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## CORPORATE INFORMATION

<b>MODARABA MANAGEMENT COMPANY</b>	<b>UDL Modaraba Management (Private) Limited</b>
<b>COMMENCED BUSINESS ON</b>	May 1991
<b>BOARD OF DIRECTORS</b>	S.M. Nasir Raza                      Chief Executive Rashid Abdulla                      Director Asad Abdulla                      Director
<b>COMPANY SECRETARY &amp; CFO</b>	Syed Aamir Hussain
<b>AUDIT COMMITTEE</b>	Rashid Abdulla S.M. Nasir Raza Asad Abdulla
<b>AUDITORS</b>	Avais Hyder Liaquat Nauman Chartered Accountants
<b>BANKERS</b>	MCB Bank RBS Bank Bank Al-Falah Limited Silk Bank Limited Dubai Islamic Bank Limited
<b>REGISTRAR</b>	Gangjees Investment & Finance Consultants 513, Clifton Centre, Khayaban-e-Roomi, Kehkashan, Block-5, Clifton, Karachi.
<b>LEGAL CONSULTANT</b>	Mohsin Tyebaley & Co. 2nd Floor Dime Centre, BC-4, Block-9, Kehkashan, Clifton, Karachi-75600.
<b>TAX CONSULTANT</b>	Ford Rhodes Sidat Hyder & Co. Chartered Accountants Progressive Plaza, Beaumont Road P.O. Box 15541, Karachi-75530.
<b>REGISTERED OFFICE</b>	First Floor, NIC Building Abbasi Shaheed Road Off. Shahrah-e-Faisal, Karachi.
<b>PHONE</b>	(92-21) 35635501-04
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<b>Web</b>	www.udlmodaraba.com

**DIRECTORS' REPORT**

The Board of Directors of UDL Modaraba Management (Private) Ltd., the Management Company of First UDL Modaraba, has pleasure in presenting to the certificate holders the Annual Report of the Modaraba together with Audited Accounts for the year ended 30th June, 2011.

**Financial Results**

<b>Financial results are summarized as under :</b>	<b>Year ended 30.06.11</b>	<b>Year ended 30.06.10</b>
	<b>( Rupees in thousand)</b>	
Net profit after tax for the year	72,959	50,768
Add: Unappropriated profit brought forward	49,274	40,123
Profit available for appropriation	122,233	90,891
Appropriations :		
Statutory reserve	21,888	15,230
Profit distribution		
- Interim @ 7.5% (2010 : Nil)	19,789	-
- Final @ 10.0% (2010 @ 12.5%)	26,386	32,983
	68,063	48,213
Unappropriated profit carried forward	54,170	42,678
Earning per certificate	<b>2.77</b>	<b>1.92</b>

**Review of Operations :**

You will be pleased to observe that your Modaraba's profitability, during the year under review, has further improved to Rs.73. million, resulting in an earning of Rs. 2.77, as compared to Rs. 1.92 last year, after making all the due provisions and the Management fee.

As to the strategic decision taken last year, the management is concentrating more on the Ijarah activity, while other core activities i.e. Musharika financing and Investment portfolio are also receiving their due attention. As a result, the Modaraba has posted improved profitability in all the three core activities pursued by it with prudence and conservative credit approach, during the year under review.

You will also appreciate that higher profitability has enabled your Modaraba to distribute an interim dividend @7.50% in the month of February and now a final dividend of 10%. Thus aggregating 17.5% (or Rs. 1.75 per certificate). This is a record distribution of profits by your Modaraba to its certificate holders.

Furthermore, with a view to strengthening the financial base, the Modaraba continues to build its Statutory Reserves out of the profits every year, which has now accumulated to Rs. 183.42 million as compared to Rs. 161.537 million at the end of preceding year.

Based on above and in the wake of adverse economic conditions prevailing globally and more so in the country, your Modaraba's performance is considered highly satisfactory by the management and one of the best in Modaraba and Leasing Sector.



**Future Out Look :**

Although entire world market is passing through its worst recessionary times coupled with debt crises and currency meltdowns, Pakistan's economy is even under bigger stress. This is a real trial period for the country in all respects. Pakistan has never been hit by such adverse shocks as in the past few years. All these have occurred in quick succession and their speed, intensity, duration and magnitude are unparalleled in the history of the country

Low growth and high inflation, aggravated by unprecedented rains, floods, energy crises and unabated terrorism have completely shattered the country's economy entailing exceedingly difficult business conditions.

Pursuing highly conservative, cautious and prudent strategies, the management has so far not only coped with the situation but managed to improve on the quality of assets and profitability of the Modaraba. The management will continue to strive as in the past and will keep diversifying the risk portfolio with dynamism as warranted by the changing environment. Notwithstanding, it will be quite pertinent to mention that future profitability of the Modaraba can temporarily be affected although the management will try to avert as done in the past

**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 Modaraba, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- ◆ The system of internal control is sound in design and has been effectively implemented and monitored.
- ◆ There are no doubts about Modaraba's ability to continue as a going concern.
- ◆ There has been no material departure from the best practices and Corporate Governance as detailed in the listing regulations.
- ◆ There has been no trading in company shares by Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

**Audit Committee :**

An audit Committee of the Board has been established to be chaired by Mr. Rashid Abdulla. The following are the members of the Committee:-

- 1) Mr. Rashid Abdulla
- 2) Syed Nasir Raza
- 3) Mr. Asad Abdulla
- 4) Syed Aamir Hussain, Chief Financial Officer and Mr. Iqbal Ahmed, Internal Auditor also attended the meetings as per requirement of Code. Mr. Iqbal Ahmed is also the Secretary of the Committee.

**Attendance of Board Meetings :**

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

	Name of Directors	Number of Meetings	Number of Meetings Attended	Leave of Absence
1)	Syed Nasir Raza	4	4	-
2)	Mr.Rashid Abdulla	4	4	-
3)	Mr.Asad Abdulla	4	4	-

**Operating Data for six years :**

The operating data of the Modaraba for 6 years is annexed to this report.

**Pattern of Certificate holding :**

The pattern of certificate holding as at June 30, 2011 is given below :-

Sr.#	Categories of Certificate holders	Certificate Holder	Certificate holding	Percentage %
1	Individuals	3,196	11,286,285	42.77
2	Investment Companies	2	7,390	0.03
3	Joint Stock Companies	34	5,296,495	20.07
4	Financial Institutions	8	212,221	0.80
5	Modaraba Companies	8	283,165	1.07
6	Insurance Companies	2	533,386	2.02
7	Foreign Companies	1	2,652	0.01
8	Others	7	8,764,995	33.23
	Total	3,258	26,386,589	100.00

The detailed pattern of certificate holding as on 30/6/2011 is annexed to this report.

**a) Statement of Compliance with best practices**

The Board feels pleasure in stating that provisions of the Code relevant for the year ended June 30, 2011, have been duly complied with.

**b) Status of Compliance with the Code**

Sr.#	Particulars	Clause
a)	Board of Directors clause.	(i) (b) & (c)
b)	Qualification and eligibility to act as a Director.	(iii), (iv) & (v)
c)	Tenure of office of Directors.	(vi)
d)	Responsibilities, Powers and Functions of Board of Directors.	(vii) (a) (b) (c) (d) (e) (f)
e)	Meeting of the Board of Directors and consideration of significant issues.	(x), (xi), (xii) & (xiii)



Sr.#	Particulars	Clause
f)	Chief Financial Officer/ Company Secretary.	(xv), (xvi), (xvii) & (xviii)
g)	The Directors Report to the Certificate Holders.	(xix)
h)	Frequency of financial reporting.	(xx), (xxi), (xxii) & (xxiii)
i)	Responsibility for financial reporting and Corporate Compliance.	(xxiv), (xxv)
j)	Auditors not to hold shares.	(xxvii)
k)	Audit Committee	(xxx), (xxxi), (xxxii), (xxxiii) & (xxxiv)
l)	Internal Audit	(xxxv), (xxxvi)
m)	Compliance with the Code of Corporate Governance.	(xlv) & (xlvi)

**Staff Benefit Scheme :**

The Modaraba has gratuity & provident fund scheme for staff, the value of gratuity as per actuarial valuation as at June 30, 2011 based on its audited accounts is Rs. 1.451 M.

**Profit distribution :**

As mentioned above, in addition to an interim distribution of 7.5% in the month of February, the Board of Directors has now approved a final the distribution of 10%. Thus aggregating 17.5% or a profit of Rs. 1.75 per certificate of Rs.10 each for the year ended June 30, 2011.

**Auditors**

The present auditors M/s Avais Hyder Liaquat Nauman & Co. are due for retirement and being eligible and offered themselves for re-appointment for the year 2011-12.

**Acknowledgement :**

The Directors would like to take this opportunity to thank the Registrar Modarabas and other officials of the Securities and Exchange Commission of Pakistan, for their continuous 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.

For and on Behalf of the Board

**Syed Nasir Raza**  
**Chief Executive**

October 5, 2011



**SIX YEARS FINANCIAL SUMMARY  
BALANCE SHEET SUMMARY**

(Rs. in million)

Year Ended June 30,	2006	2007	2008	2009	2010	2011
<b>EQUITY</b>						
Issued, subscribed & paid up capital	263.87	263.87	263.87	263.87	263.87	263.87
Statutory Reserve	75.71	97.61	127.76	146.31	161.53	183.42
Revenue Reserve and Unappropriated profit	42.13	61.78	46.52	40.15	49.27	47.37
<b>Total Equity</b>	<b>381.71</b>	<b>423.26</b>	<b>438.15</b>	<b>450.32</b>	<b>475.16</b>	<b>494.66</b>
<b>LIABILITIES</b>						
Customer Security Deposit	2.52	8.49	14.85	20.21	18.80	24.53
Other Deferred Liabilities	105.02	105.07	104.79	104.95	105.17	105.47
<b>Current liabilities</b>						
Current maturity of Long term Security Deposit	10.44	2.46	4.26	7.25	7.01	9.52
Other Current Liabilities	21.58	21.39	26.14	31.22	34.15	25.74
<b>Total Current Liabilities</b>	<b>32.02</b>	<b>23.85</b>	<b>30.40</b>	<b>38.47</b>	<b>41.16</b>	<b>35.26</b>
<b>Total Equity and Liabilities</b>	<b>521.24</b>	<b>560.67</b>	<b>588.19</b>	<b>613.95</b>	<b>640.29</b>	<b>659.92</b>
<b>ASSETS</b>						
Assets Leased Out	37.78	49.13	86.66	107.01	93.51	141.98
Assets in own Use	0.38	1.19	1.63	0.28	2.70	7.89
Long Term Investment	49.47	62.56	55.96	72.64	87.19	43.12
Other Long Term Assets	0.18	0.07	0.08	0.07	0.07	0.07
	<b>87.81</b>	<b>112.95</b>	<b>144.33</b>	<b>180.01</b>	<b>183.47</b>	<b>193.06</b>
<b>Current Assets</b>						
Musharaka	44.00	192.12	193.26	330.66	327.69	157.62
Short Term Investments	12.66	14.94	15.19	9.91	16.85	41.00
Other Current Assets	16.83	20.30	8.89	33.64	50.94	17.39
Cash & Bank Balances	359.97	220.36	226.52	59.74	61.34	250.85
<b>Total Current Assets</b>	<b>433.46</b>	<b>447.72</b>	<b>443.86</b>	<b>433.94</b>	<b>456.82</b>	<b>466.86</b>
<b>Total Assets</b>	<b>521.27</b>	<b>560.67</b>	<b>588.19</b>	<b>613.95</b>	<b>640.29</b>	<b>659.92</b>

**INCOME STATEMENT HIGHLIGHTS****(Rs. in million)**

<b>Year Ended June 30,</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>INCOME</b>						
Lease	34.33	27.41	29.04	42.51	54.25	58.13
Musharaka	9.06	17.87	17.53	26.71	44.09	47.87
Capital Gain on Investment	1.95	0.35	0.17	0.36	0.29	31.95
Dividend	2.82	1.25	0.07	0.07	0.15	1.21
Other	31.05	24.64	24.76	20.52	7.18	7.25
<b>Total Income</b>	<b>79.21</b>	<b>71.52</b>	<b>71.58</b>	<b>90.16</b>	<b>105.95</b>	<b>146.41</b>
<b>EXPENSES</b>						
Operating	7.60	9.59	11.11	14.71	15.44	19.92
Financial	0.55	0.01	-	-	-	-
Amortisation, Depreciation	23.05	21.72	19.95	31.54	53.10	43.07
Provision for Doubtful Receivable	(8.60)	(13.27)	(11.98)	-	-	-
Provision for Disminution in value of Investment	15.44	(2.17)	(0.26)	15.42	-	-
Impairment loss on investment	-	-	-	6.79	-	-
<b>Total Expenses</b>	<b>38.04</b>	<b>15.89</b>	<b>18.83</b>	<b>68.46</b>	<b>68.54</b>	<b>62.99</b>
Share of Profit from associates	-	3.38	9.57	19.51	16.94	1.89
Unrealized gain on investments	-	-	-	-	2.06	(3.71)
Profit / (Loss) before Management Fee	41.17	59.02	62.32	41.22	56.41	81.60
Less :- Management Fee	4.12	5.69	6.23	4.12	5.64	(8.16)
Profit before Taxation	37.05	53.33	56.09	37.09	50.77	73.44
<b>Less :- Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.48)</b>
<b>Net Profit</b>	<b>37.05</b>	<b>53.33</b>	<b>56.09</b>	<b>37.09</b>	<b>50.77</b>	<b>72.95</b>
<b>APPROPRIATIONS</b>						
Final Dividend	21.11	26.39	26.39	26.39	32.98	46.17
Statutory Reserves	13.71	21.90	28.05	18.55	15.23	21.65
<b>SIGNIFICANT RATIOS</b>						
Break-up value per certificates (Rs.)	14.46	16.04	16.60	17.07	18.00	18.75
Market Price on 30th June (Rs.)	6.50	-	4.77	3.51	5.90	7.25
Dividend per Certificate (Rs.)	0.80	1.00	1.00	1.00	1.25	1.75
Earning per Certificate (Rs.)	1.40	2.02	2.13	1.41	1.92	2.77
Current ratio (X)	13.53	18.77	14.60	11.28	11.12	13.30
Net profit Margin (%)	46.77	70.35	78.36	41.14	47.91	49.83
Return on Equity (%)	9.70	12.10	12.80	8.24	10.68	14.75
Return on Investment (%)	7.11	9.13	9.54	6.04	19.20	35.39
Dividend payout (%)	56.98	51.53	47.04	71.14	64.97	63.29





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

This statement is being prepared 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 Modaraba is managed in compliance with the best practices of corporate governance.

- 1) The Modaraba encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes three independent non-executive directors and no director representing minority certificate holders.
- 2) The directors have confirmed that none of them is serving as a director in more than 10 listed companies including this Modaraba.
- 3) All the resident directors of the Modaraba are registered as taxpayer and none of them has defaulted in payment of any loan to a Bank, Modaraba, DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
- 4) There was no casual vacancy occurred in the Board during the year.
- 5) The Modaraba Management Company and Modaraba have prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by all the employees of the Modaraba Management Company & Modaraba.
- 6) The Board has developed an overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other directors, have been taken by the Board.
- 8) The meetings of the Board were presided over the Chairman and, in his absence, Vice Chairman or a Director elected by the Board, along with agenda and working papers, circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
- 9) The Board members participated in courses during the year to apprise themselves of their duties and responsibilities.
- 10) The Board has approved appointment of CFO, Modaraba Secretary and head of Internal Audit, including their remuneration, terms and conditions of employment, as determined by the CEO.
- 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 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 certificate holding.
- 14) The Modaraba has complied with all the corporate and financial reporting requirement of the Code.



- 15) The Audit Committee comprises of three members including the Chairman.
- 16) The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function.
- 18) The Statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditor 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 guideline in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.

October 05, 2011

**Chief Executive**



**REVIEW REPORT TO THE CERTIFICATE HOLDER 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 UDL Modaraba Management (Private) Limited (Modaraba Management Company) to comply with the Listing Regulations No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges respectively where the Modaraba is listed.

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

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

Further, Sub- Regulation (xiii) of Listing Regulations 35 notified by Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Management Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2011.

Karachi

Date : October 05, 2011.

**Avais Hyder Liaquat Nauman**  
Chartered Accountants



### **AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of First UDL Modaraba (the modaraba) as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the modaraba company's [UDL 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 the modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion :
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of 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, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the modaraba's affairs as at June 30, 2011 and of the profit, its cash flows, statement of comprehensive income and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) .

The financial statement of the First UDL Modaraba for the year ended June 30, 2010 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion in their report dated October 07, 2010.

Karachi

Date : October 05, 2011.

**Avais Hyder Liaquat Nauman**  
Chartered Accountants



**BALANCE SHEET  
AS AT JUNE 30, 2011**

	Note	2011	2010
<b>RUPEES</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets - tangible	6	149,875,157	96,218,466
Capital work in progress - IT software		900,000	-
Long term investments	7	42,218,300	87,196,454
Long term advances and deposits	8	74,100	74,100
<b>Total non-current assets</b>		<b>193,067,557</b>	<b>183,489,020</b>
<b>Current assets</b>			
Stock-in-trade	9	-	10,277,223
Ijarah rental receivables	10	3,077,147	4,871,199
Musharaka receivables - secured	11	157,620,015	327,686,408
Financial assets	12	40,999,537	16,851,545
Advances	13	794,000	5,454,459
Prepayments and other receivables	14	13,521,428	30,328,072
Bank balances	15	250,848,245	61,337,661
<b>Total current assets</b>		<b>466,860,372</b>	<b>456,806,567</b>
<b>Total assets</b>		<b>659,927,929</b>	<b>640,295,587</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Certificate holders' equity</b>			
Certificate capital	16	263,865,890	263,865,890
Statutory reserves	17	183,425,646	161,537,656
Unrealized (loss)/gain on re-measurement of available for sale investments		(203,058)	486,614
Unappropriated profit		47,573,488	49,274,690
<b>Total equity</b>		<b>494,661,966</b>	<b>475,164,850</b>
<b>Non-current Liabilities</b>			
Long term security deposits	18	24,533,218	18,797,073
Deferred liabilities	19	105,467,396	105,169,767
<b>Total non-current liabilities</b>		<b>130,000,614</b>	<b>123,966,840</b>
<b>Current Liabilities</b>			
Current maturity of security deposits	18	9,524,427	7,010,600
Payable to management company	20	4,333,917	13,731,113
Accrued and other liabilities	21	21,407,005	20,422,184
<b>Total current liabilities</b>		<b>35,265,349</b>	<b>41,163,897</b>
<b>Total liabilities and equity</b>		<b>659,927,929</b>	<b>640,295,587</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes from 1 to 41 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited  
(Management Company)

Chief Executive

Director

Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
<b>RUPEES</b>			
<b>Income from :</b>			
- Ijarah operations	23	58,136,370	54,251,802
- Musharaka finance		47,866,757	44,087,676
- Investments	24	31,952,007	547,011
- Trading - Rice	25	1,124,727	-
- Other sources	26	7,329,394	7,067,595
		146,409,255	105,954,084
<b>Expenses</b>			
Operating	27	19,923,843	15,441,987
Depreciation on assets leased out under Ijarah	6	43,064,126	53,097,555
Financial charges	28	7,141	3,819
		62,995,110	68,543,361
<b>Operating profit</b>		83,414,145	37,410,723
Unrealized (loss) / gain on re-measurement of investments at fair value through profit or loss		(3,710,940)	2,061,507
Share of profit from associates (unrealized)		1,899,052	16,937,093
		81,602,257	56,409,323
Modaraba company's management fee		(8,160,226)	(5,640,932)
<b>Profit before tax</b>		73,442,031	50,768,391
Provision for taxation	29	(482,065)	-
<b>Profit after taxation</b>		72,959,966	50,768,391
Earnings per certificate - basic and diluted	30	2.77	1.92

The annexed notes from 1 to 41 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited  
(Management Company)

Chief Executive

Director

Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	RUPEES	
<b>Profit after taxation</b>	72,959,966	50,768,391
<b>Other comprehensive income</b>		
Unrealised (loss) / gain on re-measurement of available for sale investment	(689,672)	462,313
Reversal of impairment on available for sale investments	-	-
	(689,672)	462,313
Taxation relating to component of other comprehensive income	-	-
Other comprehensive income	(689,672)	462,313
<b>Total comprehensive income</b>	<b>72,270,294</b>	<b>51,230,704</b>

The annexed notes from 1 to 41 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited  
(Management Company)

Chief Executive

Director

Director



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
<b>RUPEES</b>			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		73,442,031	50,768,391
<b>Adjustment of non cash items :</b>			
Depreciation on own assets	6	1,426,127	505,769
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss		3,710,940	(2,061,507)
Amortization of assets leased out under Ijarah	6	43,064,126	53,097,555
Unrealised loss / (gain) on long term investment		689,672	(462,303)
Gain on sale of investments	24	(30,742,205)	(286,470)
Share of profit from associates		(1,899,052)	(16,937,093)
Gain on sale of fixed assets			
- own assets	6	-	(109,100)
- assets leased out under Ijarah		(208,022)	(28,133)
Provision for staff gratuity		297,629	220,163
Dividend income	24	(1,209,802)	(151,441)
Financial charges	28	7,141	3,819
<b>Operating profit before working capital changes</b>		<b>88,578,585</b>	<b>84,559,650</b>
<b>Changes in working capital :</b>			
<b>Decrease /(increase) in current assets</b>			
Stock-in-trade		10,277,223	(10,277,223)
Ijarah rental receivables		1,794,052	173,532
Musharaka receivables		170,066,393	2,972,498
Advances		4,660,459	(5,174,996)
Prepayments & other receivables		16,806,644	(2,016,555)
		203,604,771	(14,322,744)
<b>(Decrease) / increase in current liabilities</b>			
Management fee payable		(9,397,196)	4,059,074
Accrued and other liabilities		984,821	(1,121,851)
		(8,412,375)	2,937,223
Financial charges paid		(7,141)	(3,819)
<b>Net cash generated from operating activities</b>		<b>283,763,840</b>	<b>73,170,310</b>





**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
<b>RUPEES</b>			
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Purchase of fixed assets</b>			
- own assets		(6,614,446)	(2,225,900)
- CWIP-software		(900,000)	-
- assets leased out under Ijarah		(100,686,500)	(50,418,165)
Financial assets		(20,436,392)	(11,203,462)
Proceeds from sale of investments		68,335,462	8,518,204
Proceeds from sale of fixed assets			
- own assets		-	310,000
- assets leased out under Ijarah		9,362,024	8,489,362
Dividends received		1,209,802	2,996,691
<b>Net cash used in investing activities</b>		<b>(49,730,050)</b>	<b>(43,533,270)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(52,773,178)	(26,386,589)
Long-term security deposits		8,249,972	(1,653,175)
<b>Net cash used in financing activities</b>		<b>(44,523,206)</b>	<b>(28,039,764)</b>
Net increase in cash and cash equivalents		189,510,584	1,597,277
Cash and cash equivalents at the beginning of the year		61,337,661	59,740,384
<b>Cash and cash equivalents at the end of the year</b>	<b>31</b>	<b>250,848,245</b>	<b>61,337,661</b>

The annexed notes from 1 to 41 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited  
(Management Company)

Chief Executive

Director

Director



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2011**

	Certificate capital	*Statutory reserve	Unrealized gain/(loss) on re-measurement of available for sale investment	Unappropriated profit	Total certificate holders' equity
----- RUPEES -----					
Balance as at July 01, 2009	263,865,890	146,307,138	24,301	40,123,405	450,320,734
Total comprehensive income for the year ended June 30, 2010	-	-	462,313	50,768,392	51,230,705
Profit distribution in cash	-	-	-	(26,386,589)	(26,386,589)
Transfer to statutory reserve	-	15,230,518	-	(15,230,518)	-
<b>Balance as at June 30, 2010</b>	<b>263,865,890</b>	<b>161,537,656</b>	<b>486,614</b>	<b>49,274,690</b>	<b>475,164,850</b>
Other comprehensive income for the year ended June 30, 2011	-	-	(689,672)	72,959,966	72,270,294
Profit distribution in cash	-	-	-	(32,983,236)	(32,983,236)
Interim Profit distribution in cash	-	-	-	(19,789,942)	(19,789,942)
Transfer to statutory reserve	-	21,887,990	-	(21,887,990)	-
Balance as at June 30, 2011	<u>263,865,890</u>	<u>183,425,646</u>	<u>(203,058)</u>	<u>47,573,488</u>	<u>494,661,966</u>

\* In accordance with the Prudential Regulations for modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of after tax profits is required to be transferred to statutory reserve.

The annexed notes from 1 to 41 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited  
(Management Company)

Chief Executive

Director

Director



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1 LEGAL STATUS AND NATURE OF THE BUSINESS**

First UDL Modaraba (the Modaraba) was formed in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under, having its registered office at 1st floor, N.I.C. Building, Abbasi Shaheed Road, off Shahrah-e-Faisal, Karachi and is managed by UDL Modaraba Management (Private) Limited, a company incorporated in Pakistan. It is a perpetual, multipurpose and multidimensional Modaraba and is engaged in providing finance on Murabaha and Musharaka arrangements, Ijarah, commodity trading and trading in listed and non-interest bearing securities. The Modaraba is listed on Karachi, Islamabad and Lahore Stock Exchanges.

**2 STATEMENT OF COMPLIANCE**

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

2.1.1 The SECP has issued directive (vide SRO 431 (I) / 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statement by Companies and Modarabas while accounting for Ijarah (Lease) transactions as defined by said Standard. The Modaraba has adopted the above said Standard.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

2.2.1 The following amendments to standards are mandatory for the first time for the financial year beginning July 01, 2010 which affect these financial statements:

"The Modaraba has adopted the amendments to the following standards which became effective during the year:

	<b>Effective date (annual periods beginning on or after)</b>
IAS 32 Financial instrument	February 01, 2010
IFRS1 First time adoption of International Financial Reporting Standards	January/July 01, 2010

"In April 2009 and May 2010, International Accounting standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below :

Issued in April 2009	
IAS1 Presentation of Financial Statements	January 01, 2010
IAS 7 Cash flows statement	January 01, 2010
IAS 17 Leases	January 01, 2010
IAS 36 Impairment of assets	January 01, 2010
IAS 39 Financial Instruments: Recognition and Measurement	January 01, 2010
IFRS 5 Non Current Assets Held for Sales and Discontinued Operations	January 01, 2010
IFRS 8 Operating segments	January 01, 2010
Issued in May 2010	
IAS 27 Consolidated and Separate Financial Statements	July 01, 2010
IFRS 3 Business Combination	July 01, 2010



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

**2.3.1** The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

IAS 1 Presentation of Financial Statements	July 01, 2012
IAS 12 Income Tax	January 01, 2012
IAS 19 Employee Benefits	January 01, 2013
IAS 24 Related Parties Disclosures	January 01, 2011
IAS 27 Consolidated and Separate Financial Statements	January 01, 2013
IAS 28 Investment in Associates	January 01, 2013
IFRS 1 First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7 Financial Instruments Disclosures	July 01, 2011
IFRS 9 Financial Instruments - Classification and Measurement	January 01, 2013
IFRIC 14 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

The Modaraba expects that the adoption of the above amendments and interpretations of the standards will not affect the Modaraba’s financial statements in the period of initial application.

In addition to the above, amendments to various standards have also been issued by the IASB. Such interpretations are generally effective for accounting periods beginning on or after January 01, 2011. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba’s financial statements in the period of initial application.

**3. BASIS OF PREPARATION**

**3.1** These financial statements comprise balance sheet, profit and loss, statement of comprehensive income, statement of cash flows, statement of changes in equity and explanatory notes and have been prepared under the historical cost convention except for: investments - available for sale and investment - at fair value through profit or loss have been recognized at fair value and staff benefit have been recognized at value determined by the actuary.

**3.2** These financial statements have been prepared using the accrual basis of accounting except for the cash flow information.

**4. USE OF ESTIMATES**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modarabas accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under circumstances, the result 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial estimates are as follows:

	Note
Useful lives of depreciable assets	5.1
Provision for income taxes	5.7
Staff retirement benefits - gratuity	5.8
Provision against Ijarah and Musharaka receivables	5.5
Impairment of assets	5.17



## 5. Fixed assets - tangible

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

### 5.1 Fixed assets - tangible

#### 5.1.1 Assets in own use and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment loss.

Depreciation is charged to income applying the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 6.

Depreciation on additions is charged from the month during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month of disposal.

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

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

#### 5.1.2 Assets leased out under Ijarah and depreciation

Ijarah (lease) assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the Ijarah (lease) period, which is considered to be the estimated useful life of the asset. In respect of additions of disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination.

### 5.2 Investment in associates

Investment in associates which are entities over which the Modaraba has significant influence but not control, are carried using equity method.

Under the equity method, investments in associate is carried in the balance sheet at cost as adjusted for post acquisition changes in the Modaraba's share of net assets of the associate, less any impairment in the value of individual investment. When the Modaraba's share of losses in an associate equals or exceeds its interest in the associate including any other unsecured receivables if any, the Modaraba does not recognize further losses, unless it has incurred obligations or made payments on behalf of associate.

### 5.3 Financial instruments

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

#### Initial recognition

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

#### Subsequent measurement

Financial assets and financial liabilities are measured subsequently as described below.



### 5.3.1 Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Loans and receivables;  
financial assets at fair value through profit or loss;  
held to maturity investments; and  
available-for-sale financial assets.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following financial assets fall into this category of financial instruments :

Long term advances and deposits  
Ijarah rental receivables  
Musharaka receivables  
Advances  
Other receivables  
Cash and cash equivalents

#### Financial assets at fair value through profit or loss

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices are classified as 'at fair value through profit or loss' or held for trading. Financial assets in this category are measured at fair value with gains or losses recognised in profit and loss account. These investments are marked to market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the profit and loss account for the year.

#### Held-to-maturity investments

These are securities with fixed or determinable payments and fixed maturity which the Modaraba has the positive intent and ability to hold to maturity. These are measured at amortized cost.

#### Available for sale

Investments intended to be held for 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 investments (c) financial assets at fair value through profit or loss. Subsequent to initial recognition these investments are marked to market using the closing market rate and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to other comprehensive income.

#### Derecognition of financial assets

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.

#### Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.



An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

### 5.3.2 Financial liabilities

The Modaraba's financial liabilities include:

long term security deposits  
Accrued profit on IFC income notes  
Accrued and other liabilities

#### Off-setting of financial assets and liabilities

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

### 5.4 Stock-in-trade

Stock is valued principally at the lower of cost determined on the first in first out basis and net realizable value. Cost of raw materials and trading stock comprises the invoice values and other charges paid thereon. Cost of work in process and finished goods include prime cost and appropriate portion of manufacturing overheads. Items in transit are stated at invoice value plus other incidental charges paid thereon up to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and costs necessarily to be incurred to make the sales.

### 5.5 Musharaka and Ijarah finance

Musharaka and Ijarah finance are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, these are stated at net of provision and suspense income. Provision is made in accordance with the prudential regulations for Modarabas issued by SECP and is charged to profit and loss account currently.

### 5.6 Revenue recognition

Revenue from sale of goods is recognized on dispatch of goods to customers.

Profit on Musharaka receivables and finances are accounted for on the basis of expected rate of profit. The effect of adjustments, if any, between actual rate and expected rate of profit is accounted for at the time of determinations of the actual rate. Unrealized Musharaka income is excluded from profit on Musharaka receivables in accordance with the requirement of Prudential Regulations for Modarbas issued by SECP.

Return on investment and deposits with banks are recognized on an accrual basis.

Ijarah / lease rental income is recognized on an accrual basis.

Dividend income is recognized when the right to receive the payment is established.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

Profit on term finance certificates TFCs are accrued when due. Unrealized term finance certificates' income is excluded from profit on TFCs receivables in accordance with the requirement of Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan (SECP).



## 5.7 Taxation

### 5.7.1 Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders.

### 5.7.2 Deferred

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

However, deferred tax is not accounted for as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

## 5.8 Staff retirement benefits - Gratuity

The Modaraba operates an unfunded gratuity scheme covering all its permanent employees with one or more years of service with the Modaraba. Provision for gratuity has been made to cover obligation under the scheme in respect of employees who have completed the minimum qualifying period. Actuarial valuation is conducted in accordance with International Financial Reporting Standards and actuarial (unrecognized) gains and losses are recognized in accordance with actuary report. Latest actuarial valuation was conducted as at June 30, 2011.

## 5.9 Borrowings and their costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

**5.10** Provisions are recognized when the Modaraba has a present 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 can be made of the amount of the obligation.

## 5.11 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 at bank and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## 5.12 Accrued and other payables

Liabilities for accrued and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services.



**5.13 Functional and presentation currency**

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

**5.14 Foreign currency translation**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. All non-monetary items are translated into rupees at exchange rate prevailing on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

**5.15 Transactions with related parties**

All transactions with related parties are carried out by the Modaraba at arm's length prices.

**5.16 Profit distribution to certificates holders**

Profit distribution to certificates holders is recognized as liability in the period in which such distribution is announced.

**5.17 Impairment of non financial assets**

The Modaraba assesses at each balance sheet date whether there is any indication that fixed 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 income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

**5.18 Segment reporting**

A segment is a distinguishable component of the Modaraba that is engaged in business activities from which the Modaraba earns revenues and incur expenses and its results are regularly reviewed by the Modaraba's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure, services provided and products produced and sold, the Modaraba is organized into 'Musharaka', 'Ijarah', 'Investment' and 'Trading' segments.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance.

**5.19 Capital risk management**

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

The Modaraba's manages its capital structure 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 capital structure, the Modaraba may adjust the amount of dividend paid to certificate holders or issue new certificates.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	COST			DEPRECIATION			Book value As at June 30, 2011	Depreciation rate per annum --- % ---
	As at July 1, 2010 --- RUPEES ---	Additions / (Deletions) --- RUPEES ---	As at June 30, 2011 --- RUPEES ---	As at June 1, 2010 --- RUPEES ---	Charge for the year --- RUPEES ---	As at June 30, 2011 --- RUPEES ---		
<b>6 FIXED ASSETS - tangible</b>								
<b>Assets own use</b>								
Furniture and fittings	2,538,644	1,763,346	4,301,990	2,495,706	93,819	2,589,525	1,712,465	10
Vehicles	4,442,000	4,290,200	8,732,200	1,829,262	1,249,305	3,078,567	5,653,633	20
Computer equipment	2,038,687	437,400	2,476,087	1,990,037	72,240	2,062,277	413,810	20
Office equipment and appliances	697,397	123,500	820,897	697,363	10,763	708,126	112,771	20
Sub total	9,716,728	6,614,446	16,331,174	7,012,368	1,426,127	8,438,495	7,892,679	
<b>Assets leased out under Ijarah</b>								
Machinery and equipments	59,852,563	46,600,000 (7,995,000)	98,457,563	30,793,069	10,844,209 (6,496,500)	35,140,778	63,316,785	25-33
Vehicles	110,623,610	54,086,500 (22,404,700)	142,305,410	46,168,998	32,219,917 (14,749,198)	63,639,717	78,665,693	25-33
Sub total	170,476,173	100,686,500 (30,399,700)	240,762,973	76,962,067	43,064,126 (21,245,698)	98,780,495	141,982,478	
<b>Total</b>	<b>180,192,901</b>	<b>107,300,946</b> <b>(30,399,700)</b>	<b>257,094,147</b>	<b>75,039,839</b>	<b>44,490,253</b> <b>(21,245,698)</b>	<b>107,218,990</b>	<b>149,875,157</b>	



	COST		DEPRECIATION				Book value	Depreciation rate per annum
	As at July 1, 2009	As at June 30, 2010	As at June 30, 2009	Charge for the year	As at June 30, 2010	As at June 30, 2010		
2010	--- RUPEES ---	--- RUPEES ---	--- RUPEES ---	--- RUPEES ---	--- RUPEES ---	--- RUPEES ---	--- % ---	
<b>FIXED ASSETS - tangible</b>								
Assets own use								
Furniture and fittings	2,538,644	2,538,644	2,477,094	18,612	2,495,706	42,938	10	
Vehicles	3,061,000	4,442,000	2,021,195	452,067 (644,000)	1,829,262	2,612,738	20	
Computer equipment	2,038,687	2,038,687	1,954,947	35,090	1,990,037	48,650	20	
Office equipment and appliances	697,397	697,397	697,363	-	697,363	34	20	
Sub total	8,335,728	9,716,728	7,150,599	505,769 (644,000)	7,012,368	2,704,360		
Assets leased out under Ijarah								
Machinery and equipments	56,647,898	59,852,563	25,194,745	14,198,324 (8,600,000)	30,793,069	29,059,494	25-33	
Vehicles	117,346,067	110,623,610	42,694,495	38,899,231 (35,424,728)	46,168,998	64,454,612	25-33	
Sub total	173,993,965	170,476,173	67,889,240	53,097,555 (44,024,728)	76,962,067	93,514,106		
Total	182,329,693	180,192,901	75,039,839	53,603,324 (44,668,728)	83,974,435	96,218,466		



	Note	2011	2010
RUPEES			
<b>7. LONG TERM INVESTMENTS</b>			
Associated companies	7.1	39,493,918	83,782,400
Available for sale			
Listed companies	7.2	<u>2,724,382</u>	<u>3,414,054</u>
		42,218,300	87,196,454
Held to maturity			
Term finance certificates (TFCs) Series 'B'	7.3	<u>927,107</u>	<u>927,107</u>
Provision for non-performing assets		<u>(927,107)</u>	<u>(927,107)</u>
		-	-
		<u>42,218,300</u>	<u>87,196,454</u>

**7.1 Associated companies**

	Searle Pakistan Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>2011</b>					
Opening balance	63,169,071	9,646,525	444,226	10,522,578	83,782,400
Sold during the year	(41,476,460)	-	-	-	(41,476,460)
Share of profit or loss of associates	4,201,601	(3,097,940)	(186,615)	982,006	1,899,052
Dividend income	<u>(4,711,074)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,711,074)</u>
	<u>21,183,138</u>	<u>6,548,585</u>	<u>257,611</u>	<u>11,504,584</u>	<u>39,493,918</u>
<b>2010</b>					
	Rupees	Rupees	Rupees	Rupees	Rupees
Opening balance	46,171,045	12,806,761	433,865	10,278,886	69,690,557
Share of profit or loss of associates	19,179,707	(2,496,667)	10,361	243,692	16,937,093
Dividend income	<u>(2,181,681)</u>	<u>(663,569)</u>	<u>-</u>	<u>-</u>	<u>(2,845,250)</u>
	<u>63,169,071</u>	<u>9,646,525</u>	<u>444,226</u>	<u>10,522,578</u>	<u>83,782,400</u>

**7.1.1 Basis of significant influence****Name of Associates**

Searle Pakistan Limited  
 United Distributors Pakistan Limited  
 United Brands Limited  
 IBL Healthcare Limited

**Basis of significant influence**

Common directorship  
 Common directorship  
 Common directorship  
 Common directorship



## 7.1.2 Summarized financial statements of associates as follows :

2011

	<b>Searle Pakistan Limited</b>	<b>United Distributors Pakistan Limited</b>	<b>United Brands Limited</b>	<b>IBL Healthcare Limited</b>
	Rupees	Rupees	Rupees	Rupees
Share capital - ordinary shares of Rs. 10 each	306,267,830	91,839,000	12,000,000	200,000,000
Total assets	3,330,854,000	719,634,000	232,018,984	457,285,000
Total liabilities	1,646,091,000	588,600,000	283,690,867	172,515,000
Net assets	1,684,763,000	131,034,000	(51,671,883)	284,770,000
Revenue	3,034,862,000	905,416,000	759,613,699	467,274,000
Profit / (loss) for the year - after tax	235,614,000	(38,982,000)	(40,716,105)	36,652,000
Number of shares held	546,154	729,862	5,500	535,854
Ownership interest	1.80%	7.95%	0.46%	2.68%
Fair value per share as at June 30, 2011	54.35	13.61	27.55	9.50
Fair value of shares as at June 30, 2011	29,683,470	9,933,422	151,525	5,090,613
Financial results are based on latest the information available as on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011

2010

	<b>Searle Pakistan Limited</b>	<b>United Distributors Pakistan Limited</b>	<b>United Brands Limited</b>	<b>IBL Healthcare Limited</b>
	Rupees	Rupees	Rupees	Rupees
Share capital - ordinary shares of Rs. 10 each	306,267,830	91,839,000	12,000,000	200,000,000
Total assets	2,886,884,000	935,283,806	198,694,498	371,393,000
Total liabilities	1,345,854,000	765,268,268	193,702,703	123,275,000
Net assets	1,541,030,000	170,015,538	4,991,795	248,118,000
Revenue	3,680,213,000	1,143,401,256	828,830,243	475,248,000
Profit / (loss) for the year - after tax	357,164,000	(31,404,611)	2,252,300	9,093,000
Number of shares held	1,645,900	729,862	5,500	535,854
Ownership interest	5.37%	7.95%	0.46%	2.68%
Fair value per share as at June 30, 2010	59.00	15.00	35.56	7.00
Fair value of shares as at June 30, 2010	97,108,100	10,947,930	195,580	3,750,978
Financial results are based on latest the information available as on	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010

**7.2 Listed companies**

	2011 Number of shares	2010 Number of shares	2011 Rupees	2010 Rupees
<b>Food and Personal Care Products</b>				
Gillette Pakistan Limited	1,000	1,000	57,120	64,000
<b>Chemicals</b>				
Nimir Industrial Chemicals Limited	204,022	204,022	571,261	324,395
<b>Leasing Company</b>				
Security Leasing Corporation Limited	858,935	858,935	1,717,870	2,439,375
<b>Textile Composite</b>				
International Knitwear	72,025	72,025	378,131	586,284
			<b>2,724,382</b>	<b>3,414,054</b>

The values of all shares / certificates are of the nominal value of Rs. 10 each.

- 7.3** These TFCs have been issued against the outstanding lease amount receivable from Pakland Cement Limited (PCL). As per scheme of arrangement arrived at by the creditors with PCL and approved by the Honorable High Court, Sindh, Karachi, the outstanding exposure has been converted into TFCs. These are secured by pari passu charge / mortgage over the assets and securities of PCL created in favour of the Trustees appointed on behalf of the TFC holders/ creditors. Series 'A' TFCs have been paid in full whereas partial amounts have been received against Series 'B' TFCs. During the year, no payments have been received.

**8. LONG TERM ADVANCES AND DEPOSITS**

	2011 Rupees	2010 Rupees
Advances	105,000	105,000
Provision for non-performing assets	(105,000)	(105,000)
	-	-
Deposits	74,100	74,100
	<b>74,100</b>	<b>74,100</b>

**9. STOCK-IN-TRADE**

Rice	-	<b>10,277,223</b>
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**10. IJARAH RENTAL RECEIVABLES**

Ijarah rental receivables	15,365,541	15,566,669
Income suspended	(12,288,394)	(10,695,470)
	<b>3,077,147</b>	<b>4,871,199</b>
Ijarah future rental receivables		
Not later than one year	68,883,317	18,486,414
Later than one year but not later than five years	39,635,471	26,419,639
Later than five years	-	-
	<b>108,518,788</b>	<b>44,906,053</b>

All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.

All the Ijarah rental receivables have been reviewed for indicators of impairment. Certain rentals were found to be impaired and consequently provision has been recorded in accordance with the requirements of Prudential Regulations for Modarabas.



	Note	2011	2010
RUPEES			

**11 MUSHARAKA RECEIVABLES - secured**

Musharaka receivables		157,620,015	327,686,408
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**11.1** The Modaraba has entered into musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis and for the period of 365 days. These are secured against hypothecation of stocks and current assets, demand promissory notes, personal guarantee of directors and proprietors and mortgage of properties. The finance given is renewable on maturity. Expected rate of profit ranges from 11.25% to 20% (2010: 11.25% to 20%).

All the amounts are short term. The net carrying amount of musharaka receivables is considered a reasonable approximation of fair value.

**12. FINANCIAL ASSETS - INVESTMENT**

- at fair value through profit or loss

Associated companies	12.1	18,367,122	746,760
Listed companies	12.2	22,632,415	16,104,785
		<u>40,999,537</u>	<u>16,851,545</u>

**12.1 Associated companies**

	2011 Number of shares	2010 Number of shares	2011 Rupees	2010 Rupees
<b>Personal Goods</b>				
United Brands Limited	69,060	21,000	1,897,768	746,760
<b>Pharma &amp; Bio Tech</b>				
IBL Healthcare Limited	240,000	-	2,280,000	-
Searle Pakistan Limited	217,126	-	11,800,799	-
<b>Chemicals</b>				
United Distributors Pakistan Limited	175,500	-	2,388,555	-
			<u>18,367,122</u>	<u>746,760</u>

**12.2 Listed companies****Leasing Company**

Al-Zamin Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	321	321	642	321
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**Textile Composite**

International Knitwear Limited	96,276	-	505,449	-
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**Real Estate Investment & Services**

Pace (Pakistan) Limited	305,000	-	664,900	-
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**Textile Spinning**

Hajra Textile Limited	15,000	15,000	9,450	10,500
Saif Textile Mills Limited	31,567	31,461	222,863	77,709



	2011 Number of shares	2010 Number of shares	2011 Rupees	2010 Rupees
<b>Automobile &amp; Parts</b>				
Honda Atlas Cars Limited	4,000	-	40,200	-
<b>Electricity</b>				
Southern Electric Power Company Limited	100,000	-	131,000	-
Nishat Power Limited	213,566	-	3,297,459	-
<b>Food and Personal Care Products</b>				
Nestle Pakistan Limited	-	888	-	1,496,280
Gillette Pakistan Limited	178,989	170,000	10,223,852	10,880,000
<b>Financial Services</b>				
Arif Habib Corporation Limited	215,000	-	5,654,500	-
<b>Modaraba</b>				
Unicap Modaraba	36,500	36,500	4,745	5,475
<b>Chemical</b>				
Lotte Pakistan PTA Limited	-	25,000	-	201,500
<b>Construction and Material</b>				
Dewan Cement Limited	5,000	-	8,450	-
Lafarge Pakistan Cement Limited	200,000	200,000	540,000	548,000
<b>Industrial Metals &amp; Mining</b>				
Dost Steels Limited	1,500	-	3,075	-
Crescent Steel & Allied Products Limited	2,750	-	71,830	-
<b>Support Services</b>				
TRG Pakistan Limited	100,000	100,000	256,000	411,000
<b>Fixed Line Telecommunication</b>				
Pakistan Telecommunication Company Limited	-	75,000	-	1,335,000
Telecard Limited	100,000	100,000	154,000	266,000
WorldCall Telecom Limited	400,000	300,000	844,000	873,000
			<u>22,632,415</u>	<u>16,104,785</u>

The values of all shares / certificates are of the nominal value of Rs. 10 each.

### 13. ADVANCES

- To staff - considered good
- Advance against purchase of shares

	2011 Rupees	2010 Rupees
- To staff - considered good	794,000	454,459
- Advance against purchase of shares	-	5,000,000
	<u>794,000</u>	<u>5,454,459</u>

All the amounts are short term. The net carrying amount of advances is considered a reasonable approximation of fair value.





	Note	2011	2010
RUPEES			
<b>14. PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepayments		477,628	73,105
Profit due on :			
Musharaka receivable		12,360,886	29,670,560
Receivable on certificate of investments (COIs)		458,735	458,735
Provision against profit on certificate of investments (COIs)		(458,735)	(458,735)
		-	-
Receivable against terminated leases		604,284	604,284
Provision for non-performing assets		(604,284)	(604,284)
		-	-
Others		682,914	584,407
		<b>13,521,428</b>	<b>30,328,072</b>

All the amounts are short term. The net carrying amount of other receivables and profit due is considered a reasonable approximation of fair value.

#### 15. BANK BALANCES

Current accounts		892,078	607,715
PLS accounts	15.1	249,956,168	58,745,596
Deposit accounts		-	1,984,350
		<b>250,848,245</b>	<b>61,337,661</b>

15.1 These account carry profit rate ranging from 8 % to 12.25 % (2010: 5 % to 12 %)

#### 16. CERTIFICATE CAPITAL

2011	2010		2011	2010
Number of certificates	Number of certificates		Rupees	Rupees
		Authorised certificate capital		
50,000,000	50,000,000	Modaraba certificates of Rupees 10 each	500,000,000	500,000,000
		Issued, subscribed and paid-up capital		
17,668,885	17,668,885	Modaraba certificates of Rupees 10 each fully paid-up in cash	176,688,850	176,688,850
8,717,704	8,717,704	Modaraba certificates issued as fully paid-up bonus certificates	87,177,040	87,177,040
<b>26,386,589</b>	<b>26,386,589</b>		<b>263,865,890</b>	<b>263,865,890</b>

#### 17. STATUTORY RESERVE

Balance at the beginning of the year	161,537,656	146,307,138
Transferred from profit and loss account	21,887,990	15,230,518
	<b>183,425,646</b>	<b>161,537,656</b>

In accordance with the Prudential Regulations for Modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of the after tax profits is required to be transferred to the reserve.



	Note	2011	2010
RUPEES			
<b>18. LONG TERM SECURITY DEPOSITS</b>			
Long term security deposits		34,057,645	25,807,673
Less: current maturity		<u>9,524,427</u>	<u>7,010,600</u>
		<b><u>24,533,218</u></b>	<b><u>18,797,073</u></b>
<b>19. DEFERRED LIABILITIES</b>			
Staff gratuity	19.1	1,451,117	1,153,488
Accrued profit on IFC income notes	19.2	<u>104,016,279</u>	<u>104,016,279</u>
		<b><u>105,467,396</u></b>	<b><u>105,169,767</u></b>
<b>19.1 Employees benefits - staff gratuity</b>			
Movement in liability recognised in the balance sheet			
Balance sheet liability as at June 30,		1,153,488	933,325
Expense recognised during the year		<u>297,629</u>	<u>220,163</u>
Balance sheet liability as at June 30,		<b><u>1,451,117</u></b>	<b><u>1,153,488</u></b>
Charge to profit & loss account for the year			
Current service cost		103,976	77,905
Interest cost		193,653	142,258
Total amount chargeable to profit and loss account		<u>297,629</u>	<u>220,163</u>
Balance sheet liability as at the year end			
Present value of defined benefit obligation		1,673,497	1,383,234
Net actuarial (loss) not recognized		<u>(222,380)</u>	<u>(229,746)</u>
		<b><u>1,451,117</u></b>	<b><u>1,153,488</u></b>
Key actuarial assumptions :			
Valuation discount rate		14.00%	14.00%
Salary increase rate		13.00%	13.00%

**19.2** This exemplifies the amount of accrued profit on IFC Income Notes. Out of total profit, Rs. 20 million shall be payable on the day the loan proceeds against IFCs local currency guarantee is received from the IFC. The remaining amount shall be payable in 12 equal quarterly installments commencing 90 days from the day the loan proceeds against IFCs local currency guarantee is received from the IFC.

**20. PAYABLE TO MANAGEMENT COMPANY**

The management company is entitled to a remuneration for services rendered to Modaraba under the provision of the Modaraba Company and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba.

The amount payable to the management company relates mainly to expenses incurred by management company on behalf of Modaraba.

	Note	2011	2010
		RUPEES	
<b>21. ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		4,749,960	3,342,437
Other liabilities			
- Provision for taxation		4,764,649	4,311,795
- Unclaimed profit distributions		8,636,511	9,039,939
- Worker's Welfare Fund - provision		2,461,368	995,459
- Others		794,517	2,732,554
		<b>21,407,005</b>	<b>20,422,184</b>
<b>22. CONTINGENCIES AND COMMITMENTS</b>			
There are no contingencies and commitments as at June 30, 2011 (June 30, 2010: Nil).			
<b>23. INCOME FROM IJARAH OPERATIONS</b>			
Ijarah rentals		57,662,345	54,081,670
Documentation fee		94,950	61,999
Arrangement fee		171,053	80,000
Gain on disposal of Ijarah assets		208,022	28,133
		<b>58,136,370</b>	<b>54,251,802</b>
<b>24. INCOME FROM INVESTMENTS</b>			
Dividend income		1,209,802	151,441
Gain on sale of securities		30,742,205	286,470
Gain on disposal of fixed assets		-	109,100
		<b>31,952,007</b>	<b>547,011</b>
<b>25. TRADING - RICE</b>			
Revenue		11,401,950	-
Less : Cost of goods sold		(10,277,223)	-
Gain from sale of rice		<b>1,124,727</b>	-
<b>26. INCOME FROM OTHER SOURCES</b>			
Profit on deposits with banks		7,329,394	7,066,551
Miscellaneous		-	1,044
		<b>7,329,394</b>	<b>7,067,595</b>



	Note	2011	2010
RUPEES			
<b>27. OPERATING EXPENSES</b>			
Salaries and other staff benefits	27.1	6,088,381	4,058,544
Traveling and conveyance		737,771	2,247,638
Vehicles running and maintenance		375,048	1,908,191
Communication		209,499	1,150,192
Printing and stationery		259,368	485,500
Rent, rates and taxes		1,200,755	845,225
Repair and maintenance		134,751	400,310
Legal and professional charges		453,308	636,258
Share custody charges		45,000	64,676
Insurance		108,357	25,437
Entertainment		52,324	453,799
Consultancy fee		6,053,333	425,000
Fee and subscription		508,770	117,592
Auditors' remuneration	27.2	306,500	317,196
Advertisement		131,168	47,852
Depreciation	6	1,426,127	505,769
Provision for gratuity		297,629	220,163
Other expenses		1,535,754	1,532,645
		<b>19,923,843</b>	<b>15,441,987</b>

**27.1 Remuneration to officers and employees**

The aggregate amount of remuneration charged in these financial statements, including all benefits to officers and employees of the Modaraba are as under:

	2011			2010		
	Officers Rupees	Employees Rupees	Total Rupees	Officers Rupees	Employees Rupees	Total Rupees
Salaries & allowances	4,495,000	845,677	5,340,677	3,450,983	139,42	3,590,405
Retirement benefits	171,160	37,260	208,420	172,512	14,477	186,989
Bonus	325,840	26,452	352,292	97,741	8,065	105,806
Medical expenses	174,261	12,731	186,992	169,253	6,091	175,344
	<b>5,166,261</b>	<b>922,120</b>	<b>6,088,381</b>	<b>3,890,489</b>	<b>168,055</b>	<b>4,058,544</b>
Number of persons	<b>4</b>	<b>5</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>4</b>

Certain executives and officers are also provided with free use of vehicles maintained by the Modaraba and petrol/CNG allowance.



	2011	2010
	RUPEES	
<b>27.2 Auditors' remuneration</b>		
Audit fee	240,000	240,000
Half yearly review fee	25,000	25,000
Certification fee	15,000	15,000
Out-of-pocket expenses	26,500	37,196
	<u>306,500</u>	<u>317,196</u>

**28. FINANCIAL CHARGES**

Bank charges	7,141	3,819
	<u>7,141</u>	<u>3,819</u>

**29. PROVISION FOR TAXATION**

	482,065	-
	<u>482,065</u>	<u>-</u>

The Finance Act, 1999 has exempted income of the Modaraba, other than income from trading activities, provided it distributes 90% of its profits for the year to its certificate holders.

**30. EARNINGS PER CERTIFICATE - basic and diluted**

Profit for the year	72,959,966	50,768,391
	<u>72,959,966</u>	<u>50,768,391</u>
	Number of certificates	Number of certificates
Weighted average number of ordinary certificates outstanding during the year	26,386,589	26,386,589
	<u>26,386,589</u>	<u>26,386,589</u>
Earnings per certificate - basic	2.77	1.92
	<u>2.77</u>	<u>1.92</u>

There is no dilution effect on the basic earnings per certificate of the Modaraba as the Modaraba has no such commitments.

**31. CASH AND CASH EQUIVALENTS**

Bank balances	250,848,245	61,337,661
	<u>250,848,245</u>	<u>61,337,661</u>

**32. TRANSACTION WITH RELATED PARTIES**

The related parties comprise related group companies, directors and close family members, executives, major certificate holders and staff retirement funds of the Modaraba. These are the associated companies as they are either under the same management and / or with common directors. The Modaraba has a policy whereby all transactions with related parties are entered into arm's length prices using the comparable uncontrollable method. The significant transactions with these associated companies are as follows :

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The related parties comprise related group companies, directors and close family members, executives, major certificate holders and staff retirement funds of the Modaraba. These are the associated companies as they are either under the same management and / or with common directors. The Modaraba has a policy whereby all transactions with related parties are entered into arm's length prices using the comparable uncontrollable method. The significant transactions with these associated companies are as follows :

<b>Transactions</b>	<b>Relationship</b>	<b>2011</b>	<b>2010</b>
		<b>RUPEES</b>	
Management fee	Management company	8,160,226	5,640,932
Consultancy fee	Key management personnel	5,608,333	-
Dividend received	Associates	4,711,074	2,845,250
Dividend paid to Management Company	Management company	9,031,755	4,202,016
Payment made to Management Company	Management company	17,557,422	1,581,858
<b>Balance as at the year end</b>			
Payable to Modaraba Management Company		4,333,917	13,731,113
Advance to consultant	Key management personnel	200,000	-
Deferred liability - Gratuity payable		1,451,117	1,153,488

**33. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES****Financial risk management**

The board of directors of the Modaraba management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Modaraba has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

**33.1 Credit risk and concentration of credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The management understands that the Modaraba is not exposed to any major concentration of credit risk.

Concentration of credit risk on Ijarah and musharaka are indicated in the following table by the percentage of the total balance receivable from these parties in the specified industries/sectors.



	2011		2010	
	Rupees	%	Rupees	%
<b>Business</b>				
Modaraba	12,933,640	4.64%	203,878,368	45.39%
Trading/distribution	20,019,105	7.19%	55,453,425	12.34%
Investment companies/bank	51,655,063	18.55%	15,064,384	3.35%
Textile, Chemical & Pharmaceuticals	7,219,245	2.59%	525,895	0.12%
Food & Beverages	18,740,183	6.73%	15,566,669	3.47%
Individual	61,157,058	21.96%	701,614	0.16%
Miscellaneous	106,775,395	38.34%	158,007,278	35.18%
	<b>278,499,689</b>	<b>100.00%</b>	<b>449,197,633</b>	<b>100.00%</b>

The Carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is :

		2011	2010
		RUPEES	
Long term investments	7.2	2,724,382	3,414,054
Long term advances and deposits	8	74,100	74,100
Ijarah rental receivables	10	3,077,147	4,871,199
Musharaka receivables - secured	11	157,620,015	327,686,408
Financial assets	12	40,999,537	16,104,785
Other receivables	14	682,914	584,407
Profit due on musharika receivables	14	12,360,886	29,670,560
Bank balances	15	250,848,245	61,337,661
		<b>468,387,226</b>	<b>443,743,174</b>

### 33.2 Liquidity risk

The Modaraba defines liquidity risk as the risk that funds will not be available to meet liabilities as they fall due.

A range of tools is used for the management of liquidity. These comprise commitment and under writings guidelines, key balance sheet ratios and medium-term funding requirements. Moreover, day-to-day monitoring of future cash flows takes place and suitable levels of liquid reserves are maintained by the business.



		2011			
		Upto one year	One year to five years	Over five years	Total
		Rupees	Rupees	Rupees	Rupees
<b>Financial assets</b>					
Long term investments		-	2,724,382	-	2,724,382
Long term advances and deposits		-	-	74,100	74,100
Ijarah rental receivables		3,077,147	-	-	3,077,147
Musharaka receivables		157,620,015	-	-	157,620,015
Financial assets		40,999,537	-	-	40,999,537
Other receivables		682,914	-	-	682,914
Profit due on musharaka receivables		12,360,886	-	12,360,886	
Bank balances		250,848,245	-	-	250,848,245
	<b>(a)</b>	<b>465,588,744</b>	<b>2,724,382</b>	<b>74,100</b>	<b>468,387,226</b>
<b>Financial liabilities</b>					
Long term security deposits		9,524,427	24,533,218	-	34,057,645
Deferred liabilities		-	105,467,396	-	105,467,396
Payable to management company		4,333,917	-	-	4,333,917
Accrued and other liabilities		21,407,005	-	-	21,407,005
	<b>(b)</b>	<b>35,265,349</b>	<b>130,000,614</b>	<b>-</b>	<b>165,265,963</b>
On-balance sheet gap	<b>(a) - (b)</b>	<b>430,323,395</b>	<b>(127,276,232)</b>	<b>74,100</b>	<b>303,121,263</b>
		<b>2010</b>			
		Upto one year	One year to five years	Over five years	Total
		Rupees	Rupees	Rupees	Rupees
<b>Financial assets</b>					
Long term investments		-	3,414,054	-	3,414,054
Long term advances and deposits		-	-	74,100	74,100
Ijarah rental receivables		4,871,199	-	-	4,871,199
Musharaka receivables		327,686,408	-	327,686,408	
Financial assets		16,104,785	-	-	16,104,785
Other receivables		584,407	-	-	584,407
Profit due on musharika receivables		29,670,560	-	29,670,560	
Bank balances		61,337,661	-	-	61,337,661
	<b>(a)</b>	<b>440,255,020</b>	<b>3,414,054</b>	<b>74,100</b>	<b>443,743,174</b>
<b>Financial liabilities</b>					
Long term security deposits		7,010,600	18,797,073	-	25,807,673
Deferred liabilities		-	105,169,767	-	105,169,767
Payable to management company		13,731,113	-	-	13,731,113
Accrued and other liabilities		20,422,184	-	-	20,422,184
	<b>(b)</b>	<b>41,163,897</b>	<b>123,966,840</b>	<b>-</b>	<b>165,130,737</b>
On-balance sheet gap	<b>(a) - (b)</b>	<b>399,091,123</b>	<b>(120,552,786)</b>	<b>74,100</b>	<b>278,612,437</b>

**33.3 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba is exposed to currency risk and interest rate risk only.



**33.4 Cash flow sensitivity analysis**

The Modaraba does not hold any financial asset or liability carrying variable interest rate, therefore, Modaraba is not exposed to cash flow sensitivity.

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Investments are carried at their fair value. The Modaraba is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different from their carrying amounts.

	2011	2010
	RUPEES	
<b>34.1 Financial instruments by category</b>		
<b>Loans and receivables</b>		
Long term advances and deposits	74,100	74,100
Ijarah rental receivables	3,077,147	4,871,199
Musharaka receivables	157,620,015	327,686,408
Advances	794,000	5,454,459
Other receivables	682,914	584,407
Profit due on musharaka receivables	12,360,886	29,670,560
Bank balances	250,848,245	61,337,661
<b>Financial assets at fair value through profit or loss</b>		
Short term investments - investments at fair value through profit or loss	40,999,537	16,104,785
<b>Available-for-sale financial assets</b>		
Long term investments	2,724,382	3,414,054
<b>(a)</b>	<b>469,181,226</b>	<b>449,197,633</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Long term security deposits	34,057,645	25,807,673
Accrued profit on IFC income notes	104,016,275	104,016,275
Payable to management company	4,333,917	13,731,113
Accrued and other liabilities	21,407,005	20,422,184
<b>(b)</b>	<b>163,814,842</b>	<b>163,977,245</b>
<b>(a) - (b)</b>	<b>305,366,384</b>	<b>285,220,388</b>

**34.2 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 and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.



**35. YIELD / PROFIT RATE RISK EXPOSURE**

The information about Modaraba's exposure to yield rate risk, based on contractual refinancing or maturity dates whichever is earlier, is as follows :

2011	Effective Yield / Profit risk --- % ---	yield / Profit bearing maturing			Non yield / Profit bearing maturing			Total
		Within one year	After one year	Sub total	Within one year	After one year	Sub Total	
<b>Financial assets</b>								
Long term investments	-	-	2,724,382	2,724,382	-	-	-	2,724,382
Long term advances and deposits	-	-	-	-	-	74,100	74,100	74,100
Ijarah rental receivables	17% to 19%	3,077,147	-	3,077,147	-	-	-	3,077,147
Musharaka receivables - secured	11.25% to 20%	157,620,015	-	157,620,015	-	-	-	157,620,015
Financial assets	-	22,632,415	-	22,632,415	-	-	-	22,632,415
Advances	-	-	-	-	794,000	-	794,000	794,000
Profit due on Musharaka receivables	-	-	-	-	12,360,886	-	12,360,886	12,360,886
Other receivables	-	-	-	-	682,914	-	682,914	682,914
Bank balances	7% to 11%	249,956,168	-	249,956,168	892,078	-	892,078	250,848,245
	(a)	<b>433,285,745</b>	<b>2,724,382</b>	<b>436,010,127</b>	<b>14,729,878</b>	<b>74,100</b>	<b>14,803,978</b>	<b>450,814,104</b>
<b>Financial liabilities</b>								
Long term security deposits	-	-	-	-	9,524,427	24,533,218	34,057,645	34,057,645
Deferred liabilities	-	-	-	-	105,467,396	-	105,467,396	105,467,396
Payable to management company	-	-	-	-	4,333,917	-	4,333,917	4,333,917
Accrued and other liabilities	-	-	-	-	21,407,005	-	21,407,005	21,407,005
	(b)	-	-	-	<b>140,732,745</b>	<b>24,533,218</b>	<b>165,265,963</b>	<b>165,265,963</b>
<b>On-balance sheet gap</b>	(a)-(b)	<b>433,285,745</b>	<b>2,724,382</b>	<b>436,010,127</b>	<b>(126,002,868)</b>	<b>(24,459,118)</b>	<b>(150,461,986)</b>	<b>285,548,141</b>
Non-financial assets	-	-	-	-	-	-	-	209,113,825
Non-financial liabilities	-	-	-	-	-	-	-	-
<b>Total net assets</b>	-	-	-	-	-	-	-	<b>494,661,966</b>

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Profit rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market profit rates.



**YIELD / PROFIT RATE RISK EXPOSURE**

The information about Modaraba's exposure to yield rate risk, based on contractual refinancing or maturity dates whichever is earlier, is as follows :

2010	Effective Yield / Profit risk --- % ---	yield / Profit bearing maturing			Non yield / Profit bearing maturing			Total
		Within one year	After one year	Sub total	Within one year	After one year	Sub Total	
<b>Financial assets</b>								
Long term investments	-	-	3,414,054	3,414,054	-	-	-	3,414,054
Long term advances and deposits	-	-	-	-	74,100	74,100	-	74,100
Ijarah rental receivables	17% to 19%	4,871,199	-	4,871,199	-	-	-	4,871,199
Musharaka receivables - secured	11.25% to 20%	327,686,408	-	327,686,408	-	-	-	327,686,408
Financial assets	-	16,104,785	-	16,104,785	-	-	-	16,104,785
Advances	-	-	-	-	5,454,459	5,454,459	-	5,454,459
Profit due on musharaka receivables	-	-	-	-	29,670,560	29,670,560	-	29,670,560
Other receivables	-	-	-	-	584,407	584,407	-	584,407
Bank balances	6% to 13%	60,729,946	-	60,729,946	607,715	607,715	-	61,337,661
	(a)	<b>409,392,338</b>	<b>3,414,054</b>	<b>412,806,392</b>	<b>36,317,141</b>	<b>74,100</b>	<b>36,391,241</b>	<b>449,197,633</b>
<b>Financial liabilities</b>								
Long term security deposits	-	-	-	-	7,010,600	18,797,073	25,807,673	25,807,673
Deferred liabilities	-	-	-	-	105,169,767	-	105,169,767	105,169,767
Payable to management company	-	-	-	-	13,731,113	-	13,731,113	13,731,113
Accrued and other liabilities	-	-	-	-	20,422,184	-	20,422,184	20,422,184
	(b)	-	-	-	<b>146,333,664</b>	<b>18,797,073</b>	<b>165,130,737</b>	<b>165,130,737</b>
<b>On-balance sheet gap</b>	(a)-(b)	<b>409,392,338</b>	<b>3,414,054</b>	<b>412,806,392</b>	<b>(110,016,523)</b>	<b>(18,722,973)</b>	<b>(128,739,496)</b>	<b>284,066,896</b>
Non-financial assets	-	-	-	-	-	-	-	191,097,954
Non-financial liabilities	-	-	-	-	-	-	-	-
<b>Total net assets</b>								<b>475,164,850</b>

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve.

Profit rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market profit rates.



### 36. Operational Risk

"Operational Risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external; factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.



## 37. INFORMATION ABOUT BUSINESS SEGMENTS

	2011				
	Musharaka	Investments	Ijarah operations	Trading - Rice	Consolidated
	RUPEES				
<b>SEGMENT REVENUES</b>	47,866,757	31,952,007	58,136,370	11,401,950	149,357,084
<b>SEGMENT RESULT</b>					
Segment income	47,866,757	31,952,007	58,136,370	1,124,727	139,079,861
Other income	-	-	-	-	3,618,454
Operating expenses	-	-	(43,064,126)	(141,762)	(43,205,888)
Unallocated operating expenses	-	-	-	-	(19,789,222)
Modaraba company's management fee	-	-	-	-	(8,160,226)
Share of profit from associates	-	1,899,052	-	-	1,899,052
Profit for the year	-	-	-	-	73,442,031
<b>OTHER INFORMATION</b>					
Capital expenditure	-	-	100,686,500	-	100,686,500
Depreciation	-	-	43,064,126	-	43,064,126
<b>ASSETS AND LIABILITIES</b>					
Segment assets	157,620,015	83,217,837	141,982,478	-	382,820,330
Unallocated assets	-	-	-	-	277,107,599
Consolidated total assets	-	-	-	-	659,927,929
Segment liabilities	-	-	34,057,645	-	34,057,645
Unallocated liabilities	-	-	-	-	131,208,318
Consolidated total liabilities	-	-	-	-	165,265,963

37.1 The above mentioned segments do not necessarily match with the organizational structure of the Modaraba.



## INFORMATION ABOUT BUSINESS SEGMENTS

	2010			
	Musharaka	Investments	Ijarah operations	Trading - Rice
	RUPEES			
<b>SEGMENT REVENUES</b>	44,087,676	547,011	54,251,802	-
<b>SEGMENT RESULT</b>				
Segment income	44,087,676	547,011	54,251,802	-
Other income	-	-	-	-
Operating expenses	-	-	(53,097,555)	-
Unallocated operating expenses	-	-	-	-
Modaraba company's management fee	-	-	-	-
Share of profit from associates	-	-	-	-
Profit for the year	-	-	-	-
				98,886,489
				98,886,489
				9,129,102
				(53,097,555)
				(15,445,805)
				(5,640,932)
				16,937,093
				50,768,392
<b>OTHER INFORMATION</b>				
Capital expenditure	-	-	50,418,165	-
Depreciation	-	-	53,097,555	-
				50,418,165
				53,097,555
<b>ASSETS AND LIABILITIES</b>				
Segment assets	327,686,408	104,047,999	93,514,106	10,277,223
Unallocated assets	-	-	-	-
Consolidated total assets				
	327,686,408	104,047,999	93,514,106	10,277,223
				535,525,736
				104,769,851
				640,295,587
Segment liabilities	-	-	25,807,673	-
Unallocated liabilities	-	-	-	-
Consolidated total liabilities				
	-	-	25,807,673	-
				25,807,673
				139,323,064
				165,130,737

The above mentioned segments do not necessarily match with the organizational structure of the Modaraba.



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	2011	2010
	RUPEES	
<b>38. NUMBER OF EMPLOYEES</b>		
As at year end	<u>9</u>	<u>4</u>

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**39. DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were approved by the board of directors of the Modaraba Company and authorized for issue on October 05, 2011 .

**40. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors have proposed dividend for the year ended June 30, 2011 of Rs. 1.00 per certificate (2010: Rs. 1.25 per certificate), amounting to Rs. 26,386,589 (2010: Rs. 32,983,236) at their meeting held on October 05, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of the above which will be accounted for in the period in which it is declared.

**41. GENERAL**

The figures have been rounded off to the nearest rupees.

For UDL Modaraba Management (Private) Limited  
(Management Company)

Chief Executive

Director

Director



**PATTERN OF CERTIFICATE HOLDING**  
**Held by the Certificate Holders as at June 30, 2011**

Number of Certificate	Certificate Holdings		Total Certificate Held
	From	To	
831	1	100	37,114
835	101	500	219,511
566	501	1000	449,759
732	1001	5000	1,537,056
122	5001	10000	917,511
33	10001	15000	414,085
37	15001	20000	646,620
18	20001	25000	412,423
12	25001	30000	335,701
3	30001	35000	100,044
6	35001	40000	221,258
6	40001	45000	259,137
5	45001	50000	244,315
4	50001	55000	210,510
3	55001	60000	176,500
7	60001	65000	436,850
1	65001	70000	68,500
2	70001	75000	146,520
2	75001	80000	156,370
1	80001	90000	82,100
2	90001	95000	180,129
2	95001	100000	198,350
1	100001	110000	100,985
1	110001	115000	111,603
1	115001	120000	117,000
1	120001	140000	120,375
1	140001	145000	144,862
2	145001	160000	291,100
1	160001	185000	163,221
2	185001	195000	334,467
4	195001	200000	749,811
1	200001	220000	197,749
1	220001	235000	202,000
1	235001	245000	222,707
1	245001	265000	236,100
1	265001	275000	247,000
1	275001	330000	269,600
1	330001	540000	875,400
1	540001	585000	331,386
1	585001	835000	540,100
1	835001	1710000	587,530
1	1710001	4200000	836,964
1	4200001	6935000	1,714,625
2	6935001	6940000	10,541,641
<b>3,258</b>			<b>26,386,589</b>





**CATEGORIES OF CERTIFICATEHOLDERS  
AS AT JUNE 30, 2011**

Categories of Certificateholders	Certificate Held	Percentage
<b>Directors</b>		
Ms. Shakila Rashid	292,960	1.11%
Mr. Rashid Abdulla	191,121	0.72%
	<b>484,081</b>	<b>1.83%</b>
<b>Management Company</b>		
UDL Modaraba Management (Pvt.) Limited	5,038,980	19.10%
	<b>5,038,980</b>	<b>19.10%</b>
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
International Brands (Pvt.) Limited	6,940,315	26.30%
	<b>6,940,315</b>	<b>26.30%</b>
<b>NIT &amp; ICP (Name Wise Detail)</b>		
Investment Corporation of Pakistan	4,390	0.02%
National Bank of Pakistan, Trustee Deptt.	1,922,100	7.28%
	<b>1,926,490</b>	<b>7.30%</b>
<b>Banks, DFI'S,NBFI'S</b>		
	<b>48,900</b>	<b>0.19%</b>
<b>Insurance Companies</b>		
	<b>533,386</b>	<b>2.02%</b>
<b>Modaraba and Mutual Funds</b>		
	<b>286,165</b>	<b>1.08%</b>
<b>Other Companies</b>		
	<b>326,068</b>	<b>1.24%</b>
<b>General Public</b>		
Local	<b>10,802,204</b>	<b>40.94%</b>
<b>TOTAL</b>	<b>26,386,589</b>	<b>100%</b>
<b>SHAREHOLDERS MORE THAN 10.00%</b>		
UDL Modaraba Management (Pvt.) Limited	5,038,980	19.10%
International Brands (Pvt.) Limited	6,940,315	26.30%
	<b>11,979,295</b>	<b>45.40%</b>