



B.F. MODARABA
Managed by

E.A. MANAGEMENT (PVT) LTD.
Registered under

The Companies Ordinance 1984

& Modaraba

Companies & Modaraba

Ordinance 1980

Annual Accounts
2012



B. F. MODARABA
24th ANNUAL REPORT 2012

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COMPANY PROFILE

MODARABA MANAGEMENT COMPANY

E.A. Management (Pvt.) Ltd.

BOARD OF DIRECTORS

DIRECTORS OF MODARABA MANAGEMENT COMPANY

Mr. Ahmed Ali Muhammad Amin Bawany	- Chairman
Mr. Muhammad Omar Amin Bawany	- Chief Executive
Mr. Abdul Ghani Samad	- Director
Mr. Abdul Wahid Jaliawala	- Director

AUDIT COMMITTEE

Mr. Ahmed Ali Muhammad Amin Bawany	- Chairman
Mr. Abdul Ghani Samad	- Member
Mr. Abdul Wahid Jaliawala	- Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ahmed Ali Muhammad Amin Bawany	- Chairman
Mr. Muhammad Omar Amin Bawany	- Member
Mr. Abdul Wahid Jaliawala	- Member

CFO & COMPANY SECRETARY

Mr. Muhammad Ayub

MODARABA AUDITORS

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

SHARIAH ADVISOR

Mr. Mufti Zubair Usmani

LEGAL ADVISOR

Mr. Abdul Ghaffar Muhammad Gheewala

BANKERS

Al-Baraka Islamic Investment Bank
Bank Al-Habib Limited-Islamic
Habib Bank Limited
Habib Metropolitan Islamic Bank Limited
Burj Bank Limited
UBL Ameen Islamic Banking

REGISTERED OFFICE

4th Floor, Bank House No. I,
Habib Square, M.A. Jinnah Road,
Karachi-74000, Pakistan.
Phone : (92-21) 111 786 878, 32413240
Fax : (92-21) 32421010

EMAIL & WEBSITE

E-mail: info@bfmodaraba.com.pk
www.bfmodaraba.com.pk

SHARES REGISTRAR

M/s. C & K Management Associated (Pvt.) Ltd,
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi-75530
Tel: (92-21) 35687839 & 35685930



**24th ANNUAL REPORT OF THE DIRECTORS
OF THE MODARABA COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

Dear Certificate Holders.

Assalam-o-Aalikum,

In the name of ALLAH the most gracious and most merciful, your directors are pleased to present 24th annual report of your Modaraba together with audited financial statements for the year ended June 30, 2012.

FINANCIAL RESULTS

Financial results are summarized as follows:

	2012 Rupees	2011 Rupees
Revenue	<u>16,005,927</u>	<u>29,489,100</u>
Profit before charging management fee	7,314,809	22,632,041
Management fee	<u>(731,481)</u>	<u>(2,263,204)</u>
Profit before taxation	<u>6,583,328</u>	<u>20,368,837</u>
Taxation	<u>(275,816)</u>	<u>(2,877,414)</u>
Profit after taxation	<u>6,307,512</u>	<u>17,491,423</u>
Add: Unappropriated profit brought forward	<u>2,173,972</u>	<u>2,077,285</u>
	8,481,484	19,568,708
Appropriations:		
Transferred to statutory reserve @ 40% of profit (2011: 35%)	<u>2,501,665</u>	<u>6,121,998</u>
Cash Dividend @ 5% (2011: 15%)	<u>3,757,580</u>	<u>11,272,738</u>
	<u>6,259,245</u>	<u>17,394,736</u>
	<u>2,222,239</u>	<u>2,173,972</u>
Earnings per certificate	<u>0.84</u>	<u>2.33</u>

REVIEW OF OPERATIONS

The year 2011-12 was very tough year for your Modaraba. Due to drastic decrease in selling price of trading inventory, we were unable to maintain our earning growth.



Our overall gross revenue during the year was Rs.16.005 million vis-à-vis Rs.29.489 million for the corresponding period of 2011-12, mainly due to negative contribution from trading inventory. Reason being the delay decision of the government for the export of excess quantity of the commodity produced in the country. The price of the commodity could not increase as we anticipated. However, we earned handsome profit from marketable securities despite of moderate performance of stock exchange which offset loss incurred on trading inventory. Administrative expenses for the year grew by 19%, an expected rise considering the factor of inflation and growing cost of carrying out business. Thus, overall profitability remained positive as Pre-tax Profit stood at Rs.6.583 million against a Pre-tax Profit of Rs.20.368 million for the corresponding period of 2010-11. Consequently, earning per share has also slipped by Rs. 1.49 to Rs. 0.84 per share. Unrealized gain in the value of investment in marketable securities was Rs.8.34 million which has been reflected in the equity.

PROFIT DISTRIBUTION

The Board in its meeting held on September 26, 2012 has decided to distribute 92% of the net earning of the Modaraba, approved cash dividend at the rate of 5% i.e. Re.0.5 per certificate.

FUTURE OUTLOOK

Modaraba sector has been played a vital role in the development and growth of Islamic modes of Financing in the country and the capital markets since their inception in 1980. In order to improve the financial standing and image of modarabas in the financial sector of the country, the SECP, after detailed consultation with stakeholders and industry experts, introduced “Shariah compliance and Shariah audit Mechanism” for modarabas. These will strengthen the Shariah compliance by modarbas and help them to be recognized as true Islamic financial institutions in the financial sector. In terms of the said mechanism, the modarabas are required to appoint independent Shariah advisors who would provide necessary guidance to the management companies to carry out the business operations of modarabas in accordance with the Shariah principles. We have already appointed **Dr. Zubair Usmani** - as Shariah Advisor of our Modaraba. We believe it will improve our business activity in long run. However, due to prevailing law and order situation of the country and unstable condition of our economy, we are very careful in our business transactions, but are hopeful that situation will improve in near future which ultimately affect positively to our business.

CORPORATE GOVERNANCE

As required by the code of Corporate Governance, your Directors are pleased to report that:

- A. The financial statements prepared by the management of the Modaraba present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- B. Proper books of accounts of the Modaraba have been maintained.
- C. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- D. International Accounting Standards, as applicable in Pakistan have been followed in the preparation of financial statements.



- E. The system of internal control is sound and has been effectively implemented and monitored.
- F. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- G. There is no material departure from best practices of corporate governance as detailed in the listing regulations of stock exchanges.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE.

A statement setting out the status of the compliance with the best practices of corporate governance is annexed to the Annual Report.

AUDITORS' OBSERVATION

With respect of Auditors' observation in their report to members, we informed that it is normal business transaction of forward sale of commodity in which we trade and have been well explained in this report under heading 'review of operation' and in note 13.2 of audited accounts.

BOARD MEETINGS

During the year under review 4 meetings of the Board of Directors were held. A statement showing number of meetings each of the Directors attended are annexed to the Annual Report.

PATTERN OF CERTIFICATE HOLDERS

A statement showing the pattern of holding of the certificates as at June 30, 2012 is annexed to the Annual report.

TRADING OF CERTIFICATE

During the year there was no trading in certificates of Modaraba by CEO, Directors, Company Secretary and their spouses and minor children.

KEY OPERATING & FINANCIAL DATA

A statement summarizing key operating and financial data for the last six years is annexed to the Annual Report.

AUDITORS

The present Auditors M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retiring on the date of Annual Review Meeting, being eligible, have offered themselves for re-appointment for the year ending June 30, 2013 subject to approval by the Registrar Modaraba Companies and Modarabas, the Board has confirmed their appointment.

ACKNOWLEDGEMENT

The Board of Directors, is grateful to the regulatory authorities for their guidance and support as also to the certificate holders for their continuing patronage and confidence in the Management of Modaraba company.

May Almighty Allah guide us in our efforts of the progress of Modaraba and reward with the blessing AMEEN.

Karachi.
Date September 26, 2012

On behalf of the Board

Muhammad Omar Amin Bawany
Chief Executive



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **B.F. Modaraba** as at **30 June 2012** and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 [E.A. 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:-

Basis for Qualified Opinion

- a. We draw attention to the matter disclosed in note 13.2 to the financial statement and state that we are unable to satisfy ourselves about the nature of these contracts and thereby the loss suffered on said transactions.

Except for the effect of the matter disclosed in note to the financial statements, in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of **B.F. Modaraba** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

- b. except for the matter referred to in paragraph (a) above, 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. except for the matter referred to in paragraph (a) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 **30 June 2012** and of the **profit**, comprehensive income, changes in equity and its cash flows for the year then ended; and
- d. in our opinion, Zakat as 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 established under Section 7 of that Ordinance.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
Engagement Partner: **Muhammad Rafiq Dosani**

Karachi.
Dated: September 26, 2012



**B. F. MODARABA
BALANCE SHEET
AS AT JUNE 30, 2012**

ASSETS	Note	2012 Rupees	2011 Rupees
Current Assets			
Cash and bank balances	4	11,958,452	17,644,607
Investments - available for sale	5	38,995,477	34,955,799
Loans, prepayments and other receivables	6	3,729,219	7,074,460
Stock in trade		56,350,226	58,794,123
		111,033,374	118,468,989
Non-Current Assets			
Long term deposits		40,019	40,019
Property Plant and Equipment	7	9,641,767	14,954,860
		9,681,786	14,994,879
TOTAL ASSETS		120,715,160	133,463,868
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued and other liabilities	8	880,718	388,399
Due to management company		731,481	2,263,204
Unclaimed dividend		716,603	278,583
		2,328,802	2,930,186
Non-Current Liabilities			
Staff gratuity		358,625	244,775
Ijarah deposits	9	2,700,000	2,784,600
		3,058,625	3,029,375
		5,387,427	5,959,561
Certificate Holders' Equity			
Certificate capital	10	75,151,587	75,151,587
Reserves	11	31,835,776	36,801,001
Unrealized gain on available for sale investments		8,340,370	15,551,719
		115,327,733	127,504,307
TOTAL LIABILITIES AND EQUITY		120,715,160	133,463,868
Contingencies and Commitments	12		

The annexed notes 1 to 26 form an integral part of these financial statements.

For E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director



**B. F. MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Note</i>	<i>2012</i> Rupees	<i>2011</i> Rupees
Revenue			
Ijarah rentals		6,692,953	5,822,820
Gain on sale of available for sale investments		12,680,279	1,939,935
Trading (loss) / profit	13	(11,088,074)	14,023,000
Dividend - net of zakat	14	2,908,163	2,804,461
Murabaha income		-	1,214,980
Profit on bank deposits		3,061,606	3,503,904
Other income	15	1,751,000	180,000
		<u>16,005,927</u>	<u>29,489,100</u>
Expenditure			
Operating expenses	16	3,531,639	2,955,435
Amortization of Ijarah assets		5,159,479	3,901,625
		<u>8,691,118</u>	<u>6,857,060</u>
Profit before charging management fee		7,314,809	22,632,041
Provision for management fee		(731,481)	(2,263,204)
Profit before taxation		<u>6,583,328</u>	<u>20,368,837</u>
Taxation		(275,816)	(2,877,414)
Profit after taxation		<u>6,307,512</u>	<u>17,491,423</u>
Earnings per certificate-basic and diluted	17	<u>0.84</u>	<u>2.33</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director



B. F. MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	..... Rupees	
Profit after tax for the year	6,307,512	17,491,423
Unrealized gain/(loss) on revaluation of available for sale investments	2,879,019	9,637,514
Gain on available for sale investments realised during the year	(10,090,368)	(1,845,406)
	(7,211,349)	7,792,108
Total comprehensive income for the year	(903,837)	25,283,531

The annexed notes 1 to 26 form an integral part of these financial statements.

For E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director



B. F. MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	..... Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,583,328	20,368,837
Adjustments for		
Depreciation - own assets	79,214	94,854
Depreciation - Ijarah assets	5,159,479	3,901,625
Provision for gratuity	113,850	83,625
Provision for management fee	731,481	2,263,204
Gain on sale of investments	(12,680,279)	(1,939,935)
Dividend income	(2,908,163)	(2,804,461)
	<u>(9,504,418)</u>	<u>1,598,912</u>
Operating profit before changes in working capital	(2,921,090)	21,967,749
(Increase)/decrease in current assets		
Stock in trade	2,443,897	(41,367,347)
Trade debts	-	27,660,000
Short term morabaha	-	11,481,657
Loan, prepayments and other receivables	3,244,302	(4,547,284)
	<u>5,688,199</u>	<u>(6,772,974)</u>
Increase/(decrease) in current liabilities		
Accrued and other liabilities	492,319	(239,725)
Deferred murabaha income	-	(171,036)
	<u>492,319</u>	<u>(410,761)</u>
Net increase / (decrease) in working capital	6,180,518	(7,183,735)
WWF paid	-	(139,326)
Management fee paid	(2,263,204)	(624,437)
Dividend Paid	(10,834,717)	-
Income Tax Paid	(375,307)	(4,253,361)
Net cash (used in) / generated from operating activities	(10,213,800)	9,766,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets for own use	(10,200)	(16,200)
Additions to fixed assets for Ijarah asset	-	(18,000,000)
Deposits received against Ijarah assets	-	2,700,000
Purchase of available for sale investments	(32,558,587)	(858,419)
Proceeds from sale of available for sale investments	33,987,839	13,370,584
Dividends received	3,108,593	2,673,781
Net cash generated from / (used in) investing activities	4,527,645	(130,255)
Net cash (used in) / generated from financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	(5,686,155)	9,636,635
Cash and cash equivalents at the beginning of the year	17,644,607	8,007,972
Cash and cash equivalents at the end of the year	<u>11,958,452</u>	<u>17,644,607</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For E.A Management (Private) Limited
 (Management Company)

 Chairman

 Chief Executive

 Director



B. F. MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share Capital	Reserves		Unrealized gain/(loss) on available for sale investments	Total
		Statutory Reserve	Unappropriated Profits		
Rupees					
Balance as at 1 July 2010	68,319,625	17,232,294	8,909,247	7,759,611	102,220,777
Total comprehensive income for the year	-	-	17,491,422	7,792,108	25,283,530
Transfer to statutory reserve @ 35%	-	6,121,998	(6,121,998)	-	-
Issue of bonus certificate	6,831,962	-	(6,831,962)	-	-
	<u>6,831,962</u>	<u>6,121,998</u>	<u>4,537,462</u>	<u>7,792,108</u>	<u>25,283,530</u>
Balance as at 30 June 2011	<u>75,151,587</u>	<u>23,354,292</u>	<u>13,446,709</u>	<u>15,551,719</u>	<u>127,504,307</u>
Balance at 1 July 2011	75,151,587	23,354,292	13,446,709	15,551,719	127,504,307
Total comprehensive income for the year	-	-	6,307,512	(7,211,349)	(903,837)
Transfer to the statutory reserves @ 40%	-	2,501,665	(2,501,665)	-	-
Dividend paid during the year	-	-	(11,272,737)	-	(11,272,737)
	-	2,501,665	(7,466,890)	(7,211,349)	(12,176,574)
Balance as at 30 June 2012	<u>75,151,587</u>	<u>25,855,957</u>	<u>5,979,819</u>	<u>8,340,370</u>	<u>115,327,733</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For E.A Management (Private) Limited
 (Management Company)

 Chairman

 Chief Executive

 Director



B. F. MODARABA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 B.F. Modaraba (The Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder. The Modaraba is managed by E. A. Management (Pvt.) Limited (Modaraba Management Company). The registered office of the Modaraba is situated at Habib Square, M. A. Jinnah Road, Karachi. The Modaraba is listed on all Stock Exchanges in Pakistan.

1.2 It is a perpetual multi-purpose Modaraba and is primarily engaged in leasing, investments, trading, musharika and murabaha transactions.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities & Exchange Commission of Pakistan (SECP) (the Modaraba Regulations). Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modaraba's under the Modaraba Regulations. Wherever the requirements of the Modaraba Regulations differ with the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.2 Basis of Preparation

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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. Actual results may differ from these estimates.



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. Areas where various assumptions and estimates are significant to the Modaraba' s financial statements or where judgments were exercised in application of accounting policy are as follow:

	Note
(a) Current and deferred taxation	3.5
(b) Impairment of non-financial assets	3.7
(c) Impairment of financial assets	3.13.5

2.5 Initial application of standards, amendments or an interpretation to existing standards

- a) Standards, amendments to published standards and interpretations that are effective in year beginning from July 01,2011 and are relevant to the Company
- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.
 - Amendments to "IFRS 7 Financial Instruments", Applies to annual periods beginning on or after 1 July 2011 The amendments introduced additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
 - Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), Applicable to annual periods beginning on or after 1 January 2012 Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporated into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.



There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

b) Standards, amendments to published standards and interpretations that are effective in 2010 but not relevant to the Modaraba

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2011 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning July 1, 2011 and have not been early adopted by the Company:

- IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012.
- IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013.
- IFRS 10, 'Consolidated financial statements', effective for periods beginning on or after January 1, 2013
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.
- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.
- IAS 27 "Separate Financial Statements" , applicable to annual reporting periods beginning on or after 1 January 2013.
- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after 1 January 2013,
- IFRS 9 "Financial Instruments", Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2015.
- Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) , Applicable to annual periods beginning on or after 1 January 2013 and interim periods within those periods
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), Applicable to annual periods beginning on or after 1 January 2014:

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and May 2010(not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.



- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after 1 January 2013.
- IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013, is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.
- IAS 34 Interim Financial Reporting is amended, Applicable to annual periods beginning on or after 1 January 2013, to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

2.6 Applicability of International Accounting Standard 17 'Leases'

SSECP vide its circular No. 10 of 2004 dated February 13, 2004 has deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from July 1, 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of the said IAS to the Modarabas. However, the requirements of the above IAS were considered for the purpose of preparation of these financial statements upto June 30, 2008. From July 1, 2008 all new leases are being accounted for in accordance with the requirements of IFAS 2 as explained in note 2.5. As allowed by the SECP, leases which were accounted for as finance lease in accordance with IAS 17 till June 30, 2008 continue to be accounted for as finance leases.

2.7 Islamic Financial Accounting Standard - 1

During the year ended June 30, 2005, the Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard 1 issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transaction undertaken by a bank / financial institution, effective for financial periods beginning on or after January 1, 2006. The Modaraba adopted this standard effective from July 1, 2006.

2.8 Islamic Financial Accounting Standard - 2

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

- Muj`ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.



- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.
- SECP, vide its letter No. SC/M/RW/SCM/2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after 1 July 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

The Modaraba operates an unfunded gratuity scheme for its employees eligible under the scheme. Provision is made annually based on the last drawn salary to cover the obligation under the scheme.

3.2 Compensated absences

The Modaraba provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

3.3 Accrued and other liabilities

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

3.4 Provisions

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of 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 of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.5 Taxation

Current

The charge for current taxation is based on taxable income as per Schedule II para 2 clause 18 @ 25% of Income Tax Ordinance 2001.

The income of a modaraba from non-trading activities is exempt from tax provided that not less than 90 % of its profits, as reduced by the amount transferred to a mandatory reserve, are distributed to the certificate-holders.

Deffered

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. This is recognized on the basis of the expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates to the extent that it is probable enacted or substantially enacted at the balance sheet date. Deferred tax assets are



recognized to the extent that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

At the reporting date, there were no material temporary differences, therefore, no deferred tax has been recognised in these financial statements.

3.6 Fixed Assets

Fixed Assets - own use

Fixed assets held for own use are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note 7. Depreciation is charged from the quarter of acquisition of the respective assets upto the quarter of disposal.

Maintenance and normal repairs are charged to the income as and when incurred. Major renewals and replacement are capitalized and assets so replaced, if any, are retired.

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

Gain or loss on disposal of assets is accounted for in the year in which it arises.

Ijarah Assets

Ijarah assets are stated at cost less accumulated amortization. Amortization is charged to income applying the annuity method whereby the depreciable values of assets are amortized over the lease period. In respect of additions and transfers during the year, amortization is charged proportionately to the period of lease.

3.7 Impairment of non-financial assets

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

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



3.8 Murabaha transaction

Murabaha transaction are reflected as receivable. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Modaraba and all documents relating to purchase are in customer name as agent of the modaraba. Recognition of profit on that portion of the sales revenue not due for payment is deferred by recording a debit to "Unearned Murabaha Income" account and a corresponding credit to "Deferred Murabaha Income" account.

3.9 Stock in trade

Stock in trade is valued at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost is determined on weighted average method.

3.10 Trade debts and other receivables

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

3.11 Accrued and other liabilities

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

3.12 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 consist of cash in hand and balances with banks.

3.13 Financial assets

3.13.1 Classification

The Modaraba classifies its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) Financial Instruments: Recognition and Measurement in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

- The financial assets included in loans and receivables classification are cash and bank balances , Murabaha Finance, Trade debtors and Advances deposits, prepayments and other receivables.
- The financial assets classified as at available for sale investments include investments in listed securities.



a) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market.

b) Available for sale financial assets

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

3.13.2 Regular way contracts

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

3.13.3 Initial recognition and measurement

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

3.13.4 Subsequent measurement

Subsequent to initial recognition, carrying values of financial assets are remeasured as follows:

a)' Financial asset as available for sale'

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

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



b) 'Loans and receivables'

Loans and receivables and held to maturity financial assets are carried at amortised cost.

3.13.5 Impairment of financial assets

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

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. In addition, the Modaraba follows the requirements of Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan.

3.13.6 Derecognition

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

3.13.7 Offsetting of financial assets and liabilities

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



3.13.8 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities are initially recognised at their fair values and subsequently carried at amortized cost using effective interest method.

3.14 Provision for doubtful recoveries

Provision for doubtful debts are made after review of outstanding Ijarah rental and murabaha receivables on the basis of Prudential Regulations for Modaraba issued by Securities and Exchange Commission of Pakistan. Other doubtful debts are provided for on the basis of their possible realization.

3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business as depicted below:

- i. Ijarah rental income is recognised on a systematic basis over the lease period.
- ii. Dividend income is recognised when right to receive dividend is established.
- iii. Capital gain or loss is accounted for in the year in which it arises.
- iv. Income from trading activities is recognized on issuance of invoice.
- v. The profit on Murabaha transactions is recognised over the period the payments become due. The unearned portion is reflected as "Deferred Murabaha Income"

	<i>2012</i>	<i>2011</i>
	<i>..... Rupees</i>	
4 CASH AND BANK BALANCES		
Cash	13,206	22,464
Balance with Banks		
- In current accounts	1,052,184	492,480
- In saving accounts	10,893,062	17,129,663
4.1	11,945,246	17,622,143
	11,958,452	17,644,607

4.1 The effective rate of profit on savings account ranges from 5% to 11% (2011: 5% to 11%).



		2012	2011
		..... Rupees	
5 INVESTMENTS - Available for sale			
Investment in shares and close end units	5.1	22,618,951	29,501,674
Investment in open end units	5.2	16,376,526	5,454,125
		<u>38,995,477</u>	<u>34,955,799</u>

5.1 INVESTMENTS AVAILABLE FOR SALE

The holdings are in ordinary shares / certificates of Rs. 10/- each except for Habib ADM Ltd. which are of Rs. 5/- each.

June 30, 2012	June 30, 2011	NAME OF COMPANY/ INSTITUTION	June 30, 2012	June 30, 2011
Number of Shares/Certificates			Rupees	Rupees
		MUTUAL FUND		
<u>26,100</u>	<u>100,000</u>	Meezan Balance Fund	<u>270,396</u>	<u>940,000</u>
26,100	100,000	Total	<u>270,396</u>	<u>940,000</u>
		MODARABAS		
117,636	117,636	Standard Chartered Modaraba	1,351,638	1,184,596
100,000	100,000	First Habib Bank Modaraba	816,000	800,000
72,900	72,900	First Punjab Modaraba	107,892	72,171
19,360	19,360	First Tri Star Modaraba	19,360	36,784
-	13,000	First UDL Modaraba	-	94,250
<u>309,896</u>	<u>322,896</u>	Total	<u>2,294,890</u>	<u>2,187,801</u>
		INVESTMENT COMPANIES/BANKS		
-	16,875	Jahangir Siddique & Company	-	109,350
<u>-</u>	<u>16,875</u>	Total	<u>-</u>	<u>109,350</u>
		TEXTILE WEAVING		
200	200	Service Fabric Limited	100	177
-	9,000	Reliance Weaving Mills Limited	-	101,250
<u>200</u>	<u>9,200</u>	Total	<u>100</u>	<u>101,427</u>
		SUGAR AND ALLIED		
12,286	5,000	Habib ADM Ltd. (Share of Rs.5/- each)	252,477	61,300
<u>12,286</u>	<u>5,000</u>	Total	<u>252,477</u>	<u>61,300</u>
		CEMENT		
-	5,300	Cherat Cement	-	47,700
-	12,000	Fauji Cement	-	49,440
<u>-</u>	<u>17,300</u>	Total	<u>-</u>	<u>97,140</u>
		FUEL AND ENERGY		
100,000	100,000	Hub Power Company Limited	4,189,000	3,750,000
-	11,000	Sui Northern Gas Pipeline Ltd.	-	219,120
10,000	-	Pakistan State Oil	2,358,400	-
37,249	26,136	Pakistan Petroleum Limited	7,013,614	5,411,981
<u>147,249</u>	<u>137,136</u>	Total	<u>13,561,014</u>	<u>9,381,101</u>
		AUTO AND ALLIED		
-	4,455	Pak Suzuki Motors Co. Ltd.	-	278,661
<u>-</u>	<u>4,455</u>	Total	<u>-</u>	<u>278,661</u>
		COMMUNICATION		
57,000	57,000	Pakistan Telecommunication Company Ltd.	780,330	810,540
-	10,000	TRG Pakistan Ltd.	-	25,600
<u>57,000</u>	<u>67,000</u>	Total	<u>780,330</u>	<u>836,140</u>
		CHEMICALS & PHARMACEUTICALS		
22,764	22,764	Bawany Air Products Limited	149,332	153,658
-	2,250	Fatima Fertilizer Company Limited	-	37,441
47,820	101,880	Fauji Fertilizer Company Limited	5,310,412	15,317,655
<u>70,584</u>	<u>126,894</u>	Total	<u>5,459,744</u>	<u>15,508,754</u>
<u>623,315</u>	<u>806,756</u>	Grand Total	<u>22,618,951</u>	<u>29,501,674</u>



5.2 MUTUAL FUNDS-OPEN ENDED

June 30, 2012	June 30, 2011	NAME OF COMPANY/ INSTITUTION	June 30, 2012	June 30, 2011
Number of Units			Rupees	Rupees
MUTUAL FUNDS-OPEN ENDED				
<u>327,138</u>	<u>109,017</u>	Meezan Cash Fund	<u>16,376,526</u>	<u>5,454,125</u>
<u>327,138</u>	<u>109,017</u>	Grand Total	<u>16,376,526</u>	<u>5,454,125</u>

6 LOANS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>2012</i>	<i>2011</i>
	.....Rupees.....	
Prepayments	123,447	124,992
Other receivables		
Profit on bank deposits	1,641,609	1,885,346
Ijarah rental receivable	748,314	803,106
Loan to staff	37,500	-
Sales tax	24,149	3,005,877
Dividend receivable	30,000	230,430
	2,481,572	5,924,759
Taxation - net	1,124,200	1,024,709
	<u>3,729,219</u>	<u>7,074,460</u>

7 PROPERTY, PLANT & EQUIPMENT

Own use	7.1	330,131	399,145
Ijarah assets	7.2	9,311,636	14,555,715
		<u>9,641,767</u>	<u>14,954,860</u>



7.1 Own use

	Office equipments	Furniture & fixture	Computer & allied equipments Rupees	Vehicles	Total
As at July 01, 2010					
Cost	145,575	138,903	281,740	1,588,000	2,154,218
Accumulated depreciation	(120,824)	(114,314)	(249,711)	(1,191,570)	(1,676,419)
Net book value	<u>24,751</u>	<u>24,589</u>	<u>32,029</u>	<u>396,430</u>	<u>477,799</u>
Year ended June 30, 2011					
Opening net book value	24,751	24,589	32,029	396,430	477,799
Additions during the year	-	7,700	8,500	-	16,200
Disposals / transfers					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation for the year	(2,476)	(2,844)	(10,246)	(79,288)	(94,854)
Closing net book value	<u>22,275</u>	<u>29,445</u>	<u>30,283</u>	<u>317,142</u>	<u>399,145</u>
As at July 01, 2011					
Cost	145,575	146,603	290,240	1,588,000	2,170,418
Accumulated depreciation	(123,300)	(117,158)	(259,957)	(1,270,858)	(1,771,273)
Net book value	<u>22,275</u>	<u>29,445</u>	<u>30,283</u>	<u>317,142</u>	<u>399,145</u>
Year ended June 30, 2012					
Opening net book value	22,275	29,445	30,283	317,142	399,145
Additions during the year	-	-	10,200	-	10,200
Disposals / transfers					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation for the year	(2,228)	(2,944)	(10,614)	(63,428)	(79,214)
Closing net book value	<u>20,047</u>	<u>26,501</u>	<u>29,869</u>	<u>253,714</u>	<u>330,131</u>
As at June 30, 2012					
Cost	145,575	146,603	300,440	1,588,000	2,180,618
Accumulated depreciation	(125,528)	(120,102)	(270,571)	(1,334,286)	(1,850,487)
Net book value	<u>20,047</u>	<u>26,501</u>	<u>29,869</u>	<u>253,714</u>	<u>330,131</u>
Annual rates of depreciation	<u>10%</u>	<u>10%</u>	<u>30%</u>	<u>20%</u>	



7.2 Ijarah assets

	Vehicles Rupees
As at July 01, 2010	
Cost	846,000
Accumulated depreciation	(388,660)
Net book value	<u>457,340</u>
Year ended June 30, 2011	
Opening net book value	457,340
Additions during the year	18,000,000
Depreciation for the year	(3,901,625)
Closing net book value	<u>(3,444,285)</u>
As at July 01, 2011	
Cost	18,846,000
Accumulated depreciation	(4,290,285)
Net book value	<u>14,555,715</u>
Year ended June 30, 2012	
Opening net book value	14,555,715
Additions during the year	-
Disposal during the year	
Cost	846,000
Accumulated Depreciation	(761,398)
	84,602
Depreciation for the year	(5,159,479)
Closing net book value	<u>9,396,236</u>
As at June 30, 2012	
Cost	18,000,000
Accumulated depreciation	(8,688,364)
Net book value	<u>9,311,636</u>
Annual rates of amortization	<u>11.25%</u>

2012 2011
..... *Rupees*

8 ACCRUED AND OTHER LIABILITIES

Insurance payable	11,036	-
Audit fee payable	690,000	380,000
Trade payable	88,800	-
Commission payable	18,000	-
Others	72,882	8,399
	<u>880,718</u>	<u>388,399</u>



9 LONG TERM IJARAH DEPOSITS

This represents interest free security deposits received against Ijarah assets from lessees and is refundable / adjustable at the expiry of the respective ijarah contracts.

10 CERTIFICATE CAPITAL

	2012	2011		2012	2011
No. of Certificates				..... Rupees	
Authorized certificate capital	10,000,000	10,000,000	Modaraba Certificates of Rs. 10 each	100,000,000	100,000,000
Issued, subscribed and paid-up capital	3,000,000	3,000,000	Modaraba certificates of Rs.10/- each issued for cash	30,000,000	30,000,000
	4,515,158	4,515,158	Modaraba certificates of Rs.10/- each issued as bonus certificates	45,151,587	45,151,587
	<u>7,515,158</u>	<u>7,515,158</u>		<u>75,151,587</u>	<u>75,151,587</u>

11 RESERVES

Statutory reserve	11.1	25,855,957	23,354,292
Unappropriated profit		5,979,819	13,446,709
		<u>31,835,776</u>	<u>36,801,001</u>

11.1 Statutory reserve represents profits set aside to comply with the Prudential Regulations for modarabas issued by the SECP. These regulations require a modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year the Modaraba has transferred an amount of Rs.2,501,665 (2011: Rs.6,121,998) which represents 40% of the profit after tax.

12 CONTINGENCIES AND COMMITMENTS

- No provision for Workers' Welfare Fund has been made in these financial statements in the light of judgment laid down by High Court of Lahore in the case of E.P.C.T. (Pvt.) Ltd. Versus Federation of Pakistan, etc. (W.P. No.8763/2011). The Court has held that amendments made in Workers' Welfare Fund Ordinance, 1971 through Finance Acts, 2006 and 2008 were unconstitutional. Had the provision been made, the same would have been recorded at Rs. 131,666 (2011 : Rs. 407,377).
- There are no known commitments as at 30 June 2012 (2011: Nil).

13 TRADING PROFIT

		2012	2011
		..... Rupees	
Sales-Net	13.1	53,180,500	70,247,328
Cost of sales			
Opening stock		58,794,123	17,426,776
Direct Cost		3,005,877	-
Purchases		58,818,800	97,591,675
Closing stock		(56,350,226)	(58,794,123)
		<u>64,268,574</u>	<u>56,224,328</u>
		<u>(11,088,074)</u>	<u>14,023,000</u>



2012 2011
.....Rupees

13.1 Sales - Net

Gross sales	53,180,500	72,396,000
Less: Sales tax	-	(2,148,672)
	<u>53,180,500</u>	<u>70,247,328</u>

13.2 The Modaraba trading results include net loss approximately of Rs. 6 million on certain forward sales contracts made with certain individuals who failed to lift goods as per commitment. The Modaraba forfeited security deposits amounting to Rs. 1.5 million in aggregate during the year.

14 DIVIDEND

Dividend income	2,966,413	2,856,377
Less: Zakat deducted at source	<u>(58,250)</u>	<u>(51,916)</u>
	<u>2,908,163</u>	<u>2,804,461</u>

15 OTHER INCOME

Deposit forfeited	15.1 1,750,000	180,000
Scrap sales	1,000	-
	<u>1,751,000</u>	<u>180,000</u>

15.1 These represent advance deposits forfeited by modaraba of various customers against sale of sugar, on default of contractual terms.

2012 2011
..... Rupees

16 OPERATING EXPENSES

Salaries and other benefits	16.1 2,248,088	1,796,732
Fee and subscription	544,320	450,902
Newspapers and periodicals	5,040	4,504
Printing and stationery	106,147	71,300
Repairs and maintenance	6,370	3,110
Traveling and conveyance	22,675	3,193
Postage and telephone	53,146	52,493
Auditors' remuneration	16.2 310,000	310,000
Vehicles running and maintenance	3,000	44,707
Insurance	44,267	50,753
Depreciation	7.1 79,214	94,854
Advertisement	27,170	43,870
Bank charges	1,762	2,061
Commission expense	18,000	-
Miscellaneous	62,440	26,956
	<u>3,531,639</u>	<u>2,955,435</u>



16.1 This includes Rs. 113,850 (2011: Rs. 83,625) in respect of staff retirement benefits.

	<i>2012</i>	<i>2011</i>
	..... <i>Rupees</i>	
16.2 Auditors' remuneration		
Audit fee	250,000	250,000
Half yearly review including other services	60,000	60,000
	<u>310,000</u>	<u>310,000</u>

17 EARNINGS PER CERTIFICATE

Basic and Diluted

Profit for the year	<u>6,307,512</u>	<u>17,491,422</u>
Average number of certificates outstanding	<u>7,515,158</u>	<u>7,515,158</u>
Earnings per certificate	<u>0.84</u>	<u>2.33</u>

18 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major certificate holders, associated concerns with or without common major certificate holders, the management company, directors of the management company and key management personnel. Transactions with other related parties are entered into at rates negotiated with them.

Details of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	<i>2012</i>	<i>2011</i>
	..... <i>Rupees</i>	
Associated Undertakings		
Insurance expense	44,267	91,422
Purchases	58,818,800	97,591,675
 Management company		
Due to Management Company	731,481	2,263,204



19 FINANCIAL INSTRUMENTS BY CATEGORY

	Held to maturity	Loans and receivables	Available for sale	Total
	..... 2012			
	..... Rupees			
ASSETS				
Cash and bank balances	-	11,958,452	-	11,958,452
Investments	-	-	38,995,477	38,995,477
Loans, prepayments and other receivables	-	2,457,423	-	2,457,423
Long term deposits	-	40,019	-	40,019

	Held to maturity	Other financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
	..... 2012			
	..... Rupees			
LIABILITIES				
Accrued and other liabilities	-	880,718	-	880,718
Due to management company	-	731,481	-	731,481
Unclaimed dividend	-	716,603	-	716,603
Staff gratuity	-	358,625	-	358,625
Ijarah deposits	2,700,000	-	-	2,700,000

	Held to maturity	Loans and receivables	Available for sale	Total
	..... 2011			
	..... Rupees			
ASSETS				
Cash and bank balances	-	17,644,607	-	17,644,607
Investments	-	-	34,955,799	34,955,799
Loans, prepayments and other receivables	-	2,918,882	-	2,918,882
Long term deposits	-	40,019	-	40,019

	Held to maturity	Other financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
	..... 2011			
	..... Rupees			
LIABILITIES				
Accrued and other liabilities	-	388,399	-	388,399
Due to management company	-	2,263,204	-	2,263,204
Unclaimed dividend	-	278,583	-	278,583
Staff gratuity	-	244,775	-	244,775
Ijarah deposits	2,784,600	-	-	2,784,600



20 FINANCIAL RISK MANAGEMENT

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

20.1 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Modaraba manages this risk through continuous monitoring of the market prices, market mark-up/profit rates and its mark-up/profit rates sensitivity position.

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

20.1.1 *Currency risk*

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

20.1.2 *Price risk*

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Modaraba is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 38.995 million (2011: Rs. 34.955 million) at the reporting date. The Modaraba manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.



Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 10% during the financial year.

The table below summarizes Modaraba's equity price risk as of 30 June 2012 and 2011 and shows the effects of a hypothetical increase and decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Modaraba's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity
June 30, 2012	Rupees	38,995,477	10% increase 10% decrease	42,895,025 35,095,929	3,899,548 (3,899,548)
June 30, 2011	Rupees	34,955,799	10% increase 10% decrease	38,451,379 31,460,219	3,495,580 (3,495,580)

20.1.3 Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Modaraba manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial assets and liabilities include balances of Rs. 10,893,062/- (2011: Rs. 17,129,663/-) and Rs. Nil (2011: Rs. Nil) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

- a) At the reporting date, the interest rate profile of the Modaraba's significant interest bearing financial instruments was as follows:

	2012	2011		2012	2011
	Effective interest rate (%)			Carrying amounts	
Financial assets					
Bank deposits - <i>pls account</i>	5% to 11%	5% to 11%	Rupees	10,893,062	17,129,663

b) Sensitivity analysis

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest



rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest / mark-up rate in terms of KIBOR has substantially been increase during the year by approximately 1.25%. Subsequent to the balance sheet date and till the date of authorization of these financial statements a further decrease of 0.25% has been observed.

The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

		Profit and loss 100 bp increase	decrease
As at June 30, 2012			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	30,616	(30,616)
As at June 30, 2011			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	47,189	(47,189)

20.2 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to credit risk in respect of Trade debtors and morabaha transactions.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

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

The Modaraba follows two sets of guidelines. It has its own operating policy and the management of the Modaraba also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

Out of the total financial assets of Rs 54.629 million (2011: Rs 55.559 million) the financial assets which are subject to credit risk amounted to Rs 14.335 million (2011: Rs 20.310 million). The management believes that the Modaraba is not exposed to major concentration of credit risk.

Details of the sector wise composition of the net investment in ijarah and murabaha are disclosed in note 23.2.



20.2.1 The carrying amounts of the financial assets against which the Modaraba did not hold any collateral represent the maximum credit exposure, as specified below:

	2012		2011	
	Carrying Amount	Maximum Exposure	Carrying Amount	Maximum Exposure
Rupees				
Balance with banks	11,945,246	11,945,246	17,622,143	17,622,143
Advances	2,481,572	2,481,572	5,924,759	5,924,759
Short term investments	38,995,477	38,995,477	34,955,799	34,955,799
	<u>53,422,295</u>	<u>53,422,295</u>	<u>58,502,701</u>	<u>58,502,701</u>

20.2.2 Impairment losses

There is no past due trade debtors as at the balance sheet date.

20.2.3 Credit quality

The credit quality of Modaraba's liquid funds can be assessed with reference to external credit ratings as follows:

	Rating	Rating	2012	2011
	Short term	Agency	Rupees	
Al-Barka Islamic Bank Limited	A -1	PACRA	12,556	12,189
Bank Al-Habib Limited	A-1+	PACRA	211,766	211,554
Burj Bank Limited	A-1	JCR - VIS	9,150	8,735
Habib Bank Limited	A-1+	JCR - VIS	400,653	279,252
Habib Metropolitan Bank Limited	A-1+	PACRA	10,872,817	17,110,413
UBL Islamic Bank	A-1+	JCR - VIS	438,304	-
			<u>11,945,246</u>	<u>17,622,143</u>

20.3 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 adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Modaraba finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.



20.3.1 The following are the contractual maturities profile of financial liabilities, including estimated interest payments:

	Carrying Amount	2012		
		Contractual cash flows	Twelve months or less	Two to Five years
		Rupees		
Non-Derivative Financial liabilities				
Lease Deposits	2,700,000	2,700,000	-	2,700,000
Staff Gratuity	358,625	358,625	-	358,625
Accured and other liabilities	880,718	880,718	880,718	-
Due to Management Company	731,481	731,481	731,481	-
Unclaimed Dividend	716,603	716,603	716,603	-
	<u>5,387,427</u>	<u>5,387,427</u>	<u>2,328,802</u>	<u>3,058,625</u>

	Carrying Amount	2011		
		Contractual cash flows	Twelve months or less	Two to Five years
		Rupees		
Non-Derivative Financial liabilities				
Lease Deposits	2,784,600	2,784,600	84,600	2,700,000
Staff Gratuity	244,775	244,775	-	244,775
Accured and other liabilities	388,399	388,399	388,399	-
Due to Management Company	2,263,204	2,263,204	2,263,204	-
Unclaimed Dividend	278,583	278,583	278,583	-
	<u>5,959,561</u>	<u>5,959,561</u>	<u>3,014,786</u>	<u>2,944,775</u>

20.3.2 Fair value estimate

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Modaraba are the current bid prices.

The carrying value less impairment provision of trade receivables and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Modaraba for similar financial instruments.

The classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).



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

The Modaraba held the following financial instruments measured at fair value :

June 30, 2012	Level 1	Level 2	Level 3	Total
	..... Amount in Rupees			

Financial assets

- financial assets available for sale

Quoted equities	38,995,477	-	-	38,995,477
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June 30, 2011	Level 1	Level 2	Level 3	Total
 Amount in Rupees			

Financial assets

- financial assets available for sale

Quoted equities	34,955,799	-	-	34,955,799
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21 CAPITAL RISK MANAGEMENT

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

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

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

	2012	2011
	..... Rupees	
Cash and bank balances	11,958,452	17,644,607
Total equity	<u>115,327,733</u>	<u>127,504,307</u>
Total capital	<u>127,286,185</u>	<u>145,148,914</u>
Gearing ratio	0.0%	0.0%

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities is estimated to approximate their carrying amounts.



23 SEGMENT ANALYSIS

23.1 Geographical Segment

The Modaraba's assets are employed and its income is derived in Pakistan.

23.2 Segment by class of business for ijarah assets.

	2012		2011	
	Rupees	% of Total	Rupees	% of Total
Sugar - industry	<u>9,311,636</u>	<u>100%</u>	14,555,715	100%
	<u>9,311,636</u>	<u>100%</u>	<u>14,555,715</u>	<u>100%</u>

The above balances represent written down value of ijarah assets.

24 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management Company in their meeting held on September 26, 2012 has approved Cash dividend @ 5% i.e. Re. 0.50 per certificate (2011: Cash dividend @ 15%, i.e. Rs.1.50 per, certificate). The financial statements of the Modaraba for the year ended 30 June 2012 do not include the effect of the final distribution which will be accounted for in the financial statements of the Modaraba for the year ending 30 June 2013.

25 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 26, 2012 by the Board of Directors of the Modaraba Management Company.

26 GENERAL

Figures have been rounded off to the nearest rupee, corresponding figures have also being re-arranged and re-classified whenever necessary.

For E.A Management (Private) Limited

(Management Company)

Chairman

Chief Executive

Director



**PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 31, 2012**

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING			TOTAL CERTIFICATES HELD
358	1	-	100	10,894
251	101	-	500	63,569
95	501	-	1000	68,766
198	1001	-	5000	414,696
37	5001	-	10000	253,404
9	10001	-	15000	112,944
9	15001	-	20000	157,958
7	20001	-	25000	154,242
2	25001	-	30000	55,939
1	30001	-	35000	31,165
1	35001	-	40000	37,573
3	40001	-	45000	129,037
1	70001	-	75000	72,105
1	85001	-	90000	89,000
1	115001	-	120000	115,724
1	170001	-	175000	171,360
1	180001	-	185000	182,095
1	185001	-	190000	187,877
1	210001	-	215000	212,554
1	225001	-	230000	227,910
1	280001	-	285000	280,303
1	315001	-	320000	318,113
1	335001	-	340000	339,095
1	355001	-	360000	356,138
2	455001	-	460000	918,280
1	675001	-	680000	675,629
2	935001	-	940000	1,878,788
988	TOTAL			7,515,158



**CATEGORIES OF CERTIFICATE HOLDINGS
AS AT JUNE 30, 2012**

	Number of Certificate Holders	Total Certificates Held	Percentage %
Director CEO and their Spouses and Minor Children Holding			
Mr. Omar Amin Bawany - Chief Executive		29411	0.3914
Mrs. Rukhsana		318113	4.2330
Miss. Rabeeah		42834	0.5700
Mr. Ahmed Ali Bawany - Chairman		31165	0.4147
Mrs. Ambreen		459831	6.1187
Miss. Alveena		5846	0.0778
Mr. Muhammad Altamash		10231	0.1361
	7	897431	11.9416
Associated Companies, Undertaking and Related Parties			
E.A Management (Pvt) Ltd.		939394	12.5000
Faran Sugar Mills Ltd.		939394	12.5000
Reliance Insurance Co. Ltd.		115724	1.5399
	3	1994512	26.5399
NIT and ICP			
National Bank of Pakistan, Trustee Dept.		458449	6.1003
M/S. ICP		5812	0.0773
ICP		1587	0.0211
NIT LTD		11805	0.1571
National Bank of Pakistan Ltd		43635	0.5806
IDBP (ICP Unit)		4025	0.0536
	6	525313	6.9900
Individuals	945	3037559	40.4191
Investment Companies	5	111,533	1.4841
Insurance Companies	1	187,877	2.5000
Joint Stock Companies	10	681,871	9.0733
Financial Institutions	2	10,956	0.1458
Others	8	50,574	0.6730
Charitable Trusts	1	17,532	0.2333
Total	988	7,515,158	100.0000



July 2011-June 2012	
NUMBER OF BOARD MEETINGS	
Name of Director	Number of Meeting Attended
1. Mr. Muhammad Omar Amin Bawany	4
2. Mr. Ahmed Ali Mohammad Amin Bawany	4
3. Mr. Abdul Ghani Samad	3
4. Mr. Abdul Wahid Jaliawala	4

KEY OPERATING AND FINANCIAL DATA						Rs. 000's
Year	2012	2011	2010	2009	2008	2007
Paid-up Capital	75,151	75,151	68,319	68,319	63,553	59,119
Equity	115,327	127,504	102,220	91,614	93,312	90,800
Operating Revenue	16,005	29,489	11,913	14,473	11,014	10,253
Net Profit After Tax	6,307	17,491	3,403	3,679	6,846	6,154
Bonus	-	-	10%	-	7.5%	7.5%
Cash Dividend	5%	15%	-	-	-	-
Earning Per Certificate (Rs.)	0.84	2.33	0.45	0.54	1.08	1.04



**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

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

The company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Nil *
Executive Directors	Mr.Muhammad Omar Amin Bawany
Non-Executive Directors	Mr.Muhammad Ahmed Ali Muhammad Amin Bawany
	Mr.Abdul Ghani Samad
	Mr.Abdul Wahid Jaliawala

* Independent director will be appointed on next election of Directors.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No causal vacancy in the Board occurred during the year
5. The Management company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.



6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are aware of their fiduciary responsibilities. However whenever necessary the board arrange orientations course for its directors in this respect.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company 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 shares of the company other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members of non-executive directors.



16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is also non-executive director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of Board of Directors

Dated: September 26, 2012
Karachi

Muhammad Omar Amin Bawany
Chief Executive



REVIEW REPORT TO THE MEMBERS 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 **BF Modaraba** ("the Modaraba"), to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba 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 Company'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 Company personnel and review of various documents prepared by the Modaraba 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 are not required to consider whether the Modaraba management company Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors of the modaraba management company for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended **June 30, 2012**.

Karachi.

Dated: September 26, 2012

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS



NOTICE OF ANNUAL REVIEW MEETING

The 13th Annual Review meeting of the Certificate Holders of B.F. Modaraba will be held on Monday October 22, 2012 at 7:30 p.m. at the Registered office of Modaraba at 4th Floor Bank House No. 1, Habib Square, M.A. Jinnah, Road, Karachi.

The Board of Directors, in their meeting held on September 26, 2012, has approved Cash Dividend @ 5% i.e. Re.0.50 per Certificate.

The Certificate Transfer Books of the Modaraba will remain closed from October 16, 2012 to October 22, 2012 (both days inclusive) for the purpose of entitlement of dividend and to attend the Annual review meeting.

Transfer received in order at the shares registrar office of the Modaraba M/s. C & K Management Associated (Pvt.) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530, before the close of business hours on October 15, 2012, will be treated in time.

Dated: September 26, 2012

Muhammad Ayub
Company Secretary

NOTE

At the time of attending the meeting individual CDC account holders shall produce their original National Identity Cards and corporate entities shall produce the Board's Resolution/Power of Attorney with Specimen Signature of the nominees.



VISION

To provide financial products translating and services within the spirit of Islamic Shariah and in accordance with the law to contribute in the promotion of the law and to contribute towards fulfilling our responsibilities in building a progressive society.

MISSION

- * To engage effectively, responsibly and profitability in providing financial products and services consistently seeking high standard of performance to maintain a long term success position in the competitive environment. This will be achieved by:
 - * Introducing a just and equitable financial system by being a good multipurpose financial institution;
Providing a range of specialized services working on Shariah principles to sustain continuous earning growth through effective management of its existing resources and through selective investment and financing.
 - * Providing for reasonable and just profit, prudent growth and pursuit of better efficiency.
 - * Focusing on serving our clients and customers building relationship with them based on trust and mutual benefit; and
 - * Fulfilling our responsibilities to satisfy the certificate holders, clients and the employees.