONSIDERED GOOD**

|                    |  |                |                  |
|--------------------|--|----------------|------------------|
| Advance income tax |  | 331,212        | 320,124          |
| Advance to staff   |  | 231,500        | 157,500          |
| Prepayments        |  | 162,795        | 940,938          |
|                    |  | <u>725,507</u> | <u>1,418,562</u> |

**7 OTHER RECEIVABLES**
**Considered good**

|                                   |     |                   |                  |
|-----------------------------------|-----|-------------------|------------------|
| Accrued profit on musharika       |     | 16,408,925        | 4,024,279        |
| Receivable against sale of shares |     | 365,000           | 262,500          |
| Others                            | 7.1 | 8,198,748         | 4,729,483        |
|                                   |     | <u>24,972,673</u> | <u>9,016,262</u> |

**Considered doubtful**

|                                     |  |                   |                  |
|-------------------------------------|--|-------------------|------------------|
| Accrued profit on musharika         |  | 6,716,659         | 4,376,659        |
| Others                              |  | 49,088            | 49,088           |
| Provision for doubtful on others    |  | (49,088)          | (49,088)         |
| Provision for non performing assets |  | (6,716,659)       | (4,376,659)      |
|                                     |  | <u>24,972,673</u> | <u>9,016,262</u> |

- 7.1 This include an amount of Rs. 7.026 million receivable from management Company against rent of office premises of Modaraba and various expenses of office premises. The Company expects to recover these amount from funds of the management company in due course of time.

|                                 | 2009<br>Rupees | 2008<br>Rupees |
|---------------------------------|----------------|----------------|
| <b>8 CASH AND BANK BALANCES</b> |                |                |
| Cash in hand                    | 6,530          | 14,354         |
| Cash at bank                    |                |                |
| In current accounts             | 196,264        | 1,293,453      |
| In deposit account              | 941,072        | 20,648,158     |
|                                 | 1,143,866      | 21,955,965     |
| <b>9 TANGIBLE FIXED ASSETS</b>  |                |                |
| Assets in own use               | 9.1            | 3,699,623      |
| Assets leased out               | 9.2            | 19,235,691     |
|                                 |                | 22,935,314     |
| 9.1 Assets in own use           |                | 4,600,487      |
|                                 |                | 22,804,868     |
|                                 |                | 27,405,355     |

| PARTICULARS         | 2009                 |                           |                      |                      |                       |                      | Book Value<br>As At<br>30-Jun-2009 | Rate<br>% |
|---------------------|----------------------|---------------------------|----------------------|----------------------|-----------------------|----------------------|------------------------------------|-----------|
|                     | COST                 |                           |                      | DEPRECIATION         |                       |                      |                                    |           |
|                     | As At<br>01-Jul-2008 | Additions /<br>(Deletion) | As At<br>30-Jun-2009 | As At<br>01-Jul-2008 | For the year          | As At<br>30-Jun-2009 |                                    |           |
| Equipments          | 2,710,215            | 171,610                   | 2,881,825            | 1,082,645            | 603,696               | 1,686,341            | 1,195,484                          | 20        |
| Furniture & fixture | 4,266,611            | 321,484                   | 4,588,095            | 1,374,478            | 780,195               | 2,154,673            | 2,433,422                          | 20        |
| Vehicles            | 164,980              | 39,000<br>(50,490)        | 153,490              | 84,196               | 8,655<br>(10,078)     | 82,773               | 70,717                             | 20        |
|                     |                      | 532,094<br>(50,490)       |                      |                      | 1,392,546<br>(10,078) |                      |                                    |           |
| <b>Rupees</b>       | 7,141,806            | 481,604                   | 7,623,410            | 2,541,319            | 1,382,468             | 3,923,787            | 3,699,623                          |           |

| PARTICULARS         | 2008                 |                           |                      |                      |                        |                      | Book Value<br>As At<br>30-Jun-2008 | Rate<br>% |
|---------------------|----------------------|---------------------------|----------------------|----------------------|------------------------|----------------------|------------------------------------|-----------|
|                     | COST                 |                           |                      | DEPRECIATION         |                        |                      |                                    |           |
|                     | As At<br>01-Jul-2007 | Additions /<br>(Deletion) | As At<br>30-Jun-2008 | As At<br>01-Jul-2007 | For the year           | As At<br>30-Jun-2008 |                                    |           |
| Equipments          | 754,921              | 2,029,294<br>(74,000)     | 2,710,215            | 721,182              | 405,859<br>(44,396)    | 1,082,645            | 1,627,570                          | 20        |
| Furniture & fixture | 646,291              | 3,620,320                 | 4,266,611            | 646,291              | 728,187                | 1,374,478            | 2,892,133                          | 20        |
| Vehicles            | 1,861,500            | 100,980<br>(1,797,500)    | 164,980              | 902,494              | 20,196<br>(838,494)    | 84,196               | 80,784                             | 20        |
|                     |                      | 5,750,594<br>(1,871,500)  |                      |                      | 1,154,242<br>(882,890) |                      |                                    |           |
| <b>Rupees</b>       | 3,262,712            | 3,879,094                 | 7,141,806            | 2,269,967            | 271,352                | 2,541,319            | 4,600,487                          |           |

**DISPOSAL OF FIXED ASSETS**

| 2009          |        |                             |                   |                  |                     |                     |                         |
|---------------|--------|-----------------------------|-------------------|------------------|---------------------|---------------------|-------------------------|
| Assets        | Cost   | Accumulated<br>Depreciation | Net book<br>value | Sale<br>proceeds | Loss on<br>disposal | Mode of<br>disposal | Particulars of<br>buyer |
| Computer      | 86,940 | 17,388                      | 69,552            | 69,552           | -                   | Negotiation         | Khawaja Khalil          |
| <b>Rupees</b> | 86,940 | 17,388                      | 69,552            | 69,552           | -                   |                     |                         |

| 2008          |           |                             |                   |                  |                     |                     |                         |
|---------------|-----------|-----------------------------|-------------------|------------------|---------------------|---------------------|-------------------------|
| Assets        | Cost      | Accumulated<br>Depreciation | Net book<br>value | Sale<br>proceeds | Gain on<br>disposal | Mode of<br>disposal | Particulars of<br>buyer |
| Honda Car     | 1,197,500 | 718,494                     | 479,006           | 420,000          | 59,006              | Negotiation         | UDL Modaraba            |
| Cultus        | 600,000   | 120,000                     | 480,000           | 450,000          | 30,000              | Negotiation         | UDL Modaraba            |
| Computer      | 74,000    | 44,396                      | 29,604            | 23,435           | 6,169               | Negotiation         | UDL Modaraba            |
| <b>Rupees</b> | 1,871,500 | 882,890                     | 988,610           | 893,435          | 95,175              |                     |                         |





## 9.2 Ijarah Assets

| 2009              |                      |                           |                      |                      |                  |                      |                      |
|-------------------|----------------------|---------------------------|----------------------|----------------------|------------------|----------------------|----------------------|
| PARTICULARS       | COST                 |                           | DEPRECIATION         |                      |                  |                      | Book Value           |
|                   | As At<br>01-Jul-2008 | Additions /<br>(Deletion) | As At<br>30-Jun-2009 | As At<br>01-Jul-2008 | For the year     | As At<br>30-Jun-2009 | As At<br>30-Jun-2009 |
| Equipments        | 5,266,880            | -                         | 5,266,880            | 334,134              | 1,148,311        | 1,482,445            | 3,784,435            |
| Plant & Machinery | 8,536,775            | -                         | 8,536,775            | 538,687              | 899,262          | 1,437,949            | 7,098,826            |
| Vehicles          | 11,718,342           | 571,000                   | 12,289,342           | 1,844,308            | 2,092,604        | 3,936,912            | 8,352,430            |
|                   | 25,521,997           | 571,000                   | 26,092,997           | 2,717,129            | 4,140,177        | 6,857,306            |                      |
| <b>Rupees</b>     | <b>51,043,994</b>    | <b>571,000</b>            | <b>26,092,997</b>    | <b>2,717,129</b>     | <b>4,140,177</b> | <b>6,857,306</b>     | <b>19,235,691</b>    |

| 2008              |                      |                           |                      |                      |                  |                      |                      |
|-------------------|----------------------|---------------------------|----------------------|----------------------|------------------|----------------------|----------------------|
| PARTICULARS       | COST                 |                           | DEPRECIATION         |                      |                  |                      | Book Value           |
|                   | As At<br>01-Jul-2007 | Additions /<br>(Deletion) | As At<br>30-Jun-2008 | As At<br>01-Jul-2007 | For the year     | As At<br>30-Jun-2008 | As At<br>30-Jun-2008 |
| Equipments        | -                    | 5,266,880                 | 5,266,880            | -                    | 334,134          | 334,134              | 4,932,746            |
| Plant & Machinery | -                    | 8,536,775                 | 8,536,775            | -                    | 538,687          | 538,687              | 7,998,088            |
| Vehicles          | -                    | 11,718,342                | 11,718,342           | -                    | 3,463,042        | 1,844,308            | 9,874,034            |
|                   | -                    | (14,534,000)              | -                    | -                    | (1,618,734)      | -                    | -                    |
|                   | -                    | 25,521,997                |                      |                      | 4,335,863        | 2,717,129            |                      |
|                   | -                    | (14,534,000)              |                      |                      | (1,618,734)      |                      |                      |
| <b>Rupees</b>     | <b>-</b>             | <b>10,987,997</b>         | <b>25,521,997</b>    | <b>-</b>             | <b>2,717,129</b> | <b>2,717,129</b>     | <b>22,804,868</b>    |

## 9.3 FUTURE RENTALS RECEIVABLES AGAINST IJARAH ARRANGEMENTS

Aggregate amount of future Ijarah rentals receivable on the basis of ijarah arrangements executed from July 01, 2008 to June 30, 2009 are as follows:

|   |                  |
|---|------------------|
| Not later than one year                       | 4,837,483        |
| Later than one year not later than five years | <u>9,438,832</u> |

### General description of ijarah arrangements

The Modaraba has entered into various ijarah arrangements at profit rates ranging from 13.51% to 19.43% (2008: Nil) per annum. Most of the Ijarahs are of machinery and vehicles. These are secured against assets under ijarah, personal / corporate guarantees, promissory notes given by Musta'jir and other collaterals.

|    |   |                   |                   |
|----|---|-------------------|-------------------|
| 10 | Long term Investment (at cost)  | <u>7,808,922</u>  | <u>360,000</u>    |
|    | This represents cost of 80% share of Alka Power Limited refer to note 1.2 |                   |                   |
| 11 | LONG TERM MURABAHA  | <u>30,000,000</u> | <u>30,000,000</u> |

This represents long term Murabaha arrangements with a single party for a period of three years carrying profit rate of 10.5% payable on monthly basis on the security of hypothecation of current assets and personal guarantees of borrowers.






**16 CONTINGENCIES AND COMMITMENTS**

There were no known contingencies as at June 30, 2009 (2008: Nil).

|  |             | <b>2009</b>              | 2008                     |
|--|-------------|--------------------------|--------------------------|
|  |             | <b>Rupees</b>            | Rupees                   |
| <b>17 MUSHARIKA PROFIT</b>             |             |                          |                          |
| Profit under musharika arrangement     |             | <b>33,720,289</b>        | <b>19,580,282</b>        |
| Income suspended on overdue amounts    |             | <b>(6,716,659)</b>       | <b>(4,376,659)</b>       |
|  |             | <u><b>27,003,630</b></u> | <u><b>15,203,623</b></u> |
| <b>18 INVESTMENT INCOME</b>            |             |                          |                          |
| Dividend Income                        |             | <u><b>2,011,416</b></u>  | <u>1,594,797</u>         |
| <b>19 OTHER INCOME</b>                 |             |                          |                          |
| Profit on bank deposits                |             | <b>77,528</b>            | 268,280                  |
| Other Income                           |             | <b>76,200</b>            | 215,451                  |
| Gain /(Loss) on disposal of own assets |             | <b>7,573</b>             | (95,175)                 |
|  |             | <u><b>161,301</b></u>    | <u><b>388,556</b></u>    |
| <b>20 ADMINISTRATIVE EXPENSES</b>      |             |                          |                          |
| Salaries, wages and other benefits     | <b>20.1</b> | 9,036,056                | 5,686,400                |
| Corporate expenses                     |             | -                        | 900,000                  |
| Rent rates and taxes                   |             | 2,500                    | 9,500                    |
| Traveling and conveyance               |             | 166,075                  | 284,127                  |
| Entertainment                          |             | 143,975                  | 95,026                   |
| Repair and maintenance                 |             | 125,933                  | 73,750                   |
| Registrar services                     |             | 145,195                  | 120,000                  |
| Utilities                              |             | 116,495                  | -                        |
| Printing and stationery                |             | 309,181                  | 202,326                  |
| Fee and subscription                   |             | 579,972                  | 576,028                  |
| Legal and professional                 |             | 29,611                   | 3,372,245                |
| Auditors' remuneration                 | <b>20.2</b> | 265,000                  | 225,000                  |
| Insurance                              |             | 41,697                   | 32,136                   |
| Postage                                |             | 104,792                  | 86,237                   |
| Telephone                              |             | 497,297                  | 279,641                  |
| Depreciation on fixed assets - owned   | <b>9</b>    | 1,409,963                | 1,154,242                |
| Motor vehicle running and maintenance  |             | 119,175                  | 90,139                   |
| Stamp paper and revenue stamps         |             | 149,523                  | 13,879                   |
| Advertisement                          |             | 24,000                   | 324,718                  |
| Donation                               |             | 20,000                   | -                        |
| Zakat                                  |             | 6,500                    | -                        |
| Miscellaneous                          |             | 180,696                  | 155,227                  |
|  |             | <u><b>13,473,636</b></u> | <u><b>13,680,621</b></u> |

|   | 2009<br>Rupees    | 2008<br>Rupees    |
|---|-------------------|-------------------|
| <b>20.1 Remuneration of Officers</b>  |                   |                   |
| Remuneration  | 8,441,084         | 4,828,990         |
| Bonus   | -                 | 325,777           |
| Employer's contribution to provident fund   | 231,472           | 109,261           |
| Gratuity  | -                 | -                 |
| Others  | 363,500           | 422,372           |
|   | <u>9,036,056</u>  | <u>5,686,400</u>  |
| Number of persons   | <u>14</u>         | <u>16</u>         |
| Officers are also provided with free use of modaraba's vehicles.  |                   |                   |
| <b>20.2 Auditors' remuneration</b>  |                   |                   |
| Audit fee   | 255,000           | 220,000           |
| Out-of-pocket expenses  | 10,000            | 5,000             |
|   | <u>265,000</u>    | <u>225,000</u>    |
| <b>21 FINANCE COST</b>  |                   |                   |
| Musharika profit  | 7,772,242         | 4,584,204         |
| Bank charges  | 8,854             | 18,685            |
|   | <u>7,781,096</u>  | <u>4,602,889</u>  |
| <b>22 TAXATION</b>  |                   |                   |
| Assessments of the Modaraba upto Tax Year 2007 is deemed to be finalized under Section 120 (1) of Income Tax Ordinance, 2001. |                   |                   |
| <b>23 EARNINGS PER CERTIFICATE</b>  |                   |                   |
| Profit for the year   | <u>1,644,081</u>  | <u>4,916,262</u>  |
| Weighted average number of modaraba certificates outstanding during the year  | <u>20,187,500</u> | <u>11,687,500</u> |
| Earnings per certificate  | <u>0.08</u>       | <u>0.42</u>       |





| 25 | IMPAIRMENT ON AVAILABLE FOR SALE INVESTMENTS  | 2009<br>Rupees | 2008<br>Rupees |
|----|---|----------------|----------------|
|    | Impairment of available for sale investments as on December 31, 2008  | 25.1           | 11,849,620     |
|    | Transferred to profit and loss account from net unrealized loss in value of available for sale investments recognized in the interim financial information for half year ended December 31, 2008 as per circular of SECP (note 2.3) |                | (5,924,810)    |
|    | Impairment Loss to be taken to profit and loss in subsequent periods.   |                | 5,924,810      |

25.1 The investments whose fair value as on half year ended December 31, 2008 had been reduced below cost of acquisition are taken as impaired and Impairment loss thereon has been calculated with reference to the difference between the fair value of each investment as on December 31, 2008 and cost of acquisition of each investment reduced by Rs.108,000 net of any gain or loss due to fluctuation of fair value as on June 30, 2009 (refer to note 2.3)

## 26 CAPITAL DISCLOSURE

The Modaraba's objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it continues to provide returns to certificate holders and benefits to other stakeholders; and to maintain a strong capital base to support the sustained development of business.

The Modaraba manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distribution to certificate holders, appropriation of amounts to reserve or/and issue new certificates.

## 27 CLASSIFICATION OF FINANCIAL ASSETS

|   | 2009                 |                  |   |                              |                    |                      |             |
|---|----------------------|------------------|---|------------------------------|--------------------|----------------------|-------------|
|   | Loan and Receivables | Held for trading | Asset at fair value through profit and loss | Derivatives used for hedging | Available for sale | Non financial Assets | Total       |
| <b>Assets</b>                               |                      |                  |   |                              |                    |                      |             |
| Bank balances                               | 1,143,866            | -                | -   | -                            | -                  | -                    | 1,143,866   |
| Lease rental receivable                     | 1,441,620            | -                | -   | -                            | -                  | -                    | 1,441,620   |
| Advances, deposits & other receivables      | 25,698,180           | -                | -   | -                            | -                  | -                    | 25,698,180  |
| Short term investments                      | -                    | 640,490          | -   | -                            | 26,496,458         | -                    | 27,136,948  |
| Short term musharaka investment - unsecured | 252,471,956          | -                | -   | -                            | -                  | -                    | 252,471,956 |
| Long term morabaha investment - secured     | 30,000,000           | -                | -   | -                            | -                  | -                    | 30,000,000  |
| Long term musharaka investment - secured    | -                    | -                | -   | -                            | -                  | -                    | -           |
| Long term loans and deposits                | 1,230,659            | -                | -   | -                            | -                  | -                    | 1,230,659   |
| Fixed assets                                | -                    | -                | -   | -                            | -                  | 22,935,314           | 22,935,314  |
|   | 311,986,281          | 640,490          | -   | -                            | 26,496,458         | 22,935,314           | 362,058,543 |
| <b>2008</b>                                 |                      |                  |   |                              |                    |                      |             |
| Bank balances                               | 21,955,965           | -                | -   | -                            | -                  | -                    | 21,955,965  |
| Lease rental receivable                     | 492,970              | -                | -   | -                            | -                  | -                    | 492,970     |
| Advances, deposits & other receivables      | 10,434,824           | -                | -   | -                            | -                  | -                    | 10,434,824  |
| Short term investments                      | -                    | 2,622,710        | -   | -                            | 59,879,753         | -                    | 62,502,463  |
| Short term musharaka investment - unsecured | 119,964,858          | -                | -   | -                            | -                  | -                    | 119,964,858 |
| Long term morabaha investment - secured     | 30,000,000           | -                | -   | -                            | -                  | -                    | 30,000,000  |
| Long term musharaka investment - secured    | -                    | -                | -   | -                            | -                  | -                    | -           |
| Long term loans and deposits                | 1,411,020            | -                | -   | -                            | -                  | -                    | 1,411,020   |
| Fixed assets                                | -                    | -                | -   | -                            | -                  | 27,405,355           | 27,405,355  |
|   | 184,259,637          | 2,622,710        | -   | -                            | 59,879,753         | 27,405,355           | 274,167,455 |

### MATURITY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| Assets                                      | Amount      | Up to one year | One month to three month | Three month to one year | One year to five years | Five years and above |
|---|-------------|----------------|--------------------------|-------------------------|------------------------|----------------------|
| Rupees                                      |             |                |                          |                         |                        |                      |
| Bank balances                               | 1,143,866   | 1,143,866      | -                        | -                       | -                      | -                    |
| Advances, deposits & other receivables      | 9,289,255   | -              | 650,961                  | 7,188,842               | 9,258,374              | -                    |
| Accrued profit                              | 16,408,925  | -              | 1,783,562                | 14,395,109              | 230,254                | -                    |
| Short term investments                      | 27,136,948  | -              | -                        | 640,490                 | 26,496,458             | -                    |
| Short term musharaka investment - unsecured | 252,471,956 | -              | 98,500,000               | 151,620,014             | 2,351,942              | -                    |
| Lease rental receivable                     | 1,441,620   | -              | 1,441,620                | -                       | -                      | -                    |
| Long term morabaha investment - secured     | 30,000,000  | -              | -                        | -                       | 30,000,000             | -                    |
| Long term musharaka investment - secured    | -           | -              | -                        | -                       | -                      | -                    |
| Long term loans and deposits                | 1,230,660   | -              | 135,360                  | -                       | 1,095,300              | -                    |
| Fixed assets                                | 22,935,314  | -              | 16,622                   | 1,195,484               | 21,723,208             | -                    |
| 30-Jun-09                                   | 369,860,936 | 1,143,866      | 102,528,125              | 175,039,939             | 91,155,536             | -                    |
| 30-Jun-08                                   | 274,527,455 | 21,955,965     | 78,254,215               | 104,031,540             | 70,285,735             | -                    |

| Liabilities                                      | Amount      | Up to one year | One month to three month | Three month to one year | One year to five years | Five years and above |
|--|-------------|----------------|--------------------------|-------------------------|------------------------|----------------------|
| Rupees   |             |                |                          |                         |                        |                      |
| Creditors, accrued and other liabilities         | 15,020,451  | -              | 3,585,440                | 10,941,807              | 493,204                | -                    |
| Short term finance - secured                     | 20,848,123  | 20,848,123     | -                        | -                       | -                      | -                    |
| Short term certificates of musharaka - unsecured | 85,000,000  | -              | 50,000,000               | 35,000,000              | -                      | -                    |
| Long term security deposits                      | 3,803,483   | -              | 16,622                   | -                       | 3,786,861              | -                    |
| Long term certificates of musharaka - unsecured  | -           | -              | -                        | -                       | -                      | -                    |
| Long term finance - secured                      | -           | -              | -                        | -                       | -                      | -                    |
| Deferred morabaha income                         | -           | -              | -                        | -                       | -                      | -                    |
| 30-Jun-09  | 124,672,057 | 20,848,123     | 53,602,062               | 45,941,807              | 4,280,065              | -                    |
| 30-Jun-08  | 10,951,180  | -              | 3,250,418                | 7,128,482               | 572,280                | -                    |

## 28 FINANCIAL RISK MANAGEMENT

The Modaraba has exposure to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk

This note presents information about the Modaraba's exposure to each of the above risks, the Modaraba's objectives, policies and processes for measuring and managing risk, and the Modaraba's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of Modaraba Management Company "the Board" has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Board is responsible for developing and monitoring the Modaraba's risk management policies.

The Modaraba's risk management policies are established to identify and analyze the risks faced by the Modaraba, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities. The Modaraba, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Modaraba's Audit Committee oversees how management monitors compliance with the Modaraba's risk





management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by Internal Audit.

#### 28.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party to the financial instrument fails to perform as contracted.

The Modaraba is exposed to credit risk from its operating activities (primarily for investment in ijarah, morabaha and musharaka contracts), deposits with banks and financial institutions and other financial instruments.

#### 28.2 Credit risk related to 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. The modaraba only transacts with those counter parties that are rated the equivalent of investment grade and above. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its 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 annually.

The management monitors and limits Modaraba's exposure to credit risk through monitoring of clients' credit prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

#### 28.3 Credit risk related to financial instruments and cash deposits

The Modaraba limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a track record. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

#### 28.4 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| <b>Financial assets</b>                     | <b>2009<br/>Rupees</b> | <b>2008<br/>Rupees</b> |
|---|------------------------|------------------------|
| Bank balances                               | 1,143,866              | 21,955,965             |
| Advances, prepayments and other receivables | 17,098,177             | 6,770,545              |
| Accrued profit                              | 16,408,925             | 4,024,279              |
| Short term investments                      | 27,136,948             | 62,502,463             |
| Short term morabaha investment - secured    | -                      | -                      |
| Short term musharaka investment - unsecured | 252,471,956            | 119,964,858            |
| Net investment in ijarah                    | 19,235,691             | 22,804,868             |
| Long term morabaha investment - secured     | 30,000,000             | 30,000,000             |
| Long term musharaka investment - secured    | -                      | -                      |
| Long term loans and deposits                | 1,230,659              | 1,411,020              |
|   | <b>364,726,222</b>     | <b>269,433,998</b>     |



The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments and the management believes that no impairment allowance is necessary in respect of receivables.

Geographically all credit exposure is concentrated in Pakistan

The maximum exposure to credit risk for receivables at the reporting date by type of customer was:

**Credit risk sector wise**

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Auto and assemblers          |                    |                    |
| Cement                       | -                  | -                  |
| Chemical and pharmaceutical  | 30,000,000         | 30,000,000         |
| Education                    | 35,676,942         | 1,000,000          |
| Energy                       |                    |                    |
| Engineering and construction | 800,000            | -                  |
| Miscellaneous                | 215,994,908        | 118,964,886        |
|                              | <u>282,471,850</u> | <u>149,964,886</u> |

The aging of financial assets at the reporting date was:

|                      |             |             |
|----------------------|-------------|-------------|
| Not past due         | 356,765,491 | 265,057,339 |
| Past due 0-90 days   | -           | 4,376,659   |
| Past due 90-180 days | 7,960,732   | -           |

**28.5 Liquidity risk**

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. 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 stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

**28.6** The maturity profile of the Modaraba's financial liabilities based on the contractual amounts is disclosed in note 27 to the financial statements.

**28.7 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**28.8 Exposure to currency risk**

The Modaraba has no exposure to foreign currency risk at balance sheet date.

**28.9 Fair value sensitivity analysis for fixed rate instruments**

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Modaraba does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a changes in interest rates at the reporting date would affect profit or loss.

A change of 100 basis points in interest rates would have no effect on equity since all the arrangements are on fixed and predetermined rate of return.





### 28.10 Profit rate risk

Profit rate risk is the risk that value of a financial instrument will fluctuate in amounts due to changes in market profit rates. Changes in profit rates can adversely affect the rates charged on profit bearing liabilities. This can result an increase in profit expense relative to financial borrowings or vice versa. The Modaraba manages its risk by maintaining a fair balance between profit rates, financial assets and financial liabilities. The rate of profit and their maturity period has been disclosed in the relevant notes.

| <b>Effective Profit rate</b>       | <b>Effective Profit</b> |             |
|------------------------------------|-------------------------|-------------|
|                                    | <b>2009</b>             | <b>2008</b> |
| <b><u>Financial Assets</u></b>     |                         |             |
| Profit under musharika arrangement | 12% to 20%              | 12% to 19%  |
| Cash & Bank Balance                | 3% to 11%               | 3% to 11%   |
| <b><u>Financial Liability</u></b>  |                         |             |
| Musharika finance                  | 14% to 18%              | 13% to 15%  |

### 28.11 Capital management

The Modaraba's objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide returns for certificate holders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. The Modaraba is required under SECP prudential regulations for Modarabas to distribute Ninety percent of its profits as dividend. In order to maintain or adjust the capital structure, appropriation of amounts to capital reserves or/and issue new shares.

#### Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair values except for held to maturity investments which are stated at amortized cost.

## 29 TRANSACTIONS WITH RELATED PARTY

The related parties comprise associated companies, directors, key management personnel. The Company in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 20.1 to these financial statements.

Details of transactions with related parties and balances outstanding with them at the year end are as follows:

| <b>Related party</b>              | <b>Relationship</b> | <b>Nature of transaction</b> | <b>2009</b>   | <b>2008</b>   |
|-----------------------------------|---------------------|------------------------------|---------------|---------------|
|                                   |                     |                              | <b>Rupees</b> | <b>Rupees</b> |
| Modaraba company's management fee |                     |                              | 182,676       | 546,251       |
| Corporate expenses                |                     |                              | -             | 900,000       |

Other transactions with related parties are carried out at an arm's length in the normal course of business. Prices for these transactions are determined on commercial terms and conditions except the modaraba company's management fee as mentioned above.

## 30 ACCOUNTING ESTIMATES AND JUDGMENTS

### 30.1 Provision against non-performing loans and advances

The Modaraba reviews its portfolio to assess amount of non-performing contracts and provision required there against on a quarterly basis. The provision is made in accordance with the prudential regulations issued by SECP.

**30.2 Income taxes**

No provision has been made in these financial statements for income taxes as the Modaraba plans to distribute at least 90% of its profits to certificate-holders.

**30.3 Investments stated at fair value**

Management has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, markup rates etc.) and therefore cannot be determined with precision.

**31 CORRECTION OF FUNDAMENTAL ERROR**

During the year the company discovered error in recording of investment and corresponding liability made in prior years. This requires rectification of error through restatement of opening balance of the statement of changes in equity as of July 01, 2007 by Rs.3.0944 million and restatement of the final statement of the company for the year ended June 30, 2008 as under:

There were no tax implications as the income of Modaraba remained exempt during the said years.

**32 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

No distribution has been made by Board of Directors of the management company for the year ended June 30, 2009 (2008: 5%)

**33 DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on October, 23 2009 by the board of directors of the Modaraba Management Company.

**34 GENERAL**

Figures have been rounded off to the nearest rupee.

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**CHIEF EXECUTIVE**

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**DIRECTOR**

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**DIRECTOR**




**FIRST IBL MODARABA**

 PATTERN OF HOLDING OF CERTIFICATE HELD BY THE CERTIFICATE HOLDERS  
 AS AT June 30, 2009

| NO. OF CERTIFICATE HOLDERS | CERTIFICATES HOLDER |         | TOTAL CERTIFICATES HELD |
|----------------------------|---------------------|---------|-------------------------|
|                            | From                | TO      |                         |
| 336                        | 1                   | 100     | 16,121                  |
| 340                        | 101                 | 500     | 94,109                  |
| 217                        | 501                 | 1000    | 154,117                 |
| 257                        | 1001                | 5000    | 518,279                 |
| 29                         | 5001                | 10000   | 191,169                 |
| 6                          | 10001               | 15000   | 81,333                  |
| 4                          | 15001               | 20000   | 76,092                  |
| 4                          | 20001               | 25000   | 88,812                  |
| 2                          | 25001               | 30000   | 54,000                  |
| 2                          | 30001               | 35000   | 67,500                  |
| 1                          | 35001               | 40000   | 36,000                  |
| 3                          | 40001               | 45000   | 128,000                 |
| 1                          | 50001               | 55000   | 51,087                  |
| 1                          | 55001               | 60000   | 58,000                  |
| 1                          | 70001               | 75000   | 71,648                  |
| 1                          | 90001               | 95000   | 92,700                  |
| 2                          | 95001               | 100000  | 200,000                 |
| 1                          | 115001              | 120000  | 120,000                 |
| 1                          | 130001              | 135000  | 135,000                 |
| 1                          | 195001              | 200000  | 200,000                 |
| 1                          | 235001              | 240000  | 235,068                 |
| 1                          | 505001              | 510000  | 509,990                 |
| 1                          | 600001              | 1100000 | 850,000                 |
| 3                          | 1100001             | 1600000 | 4,077,375               |
| 1                          | 1600001             | 2100000 | 2,000,000               |
| 1                          | 2600001             | 3100000 | 3,070,000               |
| 1                          | 6600001             | 7100000 | 7,011,100               |
| 1,219                      |                     |         | 20,187,500              |

**FIRST IBL MODARABA**

 CATEGORIES OF CERTIFICATES HOLDERS  
 AS AT June 30, 2009

| CATEGORIES OF CERTIFICATES HOLDERS                     | NUMBER | CERTIFICATES HELD | PERCENTAGE |
|--|--------|-------------------|------------|
| National Investment Trust                              | 2      | 2,896,470         | 14.35      |
| Investment Corporation Of Pakistan                     | 1      | 3,006             | 00.01      |
| Public Sector Companies And Corporations               | 1      | 191               | 00.00      |
| Banks  | 4      | 63,848            | 00.32      |
| Development Finance Institutions                       | 1      | 2,000             | 00.01      |
| Insurance Companies                                    | 4      | 517,608           | 02.56      |
| Modarabas  | 1      | 70                | 00.00      |
| Joint Stock Companies                                  | 14     | 9,231,824         | 45.73      |
| Associated Companies, Undertakings And Related Parties | 2      | 2,030,905         | 10.06      |
| Others   | 3      | 3,197,500         | 15.84      |
| Individuals  | 1,186  | 2,244,078         | 11.12      |
|  | 1,219  | 20,187,500        | 100.00     |

**FIRST IBL MODARABA**  
**DETAIL OF CATEGORIES OF CERTIFICATE HOLDERS**

| CATEGORIES OF CERTIFICATES HOLDERS                            |  | NO. OF CERTIFICATE HOLDERS | CERTIFICATES HELD |
|---|--|----------------------------|-------------------|
| <b>NATIONAL INVESTMENT TRUST</b>                              |  |                            |                   |
| 02154-27  | National Bank Of Pakistan, Trustee Deptt.                |                            | 1,426,774         |
| 11452-20  | NBP Trustee – NI(UT) (LOC) FUND                          |                            | 1,469,696         |
|   |  | 2                          | 2,896,470         |
| <b>INVESTMENT CORPORATION OF PAKISTAN</b>                     |  |                            |                   |
| 00638   | Investment Corporation of Pak.                           | 1                          | 3,006             |
|   |  |                            | 3,006             |
| <b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>               |  |                            |                   |
| 00611   | M/s. Nafecs Cotton Mills Ltd.                            | 1                          | 191               |
|   |  |                            | 191               |
| <b>BANKS</b>  |  |                            |                   |
| 03335-16  | Bank Al Falah Limited M/s. Crescent                      |                            | 500               |
| 00430   | Investment Bank Limited, Soneri Bank                     |                            | 4,348             |
| 03079-34  | Limited The Bank Of Punjab                               |                            | 58,000            |
| 00792   |  |                            | 1,000             |
|   |  | 4                          | 63,848            |
| <b>DEVELOPMENT FINANCE INSTITUTIONS</b>                       |  |                            |                   |
| 01519   | National Development Finance Corporation Investor        | 1                          | 2,000             |
|   |  |                            | 2,000             |
| <b>INSURANCE COMPANIES</b>                                    |  |                            |                   |
| 00435   | M/s. Asia Insurance Co. Ltd.                             |                            | 5,843             |
| 00227   | M/s. Gulf Insurance Company Ltd.                         |                            | 1,200             |
| 01104   | M/s. Silver Star Ins. Co. Ltd.                           |                            | 575               |
| 02683-23  | State Life Insurance Corp. of Pakistan                   |                            | 509,990           |
|   |  | 4                          | 517,608           |
| <b>MODARABAS</b>  |  |                            |                   |
| 03277-2906  | FIRST TRI-STAR MODARABA                                  | 1                          | 70                |
|   |  |                            | 70                |
| <b>JOINT STOCK COMPANIES</b>                                  |  |                            |                   |
| 06882-25  | Awj Securities (smc-private) Limited.                    |                            | 584               |
| 06957-26  | Baba Equities (pvt) Ltd.                                 |                            | 421               |
| 03855-21  | Darsan Securities (private) Limited                      |                            | 168               |
| 04481-26  | Dosslani's Securities (pvt) Limited                      |                            | 7,011,100         |
| 11668-24  | Durvesh Securities (pvt) Ltd                             |                            | 2,666             |
| 05587-22  | First National Equities Limited                          |                            | 200,000           |
| '385-17   | Ismail Abdul Shakoor Securities (private) Limited        |                            | 1,000             |
| 4978-42   | Live Securities Limited                                  |                            | 221               |
| 07260-29  | M. R. Securities (SMC-pvt) Ltd.                          |                            | 2,500             |
| 00639   | M/s. D. S. Corporation (put) Ltd                         |                            | 11,687            |
| 01536   | NH Securities (pvt) Ltd.                                 |                            | 165               |
| 03525-63474   | Pyramid Investments (pvt) Ltd.                           |                            | 800               |
| 03525-57191   | Sarfraz Mahmood (private) Ltd                            |                            | 512               |
| 01222-9970  | United Ethanol Industries Limited                        |                            | 2,000,000         |
|   |  | 14                         | 9,231,824         |
| <b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b> |  |                            |                   |
| 00001   | IBL Modaraba Management (private) Limited                |                            | 1,180,905         |
| 01783   | IBL Modaraba Management (pvt.) Ltd.                      |                            | 850,00            |
|   |  | 2                          | 2,030,905         |
| <b>OTHERS</b>   |  |                            |                   |
| 01777   | Govt. College University                                 |                            | 27,500            |
| 12070-1882  | Trustee-Nestle Pakistan Limited Employees Provident Fund |                            | 100,000           |
| 01778   | UMT  |                            | 3,070,000         |
|   |  | 3                          | 3,197,500         |
| CATEGORIES TOTAL  |  | 33                         | 17,943,422        |
| INDIVIDUALS   |  | 1,186                      | 2,244,078         |
| <b>GRAND TOTAL</b>  |  | <b>1,219</b>               | <b>20,187,500</b> |

**FIRST IBL MODARABA**  
**CERTIFICATE HOLDERS HOLDING 10% OR MORE VOTING INTEREST IN THE COMPANY**  
 AS AT June 30, 2009

|   | CERTIFICATES HELD | PERCENTAGE |
|---|-------------------|------------|
| <b>JOINT STOCK COMPANIES</b>                                  |                   |            |
| 04481-26 Dosslani's Securities (pvt) Limited                  | 7,011,100         | 34.73      |
| <b>OTHERS</b>   |                   |            |
| 01778 Umt   | 3,070,000         | 15.21      |
| <b>NATIONAL INVESTMENT TRUST</b>                              |                   |            |
| 02154-27 National Bank Of Pakistan, Trustee Deptt.            | 2,896,470         | 14.35      |
| 11452-20  |                   |            |
| <b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b> |                   |            |
| 00001 IBL Modaraba Management (private) Limited               | 2,030,905         | 10.06      |
| 017.83  |                   |            |





First IBL Modaraba

*Managed by: IBL Modaraba Management (Pvt) Ltd*

**Registered Office:**

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