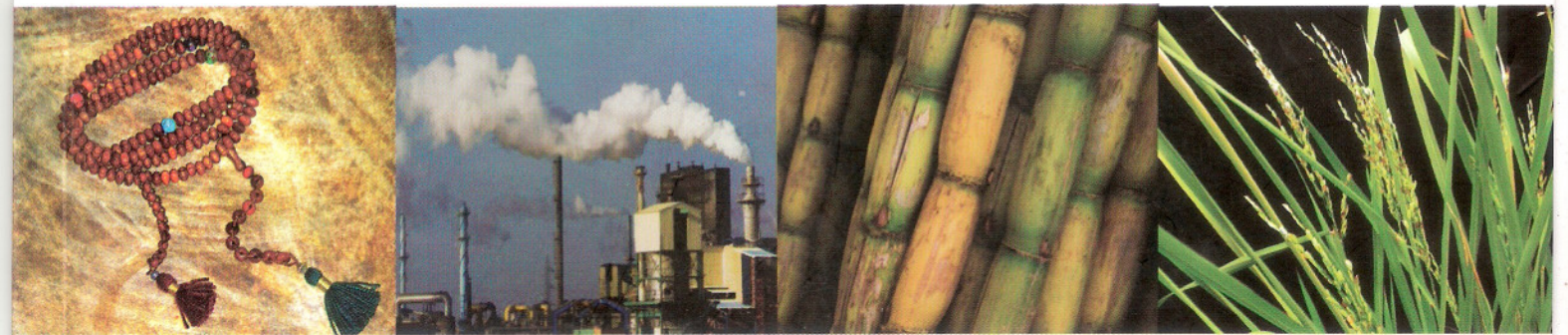




Annual Report 2008



First Al-Noor Modaraba



CONTENTS

| | |
|---|----|
| Vision & Mission Statement | 2 |
| Corporate Information | 3 |
| Director Report | 4 |
| Statement of Compliance | 7 |
| Review Report of Auditor's on Statement of Compliance | 9 |
| Auditor's Report | 10 |
| Balance Sheet | 11 |
| Profit and Loss Account | 12 |
| Cash Flow Statement | 13 |
| Statement of Changes in Equity | 14 |
| Notes to the Financial Statement | 15 |
| Pattern of Certificate Holding | 44 |
| Key Operating & Financial Data | 46 |
| Notice of Review Meeting | 47 |



VISION STATEMENT

To become 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 with responsibility and 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. Jalaluddin Ahmed | Chief Executive |
| Mr. Yusuf Ayoob | Director |
| Mr. Suleman Ayoob | Director |
| Mr. A. Aziz Ayoob | Director |
| Mr. Zain Ayoob | Director |
| Mr. Zohair Zakaria | Director |

AUDIT COMMITTEE

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

MODARABA MANAGEMENT COMMITTEE

| | |
|-----------------------|-----------------|
| Mr. Ismail H. Zakaria | Chairman |
| Mr. Jalaluddin Ahmed | Chief Executive |
| Mr. Zain Ayoob | Director |
| Mr. Zohair Zakaria | Director |

BANKERS

Al-Baraka Islamic Bank B.S.C.
Allied Bank Limited
Askari Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

First Al-Noor Modaraba
96-A, Sindhi Muslim Co-operative Housing Society
Karachi-74400.

Telephone No(s) : 455 8268 455 3067
455 2974 455 2943
Fax : 455 3137
E-mail : fam@cyber.net.pk

INVESTORS INFORMATION

STOCK EXCHANGE LISTING

First Al-Noor Modaraba is listed on Karachi and Lahore Stock Exchange.

Daily quotations on the Modaraba Certificates can be obtained from leading newspapers and/or Stock Exchanges websites under the sector "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.



SIXTEENTH REPORT OF THE DIRECTORS OF MODARABA COMPANY FOR THE YEAR ENDED JUNE 30, 2008

I am pleased to present, 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 Sixteenth Annual Report together with the Audited Accounts of the company for the year ended June 30, 2008.

By the grace of Allah Almighty and with dedicated team work, your Modaraba has successfully maintained the growth momentum and continues to move progressively towards better profitability.

Financial Results

Financial results are summarized as under:

| | For the year ended | |
|--|--------------------|------------------------|
| | 30-06-2008 | Restated 30-06-2007 |
| | Amount in Rupees | |
| Profit after taxation | 31,991,789 | 17,801,995 |
| Share of associate's incremental depreciation on account of revaluation of fixed assets | 170,491 | 89,059 |
| Unappropriated profit brought forward | 1,909,183 | 1,568,628 |
| Profit available for appropriation | 34,071,463 | 19,459,682 |
| Appropriation | | |
| Profit Distribution @ 10.00% (2007 : @ 6.00%) | (21,000,000) | (12,600,000) |
| Statutory Reserve @ 32.00% (2007 : @ 25.00%) | (10,237,372) | (4,450,499) |
| General Reserve | (500,000) | (500,000) |
| | (31,737,372) | (17,550,499) |
| | <u>2,334,091</u> | <u>1,909,183</u> |

Profit Distribution

The board in its meeting held on September 16, 2008 has approved the distribution of profit of Rs. 1.00 (10.00%) {2006: Rs. 0.60 (6.00%)} per certificate of Rs.10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2008.



SIXTEENTH REPORT OF THE DIRECTORS OF MODARABA COMPANY FOR THE YEAR ENDED JUNE 30, 2008

Review of Operations

The focus of operations has been towards consistent profitability despite considerable competition from conventional and Islamic institutions besides the depressing economical situation offering their financial products at competitive rates. Despite all these factors, Alhamdo Lillah, at the close of this financial year, your Modaraba has managed to post a net profit of Rs. 31,991,789, an increase of over 70% against the restated net income in the same period last year.

This year's profit consists of Rs. 19.780 million from Trading operations, Rs. 15.293 million from Musharikhah, Rs. 23.561 Income from Ijarah and Rs. 8.643 million from investments.

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 vis-à-vis, exploring further towards the development of the products with respect to the newly approved Shariah compliant products by Securities & Exchange Commission of Pakistan for the Modaraba sector as a whole.

Your management always striving towards good corporate governance, risk management, efficient assets and liability management and are putting continuous efforts for further improvement to achieve 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.

**SIXTEENTH REPORT OF THE DIRECTORS OF MODARABA
COMPANY FOR THE YEAR ENDED JUNE 30, 2008**

- (i) During the year under review, four meetings of the Board of Directors were held. Attendance by each director was follows:

| Name of Director | Meetings Eligibility | Meetings Attended |
|-------------------------|-----------------------------|--------------------------|
| Mr. Ismail H. Zakaria | 4 | 2 |
| Mr. Jalaluddin Ahmed* | 2 | 2 |
| Mr. Yousuf Ayoob | 4 | 4 |
| Mr. Suleman Ayoob | 4 | 4 |
| Mr. A. Aziz Ayoob | 4 | 4 |
| Mr. Zohair Zakaria | 4 | 4 |
| Mr. Zain Ayoob | 4 | 4 |

**Note: The new Chief Executive joined the company in October, 2007.*

- (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, 2008 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.

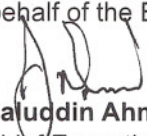
Acknowledgment

The Board thank the Regulatory Authorities for their continuous efforts and co-operation for improvement of the Modaraba sector and places on record its appreciation for the services rendered by the staff members for their commitment, dedication and hard work in discharging their responsibilities and our valued customers for being supportive, understanding and for exercising professionally and our certificate holders for confidence reposed on us for having the organization achieve the overall 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, 2009 subject to approval by Registrar of Modaraba Companies & Modaraba & Board of Directors.

On behalf of the Board


Jalaluddin Ahmed
Chief Executive

Dated : September 16, 2008
Place : Karachi



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

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.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

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.

For and on behalf of the Board


Jalaluddin Ahmed
Chief Executive

Date : September 16 ,2008



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


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

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and 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, 2008.

Karachi
Date: September 18, 2008


Anjum Asim Shahid Rahman
Chartered Accountants



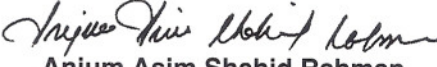
AUDITORS' REPORT TO THE CERTIFICATE HOLDER

We have audited the annexed balance sheet of First AL-Noor Modaraba (the Modaraba) as at June 30, 2008 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 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 {Al-Noor Modaraba Management Company (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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the modaraba company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the modaraba company in respect of First Al-Noor 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 account and are further in agreement with accounting policies consistently applied except for the changes in accounting policies as mentioned in note 3 with which we concur;
 - 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 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 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, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the modaraba and deposited in the Central Zakat Fund established under section 7 of the Ordinance.


Anjum Asim Shahid Rahman
Chartered Accountants

Karachi

Date: September 28, 2008



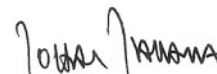
BALANCE SHEET AS AT JUNE 30, 2008

| | Note | 2008 Rupees | Restated 2007 Rupees |
|---|------|--------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Bank balances | 7 | 9,567,845 | 68,461,373 |
| Short term investments | 8 | 15,876,391 | 6,173,012 |
| Trade debts | 9 | 7,994,526 | 28,449,415 |
| Bills receivable | | 11,179,200 | 5,059,285 |
| Musharikhah receivables - secured | 10 | 81,410,000 | 80,031,974 |
| Murabaha receivables - secured | 11 | - | 10,962,170 |
| Musawamah receivables - secured | 12 | 7,500,000 | - |
| Advances, deposits, prepayments and other receivables | 13 | 26,963,797 | 7,070,084 |
| Profit receivable | 14 | 3,994,957 | 6,800,862 |
| Income tax refundable / paid in advance | 15 | 1,597,948 | 1,580,375 |
| Stock-in-trade | 16 | 39,913,112 | 4,885,663 |
| Total current assets | | 205,997,776 | 219,474,213 |
| Long term investments | 17 | 43,966,461 | 50,974,171 |
| Long term deposits | 18 | 3,839,989 | 3,839,989 |
| Fixed assets | 19 | 76,032,459 | 56,456,020 |
| Total non-current assets | | 123,838,909 | 111,270,180 |
| Total Assets | | 329,836,685 | 330,744,393 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Musharikhah finance - secured | 20 | - | 7,500,000 |
| Murabaha finance - secured | 21 | - | 1,264,553 |
| Islamic export refinance | 22 | 1,500,000 | 5,000,000 |
| Current maturity of security deposits | 23 | 3,306,450 | 440,220 |
| Creditors, accrued and other liabilities | 24 | 22,619,925 | 20,510,398 |
| Profit payable | 25 | 129,928 | 1,186,330 |
| Total current liabilities | | 27,556,303 | 35,901,501 |
| Deferred liability - staff gratuity | 26 | 1,154,849 | 917,401 |
| Long term security deposits | 23 | 6,284,786 | 6,587,965 |
| Total non-current liabilities | | 7,439,635 | 7,505,366 |
| Total liabilities | | 34,995,938 | 43,406,867 |
| Certificate holders' equity | | | |
| Certificate capital | 27 | 210,000,000 | 210,000,000 |
| Reserves | | 69,391,444 | 68,891,444 |
| Unappropriated profit | | 34,071,463 | 15,009,183 |
| Unrealized (loss) on re-measurement of available for sale investments | | (18,622,160) | (6,563,101) |
| Total certificates holders' equity | | 294,840,747 | 287,337,526 |
| Total Equity and Liabilities | | 329,836,685 | 330,744,393 |
| CONTINGENCIES AND COMMITMENTS | 28 | | |

The annexed notes 1 to 51 form an integral part of these financial statements.


Chief Executive


Director


Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

| | Note | 2008 Rupees | Restated 2007 Rupees |
|---|------|-------------------|----------------------------|
| INCOME | | | |
| Profit from trading operations | 29 | 19,780,597 | 16,486,361 |
| Income on musharikhah receivables | | 15,293,483 | 12,031,061 |
| Income on murabaha receivables | 30 | 11,504 | 930,562 |
| Income on musawamah receivables | | 57,247 | - |
| Income from Ijarah | | 23,561,927 | 18,749,346 |
| Income from investments | 31 | 8,643,507 | 4,357,083 |
| | | <u>67,348,265</u> | <u>52,554,413</u> |
| EXPENSES | | | |
| Operating expenses | 32 | 9,412,924 | 9,225,399 |
| Depreciation on Ijarah assets | 19 | 18,117,462 | 14,262,607 |
| Provision/(Reversal) of provision on non-performing assets | 33 | (68,610) | 8,815,423 |
| Financial and other charges | 34 | 2,099,448 | 4,668,789 |
| | | <u>29,561,224</u> | <u>36,972,218</u> |
| Operating profit | | 37,787,041 | 15,582,195 |
| Other income | 35 | 2,859,117 | 2,037,679 |
| | | <u>40,646,158</u> | <u>17,619,874</u> |
| Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss | | (7,296,271) | 979,967 |
| Share of profit from associates | | 2,540,655 | 1,255,771 |
| | | <u>35,890,542</u> | <u>19,855,612</u> |
| Modaraba Company's management fee | | (3,589,054) | (1,870,984) |
| Profit before income tax | | 32,301,488 | 17,984,628 |
| Income tax expense | 36 | (309,699) | (182,633) |
| | | <u>31,991,789</u> | <u>17,801,995</u> |
| Profit for the year | | 31,991,789 | 17,801,995 |
| Earnings per certificate - Basic and Diluted | 37 | 1.52 | 0.85 |

The annexed notes 1 to 51 form an integral part of these financial statements.


Chief Executive


Director


Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

| | Note | 2008 Rupees | Restated 2007 Rupees |
|--|------|---------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash (used in)/from operations after working capital changes | 38 | (10,428,131) | 81,464,908 |
| Increase/(Decrease) in long-term security deposits | | (303,179) | 557,280 |
| Income from musharikhah receivables | | 18,167,105 | 11,720,855 |
| Income from murabaha receivables | | 11,504 | 1,250,083 |
| Income tax paid | | (327,272) | (177,434) |
| Gratuity paid | | (32,500) | (221,805) |
| Net cash from operating activities | | 7,087,527 | 94,593,887 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to fixed assets | | (43,566,717) | (12,516,930) |
| Sale proceeds on disposal of fixed assets | | 4,239,882 | 3,544,310 |
| Dividend received | | 2,151,782 | 2,518,070 |
| Profit on bank deposits | | 902,364 | 421,763 |
| Purchase of investments in listed securities | | (360,655,890) | (192,194,366) |
| Proceeds from sale of investments in listed securities | | 346,628,344 | 182,214,884 |
| Net cash (used in)/from investing activities | | (50,300,235) | (16,012,269) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Profit paid to the certificate holders | | (12,559,970) | (14,646,672) |
| Financial charges paid | | (3,120,850) | (5,223,640) |
| Net cash (used in)/from financing activities | | (15,680,820) | (19,870,312) |
| Net increase/(decrease) in cash and cash equivalents | | (58,893,528) | 58,711,306 |
| Cash and cash equivalents at beginning of the year | | 68,461,373 | 9,750,067 |
| Cash and cash equivalents at end of the year | 39 | 9,567,845 | 68,461,373 |

The annexed notes 1 to 51 form an integral part of these financial statements.


Chief Executive


Director


Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

| | Certificate Capital | Capital *Statutory Reserve | Reserve | | Unappropriated profit | Total |
|---|------------------------|----------------------------------|--------------------|--|--------------------------|--------------------|
| | | | General reserve | Revenue Unrealized (loss)/Gain remeasurement of available for sale investment | | |
| Rupees | | | | | | |
| Balance as at July 01, 2006 - as previously reported | 210,000,000 | 57,140,945 | 6,800,000 | (14,888,981) | 15,498,602 | 274,550,565 |
| Effect of correction of error (refer note 4.1) | - | - | - | (36,699) | 1,270,026 | 1,233,327 |
| Balance as at July 01, 2006 - restated | 210,000,000 | 57,140,945 | 6,800,000 | (14,925,680) | 16,768,628 | 275,783,992 |
| Profit distribution in cash | - | - | - | - | (14,700,000) | (14,700,000) |
| Profit for the year | - | - | - | - | 17,801,995 | 17,801,995 |
| Share of associate's incremental depreciation on account of revaluation of fixed assets | - | - | - | - | 89,059 | 89,059 |
| Transfer to general reserve | - | - | 500,000 | - | (500,000) | - |
| Transfer to statutory reserve - restated | - | 4,450,499 | - | - | (4,450,499) | - |
| Unrealized gain on remeasurement of available for sale investments | - | - | - | 8,362,579 | - | 8,362,579 |
| Balance as at June 30, 2007 - restated | 210,000,000 | 61,591,444 | 7,300,000 | (6,563,101) | 15,009,183 | 287,337,526 |
| Profit distribution in cash | - | - | - | - | (12,600,000) | (12,600,000) |
| Profit for the year | - | - | - | - | 31,991,789 | 31,991,789 |
| Share of associate's incremental depreciation on account of revaluation of fixed assets | - | - | - | - | 170,491 | 170,491 |
| Transfer to general reserve | - | - | 500,000 | - | (500,000) | - |
| Unrealized (loss) on remeasurement of available for sale investments | - | - | - | (12,059,059) | - | (12,059,059) |
| Balance as at June 30, 2008 | 210,000,000 | 61,591,444 | 7,800,000 | (18,622,160) | 34,071,463 | 294,840,747 |

* 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.

The annexed notes 1 to 51 form an integral part of these financial statements.


Chief Executive


Director


Director



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

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 musharikhah, murabaha, musawamah, equity investment, Ijarah 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 approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (the Ordinance) and the Modaraba Companies and Modaraba Rules, 1981 (the Rules). Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) as are notified under the provisions of Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance 1984, or the Ordinance or the Rules, shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 10 of 2004 dated February 13, 2004 has deferred the application of IAS 17 "Leases" till further orders.

2.1 SECP has adopted the Islamic Financial Accounting Standard (IFAS) 1 "Murabaha" through notification dated August 24, 2005, issued by the Institute of Chartered Accountants of Pakistan, effective for financial periods beginning on or after 1 January 2006. Modaraba has adopted this standard and will apply it for future Murabaha transactions. Modaraba has accordingly changed its accounting policy for revenue recognition and associated assets in relation to disbursement of fresh Murabaha Finance (refer note 3.1).

2.2 In addition, SECP has also notified Islamic Financial Accounting Standard (IFAS) 2 "Ijarah" issued by the Institute of Chartered Accountants of Pakistan. This standard is operative for financial statements covering the period beginning on or after 1 July, 2007 and is required to be followed on those Ijarahs which commence after the above mentioned date. Consequently, Modaraba has changed its accounting policy to comply with the requirements of IFAS 2 (refer note 3.2).

The adoption of above two IFASs has been dealt in accordance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However adoption of these standards have no impact on financial statements of the Modaraba due to adoption of IFAS 1 and IFAS 2 except as mentioned above.

2.3 Standards, amendments and interpretations in current year but not yet effective:

Certain amendments in IAS 1 'Presentation of financial statements' have been published in September 2007 which revise the existing IAS 1 and require apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owner in comprehensive income statement. The revised standard will be effective from April 1, 2009. Adoption of the revised standard will only impact the presentation of financial statements.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

Following other standards and interpretations have been issued but are not effective. Consequently, respective requirements have not been followed while preparing these financial statements.

| | | Effective dates |
|--------------------------------------|----------|------------------------|
| Amendments to IAS 23 Borrowing Costs | IAS 23 | 01 January 2009 |
| Customer Loyalty Programmes | IFRIC 13 | 01 July 2008 |
| Financial instruments: Disclosure | IFRS 7 | 01 July 2008 |
| Operating Segments | IFRS 8 | 01 January 2009 |

The company expects that the adoption of the above standards, amendments and interpretations will have no impact on the company's financial statement in the period of initial application.

3. CHANGES IN ACCOUNTING POLICIES**3.1 Revenue on Murabaha Finance**

Profit from Murabaha Finance is accounted for on culmination of Murabaha transaction. However, the profit on that portion of Murabaha Finance not due for payment is deferred by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognized on a time proportion basis (refer note 2.1). Previously, profit on Murabaha receivables was recognized on an accrual basis.

3.2 Assets leased out under Ijarah and Ijarah income

Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use. Cost including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as a expense. Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished (refer note 2.2). Previously, lease rental income was recognized on an accrual basis.

4. CORRECTION OF PRIOR PERIOD ERROR**4.1 Investment in associates**

In accordance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the financial statements for the year ended June 30, 2007 have been restated to correct the error with respect to the accounting for investment in associates (refer note 15.1) which was previously carried at market value instead of using the equity method.

The effect of restatement is increase / (decrease) in investment in associates by an amount of Rs. 2,872,662 {2007: Rs. (2,360,864)} a consequent decrease in unrealised loss / (profit) on remeasurement of available for sale investment by Rs. 2,753,362 {2007: Rs. (4,829,023)}, increase in profit for the year by Rs. 2,232,708 (2007: Rs. 1,145,772) and decrease in dividend income by Rs. 164,998 (2007: Rs. 109,999). The error has been corrected retrospectively and opening balance of retained earnings has been adjusted.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

4.2 Transaction cost of investments 'at fair value through profit or loss'

To comply with the requirements of IAS 39 "Financial Instrument: Recognition and Measurement", Modaraba has changed its policy for initial recognition of financial assets and liabilities. According to revised policy transaction costs incurred on financial assets and financial liabilities, other than at fair value through profit or loss, is added to the fair value of that asset or liability on initial recognition.

Transaction cost incurred on initial recognition had been erroneously included in the cost of financial assets designated 'at fair value through profit or loss.

Due to impracticability, comparative balances and retained earning of previous years have not been restated.

The effect of correction is a decrease in unrealized loss on remeasurement of investment at fair value through profit or loss by an amount of Rs. 42,668 and decrease in profit by the same amount.

5. BASIS OF MEASUREMENT

5.1 These financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are stated at fair value or amortized cost or cost as applicable.

5.2 These financial statements have been prepared under the accrual basis of accounting except for cash flow information.

6. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated (refer note 3).

6.1 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 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) Staff retirement benefits - gratuity (note 6.2)
- b) Useful lives of depreciable assets (note 6.3)
- c) Provision for income taxes (note 6.7)
- d) Impairment of assets (note 6.16)



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

6.2 Staff retirement benefits

The company operates an unfunded gratuity for all its employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of current valuation are summarized in note 23. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the planned assets at that date. These gains or losses are recognized over the expected remaining working lives of the employees.

6.3 Fixed assets

6.3.1 Assets in own use and depreciation

6.3.1.1 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, if any.

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 17.

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 end 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 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.

6.3.1.2 Intangible - computer software

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

6.3.2 Assets leased out under Ijarah and depreciation

Assets leased out under Ijarah are stated at cost less accumulated depreciation, if any. Depreciation is charged to income applying the annuity method whereby the depreciable value of assets is depreciated over the leased period.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

6.4 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.

6.5 Investments

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including the transaction cost associated with the investment, except in case of held for trading investments (if any) in which case these transaction cost are charged off to the profit and loss account. All regular way of purchases and sale of investments are recognized/derecognized on the trade date. These are classified and measured as follows:

6.5.1 Held to maturity

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.

6.5.2 Investment at fair value through profit or loss (held for trading)

Investment which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. After initial recognition, the above investments are remeasured at fair value determined with reference to the year-end rates quoted on the respective stock exchange. Gains or losses on investments on remeasurement of these investments are recognized in the profit and loss account currently.

6.5.3 Available for sale

These are the investments that are held for an undefined period that may be sold in response to the need for liquidity or changes in market rates. After initial recognition, these investments are remeasured at fair value. Surplus/deficit arising from re-measurement are taken to equity until the investments are sold/disposed-off or until the investments are determined to be impaired, at which time, accumulative gain or loss previously reported in the equity is included in the current year's profit and loss account.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are measured at cost.

6.5.4 Investment in associates

Investment in associates are carried using equity method of accounting.

6.6 Revenue recognition

- i) Sale of goods is recognized on dispatch of goods to customers.
- ii) Profit on musharikhah 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 determination of the actual rate. Unrealized musharikhah income is excluded from profit on musharikhah receivables in accordance with the requirements of Prudential Regulations for Modarabas.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

- iii) Profit from murabaha finance is accounted for on culmination of murabaha transaction. However, the profit on that portion of murabaha finance not due for payment is deferred by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognized on a time proportion basis. Unrealized murabaha income is excluded from profit on murabaha receivables in accordance with the requirement of Prudential Regulations for Modarabas.
- iv) Profit on musawamah receivables is recognized on an accrual basis, unrealized musawamah income is excluded from profit on musawamah receivables in accordance with the requirement of Prudential Regulations for Modarabas.
- v) Return on investment and deposits with banks are recognized on an accrual basis.
- vi) Ijarah / Lease rental income is recognized on an accrual basis.
- vii) Dividend income is recognized when the right to receive dividend is established.
- viii) Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

6.7 Income tax

6.7.1 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 is exempt from tax under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

6.7.2 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 utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

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

6.8 Borrowings

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

6.9 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.

6.10 Cash and cash equivalents

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.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

6.11 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.

6.12 Transactions with related parties

The Modaraba 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.

6.13 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.

6.14 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.

6.15 Profit distribution to certificates holders

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

6.16 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.

6.17 Segment reporting

A business segment is a distinguishable component of the Modaraba that is engaged in providing an individual product or service or a group of related products or services and that is subject to risk and returns that are different from those of other business segments. As the risk and rate of return are predominantly affected by difference in these products or services, the primary format for reporting segment information is based on business segment.

6.18 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 Pakistani Rupees, which is the Modaraba's functional and presentation currency.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

6.19 Level of precision

Figures have been rounded-off to the nearest rupee.

| | Note | 2008 Rupees | 2007 Rupees |
|--------------------------------------|------|-------------------|-------------------|
| 7. BANK BALANCES | | | |
| PLS accounts | | 8,845,410 | 61,042,252 |
| Current accounts | | 722,435 | 7,419,121 |
| | | <u>9,567,845</u> | <u>68,461,373</u> |
| 8. SHORT TERM INVESTMENTS | | | |
| At fair value through profit or loss | | | |
| Listed securities | 8.1 | <u>15,876,391</u> | <u>6,173,012</u> |

8.1 Listed securities

| 2008 | 2007 | | 2008 | 2007 |
|---------------|--------|---------------------------------------|-----------|-----------|
| No. of shares | | | Rupees | Rupees |
| | | Commercial Banks | | |
| 7,500 | - | The Bank of Punjab | 233,475 | - |
| 25,000 | - | Arif Habib Bank Limited | 479,500 | - |
| - | 357 | Habib Metropolitan Bank Limited | - | 27,489 |
| 63,600 | 10,000 | N.I.B. Bank Limited | 723,132 | 210,000 |
| 12,000 | - | Allied Bank Limited | 1,023,240 | - |
| 25,250 | 10,000 | Askari Bank Limited | 1,014,798 | 1,059,000 |
| 4,000 | - | MCB Bank Limited | 1,305,520 | - |
| 10,000 | - | Soneri Bank Limited | 248,400 | - |
| 2,500 | - | United Bank Limited | 212,725 | - |
| 5,500 | - | National Bank of Pakistan | 811,250 | - |
| | | Insurance | | |
| 2,600 | - | Atlas Insurance Company Limited | 203,866 | - |
| - | 7,000 | Habib Insurance Company Limited | - | 493,150 |
| - | 5,000 | EFU General Insurance Company Limited | - | 1,210,000 |
| | | Synthetic & Rayon | | |
| 162 | 162 | Dewan Salman Fiber Limited | 802 | 1,709 |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| 2008 | 2007 | | 2008 | 2007 |
|---------------|--------|--|-------------------|------------------|
| No. of shares | | | Rupees | Rupees |
| | | Cement | | |
| 10,000 | - | Pakistan Cement Company Limited | 68,000 | - |
| 30,000 | 25,000 | Maple Leaf Cement Factory Limited | 327,300 | 610,000 |
| 7,500 | 7,500 | Maple Leaf Cement Company Limited (Preference shares) | 63,300 | 60,000 |
| 10,000 | 25,000 | Fauji Cement Company Limited | 101,200 | 492,500 |
| 10,000 | - | Dewan Cement Company Limited | 122,600 | - |
| - | 25,000 | Zeal Pak Cement Limited | - | 135,000 |
| | | Refinery | | |
| 5,000 | - | Attock Refinery Limited | 1,249,400 | - |
| 35,000 | - | Bosicor Pakistan Limited | 469,000 | - |
| | | Oil & Gas Marketing Companies | | |
| 12,500 | - | Oil & Gas Development Corporation | 1,554,500 | - |
| 1,500 | - | Pakistan Petroleum Limited | 368,985 | - |
| 2,500 | - | Pakistan Oilfield Limited | 912,100 | - |
| | | Oil & Gas Exploration Companies | | |
| - | 500 | Mari Gas Company Limited | - | 87,500 |
| | | Power Generation & Distribution | | |
| 19,500 | - | The Hub Power Company Limited | 557,700 | - |
| 74,866 | 74,866 | Southern Electric Power Company Limited | 400,533 | 490,374 |
| 10,000 | - | Japan Power Generation Company Limited | 55,700 | - |
| | | Auto Mobile Assembler | | |
| - | 5,000 | Honda Atlas Cars (Pakistan) Limited | - | 316,000 |
| | | Auto Mobile Parts & Accessories | | |
| 5,000 | - | Agriauto Industires Limited | 413,750 | - |
| | | Technology and Communication | | |
| 10,000 | - | Pakistan Telecommunication Company Limited | 386,400 | - |
| 25,000 | - | TRG Pakistan Limited | 156,250 | - |
| | | Fertilizer | | |
| 25,000 | 10,000 | Fauji Fertilizer Bin Qasim Limited | 899,250 | 390,000 |
| 5,000 | - | Engro Chemicals Pakistan Limited | 1,404,050 | - |
| | | Chemicals | | |
| 25,000 | - | Pakistan PTA Limited | 105,750 | - |
| | | Pharmaceuticals | | |
| - | 15,303 | Searle Pakistan Limited | - | 585,340 |
| | | Modarabas | | |
| 500 | 500 | First Habib Bank Modaraba | 3,915 | 4,950 |
| | | | <u>15,876,391</u> | <u>6,173,012</u> |

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



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | Note | 2008 Rupees | 2007 Rupees |
|---|---|-------------------|-------------------|
| 9. TRADE DEBTS | | | |
| Considered good - unsecured | | 7,994,526 | 28,449,415 |
| Considered doubtful | | - | 2,748,501 |
| | | <u>7,994,526</u> | <u>31,197,916</u> |
| Provision for doubtful debt | | - | (2,748,501) |
| | | <u>7,994,526</u> | <u>28,449,415</u> |
| 10. MUSHARIKAH RECEIVABLES - Secured | | | |
| Musharika receivables | | 81,410,000 | 85,841,485 |
| Provision for musharika losses | | - | (5,809,511) |
| | | <u>81,410,000</u> | <u>80,031,974</u> |
| 10.1 | The Modaraba has entered into musharika agreements under which the Modaraba has provided funds on profit and loss sharing basis and for the period ranging between 90 to 180 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 12% to 14.81% (2007: 10% to 21%) per annum. | | |
| 11. MURABAHA RECEIVABLES - Secured | | | |
| Murabaha receivables | | - | 15,200,000 |
| Provision for murabaha losses | | - | (4,237,830) |
| | | <u>-</u> | <u>10,962,170</u> |
| 11.1 | This represents sale on deferred payments basis with specified expected profit margin and for the period ranging between 180 to 365 days. These were secured against hypothecation of stocks and trade receivables, demand promissory notes, personal guarantee of directors and proprietors and mortgage of properties. The rates of profit was Nil (2007: 10% to 13.50%) per annum. | | |
| 12. MUSAWAMAH RECEIVABLES - Secured | | | |
| Musawamah receivables | | <u>7,500,000</u> | <u>-</u> |
| 12.1 | 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, vehicles, demand promissory notes, personal guarantee of directors and proprietors and mortgage of properties. The expected rate(s) of profit is 21% (2007: Nil) per annum. | | |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | Note | 2008 Rupees | 2007 Rupees |
|--|--|-------------------|-------------------|
| 13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Advances - considered good | | | |
| to suppliers | | 1,055,528 | - |
| for expenses | | 94,792 | 72,742 |
| to staff | | 12,250 | 99,502 |
| Prepayments | | 366,501 | 596,535 |
| Dividend receivable | | 80,624 | 226,856 |
| Receivable from sale of listed securities | | - | 6,074,449 |
| Ijarah rental receivable | | 26,296 | - |
| Reposessed assets | 13.1 | 24,983,000 | - |
| Others | | 344,806 | - |
| | | <u>26,963,797</u> | <u>7,070,084</u> |
| 13.1 | This include property acquired through banking court decree against the non performing facilities. Mutation and physical possession of the property is in process. | | |
| 14. PROFIT RECEIVABLE | | | |
| Musharikhah receivable | | 3,669,316 | 6,542,938 |
| Musawamah receivable | | 57,247 | - |
| PLS bank account | | 268,394 | 257,924 |
| | | <u>3,994,957</u> | <u>6,800,862</u> |
| 15. INCOME TAX REFUNDABLE / PAID IN ADVANCE | | | |
| Income tax refundable | | 1,580,375 | 1,329,233 |
| Income tax deducted at source | | 17,573 | 251,142 |
| | | <u>1,597,948</u> | <u>1,580,375</u> |
| 16. STOCK-IN-TRADE | | | |
| Finished goods | | 40,180,902 | 5,149,142 |
| Semi finished goods | | - | 4,311 |
| Provision for slow moving stock | | (267,790) | (267,790) |
| | | <u>39,913,112</u> | <u>4,885,663</u> |
| 17. LONG TERM INVESTMENTS | | | |
| Available for sale | | | |
| Investment in associates | 17.1 | 10,675,228 | 7,964,082 |
| Other listed companies | 17.4 | 33,291,233 | 43,010,089 |
| | | <u>43,966,461</u> | <u>50,974,171</u> |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

17.1 Investment in associates

| | 2008 | | | |
|-----------------------------------|-----------------------------------|--------------------------------------|---|-------------------|
| | Al-Noor Sugar Mills Limited | Shah Murad Sugar Mills Limited | Reliance Insurance Company Limited | Total |
| Opening balance | 3,090,562 | 2,337,912 | 2,535,608 | 7,964,082 |
| Share of incremental depreciation | 110,632 | 59,859 | - | 170,491 |
| Share of profit of associate | 1,216,138 | 552,251 | 937,264 | 2,705,652 |
| | 1,326,770 | 612,110 | 937,264 | 2,876,143 |
| Dividend income | (164,998) | - | - | (164,998) |
| | <u>4,252,335</u> | <u>2,950,021</u> | <u>3,472,872</u> | <u>10,675,228</u> |
| | 2007 | | | |
| Opening balance | 2,615,027 | 2,259,178 | 1,745,047 | 6,619,253 |
| Share of incremental depreciation | 68,564 | 20,495 | - | 89,059 |
| Share of profit of associate | 516,970 | 58,238 | 790,561 | 1,365,769 |
| | 585,534 | 78,733 | 790,561 | 1,454,828 |
| Dividend income | (109,999) | - | - | (109,999) |
| | <u>3,090,562</u> | <u>2,337,912</u> | <u>2,535,608</u> | <u>7,964,082</u> |

17.2 Basis of significant influence

Name of Associate

Al-Noor Sugar Mills Limited
Shah Murad Sugar Mills Limited
Reliance Insurance Company Limited

Basis of significant influence

Common directorship
Common directorship
Common directorship



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2008

17.3 Summarized financial statements of associates:

| | 2008 | | |
|---|-----------------------------------|--------------------------------------|---------------------------------|
| | Al-Noor Sugar Mills Limited | Shah Murad Sugar Mills Limited | Chemicals Company Limited |
| | Rupees in '000 | | |
| Share capital - ordinary shares of Rs. 10 each | 185,703 | 211,187 | 176,225 |
| Total assets | 3,517,388 | 3,423,912 | 712,731 |
| Total liabilities | 2,470,378 | 2,877,091 | 398,014 |
| Net assets | 1,047,010 | 546,821 | 314,717 |
| Revenue | 2,015,524 | 1,778,596 | 58,526 |
| Profit for the year - after tax | 205,309 | 114,114 | 70,746 |
| | Rupees | | |
| Number of shares held | 110,000 | 102,203 | 233,468 |
| Cost of investment | 1,623,000 | 2,081,160 | 1,645,065 |
| Ownership interest | 0.59% | 0.48% | 1.32% |
| Market value of shares | 2,222,000 | 1,144,674 | 4,435,892 |
| Net book value | (599,000) | 936,486 | (2,790,827) |
| Financial results based on the information available as on | June 30, 2008 | June 30, 2008 | December 31, 2007 |
| | 2007 | | |
| | Rupees in '000 | | |
| Share capital - ordinary shares of Rs. 10 each | 185,703 | 211,187 | 176,225 |
| Total assets | 2,931,452 | 3,287,489 | 575,383 |
| Total liabilities | 1,937,676 | 2,825,059 | 331,412 |
| Net assets | 993,776 | 462,430 | 243,971 |
| Revenue | 1,749,055 | 1,005,173 | 315,020 |
| Profit for the year - after tax | 87,275 | 12,034 | 58,327 |
| | Rupees | | |
| Number of shares held | 110,000 | 102,203 | 179,591 |
| Cost of investment | 1,623,000 | 2,081,160 | 1,645,065 |
| Ownership interest | 0.59% | 0.48% | 1.36% |
| Market value of shares | 3,245,000 | 884,056 | 6,195,890 |
| Net book value | (1,622,000) | 1,197,104 | (4,550,825) |
| Financial results based on the information available as on | June 30, 2007 | June 30, 2007 | December 31, 2006 |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| 17.4 | Other listed companies | | | 2008 | 2007 |
|------|----------------------------------|---------|--|-------------------|-------------------|
| | 2008 | 2007 | | 2008 | 2007 |
| | No. of shares/units/certificates | | | Rupees | Rupees |
| | 493 | 493 | Sui Southern Gas Company Limited | 13,834 | 12,719 |
| | 10,000 | - | Sui Northern Gas Company Limited | 435,700 | - |
| | | | Oil & Gas Exploration Companies | | |
| | - | 10,000 | Pakistan Oil Fields Limited | - | 3,170,000 |
| | - | 70,963 | Oil & Gas Development Company Limited | - | 8,501,367 |
| | 1,000 | 10,000 | Pakistan Petroleum Limited | 245,990 | 2,624,500 |
| | 1,000 | - | Mari Gas Company Limited | 269,530 | - |
| | | | Engineering | | |
| | 500 | - | Sazgar Engineering | 55,485 | - |
| | 5,000 | - | Dost steels | 109,200 | - |
| | | | Automobile Assemblers | | |
| | 250 | 250 | Dewan Farooque Motors Limited | 1,727 | 3,975 |
| | 1,000 | - | Indus Motors Limited | 200,050 | - |
| | 1,000 | - | Pak Suzuki Motors Limited | 119,790 | - |
| | | | Technology & Communication | | |
| | 82,500 | 62,500 | Pakistan Telecommunication Company Limited | 3,187,654 | 3,562,500 |
| | 13,950 | 13,950 | Callmate Telips Telecommunication | 54,963 | 690,527 |
| | 25,000 | - | Worldcall Telecommunication | 363,000 | - |
| | 10,000 | - | Telecard Limited | 63,600 | - |
| | 25,000 | - | TRG Pakistan Limited | 156,250 | - |
| | | | Fertilizer | | |
| | 5,500 | - | Engro Chemical Pakistan Limited | 1,544,455 | - |
| | 7,500 | 11,507 | Fauji Fertilizer Company Limited | 992,400 | 1,395,224 |
| | 20,412 | 150,912 | Fauji Fertilizer Bin Qasim Limited | 734,220 | 5,885,568 |
| | | | Chemicals | | |
| | 5,000 | - | ICI Pakistan Limited | 806,850 | - |
| | | | Modaraba | | |
| | 35,000 | 35,000 | First National Bank Modaraba | 280,000 | 302,750 |
| | 6,000 | 6,000 | First Habib Bank Modaraba | 46,980 | 59,400 |
| | 19,000 | 19,000 | First Equity Modaraba | 56,050 | 91,200 |
| | 11,550 | 11,000 | Standard Chartered Modaraba | 138,600 | 149,600 |
| | | | | 33,291,233 | 43,010,089 |

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

| | Note | 2008 Rupees | 2007 Rupees |
|---------------------------------------|------|------------------|------------------|
| 18. LONG TERM DEPOSITS | | | |
| National Commodities Exchange Limited | | 2,500,000 | 2,500,000 |
| Other deposits | | 1,339,989 | 1,339,989 |
| | | 3,839,989 | 3,839,989 |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

19. FIXED ASSETS

19.1 Following is the statement of fixed assets:

| COST | Owned Assets | | | | | Sub Total | Assets leased out our Ijarah | | | Total |
|------|--------------|--------------------|---------------------------------|------------------------|----------|-----------|------------------------------|----------|-----------|-------|
| | Land | Computer Equipment | Office equipment and appliances | Furniture and Fixtures | Vehicles | | Machinery and Equipment | Vehicles | Sub Total | |

Rupees

Year ended June 30, 2007

| | | | | | | | | | | |
|-------------------------|------------|----------|----------|----------|-----------|------------|-------------|--------------|--------------|--------------|
| Opening net book value | 14,374,629 | 96,152 | 392,344 | 94,107 | 188,789 | 15,146,021 | 4,096,147 | 42,573,653 | 46,669,800 | 61,815,821 |
| Addition | - | 4,500 | 115,000 | 40,550 | 1,257,880 | 1,417,930 | - | 11,099,000 | 11,099,000 | 12,516,930 |
| Disposal | - | (63) | (20) | - | (96,517) | (96,600) | (950,800) | (2,227,872) | (3,178,672) | (3,275,272) |
| Depreciation charge | - | (74,374) | (70,121) | (19,738) | (174,589) | (338,822) | (2,080,933) | (12,181,674) | (14,262,607) | (14,601,429) |
| Closing net book amount | 14,374,629 | 26,215 | 437,203 | 114,919 | 1,175,563 | 16,128,529 | 1,064,414 | 39,263,107 | 40,327,521 | 56,456,050 |

As at June 30,2007

| | | | | | | | | | | |
|--------------------------|------------|-----------|-----------|-----------|-------------|-------------|-----------|--------------|--------------|--------------|
| Cost | 14,374,629 | 616,560 | 892,424 | 305,150 | 2,778,106 | 18,966,869 | 1,599,200 | 57,296,177 | 58,895,377 | 77,862,246 |
| Accumulated Depreciation | - | (590,345) | (455,221) | (190,231) | (1,602,543) | (2,838,340) | (534,786) | (18,033,070) | (18,567,856) | (21,406,196) |
| Net Book Value | 14,374,629 | 26,215 | 437,203 | 114,919 | 1,175,563 | 16,128,529 | 1,064,414 | 39,263,107 | 40,327,521 | 56,456,050 |

Year ended June 30, 2008

| | | | | | | | | | | |
|-------------------------|------------|----------|-----------|----------|-----------|------------|------------|--------------|--------------|--------------|
| Opening net book value | 14,374,629 | 26,215 | 437,203 | 114,919 | 1,175,563 | 16,128,529 | 1,064,414 | 39,263,107 | 40,327,521 | 56,456,050 |
| Addition | - | 135,235 | 134,700 | 80,000 | 1,750,753 | 2,100,688 | 11,100,000 | 30,365,999 | 41,465,999 | 43,566,687 |
| Disposal | - | (3) | (146,073) | (5) | (382,186) | (528,267) | (29,230) | (4,735,768) | (4,764,998) | (5,293,265) |
| Depreciation charge | - | (40,099) | (78,918) | (24,276) | (436,258) | (579,551) | (876,473) | (17,240,989) | (18,117,462) | (18,697,013) |
| Closing net book amount | 14,374,629 | 121,348 | 346,912 | 170,638 | 2,107,872 | 17,121,399 | 11,258,711 | 47,652,349 | 58,911,060 | 76,032,459 |

As at June 30, 2008

| | | | | | | | | | | |
|--------------------------|------------|-----------|-----------|-----------|-----------|-------------|-------------|--------------|--------------|--------------|
| Cost | 14,374,629 | 588,295 | 656,490 | 366,350 | 2,959,909 | 18,945,673 | 12,406,000 | 76,820,099 | 89,226,099 | 108,171,772 |
| Accumulated Depreciation | - | (466,947) | (309,578) | (195,712) | (852,037) | (1,824,274) | (1,147,289) | (29,167,750) | (30,315,039) | (32,139,313) |
| Net Book Value | 14,374,629 | 121,348 | 346,912 | 170,638 | 2,107,872 | 17,121,399 | 11,258,711 | 47,652,349 | 58,911,060 | 76,032,459 |

Depreciation Rate 30% 10%-30% 10% 20%

19.2 Details of disposals of fixed assets to executives and other major disposals are as follows:

| Description | Cost | Accumulated Depreciation | Net Book Value | Sale Proceeds | Gain/(Loss) | Mode of disposal | Particulars of purchaser |
|---------------------------------|-----------|--------------------------|----------------|---------------|-------------|------------------|--|
| Honda Civic ADR-127 and CNG kit | 1,172,150 | 1,147,084 | 25,066 | 450,000 | 424,934 | Negotiation | Rukayya Naveed Ghaffar, Flat No. 306, Arif Arcade Bahadarabad, Karachi |
| Suzki Mehran LEJ-7604 | 396,800 | 39,680 | 357,120 | 362,000 | 4,880 | Negotiation | Mohammad Asif, H.No. 7, Street 45-C, Tajpora, Ghaziabad, Cantt. Lahore |
| Others | 338,150 | 202,227 | 135,923 | 35,000 | (100,923) | Negotiation | Various |
| Assets Written off | 214,784 | 204,537 | 10,247 | - | (10,247) | | |
| | 2,121,884 | 1,593,528 | 528,356 | 847,000 | 318,644 | | |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

20. MUSHARIKAH FINANCE - Secured

This represents musharika obtained from a non-banking finance company are musharika basis. The facility was secured by way of hypothecation charge on current assets of the Modaraba. Estimated musharika profit is Nil per annum. (2007: 12% per annum).

21. MURABAHA FINANCE - Secured

This represents finance arranged from various banks, at a purchase price of goods sold under murabaha. The arrangement was secured by way of pledge over stock and receivables and shares of listed companies having market value of Rs. Nil (2007: Rs. 19.255 million) as on balance sheet date. Sanctioned murabaha facility is of Rs. 75 million (2007: Rs. 100 million).

22. ISLAMIC EXPORT REFINANCE - Secured

This represents finance arranged from Al-Baraka Islamic Bank under Islamic Export Refinance Scheme (IERS) against negotiation/realization of relative export bills or 180 days from the date of each finance from own sources, whichever is earlier. The profit is paid at the rate of 7.50% (2007: 7.50%) per annum.

| | Note | 2008 Rupees | 2007 Rupees |
|---|------|--------------------|-------------------|
| 23. LONG TERM SECURITY DEPOSIT | | | |
| Long term security deposit | | 9,591,236 | 7,028,185 |
| Less: Current maturity | | <u>(3,306,450)</u> | <u>(440,220)</u> |
| | | <u>6,284,786</u> | <u>6,587,965</u> |
| 24. CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| Creditors | | 1,415,777 | 7,203,739 |
| Accrued expenses | | 2,532,437 | 2,647,914 |
| Other liabilities | | | |
| Custom duty / surcharge | 24.1 | 4,398,842 | 4,398,842 |
| Management fee payable | | 3,589,054 | 1,870,984 |
| Clearing and forwarding charges | | 458,900 | 458,900 |
| Advances form customers | | 8,342,766 | 2,494,270 |
| Advance Ijarah rentals | | 1,315,645 | 909,276 |
| Unclaimed profit distributions | | 566,504 | 526,473 |
| | | <u>22,619,925</u> | <u>20,510,398</u> |

- 24.1 In a suit filed with the Honorable High Court of Sindh, 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 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.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | Note | 2008 Rupees | 2007 Rupees |
|--|------|----------------|------------------|
| 25. PROFIT PAYABLE | | | |
| Return on US dollar deposit | 25.1 | 9,440 | 44,440 |
| Return on carry over transactions | 25.2 | 92,517 | 92,517 |
| Profit payable on murabaha finance | | - | 55,879 |
| Profit payable on musharikhah finance | | - | 900,000 |
| Profit payable on islamic export refinance | | 27,971 | 93,494 |
| | | <u>129,928</u> | <u>1,186,330</u> |

25.1 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.

25.2 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.

26. 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, 2008, 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:

| | | |
|--------------------------------------|--------------------------------|--------------------------------|
| | 2008 | 2007 |
| Discount rate | 12% | 9% |
| Expected increase in eligible salary | 11% | 8% |
| Mortality rate | EFU (61-66) mortality table | EFU (61-66) mortality table |
| Gratuity | <u>1,154,849</u> | <u>917,401</u> |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | 2008 Rupees | 2007 Rupees |
|---|--------------------|--------------------|
| 26.1 Movement in the liability recognized in the balance sheet | | |
| Balance sheet liability as on June 30, | 917,401 | 695,596 |
| Amount recognized during the year | 269,948 | 283,045 |
| Benefit payments | <u>(32,500)</u> | <u>(61,240)</u> |
| Balance sheet liability as on June 30, | <u>1,154,849</u> | <u>917,401</u> |
| 26.2 Charge to profit and loss | | |
| Current service cost | 269,948 | 283,045 |
| Interest cost | | |
| Asset charged due to application of IAS-19 | | |
| Total amount chargeable to profit and loss | <u>269,948</u> | <u>283,045</u> |
| 26.3 Balance sheet liability as on June 30, 2008 | | |
| Present value of defined benefit obligations as on June 30 | 1,154,849 | 917,401 |
| Actuarial gains to be recognized in later periods | | |
| Past service cost to be recognized in later periods | <u>1,154,849</u> | <u>917,401</u> |
| 27. CERTIFICATE CAPITAL | | |
| 27.1 Authorised certificate capital | | |
| 2008 2007 | | |
| No. of Certificates | | |
| <u>40,000,000</u> <u>40,000,000</u> Modaraba certificates of Rupees 10 each | <u>400,000,000</u> | <u>400,000,000</u> |
| 27.2 Issued, subscribed and paid-up capital | | |
| "Modaraba certificates of Rupees 10 each | | |
| 20,000,000 20,000,000 fully paid-up in cash" | 200,000,000 | 200,000,000 |
| "Modaraba certificates issued as fully | | |
| <u>1,000,000</u> <u>1,000,000</u> paid-up bonus certificates" | <u>10,000,000</u> | <u>10,000,000</u> |
| <u>21,000,000</u> <u>21,000,000</u> | <u>210,000,000</u> | <u>210,000,000</u> |
| 27.3 Capital management policies and procedures | | |
| The Modaraba's objective when managing capital are: | | |
| - to safe guard its ability to continue as a going concern so that it can continue to provide returns to certificates holders and benefit other stakeholders; and | | |
| - to maintain a strong capital base to support the sustained development of its business. | | |



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2008

The modaraba 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 the capital structure, the modaraba issued further shares certificates during the year.

The modaraba's capital includes share certificates, reserves, accumulated profit or loss and surplus on revaluation of investments classified as 'available for sale'. As at balance sheet date the capital of the modaraba is as follows:

| | 2008 Rupees | 2007 Rupees |
|--|---------------------|--------------------|
| Certificate capital | 210,000,000 | 210,000,000 |
| Reserves | 69,391,444 | 68,891,444 |
| Unappropriate profit | 34,071,463 | 15,009,183 |
| Unrealized (loss) on re-measurement of available for sale investments | <u>(18,622,160)</u> | <u>(6,563,101)</u> |
| | <u>294,840,747</u> | <u>287,337,526</u> |

28. CONTINGENCIES AND COMMITMENTS

Contingencies

- 28.1 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.
- 28.2 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.
- 28.3 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 Second Schedule of the Repealed 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.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

Commitments

- 28.4 An outstanding letter of credit for sale of rice through Al-Baraka Islamic Bank amounting to Rs. 2,829,133 (2007: Nil).

| | 2008 | 2007 |
|---|----------------------|----------------------|
| | Rupees | Rupees |
| 29. PROFIT FROM TRADING OPERATIONS | | |
| Sales | | |
| Local | 99,861,961 | 186,238,254 |
| Export | 42,975,791 | 24,544,107 |
| | <u>142,837,752</u> | <u>210,782,361</u> |
| Cost of sales | <u>(123,057,155)</u> | <u>(194,296,000)</u> |
| | <u>19,780,597</u> | <u>16,486,361</u> |
| 29.1 Cost of sales | | |
| Opening stock | 5,153,453 | 27,447,530 |
| Purchases | <u>153,898,574</u> | <u>168,423,267</u> |
| | <u>159,052,027</u> | <u>195,870,797</u> |
| Packing material consumed: | | |
| Opening stock | | |
| Purchases | <u>1,570,450</u> | <u>1,307,152</u> |
| | <u>1,570,450</u> | <u>1,307,152</u> |
| Less: Closing stock | | |
| | <u>1,570,450</u> | <u>1,307,152</u> |
| Export expenses | <u>2,615,580</u> | <u>2,271,504</u> |
| | <u>163,238,057</u> | <u>199,449,453</u> |
| Less: Closing stock of finished goods | <u>(40,180,902)</u> | <u>(5,153,453)</u> |
| | <u>123,057,155</u> | <u>194,296,000</u> |
| 30. INCOME ON MURABAHA RECEIVABLE | | |
| Income on murahaba receivable | 11,504 | 2,820,562 |
| Murahaba receivable income suspended | - | (1,890,000) |
| | <u>11,504</u> | <u>930,562</u> |
| 31. INCOME FROM INVESTMENTS | | |
| Gain on sale of securities | 6,576,099 | 1,949,012 |
| Dividend income | <u>2,067,408</u> | <u>2,408,071</u> |
| | <u>8,643,507</u> | <u>4,357,083</u> |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | Notes | 2008 Rupees | 2007 Rupees |
|---------------------------------------|-------|-------------------------|-------------------------|
| 32. OPERATING EXPENSES | | | |
| Salaries and other staff benefits | 32.1 | 3,907,151 | 2,974,591 |
| Rent, rates and taxes | | 653,297 | 442,719 |
| Postage and telephone | | 420,594 | 350,475 |
| Printing and stationery | | 191,680 | 149,807 |
| Fee and subscription | | 613,650 | 831,001 |
| Legal and professional charges | | 203,463 | 1,091,646 |
| Traveling and conveyance | | 318,720 | 275,826 |
| Entertainment | | 77,780 | 60,094 |
| Repair and maintenance | | 861,985 | 725,796 |
| Electricity and other utility charges | | 371,618 | 374,547 |
| Depreciation | 19.1 | 579,551 | 340,605 |
| Auditor's remuneration | 32.3 | 225,058 | 139,850 |
| Advertisement and publicity | | 45,700 | 50,459 |
| Zakat | | 47,276 | 65,847 |
| Storage and transportation charges | | 85,372 | 109,588 |
| Insurance | | 246,667 | 205,519 |
| Commission | | 42,668 | - |
| Others | | 520,694 | 1,037,029 |
| | | <u>9,412,924</u> | <u>9,225,399</u> |

32.1 This includes Rs. 466,679 (2007: Rs. 283,054) in respect of staff retirement benefits.

32.2 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:

| | 2008 | | | 2007 | | |
|-------------------------------------|-------------------------|-------------------------|-------------------------|------------------|------------------|------------------|
| | Officers | Employees | Total | Officers | Employees | Total |
| Salary | 1,777,762 | 804,129 | 2,581,891 | 846,660 | 984,800 | 1,831,460 |
| Benefit | 287,475 | 206,039 | 493,514 | 93,267 | 115,300 | 208,567 |
| Gratuity | 210,281 | 59,667 | 269,948 | 139,274 | 143,771 | 283,045 |
| EOBI | 13,248 | 9,936 | 23,184 | 95,820 | 82,380 | 178,200 |
| Group insurance | 98,679 | 30,575 | 129,254 | 64,818 | 46,001 | 110,819 |
| General services | - | 153,585 | 153,585 | - | 153,900 | 153,900 |
| Contract staff | - | 255,775 | 255,775 | - | 208,600 | 208,600 |
| | <u>2,387,445</u> | <u>1,519,706</u> | <u>3,907,151</u> | <u>1,239,839</u> | <u>1,734,752</u> | <u>2,974,591</u> |
| No. of persons as at end of year | <u>4</u> | <u>6</u> | <u>10</u> | <u>3</u> | <u>8</u> | <u>11</u> |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | 2008 Rupees | 2007 Rupees |
|---|-----------------------|--------------------|
| 33. PROVISION/(REVERSAL) OF PROVISION ON NON-PERFORMING ASSETS | | |
| Trade debts | 248,500 | 1,649,101 |
| Musharikhah and murabaha | <u>(317,110)</u> | <u>7,166,322</u> |
| | <u>(68,610)</u> | <u>8,815,423</u> |
| 34. FINANCIAL AND OTHER CHARGES | | |
| Profit on murabaha | 750,830 | 3,178,885 |
| Profit on musharikhah | 855,616 | 900,000 |
| Profit on islamic export refinance | 151,901 | 313,082 |
| Bank charges | 270,701 | 205,422 |
| Guarantee commission | <u>70,400</u> | <u>70,400</u> |
| | <u>2,099,448</u> | <u>4,668,789</u> |
| 35. OTHER INCOME | | |
| Documentation and other service charges | 232,500 | 205,430 |
| Profit on bank deposits | 912,834 | 459,365 |
| Foreign exchange difference | 1,088,649 | 31,013 |
| Profit on disposal of fixed asset | 318,644 | 150,613 |
| Insurance claim | 48,785 | 1,005,697 |
| Miscellaneous | <u>257,705</u> | <u>185,561</u> |
| | <u>2,859,117</u> | <u>2,037,679</u> |
| 36. INCOME TAX EXPENSES | | |
| Current | <u>309,699</u> | <u>182,633</u> |
| 36.1 Relation between tax expenses and accounting profit | | |
| Accounting profit for the current year | <u>32,301,488</u> | <u>16,684,149</u> |
| Tax on income @ 25% (2007: 25%) | 8,075,372 | 4,171,037 |
| Tax effect off - exempt income | <u>(7,765,673)</u> | <u>(3,988,404)</u> |
| | <u>309,699</u> | <u>182,633</u> |
| 37. EARNING PER CERTIFICATE - Basic and Diluted | | |
| Profit for the year | <u>31,991,789</u> | <u>17,801,995</u> |
| | Number of certificate | |
| Weighted average number of ordinary certificates | <u>21,000,000</u> | <u>21,000,000</u> |
| | Rupees | |
| Earnings per certificate | <u>1.52</u> | <u>0.85</u> |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | | 2008 Rupees | 2007 Rupees |
|---|------|---------------------|-------------------|
| 38. CASH FROM OPERATIONS AFTER WORKING CAPITAL CHANGES | | | |
| Profit before taxation | | 32,301,488 | 17,984,628 |
| Adjustments for: | | | |
| Income on musharikhah receivables | | (15,293,483) | (12,031,061) |
| Gain on sale of investment in listed securities | | (6,576,099) | (1,949,012) |
| Dividend income | | (2,067,408) | (2,408,071) |
| Income on musawamah investment | | (57,247) | - |
| Income on murabaha investment | | (11,504) | (930,562) |
| Profit on disposal of fixed assets | 19.2 | (318,644) | (150,613) |
| Profit on bank deposits | | (912,834) | (459,365) |
| Amortization on leased out / Ijarah assets | | 18,117,462 | 14,262,607 |
| Provision for doubtful debts | | (68,610) | 8,815,423 |
| Financial charges | | 2,099,448 | 4,668,789 |
| Depreciation | 19.1 | 579,551 | 340,605 |
| Provision for gratuity | 26 | 269,948 | - |
| Share of profit from associates | | (2,540,655) | (1,255,771) |
| Unrealized loss/(gain) on re measurement of investments in listed securities | | 7,296,271 | (979,967) |
| Operating profit before working capital changes | | 516,196 | 25,907,630 |
| (Increase)/Decrease in current assets | | | |
| Stock-in-trade | 16 | (35,027,449) | 22,294,077 |
| Trade debtors | 9 | 22,954,890 | - |
| Bills receivables | | (6,119,915) | (174,472) |
| Musharikhah investments | 10 | (1,060,916) | 38,591,580 |
| Murabaha investments | 11 | 10,962,170 | 9,700,000 |
| Musawamah investments | 12 | (7,500,000) | - |
| Advances, deposits, prepayments and other receivables | 13 | (22,792,961) | 12,300 |
| Profit receivable | 14 | 2,805,905 | (62,713) |
| Increase/(Decrease) in current liabilities | | | |
| Murabaha finance | 21 | (1,264,553) | (17,580,332) |
| Musharikhah finance | 20 | (7,500,000) | - |
| Islamic Export Refinance | 22 | (3,500,000) | 5,000,000 |
| Creditors, accrued expenses and other liabilities | 24 | 2,987,186 | 587,799 |
| Profit payable | 25 | (1,056,402) | (1,756,181) |
| Security deposits | 23 | 2,866,230 | (1,054,780) |
| | | (10,428,131) | 81,464,908 |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

| | | 2008 Rupees | 2007 Rupees |
|--|---|------------------|-------------------|
| 39. CASH AND CASH EQUIVALENTS | | | |
| Bank balances | 7 | <u>9,567,845</u> | <u>68,461,373</u> |
| 40. TRANSACTION WITH RELATED PARTIES | | | |
| <p>The related parties of the Modaraba comprise of management company, staff retirement funds, directors of management company and key management personnel. Transaction with related parties other than remuneration and benefits to officers and employees under the terms of their employment are as follows:</p> | | | |
| Modaraba Management Company | | | |
| Management fee | | <u>3,589,054</u> | <u>1,870,984</u> |
| Associated undertakings | | | |
| Guarantee commission accrued to MCB Bank Limited | | <u>70,400</u> | <u>70,400</u> |
| Insurance claims received from Reliance Insurance Company Limited | | <u>-</u> | <u>1,005,697</u> |
| Sharing of common expense charged during the year with Al-Noor Industries | | <u>360,000</u> | <u>360,000</u> |
| Other related parties (other than key management personnel) | | | |
| Contribution to staff gratuity fund | | <u>269,948</u> | <u>283,045</u> |
| | | | No. of shares |
| Associated undertakings | | | |
| Bonus shares of Reliance Insurance Company Limited | | <u>53,877</u> | <u>-</u> |



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

41. MATURITIES OF ASSETS AND LIABILITIES

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

| | 2008 | | | Total | 2007 |
|---|---------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| | Upto one year | One year to five years | Over five years | | Total |
| Assets | | | | | |
| Bank balances | 9,567,845 | - | - | 9,567,845 | 68,461,373 |
| Short term investments | 15,876,391 | - | - | 15,876,391 | 6,173,012 |
| Trade debtors | 7,994,526 | - | - | 7,994,526 | 28,449,415 |
| Bills receivable | 11,179,200 | - | - | 11,179,200 | 5,059,285 |
| Musharikhah receivables - secured | 81,410,000 | - | - | 81,410,000 | 80,031,974 |
| Murabaha receivables - secured | - | - | - | - | 10,962,170 |
| Musawamah receivables | 7,500,000 | - | - | 7,500,000 | - |
| Advances, deposits, prepayments and other receivables | 26,963,797 | - | - | 26,963,797 | 19,291,310 |
| Stock-in-trade | 39,913,112 | - | - | 39,913,112 | 4,885,663 |
| Long term investments | - | 43,966,461 | - | 43,966,461 | 49,495,046 |
| Long term deposits | - | 3,839,989 | - | 3,839,989 | 3,839,989 |
| Fixed assets | - | 61,657,830 | 14,374,629 | 76,032,459 | 56,456,020 |
| | <u>200,404,871</u> | <u>109,464,280</u> | <u>14,374,629</u> | <u>324,243,780</u> | <u>333,105,257</u> |
| Liabilities | | | | | |
| Musharikhah finance - secured | - | - | - | - | 7,500,000 |
| Morabaha Finance - secured | - | - | - | - | 1,264,553 |
| Islamic export refinance | 1,500,000 | - | - | 1,500,000 | 5,000,000 |
| Creditors, accrued and other liabilities | 22,619,925 | - | - | 22,619,925 | 20,510,398 |
| Deferred liability - staff gratuity | - | - | 1,154,849 | 1,154,849 | 917,401 |
| Long term security deposits | 3,306,450 | 6,284,786 | - | 9,591,236 | 7,028,185 |
| | <u>27,426,375</u> | <u>6,284,786</u> | <u>1,154,849</u> | <u>34,866,010</u> | <u>42,220,537</u> |
| Net assets - 2008 | <u>172,978,496</u> | <u>103,179,494</u> | <u>13,219,780</u> | <u>289,377,770</u> | <u>290,884,720</u> |
| Net assets - 2007 | <u>187,412,701</u> | <u>103,203,090</u> | <u>(917,401)</u> | <u>289,698,390</u> | |

42. 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 Modaraba'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.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2008

43. YIELD / PROFIT RATE RISK EXPOSURE

The information about Modaraba's exposure to yield rate risk as at June 30, 2008 based on contractual refinancing or maturity dates whichever is earlier, is as follows:

| Description | Effective yield / Profit risk %age | 2008 | | | | | | 2007 | |
|---|------------------------------------|--------------------|---------------------------------|----------------|-------------------|---------------------------------------|-------------------|--------------------|--------------------|
| | | Total | 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 | | | | | | | | | |
| Bank balances | 3.25% to 3.71% | 9,567,845 | 8,845,410 | - | 8,845,410 | 722,435 | - | 722,435 | 68,461,373 |
| Short term investments | - | 15,876,391 | - | - | - | 15,876,391 | - | 15,876,391 | 6,173,012 |
| Trade debtors | - | 7,994,526 | - | - | - | 7,994,526 | - | 7,994,526 | 28,449,415 |
| Bills receivable | - | 11,179,200 | - | - | - | 11,179,200 | - | 11,179,200 | 5,059,285 |
| Musharikhah receivables - secured | 12% to 14.81% | 81,410,000 | 81,410,000 | - | 81,410,000 | - | - | - | 80,031,974 |
| Murabaha receivables - secured | 10% to 13.5% | - | - | - | - | - | - | - | 10,962,170 |
| Musawamah receivables | 21% | 7,500,000 | 7,500,000 | - | 7,500,000 | - | - | - | - |
| Advances, deposits, prepayments and other receivables | - | 30,592,253 | - | - | - | 30,592,253 | - | 30,592,253 | 15,901,321 |
| Long term investments | - | 43,966,461 | - | - | - | 43,966,461 | 43,966,461 | 43,966,461 | 50,974,171 |
| Long term deposits | - | 3,839,989 | - | - | - | 3,839,989 | 3,839,989 | 3,839,989 | 3,389,989 |
| | | <u>211,926,665</u> | <u>97,755,410</u> | <u>-</u> | <u>97,755,410</u> | <u>66,364,805</u> | <u>47,806,450</u> | <u>114,171,255</u> | <u>269,402,710</u> |
| Liabilities | | | | | | | | | |
| Musharikhah finance - secured | 12% | - | - | - | - | - | - | - | 7,500,000 |
| Morabaha Finance - secured | 7.5% to 13.05% | - | - | - | - | - | - | - | 1,264,553 |
| Islamic export refinance | 7% | 1,500,000 | 1,500,000 | - | 1,500,000 | - | - | - | 5,000,000 |
| Security deposits | | 9,591,236 | - | - | - | 3,306,450 | 6,284,786 | 9,591,236 | 7,028,185 |
| Creditors and other liabilities | | 42,839,349 | - | - | - | 42,839,349 | - | 42,839,349 | 15,775,564 |
| | | <u>53,930,585</u> | <u>1,500,000</u> | <u>-</u> | <u>1,500,000</u> | <u>46,145,799</u> | <u>6,284,786</u> | <u>52,430,585</u> | <u>36,568,302</u> |
| On-balance sheet gap | | <u>157,996,080</u> | <u>96,255,410</u> | <u>-</u> | <u>96,255,410</u> | <u>20,219,006</u> | <u>41,521,664</u> | <u>61,740,670</u> | <u>232,834,408</u> |
| Non-financial assets | | 140,531,953 | | | | | | | |
| Non-financial liability | | 3,687,286 | | | | | | | |
| Total net assets | | <u>294,840,747</u> | | | | | | | |

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.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

44. 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 musharika, morabaha, musawamah financing and investments are indicated in the following table by the percentage of the total balance receivable from these parties in the specified industries/sectors.

| | 2008 | | 2007 | |
|------------------------------------|--------------------|-------------|--------------------|-------------|
| | Rupees | % | Rupees | % |
| Commercial banks | 11,424,669 | 4.34% | 4,442,739 | 1.62% |
| Non-Banking Financial Institutions | 4,085,656 | 1.55% | 52,164,275 | 19.04% |
| Textile composite | 55,696,415 | 21.17% | 27,992,899 | 10.22% |
| Trading | 94,984,230 | 36.11% | 26,594,703 | 9.70% |
| Sugar and allied industries | 3,373,828 | 1.28% | 4,129,056 | 1.51% |
| Fuel and energy | 7,558,333 | 2.87% | 5,077,874 | 1.85% |
| Chemical and pharmaceutical | 25,639,257 | 9.75% | 12,555,840 | 4.58% |
| Food and allied industries | 11,511,989 | 4.38% | 25,700,915 | 9.38% |
| Fertilizers | 4,170,179 | 1.59% | 7,280,792 | 2.66% |
| Cement | 3,375,502 | 1.28% | 4,773,500 | 1.74% |
| Insurance | 7,649,134 | 2.91% | 7,943,674 | 2.90% |
| Transport and communication | 5,597,932 | 2.13% | 7,373,027 | 2.69% |
| Oil and gas companies | 5,386,151 | 2.05% | 15,106,086 | 5.51% |
| Others miscellaneous | 22,599,252 | 8.59% | 72,898,095 | 26.60% |
| | <u>263,052,527</u> | <u>100%</u> | <u>274,033,475</u> | <u>100%</u> |

45. 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. 11,179,200 (2007: Rs. 5,059,285).

46. LIQUIDITY RISK

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



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

48. CORRESPONDING FIGURES

For the purpose of better presentation, following reclassifications have been done in the current year. Comparative figures have also been reclassified. These reclassifications affect relevant line items of cash flow statement. The reclassifications have no other effects.

| Particulars | From | To | Amount |
|--|---|---|-----------|
| Certain advances relating to leases are reclassified in the note | Trade debtors | Advances, deposits, prepayments and other receivables | 482,481 |
| Certain long term deposits are reclassified in the note | Advances, deposits, prepayments and other receivables | Long term deposits | 3,839,989 |
| Income tax refundable / paid in advance | Advances, deposits, prepayments and other receivables | As a separate line item on the face of balance sheet | 1,597,948 |
| Profit receivable | Advances, deposits, prepayments and other receivables | As a separate line item on the face of balance sheet | 3,994,957 |
| Profit payable | Creditors, accrued and other liabilities | As a separate line item on the face of balance sheet | 129,928 |
| Islamic export refinance | Morabaha finance - secured | As a separate line item on the face of balance sheet | 1,500,000 |

49. NUMBER OF EMPLOYEES

| | 2008 | 2007 |
|----------------|-----------|-----------|
| As at year end | <u>10</u> | <u>11</u> |

50. DATE OF AUTHORIZATION FOR ISSUE

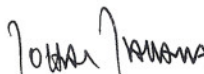
The financial statements were approved by the board of directors of the Modaraba Company and authorized for issue on September 16, 2008.

51. SUBSEQUENT EVENTS

The board in its meeting held on September 16, 2008 has approved the distribution of profit of Rs. 1.00 (10%) {2007: Rs. 0.60 (6.00%)} per certificate of Rs. 10 each.


Chief Executive


Director


Director



PATTERN OF HOLDING OF THE CERTIFICATE HELD BY THE CERTIFICATE HOLDERS AS AT 30-06-2008

| Number of Certificate Holders | Certificate Holding | | Total Certificates Held |
|-------------------------------|---------------------|-----------|-------------------------|
| | From | To | |
| 90 | 1 | 100 | 4,736 |
| 121 | 101 | 500 | 44,850 |
| 113 | 501 | 1,000 | 82,851 |
| 238 | 1,001 | 5,000 | 593,101 |
| 66 | 5,001 | 10,000 | 507,500 |
| 25 | 10,001 | 15,000 | 309,519 |
| 5 | 15,001 | 20,000 | 88,500 |
| 8 | 20,001 | 25,000 | 181,575 |
| 2 | 25,001 | 30,000 | 51,650 |
| 5 | 30,001 | 35,000 | 164,830 |
| 2 | 35,001 | 40,000 | 75,928 |
| 2 | 40,001 | 45,000 | 86,500 |
| 4 | 45,001 | 50,000 | 200,000 |
| 2 | 50,001 | 55,000 | 103,160 |
| 3 | 55,001 | 60,000 | 179,500 |
| 1 | 60,001 | 65,000 | 65,000 |
| 2 | 70,001 | 75,000 | 146,000 |
| 2 | 80,001 | 85,000 | 168,000 |
| 1 | 85,001 | 90,000 | 90,000 |
| 2 | 95,001 | 100,000 | 196,000 |
| 1 | 100,001 | 105,000 | 103,500 |
| 1 | 145,001 | 150,000 | 146,000 |
| 1 | 150,001 | 155,000 | 153,000 |
| 1 | 200,001 | 205,000 | 201,500 |
| 1 | 285,001 | 290,000 | 286,000 |
| 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 |
| 708 | | | 21,000,000 |

CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2008

| Categories of Certificate Holders | Numbers | Certificate Held | Percentage |
|-----------------------------------|------------|-------------------|--------------|
| 1 INDIVIDUALS | 675 | 5,822,220 | 27.72 % |
| 2 JOINT STOCK COMPANIES | 9 | 83,705 | 0.40 % |
| 3 MODARABA MANAGEMENT COS. | 1 | 4,200,000 | 20.00 % |
| 4 INVESTMENT COMPANIES | 3 | 202,125 | 0.96 % |
| 5 INSURANCE COMPANIES | 4 | 908,450 | 4.33 % |
| 6 FINANCIAL INSTITUTIONS | 6 | 9,664,500 | 46.02 % |
| 7 CO-OPERATIVE SOCIETIES | 2 | 105,000 | 0.50 % |
| 8 CHARITABLE TRUSTEES | 2 | 11,000 | 0.05 % |
| 9 OTHERS | 6 | 3,000 | 0.01 % |
| TOTAL: | 708 | 21,000,000 | 100 % |


**CATEGORIES OF CERTIFICATE HOLDING
AS AT JUNE 30, 2008**

| 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% |
| DIRECTORS , CEO & THEIR SPOUSES AND MINOR CHILDREN | – | – | – |
| 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 | 10 | 7,680,630 | 36.57% |
| JOINT STOCK COMPANIES | 9 | 83,705 | 0.40% |
| INVESTMENT COMPANIES | 3 | 202,125 | 0.96% |
| INDIVIDUALS | 675 | 5,822,220 | 27.72% |
| OTHERS | 6 | 3,000 | 0.01% |
| TOTAL:- | 708 | 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 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------------|---------|---------|---------|---------|-----------|---------|
| Paid up Capital | 210.000 | 210.000 | 210.000 | 210.000 | 210.000 | 210.000 |
| Certificate Holder Equity | 294.841 | 287.338 | 274.551 | 283.536 | 260.06109 | 252.902 |
| Current Liabilities | 27.556 | 35.902 | 51.065 | 69.884 | 76.713 | 40.002 |
| Fixed Assets | 76.032 | 56.456 | 61.818 | 36.025 | 32.681 | 21.817 |
| Current Assets | 205.998 | 219.474 | 217.139 | 267.368 | 278.414 | 270.745 |
| Operating Profit | 37.787 | 15.582 | 23.600 | 32.246 | 31.920 | 25.622 |
| Profit before Tax | 32.301 | 17.985 | 21.953 | 29.267 | 29.561 | 24.264 |
| Taxation | 0.310 | 0.183 | 0.943 | 0.127 | 0.309 | 0.180 |
| Profit after Tax | 31.992 | 17.802 | 21.010 | 29.140 | 29.251 | 27.083 |
| Dividend | 10.00% | 6.00% | 7.00% | 10.00% | 10.50% | 10.00% |
| Earning per Certificate | 1.52 | 0.85 | 1.00 | 1.39 | 1.39 | 1.29 |
| Break up Value | 14.04 | 13.68 | 13.07 | 13.50 | 12.38 | 12.04 |



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that ninth Annual Review Meeting of First Al-Noor Modaraba will be held on Monday, the 20th October, 2008 at 4:30 p.m. at the Registered Officer of the Modaraba at 96-A, Sindhi Muslim Co-Operative Housing Society, Karachi.

(ROOFI ABDUL RAZZAK)
COMPANY SECRETARY

Karachi : September 16, 2008

Note:

1. The Share Transfer Book of the Modaraba will remain closed from October 16, 2008 to October 28, 2008 (both days inclusive).
2. Certificate holders are requested to inform the Modaraba of any change in their address immediately.