

ANNUAL REPORT

2007



FIRST AL-NOOR MODARABA

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VISION STATEMENT

To become a sustainable, growth oriented and efficient Modaraba, and to offer wide range of product and services catering to the need of the customers. The Modaraba management should consider the interest of all the stake holders before making any business decision and to do that they should do concrete efforts to achieve their objectives.

MISSION STATEMENT

To inculcate the most efficient, ethical and time tested business practices in our management.

To uphold our reputation, for acting responsibility and with integrity, respecting the laws and regulations, traditions and cultures of the country within which we operate

To accomplish excellent results through increased earnings which can benefit all the stakeholders.

To work as a team and put the interest of the Modaraba before that of the individuals.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ismail H. Zakaria	Chairman
Mr. Azam Sakrani	Chief Executive
Mr. Yusuf Ayoob	Director
Mr. Suleman Ayoob	Director
Mr. A. Aziz Ayoob	Director
Mr. Zohair Zakaria	Director
Mr. Zain Ayoob	Director

AUDIT COMMITTEE

Mr. Suleman Ayoob	Director
Mr. Zohair Zakaria	Director
Mr. Zain Ayoob	Director

MODARABA MANAGEMENT COMMITTEE

Mr. Ismail H. Zakaria	Chairman
Mr. Azam Sakrani	Chief Executive
Mr. Zohair Zakaria	Director
Mr. Zain Ayoob	Director

BANKERS

Al-Baraka Islamic Bank
Bank Alfalah Limited Islamic Banking
Habib Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

First Al-Noor Modaraba	Telephone No(s) : 455 8268 455 3067
96-A, Sindhi Muslim Society	455 2974 455 2943
Karachi.	Fax : 455 3137

INVESTORS INFORMATION

STOCK EXCHANGE LISTING

First Al-Noor Modaraba is listed on the Stock Exchange of Karachi & Lahore.

Daily quotations on the Modaraba Stock can be obtained from leading newspapers. First Al-Noor Modaraba is listed under "Modaraba".

CERTIFICATE HOLDERS INFORMATION

Enquiries concerning lost Modaraba certificates, dividend payments, change of address, verification of transfer deeds and certificate transfer should be directed to our Registered Office.



FIFTEENTH REPORT OF THE DIRECTORS OF MODARABA COMPANY FOR THE YEAR ENDED JUNE 30, 2007

I am pleased to place before you, on behalf of the Board of Directors of Al-Noor Modaraba Management (Private) Limited, the "mudarib/management company" of First Al-Noor Modaraba (FAM) the 15th annual report of your Modaraba for the year ended June 30, 2007

Financial Results

Financial results are summarized as under:

	Year Ended 30-06-2007 Rupees	Year Ended 30-06-2006 Rupees
Profit after taxation	16,656,223	21,009,962
Unappropriated profit brought forward	<u>298,601</u>	<u>791,628</u>
Profit available for appropriation	16,954,824	21,801,590
Appropriation		
Profit Distribution @ 6.00%(2006 : @ 7.00%)	(12,600,000)	(14,700,000)
Statutory Reserve @ 20%(2006 : @ 30%)	(3,331,245)	(6,302,989)
General Reserve	(500,000)	(500,000)
	<u>(16,431,245)</u>	<u>(21,502,989)</u>
	<u>523,579</u>	<u>298,601</u>

Profit Distribution

The board in its meeting held on September 26, 2007 has approved the distribution of profit of Rs. 0.60 (6.00%) {2006: Rs. 0.70 (7.00%)} per certificate of Rs.10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2007.

Review of Operations

The focus of operations has been towards consistent profitability despite considerable competition has been faced from conventional and Islamic institutions offering their financial products at competitive rates. Despite all these factors, Alhamdo Lillah, at the close of this financial year, your Modaraba has posted a net profit of Rs. 16,656,223.

This year's profit consists of Rs. 16.486 million from Trading operations and Rs. 18.749 million from lease rental income.

Future Outlook

The management plans to diversify and increase the present trading business to its fullest by further developing trading of rice and other commodities.

Your management will also continue to ensure good corporate governance, improved risk management, efficient assets and liability management and work towards the ultimate goal of maximizing certificate holder's value Inshallah.

Compliance with the Code of Corporate Governance

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

- (a) the financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Modaraba have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- (e) The system of internal control is sound and has been effectively implemented and monitored.
- (f) The Modaraba is financially sound and there is no reason whatsoever to doubt its ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulation of the Stock Exchange(s) and;
- (h) The Directors, CEO, CFO, Company Secretary and their spouses and minor children do not hold any interest in the certificates of Modaraba, other than that disclosed in the pattern of certificate holding.
- (i) During the year under review, four meetings of the Board of Directors were held. Attendance by each director was follows:

Name of Directors	Number of Meetings Attended
Mr. Ismail H. Zakaria	3
Mr. Azam Sakrani	4
Mr. Yousuf Ayoob	3
Mr. Suleman Ayoob	3
Mr. A. Aziz Ayoob	4
Mr. Zohair Zakaria	4
Mr. Zain Ayoob	4

- (j) A statement setting out the status of the compliance with the best practices of corporate governance is attached to the Annual Report.

Pattern of Certificate holding

A statement reflecting the pattern of holding of the certificates as on 30th June, 2007 is attached to the Annual Report.

Key Operating & Financial Data

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

Acknowledgment

The Board thank the Regulatory Authorities for their continuous guidance and co-operation and places on record its appreciation of the services rendered by the staff members for their hard work, dedication and commitment in discharge of their responsibilities in the smooth running of the affairs of the Modaraba and our valued customers for their support, our certificate holders for confidence reposed in us, to the staff for their untiring efforts to make the organization a success.

Auditors

The present auditors Messrs. Anjum Asim Shahid Rehman, Chartered Accountants (Member firm of Grant Thornton International) being due for retirement have offered themselves for re-appointment for the year ending June 30, 2008 subject to approval by Registrar of Modaraba Companies & Modaraba & Board of Directors.

On behalf of the Board

A. AZIZ AYOOB
Director

Dated: September 26, 2006



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007

This statement is being presented to comply with the Code Of Corporate Governance contained in Regulation No.37 and 43 of listing regulations of Karachi, and Lahore Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby listed Modaraba is managed in compliance with the best practices of corporate governance.

The Modaraba has applied the principles contained in the Code in the following manner;

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this management company.
2. All the resident directors of the company are registered as tax payers and none of them defaulted in payment of loan to a banking company, a DFI or an NBFC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. No casual vacancy occurred in the Board during the year.
4. The Modaraba has prepared a Statement of Ethics and Business Practices, which has been signed by all directors and employees of the Modaraba.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba along with dates on which they were approved or amended, has been maintained.
6. All the powers of the Board have been duly exercised and decision on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by Board.
7. The meeting of the Board was presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meeting, along with the agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
8. The directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Modaraba on behalf of the certificate holders.
9. The director's 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.
10. The Directors, CEO and Executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of holding of certificates
11. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
12. The Board has formed an audit committee, which comprises of three members.
13. The meetings of the audit committee are held at least 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.
14. The Board has set-up effective internal audit functions.
15. The statutory auditors of the Modaraba had 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 shares of the Modaraba and that the firm and all of its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard
17. We confirm that all other material principles contained in the Code have been substantially complied with

On Behalf of the Board

A. AZIZ AYOUB
Director

Karachi : September 26, 2007

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of First Al-Noor Modaraba (the Modaraba) to comply with the Listing Regulation No. 37 (Chapter XI) and 43 (Chapter XIII) of Karachi and Lahore Stock Exchange respectively where the Modaraba is listed.

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

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2007.

Anjum Asim Shahid Rahman
Chartered Accountants
Karachi
Date: September 28, 2007



AUDITORS' REPORT TO THE CERTIFICATE HOLDER

We have audited the annexed balance sheet of First Al-Noor Modaraba (the Modaraba) as at June 30, 2007, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the Modaraba company's (Al-Noor 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 responsibilities is to express an opinion on these statements based on our audit.

We conducted our audit 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 financial statements are free of any material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosure 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 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 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, 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 the 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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund establish under section 7 of that Ordinance.

Anjum Asim Shahid Rahman

Chartered Accountants

Karachi

Date: September 28, 2007

**BALANCE SHEET
AS AT JUNE 30, 2007**

	Notes	2007	2006
RUPEES			
ASSETS			
Current assets			
Stock-in-trade	4	4,885,663	27,179,740
Trade debts	5	28,449,415	5,614,783
Advances, deposits, prepayments and other receivables	6	19,291,310	15,424,145
Bills receivable		5,059,285	4,884,813
Short term investments - investments at fair value through profit and loss	7	6,173,012	7,696,983
Musharika receivables - secured	8	80,031,974	122,521,583
Murabaha receivables - secured	9	10,962,170	23,930,465
Bank balances	10	68,461,373	9,750,067
Sales tax refundable		-	136,621
Total current assets		223,314,202	217,139,200
Fixed assets			
Long term investments - available for sale	11	56,456,020	61,817,547
Total non-current assets	12	53,335,035	53,526,617
		109,791,055	115,344,164
Total Assets		333,105,257	332,483,364
LIABILITY AND EQUITY			
Current Liabilities			
Musharika finance - secured	13	7,500,000	7,500,000
Murabaha Finance - secured	14	6,264,553	18,844,885
Current maturity of security deposits	15	440,220	1,495,000
Creditors, accrued and other liabilities	16	21,696,728	23,366,633
Total current liabilities		35,901,501	51,206,518
Deferred liability - staff gratuity			
Long term security deposits	17	917,401	695,596
Total Non-current liabilities	15	6,587,965	6,030,685
		7,505,366	6,726,281
Certificate holders' equity			
Certificate capital	18	210,000,000	210,000,000
Reserves		67,772,190	63,940,945
Unappropriate profit		13,623,579	15,498,601
Unrealized (loss) on re-measurement of available for sale investments		(1,697,379)	(14,888,981)
		289,698,390	274,550,565
CONTINGENCIES AND COMMITMENTS			
	19		
		333,105,257	332,483,364

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

DIRECTOR

DIRECTOR

DIRECTOR



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 (Rupees)	2006 (Rupees)
Profit from trading operations	20	16,486,361	2,631,461
Profit on musharika receivables	21	12,031,061	16,354,603
Income on murabaha receivables	22	930,562	1,812,959
Income from investments	23	4,467,082	15,595,118
Lease rental income		<u>18,749,346</u>	<u>14,963,254</u>
		52,664,412	51,357,395
Operating expenses	24	(9,225,399)	(7,685,750)
Amortization on assets leased out	14	(14,262,607)	(12,695,851)
Provision for non-performing assets		(8,815,423)	(4,504,634)
Financial charges	25	(4,668,789)	(2,871,239)
		<u>(36,972,218)</u>	<u>(27,757,474)</u>
Operating profit		15,692,194	23,599,921
Other income	26	<u>2,037,679</u>	<u>1,023,690</u>
		17,729,873	24,623,611
Unrealised gain (loss) on re-measurement of investments at fair value through profit and loss		<u>979,967</u>	<u>(231,304)</u>
		18,709,840	24,392,307
Modaraba Company's management fee		<u>(1,870,984)</u>	<u>(2,439,231)</u>
Profit for the year before taxation		<u>16,838,856</u>	<u>21,953,076</u>
Taxation-current	27	(182,633)	(943,114)
Profit for the year		<u><u>16,656,223</u></u>	<u><u>21,009,962</u></u>
Earning per certificate	28	<u>0.79</u>	<u>1.00</u>

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

DIRECTOR

DIRECTOR

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

	Note	2007 (Rupees)	2006 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES	29	81,464,908	19,341,336
Increase in long-term security deposit		557,280	2,723,285
Taxes (paid) / refund		(177,434)	79,271
Financial charges paid		(5,223,640)	(2,821,003)
Gratuity paid		(221,805)	-
<i>Net cash generated from operating activities</i>		<u>76,399,309</u>	<u>19,322,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to fixed assets		(12,516,930)	(39,459,144)
Sale proceeds on disposal of fixed assets		3,544,310	8,130,388
Dividend received		2,518,070	2,567,832
Profit on bank deposits		421,763	314,681
Income from musharika receivables		11,720,855	16,564,647
Income from murabaha receivables		1,250,083	1,719,055
Purchase of investments in listed securities		(192,194,366)	(641,443,743)
Proceeds from sale of investments in listed securities		182,214,884	617,809,238
<i>Net cash (used in) investing activities</i>		<u>(3,041,331)</u>	<u>(33,797,046)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(14,646,672)	(20,958,636)
<i>Net cash used in financing activities</i>		<u>(14,646,672)</u>	<u>(20,958,636)</u>
Net (decrease) / increase in cash and cash equivalents		<u>58,711,306</u>	<u>(35,432,793)</u>
Cash and cash equivalents at beginning of the year		9,750,067	45,182,860
Cash and cash equivalents at end of the year	30	<u>68,461,373</u>	<u>9,750,067</u>

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

	Certificate Capital	*Statutory Reserve	General reserve	Revenue	Unappropriated Profit	Total
				Unrealized(loss) /Gain on remeasurement of available for sale investment		
(Rupees)						
Balance as at July 01, 2005 as previously reported	210,000,000	50,837,956	6,800,000	(5,893,118)	21,791,628	283,536,466
Balance as at July 01, 2005 as restated	210,000,000	50,837,956	6,800,000	(5,893,118)	21,791,628	283,536,466
Net profit for the year ended June 30, 2006	-	-	-	-	21,009,962	21,009,962
Transfer to statutory reserve	-	6,302,989	-	-	(6,302,989)	-
Unrealized (Loss) on remeasurement of available for sale investments	-	-	-	(8,995,863)	-	(8,995,863)
Profit distribution in cash	-	-	-	-	(21,000,000)	(21,000,000)
Balance as at July 01, 2006	210,000,000	57,140,945	6,800,000	(14,888,981)	15,498,602	274,550,565
Profit distribution in cash	-	-	-	-	(14,700,000)	(14,700,000)
Net profit for the year ended June 30, 2007	-	-	-	-	16,656,223	16,656,223
Transfer to general reserve	-	-	500,000	-	(500,000)	-
Transfer to statutory reserve	-	3,331,245	-	-	(3,331,245)	-
Unrealized (Loss) on remeasurement of available for sale investments	-	-	-	13,191,602	-	13,191,602
Balance as at June 30, 2007	210,000,000	60,472,190	7,300,000	(1,697,379)	13,623,579	289,698,390

The annexed notes 1 to 38 form an integral part of these financial statements.

* 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 statutory reserve.

DIRECTOR

DIRECTOR

DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2007

1. LEGAL STATUS AND NATURE OF THE BUSINESS

First Al-Noor Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under. It is managed by Al-Noor Modaraba Management (Private) Limited, the Modaraba Company. The Modaraba was floated on October 19, 1992 and commenced its business on November 02, 1992. The Modaraba is a multipurpose, perpetual modaraba and is currently engaged in musharika, murabaha, equity investment, leasing and trading activities. The registered office of the Modaraba is situated at 96-A, Sindhi Muslim Corporative Housing Society Karachi. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of The Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) ["The Modaraba Regulations"] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprises of such International Accounting Standards (IASs) as notified under the provisions of Companies Ordinance 1984 and applicable to Modarabas under "the Modaraba Regulations". Wherever the requirements of "the Modaraba Regulation differ from the requirements of these standards the requirements of "the Modaraba Regulations" take precedence.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention except for re-measurement of available for sale and held for trading financial assets at fair value and recognition of certain employee retirement benefits at present value.

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

- a) Useful lives of depreciable assets
- b) Impairment of assets
- c) Staff retirement benefits - gratuity
- d) Provision for income taxes
- e) Provision for potential lease losses



3.3 Standards, Interpretations and amendments to published approved accounting standards

Following amendments to existing standards have been published which are mandatory for the Company's accounting period beginning on or after January 01, 2006 and are not expected to have a significant effect on the Modoraba's financial statements or not relevant to Modoraba:

- i) IAS 1 Presentation of Financial Statements effective from January 01, 2007
International Accounting Standard (IAS) 1: 'Presentation of Financial Statements' - Capital disclosure have been revised and the amendments are applicable to the financial statements of the company covering accounting periods beginning on or after January 01, 2007.
- ii) IAS 19 (Amendments) - Employees Benefits effective from January 01, 2006
- iii) IAS 39 Financial Instruments;
(Recognition and measurement - Fair Value Option) effective from January 01, 2006

3.4 Staff retirement benefits

The Modaraba operates an unfunded gratuity scheme for its all permanent employees as specified by the scheme. During the year provision has been made to cover obligations under the scheme in accordance with actuarial recommendations as required by IAS 19 "Employee Benefits". The Projected Unit Credit Method has been used for actuarial valuation carried out for the first time as at June 30, 2006. The results of current valuation are summarized in note 17.

The company's policy for the recognition of actuarial gains/losses is based on the "minimum 10% corridor" approach.

The amount recognized in the balance sheet represents the present value of defined benefit obligations adjusted for actuarial gains and losses and unrecognized past service cost.

Key actuarial assumptions:

Discount rate	9%
Expected increase in eligible salary	8%
Mortality rate	EFU (61-66) Mortality Table

3.5 Fixed Assets

3.5.1 Assets in own use and depreciation

3.5.1.1 Tangible

Fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Change in accounting estimates

During the year, the Modoraba changed its computation of depreciation on assets, whereby, with effect from the current year, depreciation on additions is charged from the month the asset is available for use, whilst no depreciation is charged in the month in which the asset is disposed off. Previously, full year's depreciation was charged in the year of acquisition whilst no depreciation was charged in the year of disposal.

The above revisions have been accounted for as changes in accounting estimates in accordance with the requirements of the International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors." Accordingly, the effect of these changes in accounting estimates has been recognized prospectively in the profit and loss account of the current year. Had there been no change in estimate, the profit before taxation would have been higher by Rs. 210,369.

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

The company 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 assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful lives.

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. Major renewals and improvements are capitalized.

3.5.1.2 Intangible assets - Computer software

Acquired computer software copiloted on the basis of the cost incurred to acquired and bring to use the specific software. These cost are amortized over there estimated useful lives.

3.5.2 Assets leased out and amortization

Assets leased out are stated at cost less accumulated amortization. Amortization is charged to income applying the annuity method whereby the depreciable value of assets is amortized over the leased period, therefore the net income from lease over the lease period is effectively the same as in case of leases recorded as finance leases in accordance with the requirement of IAS -17 "Accounting for Leases".

3.6 Stock in trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of cost determined on the first in first out basis and net realizable. 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 which 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.

Packing material are recorded at average cost.

3.7 Investments

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



The investments to be held for less than twelve months from the balance sheet date are included in the current assets all other investments are classified as non-current asset. Management determines the appropriate classification of its investment at the time of the purchase and re-evaluates such designation periodically.

The investments made by the company are classified for the purpose of measurement into the following categories

3.7.1 Investments at fair value through profit and loss

Investments at fair value through profit or loss are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available are measured at cost as it is not possible to apply any other valuation methodology. Realized and unrealized gains and losses arising from the changes in fair value are included in the net profit or loss for the period in which they arise.

3.7.2 Available for sale

The Modaraba records its gain/loss on re-measurement of "available for sale" investments in equity till its realization on sale.

3.8 Revenue Recognition

- i) Sale of goods is recognized on dispatch of goods to customers.
- ii) Profit on musharika 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 musharika income is excluded from profit on musharika receivables in accordance with the requirements of Prudential Regulations for Modarbas issued by SECP.
- iii) Profit on murabaha receivables is recognized on an accrual basis, unrealized murabaha income is excluded from profit on musharika receivables in accordance with the requirement of prudential regulations for Modarbas issued by SECP.
- iv) Return on investment and deposits with banks are recognized on an accrual basis
- v) Lease rental income is recognized on an accrual basis.
- vi) Dividend income is recognized when the right to receive the payment is established.
- vii) Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

3.9 Taxation

3.9.1 Current

The charge for taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any. For items covered under presumptive tax regime, provision is made according to the presumptive tax rate

provided in the Income Tax Ordinance, 2001. The income of Modaraba other than trading income as exempt from tax under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

3.9.2 Deferred

Deferred tax (if any) is calculated using the balance sheet liability method on all temporary differences. However, deferred tax is not accounted for as the management believes that the temporary differences will not reverse in the foreseeable future as Modaraba's income is subject to presumptive tax regime.

3.10 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Borrowings cost are recognized as an expense in the period in which they are incurred.

3.11 Provisions

Provisions are recognized when the company 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.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, 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 and short term running finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

3.13 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.

3.14 Transactions with related parties

The company enters into transactions with related parties for purchase of goods and services. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

3.15 Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instruments and de-recognized when the company 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.



3.16 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company 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.

3.17 Profit distribution to certificates holders

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

3.18 Impairment

The carrying amount of Modaraba assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets recoverable amount is estimated accordingly and impairment loss is recognized in the profit and loss account for the carrying amount of asset that exceeds its recoverable amount.

	Notes	2007	2006
RUPEES			
4. STOCK-IN-TRADE			
Finished goods		5,149,142	27,301,727
Semi finished goods		4,311	145,803
Provision for slow moving stock		(267,790)	(267,790)
		<u>4,885,663</u>	<u>27,179,740</u>
5. TRADE DEBTS			
Considered good -unsecured		28,449,415	5,614,783
Considered doubtful		2,748,501	1,099,400
		<u>31,197,916</u>	<u>6,714,183</u>
Provision for doubtful debt		(2,748,501)	(1,099,400)
		<u>28,449,415</u>	<u>5,614,783</u>
6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
To National Commodities Exchange Limited		2,500,000	2,500,000
For expenses		72,742	85,633
To staff		99,502	167,750
Deposits		1,339,989	1,431,489
Prepayments		596,535	373,481
Profit due on:			
Musharika receivable		6,542,938	6,232,732
Murabaha receivable		-	319,521
PLS Bank account		257,924	220,322
Other investments - dividend		226,856	389,602
Receivable from sale of listed securities		6,074,449	2,128,439
Income tax refundable / paid in advance	6.1	<u>1,580,375</u>	<u>1,575,176</u>
		<u>19,291,310</u>	<u>15,424,145</u>

	Notes	2007	2006
		RUPEES	
6.1 Taxation			
Income tax refundable		1,329,233	1,329,233
Income tax deducted at source		<u>251,142</u>	<u>245,943</u>
		<u>1,580,375</u>	<u>1,575,176</u>

7. SHORT TERM INVESTMENTS

Investments in listed securities - investment at fair value through profit and loss	7.1	<u>6,173,012</u>	<u>7,696,983</u>
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7.1 INVESTMENTS IN LISTED SECURITIES -investment at fair value through profit and loss

<u>No. of Shares</u>			2007	2006
2007	2006		RUPEES	
		Leasing Companies		
-	21	Trust Leasing Corporation Limited.	-	773
		Investment Companies		
-	37	Atlas Investment Bank Limited.	-	1,480
		Commercial Banks		
-	10,000	Faysal Bank Limited	-	615,000
-	454	Meezan Bank Limited	-	11,781
357	310	Habib Metropolitan Bank Limited.	27,489	21,313
10,000	373	N.I.B. Bank Limited	210,000	7,647
-	50,000	Crescent Commercial Bank Limited	-	437,500
10,000	-	Askari Bank Limited	1,059,000	-
		Insurance		
-	29	Adamjee Insurance Company Limited.	-	3,553
7,000	-	Habib Insurance Company Limited	493,150	-
5,000	-	EFU General Insurance	1,210,000	-
		Textile Composite		
-	699	Gul Ahmed Textile Mills Limited.	-	28,658
		Synthetic & Rayon		
162	142	Dewan Salman Fiber Limited.	1,709	1,590
-	332	Ibrahim Fibers Limited.	-	13,247
		Cement		
-	585	Cherat Cement Company Limited.	-	38,025
-	10,375	Lucky Cement Limited.	-	1,074,330
25,000	-	Maple Leaf Cement Factory Limited.	610,000	-
7,500	7,500	Maple Leaf Cement Factory Limited.	60,000	56,250
25,000	-	Fauji Cement Company Limited.	492,500	-
25,000	25,000	Zeal Pak Cement	135,000	168,750
-	35,000	D.G Khan Cement	-	3,150,000
		Fuel and Energy		
74,866	74,866	Southern Electric Power Company Limited.	490,374	494,017
		Oil & Gas Exploration Companies		
500	-	Mari Gas Company Limited.	87,500	-
		Power Generation & Distribution		
-	25,000	The Hub Power Company Limited.	-	575,000
		Auto and Allied		
-	1,000	Ghandhara Industries Limited.	-	32,000
5,000	5,000	Honda Atlas Cars (Pakistan) Limited.	316,000	352,500
-	-	Pak Suzuki Motors	-	-
		Transport and Communication		
-	355	World call Communication Limited	-	3,177



No. of Shares		2007	2006
2007	2006	RUPEES	
Chemical and Pharmaceutical			
-	8	-	1,280
10,000	-	390,000	-
-	491	-	53,568
-	114	-	730
15,303	13,912	585,340	417,360
Paper and Boards			
-	508	-	106,350
Food and Allied Industries			
-	238	-	26,454
Modarabas			
500	500	4,950	4,650
223,195	262,849	6,173,012	7,696,983

All shares/ certificates are of the nominal value of Rs. 10 each.

	2007 (Rupees)	2006 (Rupees)
8. MUSHARIKA RECEIVABLES - Secured		
Musharika receivables	85,841,485	124,433,065
Provision for musharika losses	(5,809,511)	(1,911,482)
	80,031,974	122,521,583
8.1 The Modaraba has entered into musharika agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis and for the period ranging between 90 to 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 10% to 21% (2006: 10% to 21%)		
9. MURABAHA RECEIVABLES - Secured		
Murabaha receivables	15,200,000	24,900,000
Provision for murabaha losses	(4,237,830)	(969,535)
	10,962,170	23,930,465
9.1 This represents sale on deferred payments basis with specified expected profit margin and for the period ranging between 180 to 365 days. These are secured against hypothecation of stocks and trade receivables, demand promissory notes, personal guarantee of directors and proprietors and mortgage of properties. The expected rates of profit ranges from 10% to 13.50% per annum. (2006: 10% to 13.50% per annum)		
10. BANK BALANCES		
PLS accounts	61,042,252	8,852,053
Current accounts	7,419,121	898,014
	68,461,373	9,750,067

11. FIXED ASSETS

Particulars	COST			DEPRECIATION / AMORTIZATION			Net Book Value as at June 30, 2007	Depreciation Rate % per annum	
	As at July 01, 2006	Additions/ (Deletions)	As at June 30, 2007	As at July 01, 2006	Charge for the year/(accumulated depreciation on deletions)	As at June 30, 2007			
	(Rupees)								%
Tangible									
Own use									
Land	14,374,629	-	14,374,629	-	-	-	14,374,629		
Computer equipment	1,293,730	4,500 (681,700)	616,560	1,197,578	74,374 (681,607)	590,345	26,125	30	
Office equipment and appliances	894,149	115,000 (116,725)	892,424	500,080	71,846 (116,705)	455,221	437,203	10	
Furniture and fixture	688,505	40,550 (423,905)	305,150	594,398	19,796 (423,963)	190,231	114,919	10	
Vehicles	1,853,933	1,257,880 (333,707)	2,778,106	1,665,144	174,589 (237,190)	1,602,543	1,175,563	20	
Sub total	19,104,946	1,417,930 (1,556,037)	18,966,869	3,957,200	340,605 (1,459,465)	2,838,340	16,128,499		
Assets leased out									
Machinery and equipments	10,918,200	- (9,319,000)	1,599,200	6,822,053	2,080,933 (8,368,200)	534,786	1,064,414		
Vehicles	54,247,512	11,099,000 (8,050,335)	57,296,177	11,673,859	12,181,674 (5,822,463)	18,033,070	39,263,107		
Sub total	65,165,712	11,099,000 (17,369,335)	58,895,377	18,495,912	14,262,607 (14,190,663)	18,567,856	40,327,521		
Intangible									
Software	118,453	(118,453)	-	118,452	(118,452)	-	-	30	
Total 2007	84,389,111	12,516,930 (19,043,825)	77,862,216	22,571,564	14,603,212 (15,768,580)	21,406,196	56,456,020		
Total 2006	60,986,111	52,571,420 (29,168,420)	84,389,111	24,960,908	13,292,013 (15,681,357)	22,571,564	61,817,547		

Detail of disposal

PARTICULARS	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain/(Loss) on Disposal of Fixed Assets	Mode of Disposal	Particulars of Purchasers
Motor vehicle	(Rupees)						
Suzuki Mehran ACJ-340	333,707	214,320	119,387	270,000	150,613	Negotiation	Mrs.Ayesha Kara (C.N.I.C No. 42201-9112832-6)
	<u>333,707</u>	<u>214,320</u>	<u>119,387</u>	<u>270,000</u>	<u>150,613</u>		



		2007 (Rupees)	2006 (Rupees)
12. LONG TERM INVESTMENTS			
Available for sale			
Associated undertakings	12.1	10,324,946	6,655,951
Other listed companies	12.2	43,010,089	46,870,666
		<u>53,335,035</u>	<u>53,526,617</u>

12.1 Associated undertakings

No. of Shares			2007	2006
2007	2006		RUPEES	
Sugar & Allied Industries				
110,000	110,000	AI-Noor Sugar Mills Limited	3,245,000	3,245,000
102,203	102,203	Shahmurad Sugar Mills Limited	884,056	710,311
Insurance				
<u>179,591</u>	<u>135,032</u>	Reliance Insurance Company Limited	<u>6,195,890</u>	<u>2,700,640</u>
<u>391,794</u>	<u>347,235</u>		<u>10,324,946</u>	<u>6,655,951</u>

All shares / certificates are of the nominal value of Rs. 10 each.

12.2 Other Listed Companies

No. of Shares			2007	2006
2007	2006		RUPEES	
Technology & Communication				
62,500	62,500	Pakistan Telecommunication Co. Ltd.	3,562,500	2,537,500
13,950	13,750	Callmate Telips Telecommunication	690,527	763,125
Oil & Gas Marketing Companies				
493	334	Sui Southern Gas Company Limited	12,719	9,652
-	10,077	Pakistan State Oil Company Limited	-	3,113,793
Power Generation & Distribution				
125,000	125,000	The Hub Power Company Limited.	4,587,500	2,875,000
Fertilizer				
-	10,080	Engro Chemical Pakistan Limited.	-	1,707,641
11,507	1,507	Fauji Fertilizer Company Limited	1,395,224	182,347
150,912	150,912	Fauji Fertilizer Bin Qasim Limited	5,885,568	4,414,176
Refinery				
40,000	25,000	Bosicor Pakistan Limited	710,000	537,500
Close-end-mutual Funds				
22,000	21,600	PICIC Growth Fund (ICP S.E.M.F.)	743,600	682,560
16,500	16,257	UTP Growth Fund (ABAMCO Capital Fund)	231,000	211,341
11,500	29,000	First Capital Mutual Fund Limited	116,150	203,000
21,875	21,875	Pakistan Premier Fund	328,125	311,719
25,000	25,000	Pakistan Strategic Fund	262,500	266,250

12.2 Other Listed Companies

<u>No. of Shares</u>			2007	2006
2007	2006		<u>RUPEES</u>	
Commercial Banks				
-	10,428	National Bank of Pakistan	-	2,247,234
-	10,000	Muslim Commercial Bank Limited	-	2,103,000
-	18,353	Askari Commercial Bank Limited.	-	1,423,275
16,000	16,000	Faysal Bank Limited	1,184,000	984,000
-	24,000	PICIC	-	1,020,000
-	50,500	The Bank of Punjab	-	4,176,350
25,000	25,000	Bank Islamic Pakistan Limited	373,750	312,500
30,000	-	Standard Chartered Bank	1,588,500	-
Investment Banks				
25,000	-	Arif Habib Securities	2,915,000	-
Oil & Gas Exploration Companies				
10,000	15,000	Pakistan Oil Fields Limited.	3,170,000	5,022,000
70,963	20,963	Oil & Gas Development Company Limited	8,501,367	2,866,690
10,000	10,000	Pakistan Petroleum Limited.	2,624,500	2,118,500
-	5,000	Mari Gas Company Limited	-	632,500
Modaraba				
35,000	35,000	First National Bank Modaraba	302,750	278,250
6,000	6,000	First Habib Bank Modaraba	59,400	55,800
19,000	19,000	First Equity Modaraba	91,200	134,900
11,000	10,000	Standard Chartered Modaraba	149,600	174,000
Auto and Allied				
250	250	Dewan Farooque Motors Limited	3,975	5,813
Cement				
50,000	50,000	Fauji Cement Company Limited	985,000	960,000
25,000	20,000	Maple Leaf Cement Company	610,000	512,000
	25,000	Lucky Cement	-	2,588,750
11,000	10,000	D.G.Khan Cement Limited	1,281,500	900,000
11,000	10,000	Kohat Cement	599,500	539,500
Insurance				
890	-	PICIC Insurance Company Limited	44,634	-
<u>857,340</u>	<u>903,386</u>		<u>43,010,089</u>	<u>46,870,666</u>

13. MUSHARIKA FINANCE - Secured

This represents musharika obtained from a non-banking finance company under musharka basis for the period of 365 days. The facility is secured by way of hypothecation charge on current assets of the Modaraba. Estimated musharika profit is 12% per annum. (2006: 10% per annum)

14. MURABAHA FINANCE - Secured

This represents finance arranged from various banks, at a repurchase price of goods sold under murabaha is for the period of 180 days. The arrangement is secured by way of pledge over stock and receivables and shares of listed companies having market value of Rs. 19.255 million (2006: Rs. 22.761 million) as on balance sheet date. Sanctioned murabaha facility is of Rs. 100 million (2006: Rs. 150 million). The estimated profit percent is 7.50% to 13.05%.



	Note	2007	2006
R U P E E S			
15. LONG TERM SECURITY DEPOSIT			
Long term security deposit		7,028,185	7,525,685
Less :Current maturity		(440,220)	(1,495,000)
		<u>6,587,965</u>	<u>6,030,685</u>
16. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		7,203,739	8,465,770
Accrued expenses		2,647,914	3,133,904
Other Liabilities			
Custom duty / surcharge	16.1	4,398,842	4,398,842
Management fee payable		1,870,984	2,439,231
Clearing and forwarding charges		458,900	458,900
Advance from customers		2,494,270	926,627
Advance lease rentals		909,276	869,313
Insurance premium payable		-	444,720
Unclaimed profit distributions		526,473	473,145
Return on US dollar deposit	16.2	44,440	59,440
Return on carry over transactions	16.3	92,517	92,517
Profit payable on murabaha finance		149,373	104,224
Profit payable on musharika finance		900,000	1,500,000
		<u>21,696,728</u>	<u>21,866,633</u>

16.1 In a suit filed with the Honorable Sindh High Court, Modaraba has disputed the amount of duty and surcharge levied by the Collector of Customs on import of 1,901,472 metric tons of edible oil imported from Singapore . The Honorable High Court rejected the appeal and ordered to deposit amount for the disputed amount of duty. The Modaraba has filed an appeal in the Honorable Supreme Court against the decision of the Honorable Sindh High Court. The Honorable Supreme Court in its interim order allowed the Modaraba to get release of goods for which Modaraba has provided bank guarantee of Rs. 4.4 million against 10% cash margin and hypothecation charge on current assets until the matter is decided. The Modaraba, however, has fully provided for the duty and surcharge of Rs. 4,398,842 , as claimed by the Collector of Customs.

16.2 This represents return received on US dollar deposit placed as bank guarantee against delivery of disputed goods. The management donates this amount for charitable purposes with the approval of registrar Modaraba.

16.3 This represents interest on carry over transactions in listed securities during the year ended June 30, 2002. The management intends to donate the same for charitable purposes subject to the approval of registrar Modaraba.

17. DEFERRED LIABILITY - gratuity

The gratuity scheme benefit is payable on the basis of last drawn salary for each year of eligible service or part thereof in accordance with the rules of the gratuity scheme.

The obligations under the scheme were determined through an actuarial valuation using Projected Unit Credit method. Last actuarial valuations was carried out as at June 30, 2006, the significant assumptions of the valuation used by the management for determining their best estimate for the current year are as follows:

Key actuarial assumptions:

	Note	2007	2006
R U P E E S			
Discount rate	9%		
Expected increase in eligible salary	8%		
Mortality rate	EFU (61-66) Mortality Table		
gratuity		<u>917,401</u>	<u>695,596</u>

	Note	2007	2006
		RUPEES	
(a) Movement in the liability recognized in the balance sheet			
Balance sheet liability as on June 30,		695,596	665,416
Amount recognized during the year		283,045	30,180
Benefit payments made directly by the company		(61,240)	-
Balance sheet liability as on June 30,		<u>917,401</u>	<u>695,596</u>
(b) Charge to profit & loss (P&L) account for the year			
Current service cost		-	111,956
Interest cost		-	48,220
Asset charged due to application of IAS-19		-	(129,636)
Total amount chargeable to P&L account		<u>-</u>	<u>30,540</u>
Balance sheet liability as on June 30, 2007			
Present value of defined benefit obligations as on June 30		917,40	690,482
Actuarial gains to be recognized in later periods		-	5,114
Past service cost to be recognized in later periods		-	-
		<u>917,40</u>	<u>695,596</u>

18. CERTIFICATE CAPITAL

			2007	2006
<u>No. of Certificates</u>			RUPEES	
20,000,000	20,000,000	Modaraba certificates of Rupees 10 each fully paid up in cash	200,000,000	200,000,000
1,000,000	1,000,000	Modaraba certificates issued as fully paid up bonus certificates	10,000,000	10,000,000
<u>21,000,000</u>	<u>21,000,000</u>		<u>210,000,000</u>	<u>210,000,000</u>

19. CONTINGENCIES AND COMMITMENTS

- 19.1** The Modaraba imported goods from Singapore, the custom duties of which came under dispute to the extent of Rs. 471,991. The customs authorities released 90% of the imported goods against three separate undertakings in favor of the Custom House. The matter is still pending before the working committee. No provision has been made for disputed duties as the Modaraba expects a favorable outcome.
- 19.2** During the year 2000-2001, the Collector Excise and Taxation has raised a demand of Rs. 101,050 on account of Professional tax not paid by the Modaraba. The management has filed a constitutional petition before the High Court of Sindh against the Collector Excise and Taxation and the Government of Sindh challenging the levy of professional tax. The Honorable High Court of Sindh awarded the case in the favor of Modaraba. The Government of Sindh has challenged the favorable ruling of High Court of Sindh in Supreme Court of Pakistan. No provision has been made for the same as the management anticipates a favorable outcome.



19.3 While framing order for the assessment year 2000-2001, the assessing officer determined the income of the modaraba without considering exemption claimed under clause 102 E of 2nd schedule of the Income Tax Ordinance, 1979 (being the exemption subject to distribution of 90% of the profit to the certificate holders) and raised additional tax demand amounting to Rs. 7.3 million approximately.

The modaraba has filed an appeal before the Commissioner of Income Tax (Appeals) against the said order and also requested for the stay of demand till the decision of the appeal.

As the management and the tax advisor anticipates a favorable outcome of the appeal, no provision for the same has been made in the financial statements.

Commitments

19.4 A guarantee is given on behalf of the customer to the commercial bank against letter of credit amounting to Rs. Nil (2006: Rs. 5,089,687).

	Note	2007	2006
RUPEES			
20. PROFIT FROM TRADING OPERATIONS			
Sales			
Local		186,238,254	22,113,459
Export		24,544,107	25,848,951
		<u>210,782,361</u>	<u>47,962,410</u>
Cost of sales			
	20.1	<u>(194,296,000)</u>	<u>(45,330,949)</u>
		<u>16,486,361</u>	<u>2,631,461</u>
20.1 Cost of sales			
Opening stock		27,447,530	14,233,590
Purchases		<u>168,423,267</u>	<u>54,417,647</u>
		195,870,797	68,651,237
Packing material consumed:			
Opening stock		-	-
Purchases		<u>1,307,152</u>	<u>1,512,022</u>
		1,307,152	1,512,022
Less: Closing stock		-	-
		<u>1,307,152</u>	<u>1,512,022</u>
Export expenses		<u>2,271,504</u>	<u>2,615,220</u>
		199,449,453	72,778,479
Less: Closing stock of finished goods		<u>(5,153,453)</u>	<u>(27,447,530)</u>
		<u>194,296,000</u>	<u>45,330,949</u>
21. PROFIT ON MUSHARIKA RECEIVABLE			
Profit on musharika receivable (arrangement)		<u>12,031,061</u>	<u>16,354,603</u>
22. INCOME ON MURABAHA RECEIVABLES			
Income on murahaba receivables		2,820,562	2,910,719
Murahaba receivable income suspended		<u>(1,890,000)</u>	<u>(1,097,760)</u>
		<u>930,562</u>	<u>1,812,959</u>
23. INCOME FROM INVESTMENTS			
Gain on sale of securities		1,949,012	12,637,684
Dividend income		<u>2,518,070</u>	<u>2,957,434</u>
		<u>4,467,082</u>	<u>15,595,118</u>

24. OPERATING EXPENSES	Note	2007	2006
RUPEES			
Salaries and other staff benefits	24.1	2,974,591	2,452,666
Rent, rates and taxes		442,719	470,519
Postage and telephone		350,475	401,664
Printing and stationery		149,807	146,020
Fee and subscription		831,001	853,318
Legal and professional charges		1,091,646	532,326
Traveling and conveyance		275,826	180,199
Entertainment		60,094	46,144
Repair and maintenance		725,796	650,539
Electricity and other utility charges		374,547	376,034
Depreciation		340,605	596,162
Auditor's remuneration	24.2	139,850	145,000
Advertisement and publicity		50,459	79,920
Zakat		65,847	23,491
Storage and transportation charges		109,588	93,910
Insurance		205,519	279,151
Others		1,037,029	358,687
		<u>9,225,355</u>	<u>7,685,750</u>

24.1 This includes an amount of Rs.283,045(2006: Rs.30,170) in respect of staff retirement benefits.

24.2 Remuneration to officers and employees

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

	2007			2006		
	Officers	Employees	Total	Officers	Employees	Total
Salary	846,660	984,800	1,831,460	618,696	684,112	1,302,808
Benefit	93,267	115,300	208,567	348,403	415,188	763,591
Gratuity	139,274	143,771	283,045	14,322	15,848	30,170
EOBI	95,820	82,380	178,200	-	-	-
Group insurance	64,818	46,001	110,819	50,587	55,935	106,522
General Services	-	153,900	153,900	-	63,764	63,764
Contract Staff	-	208,600	208,600	-	185,900	185,900
	<u>1,239,839</u>	<u>1,734,752</u>	<u>2,974,591</u>	<u>1,031,919</u>	<u>1,420,747</u>	<u>2,452,666</u>

No. of persons as
at end of year

3	8	11	3	7	10
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	2007	2006
	R U P E E S	
24.3 Auditor's remuneration		
Audit fee	110,000	110,000
Half yearly review	15,000	15,000
Out-of-pocket expenses	14,850	20,000
	<u>139,850</u>	<u>145,000</u>
25. FINANCIAL CHARGES		
Bank charges	205,422	182,130
Guarantee commission	70,400	70,400
Profit on murabaha	3,492,967	1,868,709
Profit on musharika	900,000	750,000
	<u>4,668,789</u>	<u>2,871,239</u>
26. OTHER INCOME		
Documentation and other service charges	205,430	225,726
Profit on bank deposits	459,365	358,564
Foreign exchange difference	31,013	2,878
Profit on disposal of fixed asset	150,613	299,612
Insurance Claim	1,005,697	-
Miscellaneous	185,561	136,910
	<u>2,037,679</u>	<u>1,023,690</u>
27. PROVISION FOR TAXATION		
Current	182,633	164,557
Prior years	-	778,557
	<u>182,633</u>	<u>943,114</u>
27.1 Relation between tax expenses and accounting profit		
Accounting profit for the current year	16,684,149	21,854,404
Tax on income @ 25% (2006: 25%)	4,171,037	5,488,269
Tax effect off - exempt income	(3,988,404)	(5,323,712)
Tax prior years	-	778,557
	<u>182,633</u>	<u>943,114</u>
28. EARNING PER CERTIFICATE		
Profit for the year	<u>16,656,223</u>	<u>21,009,962</u>
	Number of Certificate	
Weighted average number of ordinary certificates	<u>21,000,000</u>	<u>21,000,000</u>
Earnings per certificate	<u>0.79</u>	<u>1.00</u>

	2007	2006
	RUPEES	
29. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,838,856	21,953,076
Adjustments for:		
Income on musharika receivables	(12,031,061)	(16,354,603)
(Gain) on sale of investment in listed securities	(1,949,012)	(12,637,684)
Dividend income	(2,518,070)	(2,957,434)
Income on murabaha investment	(930,562)	(1,812,959)
Profit on disposal of fixed assets	(150,613)	(299,612)
Profit on bank deposits	(459,365)	(358,564)
Amortization on leased out assets	14,262,607	12,695,851
Provision for doubtful debts	8,815,423	4,504,634
Financial charges	4,668,789	2,871,239
Depreciation	340,605	596,162
Provision for gratuity	-	30,180
Unrealized loss/(gain) on re measurement of investments in listed securities	(979,967)	231,304
Assets written off	-	-
Operating profit before working capital changes	25,907,630	(8,461,590)
(Increase)/Decrease in current assets		
Stock-in-trade	22,294,077	(13,213,940)
Trade debtors	-	(5,497,001)
Bills receivables	(174,472)	(3,889,052)
Musharika investments	38,591,580	29,526,772
Murabaha investments	9,700,000	(1,900,000)
Advances, deposits, prepayments and other receivables	(50,413)	3,622,634
Increase/(Decrease) in current liabilities		
Murabaha finance	(12,580,332)	(5,056,612)
Creditors, accrued expenses and other liabilities	(1,168,382)	7,794,425
Security deposits	(1,054,780)	(507,480)
	81,464,908	19,314,336
30. CASH AND CASH EQUIVALENTS		
Bank balances	68,461,373	9,750,067
	68,461,373	9,750,067
31. TRANSACTION WITH ASSOCIATED UNDERTAKINGS		
Guarantee commission paid to a commercial bank	70,400	70,400
Insurance premium paid	-	1,253,124
Insurance claims received	1,005,697	273,781
Sharing of common expense charged during the year	360,000	360,000



32 MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Company's assets and liabilities:

	2007			2006	
	Upto one year	One year to five years	Over five years	Total	
Rupees					
Assets					
Stock-in-trade	4,885,663	-	-	4,885,663	27,179,740
Trade debtors	28,449,412	-	-	28,449,412	5,614,783
Bills receivable	5,059,285	-	-	5,059,285	4,884,813
Short term investments - investments at fair value through profit and loss	6,173,012	-	-	6,173,012	7,696,983
Musharika receivables - secured	80,031,974	-	-	80,031,974	122,521,583
Murabaha receivables - secured	10,962,170	-	-	10,962,170	23,930,465
Advances, deposits, prepayments and other receivables	19,291,313	-	-	19,291,313	15,424,145
Bank balances	68,461,373	-	-	68,461,373	9,750,067
Sale Tax refundable	-	-	-	-	136,621
Long term investments - available for sale	-	53,335,035	-	53,335,035	53,526,617
Fixed assets	-	56,456,020	-	56,456,020	61,817,547
	223,314,202	109,791,055	-	333,105,257	332,483,364
Liabilities					
Musharika finance - secured	7,500,000	-	-	7,500,000	7,500,000
Morabaha Finance - secured	6,264,553	-	-	6,264,553	18,844,885
Current maturity of security deposits	440,220	-	-	440,220	1,495,000
Creditors, accrued and other liabilities	21,676,728	-	-	21,676,728	23,366,633
Long term security deposits	-	6,587,965	-	6,587,965	6,030,685
Deferred liability - staff gratuity	-	-	917,401	917,401	695,596
	35,901,501	6,587,965	917,401	43,406,867	57,932,799
Net Assets	187,412,701	103,203,090	(917,401)	289,698,390	274,550,565

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Carrying value of all the financial instruments reflected in the financial statements approximate their respective fair values.

In the opinion of management, fair value of financial assets and liabilities, other than those short term nature, can not be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The Mudaraba's short term financial instruments are expected to be settled in short term hence, their carrying amount is not considered to be materially different from fair values

34. **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:

DESCRIPTION	Effective yield/ Profit risk %age	TOTAL	2007						2006
			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	
(Rupees)									
Financial assets									
Long-term investment		53,335,035	-	53,335,035	53,335,035	-	-	-	53,526,617
Trade debts	-	2,748,500	-	-	-	2,748,500	-	2,748,500	4,397,601
Bills receivable	-	5,059,285	-	-	-	5,059,285	-	5,059,285	4,884,813
Short term investments - investments at fair value through profit and loss	-	6,175,019	-	-	-	6,175,019	-	6,175,019	7,696,983
Musharika receivables - secured	10% to 21%	80,031,974	80,031,974	-	80,031,974	-	-	-	122,521,583
Murabaha receivables - secured	10% to 13%	10,962,170	10,962,170	-	10,962,170	-	-	-	23,930,465
Advances, Deposits & receivables	-	43,230,332	-	-	-	43,230,332	-	43,230,332	12,107,037
Bank balances	3.25% to 3.71%	61,940,266	61,042,252	-	61,042,252	898,014	-	898,014	9,750,066
		263,482,581	152,036,396	53,335,035	205,371,431	58,111,150	-	58,111,150	238,815,165
Financial liabilities									
Long term security deposit		6,587,965	-	6,587,965	6,587,965	-	-	-	6,030,685
Musharika finance - secured	12%	7,500,000	7,500,000	-	7,500,000	-	-	-	7,500,000
Murhaba finance - secured	7.5% to 13.05%	6,264,553	6,264,553	-	6,264,553	-	-	-	18,844,885
Creditor accrued and other liability	-	15,775,564	15,775,564	-	15,775,564	-	-	-	17,487,621
Current maturity of security deposit	-	440,220	-	-	-	440,220	-	440,220	1,495,000
		36,568,302	29,540,117	6,587,965	36,128,082	440,220	-	440,220	51,358,191
On-balance sheet gap		226,914,279	122,496,279	46,747,070	169,243,349	57,670,930	-	57,670,930	187,456,974
Non-financial Assets		69,452,788							93,668,199
Non-financial Liability		(6,821,376)							(6,574,608)
Total net assets		289,545,691							274,550,565

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.



35. 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.

36. CURRENCY RISK

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. Recommendable expenses to foreign exchange risk amounted to Rs 5,059,285 (2006: Rs. 4,884,813).

37. LIQUIDITY RISK

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

38. SEGMENT ANALYSIS

	2007		2006	
	Rupees	%	Rupees	%
Financial institution	4,442,739	1.62%	3,862,757	1.52%
Non-banking financial institution	52,164,275	19.04%	48,649,853	19.20%
Textile composite	27,992,899	10.22%	45,561,507	17.98%
Trading	26,594,703	9.70%	51,256,466	20.23%
Sugar and allied industries	4,129,056	1.51%	12,955,311	5.11%
Others (individuals)	158,709,803	57.92%	91,059,574	35.94%
	<u>274,033,475</u>	<u>100.00%</u>	<u>253,345,468</u>	<u>100.00%</u>

39. NUMBER OF EMPLOYEES

	2007	2006
As at year end	<u>11</u>	<u>10</u>

40. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors of the Modaraba Company and authorized for issue on September 26, 2007.

41. GENERAL

Certain prior year's figure have been reclassified, wherever necessary. However, there were no material re-classifications.

Figures have been rounded off to nearest Rupee.

DIRECTOR

DIRECTOR

DIRECTOR

**PATTERN OF HOLDING OF THE CERTIFICATE HELD BY THE
CERTIFICATE HOLDERS AS AT JUNE 30, 2007**

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
95	1	100	4,704
118	101	500	45,925
124	501	1,000	92,151
250	1,001	5,000	644,551
71	5,001	10,000	561,725
31	10,001	15,000	409,794
9	15,001	20,000	169,500
10	20,001	25,000	251,300
3	25,001	30,000	84,050
4	30,001	35,000	131,330
4	35,001	40,000	150,560
2	40,001	45,000	86,500
3	45,001	50,000	146,000
3	50,001	55,000	102,660
2	55,001	60,000	120,000
1	60,001	65,000	65,000
1	75,001	80,000	77,450
1	80,001	90,000	84,000
1	95,001	100,000	100,000
1	100,001	105,000	103,500
1	115,001	120,000	115,500
1	120,001	125,000	125,000
2	150,001	155,000	304,500
1	250,001	255,000	250,500
1	385,001	390,000	386,600
1	410,001	415,000	414,000
1	520,001	525,000	521,220
1	1,030,001	1,035,000	1,034,440
1	1,065,001	1,070,000	1,065,560
1	1,585,001	1,590,000	1,589,880
1	2,005,001	2,010,000	2,005,830
1	4,195,001	4,200,000	4,200,000
1	5,550,001	5,555,000	5,553,270
748			21,000,000

**CATEGORIES OF CERTIFICATE HOLDING
AS AT JUNE 30, 2007**

Categories of Certificate Holders	Numbers	Certificate Held	Percentage
1. INDIVIDUALS	714	5,879,422	28.00%
2. JOINT STOCK COMPANIES	10	4,275,805	20.36%
3. INVESTMENT COMPANIES	3	152,125	0.72%
4. INSURANCE COMPANIES	4	908,950	4.33%
5. FINANCIAL INSTITUTIONS	7	9,664,698	46.02%
6. CO-OPERATIVE SOCIETIES	2	105,000	0.50%
7. CHARITABLE TRUSTEES	2	11,000	0.05%
9. OTHERS	6	3,000	0.01%
TOTAL	748	21,000,000	100.00%



CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2007

Categories of Certificate Holders	Numbers	Certificate Held	Percentage
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES			
Al-Noor Modaraba Management Company (Pvt.) Ltd.	1	4,200,000	20.00%
Reliance Insurance Company Limited	1	521,220	2.48%
NBP & ICP			
National Bank of Pakistan Trustee Deptt.	1	2,100,100	10.00%
Investment Corporation of Pakistan	1	500	0.00%
National Investment Trust Ltd.	-	-	-%
DIRECTORS , CEO & THEIR SPOUSES AND MINOR CHILDREN	1	20,500	0.11%
EXECUTIVE			
PUBLIC SECTOR COMPANIES AND CORP.	-	-	-
State Life Insurance Corporation of Pakistan	1	386,600	1.84%
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS, CHARITABLE TRUSTEES AND CO-OPERATIVE SOCIETIES	11	7,681,228	36.58%
JOINT STOCK COMPANIES	9	75,805	0.36%
INVESTMENT COMPANIES	3	152,125	0.72%
INDIVIDUALS	713	5,858,922	27.90%
OTHERS	6	3,000	0.01%
TOTAL:-	748	21,000,000	100%

CERTIFICATES HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

Muslim Commercial Bank Limited	5,553,270
National Bank of Pakistan Trustee Deptt.	2,100,100
Al-Noor Modaraba Management (Pvt.) Ltd	4,200,000

KEY OPERATING AND FINANCIAL DATA

YEAR	2007	2006	2005	2004	2003	2002
Paid up Capital	210.000	210.000	210.000	210.000	210.000	210.000
Certificate Holder Equity	289.698	274.550	262.536	260.061	252.901	246.818
Current Liabilities	35.901	51.206	69.884	76.713	40.002	33.857
Fixed Assets	56.456	61.818	36.025	32.681	21.817	14.111
Current Assets	223.314	217.139	267.368	278.414	270.745	266.703
Operating Profit	15.692	23.600	32.246	31.920	25.622	27.946
Profit before Tax	16.839	21.953	29.267	29.561	24.264	28.900
Taxation	0.183	0.943	0.127	0.309	0.180	0.116
Profit after Tax	16.656	21.010	29.140	29.251	27.083	28.789
Dividend	6.00%	7.00%	10.00%	10.50%	10.00%	10.00%
Earning per Certificate	0.79	1.00	1.39	1.39	1.29	1.37
Break up Value	13.80	13.07	12.50	12.38	12.04	11.75



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that eighth Annual Review Meeting of First Al-Noor Modaraba will be held on Friday, the 26th October, 2007 at 4:00 p.m. at the Registered Office of the Modaraba at 96-A, Sindhi Muslim Co-operative Housing Society, Karachi.

(ROOFI ABDUL RAZZAK)
COMPANY SECRETARY

Karachi : September 26, 2007

Note:

1. The Share Transfer Book of the Modaraba will remain closed from October 22, 2007 to November 5, 2007 (both days inclusive).
2. Certificate holders are requested to inform the Modaraba of any change in their address immediately.

