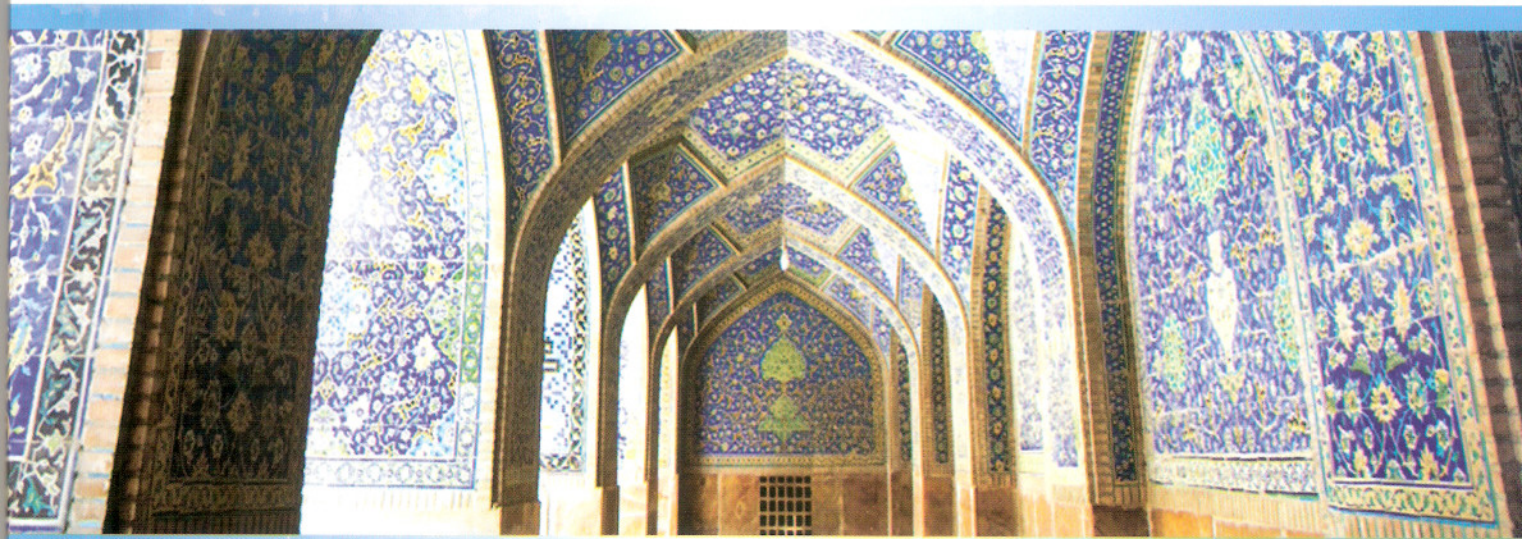


# ANNUAL REPORT 2012



**FIRST AL-NOOR  
MODARABA**

*(An Islamic Financial Institution)*



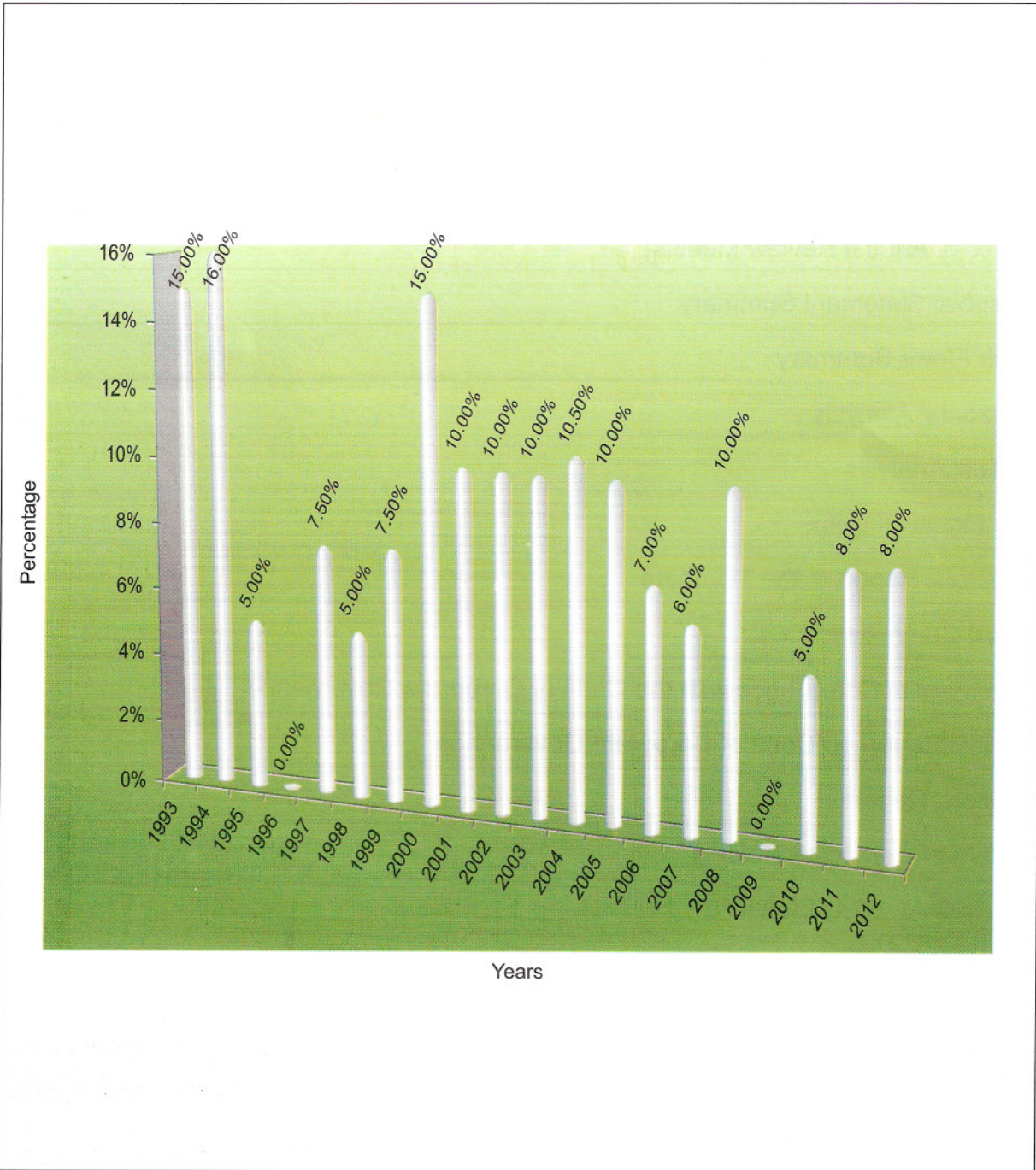
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## HISTORICAL DIVIDEND PAYOUT





## OUR VISION

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 stakeholders before making any business decision and to do that they should do concrete efforts to achieve their objectives.

## OUR MISSION

- ☞ 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 Ayooob	
Mr. Suleman Ayooob	
Mr. Aziz Ayooob	
Mr. Zohair Zakaria	
Mr. Zain Ayooob	

### **Auditors**

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

### **Bankers**

Al-Baraka Bank (Pakistan) Limited  
Meezan Bank Limited  
National Bank of Pakistan

### **Shariah Advisor**

Mufti Muhammad Ibrahim Essa

### **Registrar**

M/s Technology Trade (Private) Limited  
Dagia House, 241-C, Block 2, P.E.C.H Society  
Off. Shahrah-e-Faisal, Karachi  
Tel: 34391316-7 & 19 Fax: 34391318

### **Legal Advisor**

Muhammad Jamshed Malik  
Barrister-at-Law

### **Registered Office**

3rd Floor, 96-A, Sindhi Muslim Cooperative Housing  
Society, Karachi

### **Audit Committee**

Mr. Suleman Ayooob, Chairman  
Mr. Zohair Zakaria, Member  
Mr. Zain Ayooob, Member

### **Contact Details**

Telephone 34558268 ; 34552943 ; 34553067  
Fax: 34553137  
Webpage: [www.fanm.co](http://www.fanm.co)  
Email: [fam@fanm.co](mailto:fam@fanm.co)  
[fam@cyber.ner.pk](mailto:fam@cyber.ner.pk)

### **Company Secretary**

Mr. Roofi Abdul Razzak



## NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that thirteenth (13th) Annual Review Meeting of First Al-Noor Modaraba will be held on Monday, October 29, 2012 at 4:30 p.m. at the Registered Office of the Modaraba located at 96-A, Sindhi Muslim Co-operative Housing Society, Karachi.

By order of the Board  
**Roofi Abdul Razzak**

Company Secretary

Karachi : September 19, 2012

Note:

- 1 The Share Transfer Book of the Modaraba will remain closed from October 23, 2012 to November 7, 2012 (both days inclusive).
- 2 Certificate holders are requested to inform the Modaraba of any change in their address, if applicable, immediately.
- 3 Transfer(s) received in order at the close of business hours on or before October 22, 2012 with the share registrars of the company, Messrs. Technology Trade (Private) Limited, Dagia House, 241-C, Block 2, P.E.C.H Society, opp. Shahrah-e- Quaideen, Karachi will be considered in time for the purpose of transfer/change of address and for eligibility to attend the Annual Review Meeting.
4. In case of Individuals, the account holder(s) shall authenticate thier identity by showing original Computerized National Identity Card (CNIC).
5. In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

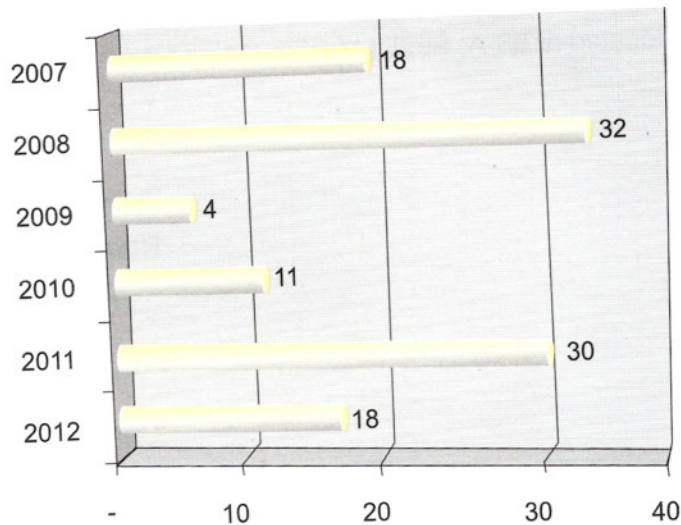




# FINANCIAL STATEMENT SUMMARY

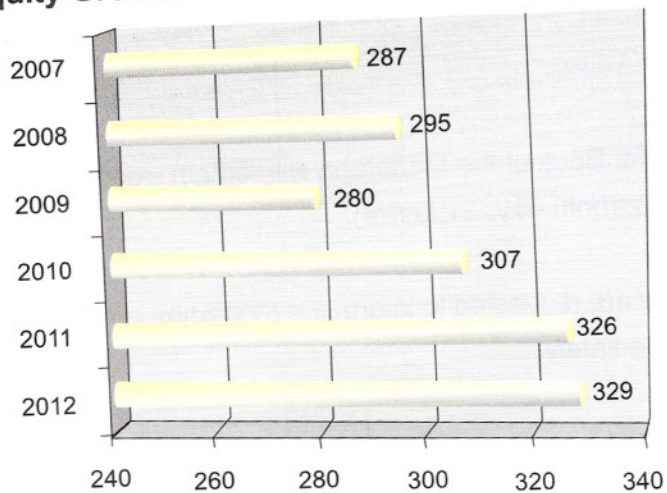
## Profit after tax

Rs. in millions



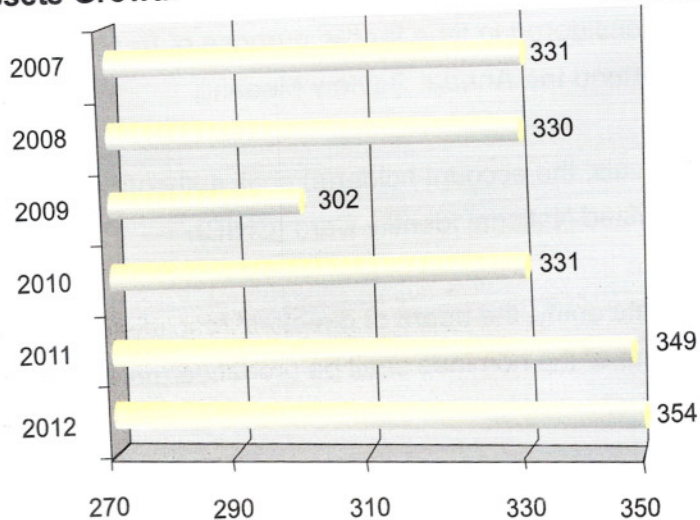
## Equity Growth

Rs. in millions



## Assets Growth

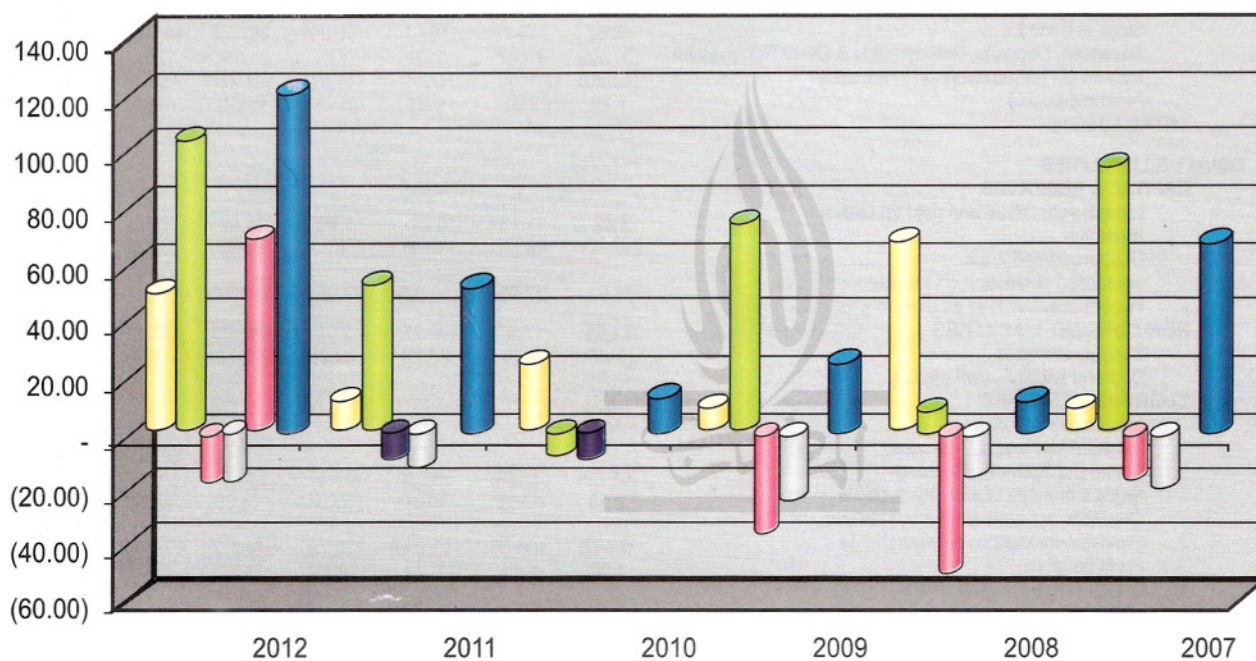
Rs. in millions



**SIX YEARS' CASH FLOWS SUMMARY**

(Rupees in millions)

	2012	2011	2010	2009	2008	2007
Cash & cash equivalents at beginning of year	<b>50.28</b>	11.40	24.48	9.57	68.46	9.75
Net Cash inflow/(outflow) from operating activities	<b>105.05</b>	53.27	(9.16)	74.37	7.09	94.59
Net Cash inflow/(outflow) from investing activities	<b>(17.45)</b>	(3.17)	(0.71)	(35.47)	(50.30)	(16.01)
Net Cash inflow/(outflow) from financing activities	<b>(17.16)</b>	(11.21)	(3.22)	(23.98)	(15.68)	(19.87)
Net increase/(decrease) in cash & cash equivalents	<b>70.44</b>	38.88	(13.08)	14.91	(58.89)	58.71
Cash & cash equivalents at the end of the year	<b>120.73</b>	50.28	11.40	24.48	9.57	68.46



<span style="color: yellow;">■</span> Cash & cash equivalents at beginning of year	<span style="color: red;">■</span> Net Cash inflow/(outflow) from operating activities
<span style="color: grey;">■</span> Net Cash inflow/(outflow) from investing activities	<span style="color: lightblue;">■</span> Net Cash inflow/(outflow) from financing activities
<span style="color: darkblue;">■</span> Net increase/(decrease) in cash & cash equivalents	<span style="color: green;">■</span> Cash & cash equivalents at the end of the year



**HORIZONTAL ANALYSIS****BALANCE SHEET (%)**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>NON-CURRENT ASSETS</b>						
<b>Fixed Assets - tangible</b>						
Long term deposits	-	-	-	0.35	-	175.47
Long term investment	(3.59)	11.67	(36.52)	(33.37)	(13.75)	(4.77)
Ijarah Assets	32.21	(17.13)	(32.83)	(24.09)	46.08	(13.59)
Fixed Assets in own use	(5.86)	(19.37)	3.03	145.68	6.16	6.47
<b>CURRENT ASSETS</b>	(68.72)	341.07	(53.44)	155.89	(86.02)	602.16
Bank balances	311.14	49.03	124.98	(29.21)	157.19	(19.80)
Short Term investments	-	-	-	(100.00)	1.72	(34.68)
Mushrikah receivables- secured	-	-	-	-	(100.00)	(54.19)
Murabaha receivables- secured	(43.22)	21.35	270.83	220.00	-	-
Musawamah receivables- secured	200.00	(92.36)	(7.09)	100.00	-	-
Modaraba receivables- secured	(100.00)	(65.71)	245.64	1,046.09	100.00	-
Ijarah rental receivable	100.00	0.00	0.00	(100.00)	(71.90)	546.93
Trade Receivables	(100.00)	11.31	(66.81)	(37.58)	120.96	3.57
Bills Receivable	(91.61)	60.42	(18.67)	(11.16)	716.94	(82.02)
Stock in trade	48.62	233.21	19.57	(95.29)	281.01	(49.45)
Advances, Deposits, Prepayments & Other Receivables	(31.92)	70.42	1.78	1.60	1.11	0.33
Income tax refundable/paid in advance	(40.28)	(18.57)	47.35	44.61	(41.26)	458.74
Profit receivable	1.39	5.61	9.73	(8.58)	(0.27)	(0.94)
<b>TOTAL ASSETS</b>						
<b>EQUITY &amp; LIABILITIES</b>						
<b>CAPITAL &amp; RESERVES</b>						
Issued, subscribed and paid up capital	-	-	-	-	-	-
Reserves	4.82	15.13	3.34	1.68	15.59	7.74
Unappropriated profit	(13.12)	48.18	146.17	(74.83)	58.80	(3.16)
unrealised diminution on remeasurement of investment classified as available for	36.03	32.20	(90.92)	(7.25)	183.74	(55.92)
<b>NON-CURRENT LIABILITIES</b>	71.85	(17.97)	(39.95)	7.75	585.06	31.89
Security Deposits	(9.27)	6.30	36.28	43.26	(82.47)	9.24
Deferred liability - staff gratuity	-	-	-	-	-	-
<b>CURRENT LIABILITIES</b>	-	-	-	(100.00)	(70.00)	-
Islamic export refinance	-	-	-	-	(100.00)	-
Musharikah Finance - Secured	-	-	-	-	(100.00)	(93.29)
Murabaha Finance - Secured	(65.89)	(32.59)	286.70	(67.52)	651.09	(70.55)
Current maturity of security deposits	2.58	13.15	15.30	(56.58)	13.09	(6.39)
Creditors, accrued and other liabilities	-	-	-	-	-	-
Provision for custom duty/surcharge	100.00	100.00	(100.00)	(74.76)	(89.05)	(32.45)
Profit payable	1.39	5.61	9.73	(8.58)	(0.27)	(0.52)
<b>TOTAL EQUITIES &amp; LIABILITIES</b>						
<b>PROFIT &amp; LOSS ACCOUNT (%)</b>						
Profit on trading operations	(13.25)	42.52	(33.04)	(23.43)	19.98	526.51
Income on musharikah receivables	-	-	(100.00)	(58.16)	27.12	(26.44)
Income on murabaha receivables	-	-	-	(100.00)	(98.76)	(48.67)
Income on musawamah receivables	(54.83)	52.80	76.48	9,988.90	100.00	-
Income on modaraba receivables	(36.51)	(69.46)	77.82	100.00	-	-
Income from Ijarah	6.88	(32.42)	(12.60)	11.47	21.35	97.88
Income from investments	69.66	44.88	225.31	(79.18)	98.38	(72.06)
Operating Expenses	(11.75)	39.85	18.79	24.53	2.03	20.03
(Provision)/Reversal of provision on non-performing assets	-	-	-	(100.00)	(0.78)	95.70
Financial and other charges	(76.11)	(71.55)	14.68	44.44	(55.03)	62.61
Other Income	(66.70)	144.75	(30.54)	12.92	40.31	99.05
unrealized gain/(loss) on remeasurement of investments classified at fair value through profit / loss	(644.38)	(127.74)	(77.06)	(2.81)	(844.54)	(523.67)
Impairment loss on re-measurement of investment in listed securities classified as available for sale	-	(100.00)	(28.26)	100.00	-	-
Share of profit from associates	(97.60)	206.44	82.49	(74.94)	102.32	100.00
Modaraba Company's management fee	(36.33)	164.57	153.37	(85.85)	91.83	(23.30)
Income tax expenses	490.03	(33.53)	(36.73)	18.65	69.57	(80.64)
Provision for workers welfare fund	(36.33)	89.70	100.00	-	-	-
Profit for the year	(39.05)	170.89	162.45	(86.86)	79.71	(15.27)



## VERTICAL ANALYSIS

### BALANCE SHEET ITEMS

ASSETS	2012	2011	2010	2009	2008	2007
<b>NON-CURRENT ASSETS</b>						
<b>Fixed Assets - tangible</b>						
Long term deposits	1.09	1.10	1.16	1.28	1.16	1.16
Long term investment	5.65	5.94	5.62	9.72	13.33	15.41
Ijarah Assets	9.29	7.12	9.08	14.83	17.86	12.19
Fixed Assets in own use	9.29	10.00	13.10	13.95	5.19	4.88
<b>CURRENT ASSETS</b>	4.44	14.39	3.45	8.12	2.90	20.70
Bank balances	43.73	10.78	7.64	3.73	4.81	1.87
Short Term investments	-	-	-	-	24.68	24.20
Mushrikah receivables- secured	-	-	-	-	-	3.31
Murabaha receivables- secured	17.31	30.91	26.90	7.96	2.27	-
Musawamah receivables- secured	4.23	1.43	19.79	23.37	-	-
Modaraba receivables- secured	-	0.10	0.31	0.10	0.01	-
Ijarah rental receivable	0.05	-	-	-	2.42	8.60
Trade Receivables	-	0.74	0.70	2.31	3.39	1.53
Bills Receivable	1.10	13.24	8.72	11.76	12.10	1.48
Stock in trade	2.12	1.45	0.46	0.42	8.17	2.14
Advances, Deposits, Prepayments & Other Receivables	0.54	0.81	0.50	0.54	0.48	0.48
Income tax refundable/paid in advance	1.17	1.98	2.57	1.92	1.21	2.06
Profit receivable	100	100	100	100	100	100
<b>TOTAL ASSETS</b>						
<b>EQUITY &amp; LIABILITIES</b>						
<b>CAPITAL &amp; RESERVES</b>						
Issued, subscribed and paid up capital	59.27	60.10	63.47	69.64	63.67	63.49
Reserves	28.50	27.57	25.29	26.85	24.14	20.83
Unappropriated profit	5.36	6.26	4.46	1.99	7.23	4.54
unrealised diminution on remeasurement of investment classified as available for	(0.37)	(0.59)	(0.47)	(5.73)	(5.65)	(1.98)
<b>NON-CURRENT LIABILITIES</b>	1.62	0.95	1.23	2.25	1.91	0.28
Security Deposits	0.61	0.69	0.68	0.55	0.35	1.99
Deferred liability - staff gratuity						
<b>CURRENT LIABILITIES</b>					0.45	1.51
Islamic export refinance	-	-	-	-	-	2.27
Musharikah Finance - Secured	-	-	-	-	-	0.38
Murabaha Finance - Secured	-	-	-	-	-	0.13
Current maturity of security deposits	0.27	0.80	1.25	0.36	1.00	4.87
Creditors, accrued and other liabilities	2.99	2.95	2.76	2.62	5.52	1.33
Provision for custom duty/surcharge	1.24	1.26	1.33	1.46	1.33	0.36
Profit payable	0.50	0.01	-	0.01	0.04	
<b>TOTAL EQUITIES &amp; LIABILITIES</b>	100	100	100	100	100	100
<b>PROFIT &amp; LOSS ACCOUNT ITEMS</b>						
Profit on trading operations	31.63	32.11	24.70	37.34	40.18	43.05
Income on musharikah receivables	-	-	-	15.77	31.06	31.42
Income on murabaha receivables	-	-	-	-	0.02	2.43
Income on musawamah receivables	17.74	34.60	24.83	14.24	0.12	-
Income on modaraba receivables	4.68	6.49	23.29	13.26	-	-
Income from Ijarah	9.66	7.96	12.92	14.96	11.06	11.72
Income from investments	36.29	18.84	14.26	4.44	17.56	11.38
Gross Revenue	100	100	100	100	100	100
Operating Expenses	(43.35)	(43.26)	(33.92)	(28.89)	(19.12)	(24.09)
(Provision)/Reversal of provision on non-performing assets	(0.00)	(0.00)	(0.00)	(0.00)	0.14	(23.02)
Financial and other charges	(0.60)	(2.20)	(8.47)	(7.48)	(4.26)	(12.19)
Other Income	4.61	12.19	5.46	7.96	5.81	5.32
unrealized gain/(loss) on remeasurement of investments classified at fair value through profit / loss	(6.20)	1.00	(3.96)	(17.48)	(14.82)	2.56
Impairment loss on re-measurement of investment in listed securities classified as available for sale	0.00	0.00	(30.59)	(43.16)	-	-
Share of profit from associates	0.22	7.91	2.83	1.57	5.16	3.28
Modaraba Company's management fee	(5.47)	(7.56)	(3.14)	(1.25)	(7.29)	(4.89)
Income tax expenses	(2.30)	(0.34)	(0.57)	(0.91)	(0.63)	(0.48)
Provision for workers welfare fund	(0.97)	(1.33)	(0.77)	-	-	-
Profit for the year	45.95	66.41	26.88	10.36	64.98	46.49





## KEY FINANCIAL DATA SIX YEARS` AT A GLANCE

(Rupees in millions)

KEY FINANCIAL DATA	2012	2011	2010	2009	2008	2007
<b>Total Assets</b>	<b>354.30</b>	<b>349.43</b>	<b>330.87</b>	<b>301.54</b>	<b>329.84</b>	<b>330.74</b>
Fixed Assets (owned)	32.90	34.94	43.34	42.06	17.12	16.13
Fixed Assets (ijarah)	32.91	24.89	30.04	44.72	58.91	40.33
Other Non Current Assets	23.87	24.62	22.45	33.15	47.81	54.81
Current Assets	264.61	264.97	235.04	181.61	206.00	219.47
<b>Total Liabilities</b>	<b>25.64</b>	<b>23.29</b>	<b>24.00</b>	<b>21.84</b>	<b>35.00</b>	<b>43.41</b>
Current Liabilities	17.73	17.56	17.67	13.42	27.56	35.90
Non Current Liabilities	7.91	5.73	6.32	8.43	7.44	7.51
<b>Total Equity</b>	<b>328.66</b>	<b>326.14</b>	<b>306.87</b>	<b>279.70</b>	<b>294.84</b>	<b>287.34</b>
Reserves	100.98	96.33	83.68	80.97	79.63	68.89
Certificate Holders' Equity	210.00	210.00	210.00	210.00	210.00	210.00
Unappropriated	17.68	19.81	13.20	(11.27)	5.21	8.45
Gross Revenue	41.48	50.50	43.30	43.80	52.09	40.33
Net Revenue	18.22	29.89	11.03	4.20	31.99	17.80
Earning per Certificate - Rs. 10/- each	0.87	1.42	0.53	0.20	1.52	0.85
Cash dividend (%)	8.00	8.00	5.00	0.00	10.00	6.00

(Rupees in millions)

STAKEHOLDER INFORMATION	2012	2011	2010	2009	2008	2007
Profit after tax ratio (%)	<b>43.93</b>	59.19	25.49	32.61	40.11	44.14
Return on assets	<b>5.14</b>	8.55	3.34	5.38	6.32	5.38
Return on equity	<b>5.54</b>	9.17	3.60	6.06	7.26	6.20
Return on capital employed	<b>8.68</b>	14.23	5.25	8.48	10.00	8.48
Assets Turnover Ratio (%)	<b>19.45</b>	11.69	29.98	18.58	15.83	18.58
Current ratio	<b>14.92</b>	15.09	13.30	6.11	4.24	6.11
Market Value per certificate (year end)						
High	<b>4.99</b>	4.00	2.95	3.45	3.90	4.45
Low	<b>4.25</b>	4.00	2.95	3.45	3.90	4.40
Closing	<b>4.90</b>	4.00	2.95	3.45	3.90	4.45
EPC (Earning per certificate)	<b>0.87</b>	1.42	0.53	0.20	1.52	0.85
Net assets per certificate	<b>15.65</b>	15.53	14.61	13.32	14.04	13.68
Earning asset to total assets ratio	<b>91.50</b>	91.29	88.25	87.00	95.64	95.65
Price earning ratio	<b>5.65</b>	2.81	5.61	17.23	2.56	5.25
Dividend Yield Ratio (%)	<b>17.98</b>	23.02	15.63	0.00	23.95	10.39
Cash Dividend (%)	<b>8.00</b>	8.00	5.00	0.00	10.00	6.00
Cash Dividend per certificate	<b>0.80</b>	0.80	0.50	-	1.00	0.60
Book Value per certificate	<b>15.65</b>	15.53	14.61	13.32	14.04	13.68



## TWENTIETH REPORT OF THE DIRECTORS OF MODARABA COMPANY FOR THE YEAR ENDED JUNE 30, 2012

I, on behalf of Board of Directors of Al-Noor Modaraba Management (Private) Limited, the "mudarib/management company" of First Al-Noor Modaraba (FAM), pleased to present the Eighteenth Annual Report together with the Audited Accounts of the company for the year ended June 30, 2012.

### FINANCIAL RESULTS

#### For the year ended

	June 30, 2012 Rupees	June 30, 2011 Rupees
Profit after taxation	18,218,798	29,892,423
Shares of associate's incremental depreciation on account of revaluation of fixed assets	353,764	378,731
Unappropriated profit brought forward	4,079,218	3,565,033
	<u>22,651,780</u>	<u>33,836,187</u>
<b>APPROPRIATIONS</b>		
Profit distribution @ 8.00% (2011 @ 8.00%)	(16,800,000)	(16,800,000)
Statutory Reserve @ 20% (2011 @ 40%)	(3,643,760)	(11,956,969)
General Reserve	-	(1,000,000)
	<u>(20,443,760)</u>	<u>(29,756,969)</u>
	<u>2,208,020</u>	<u>4,079,218</u>

#### Profit Distribution

The board in its meeting held on September 19, 2012, has approved the distribution of Rs. 0.80 (8.00%) {2011: Rs. 0.80 (8.00%)} per certificate of Rs. 10 each subject to deduction of zakat and tax at source, where applicable for the year ended June 30, 2012.

#### Review of Operations

Although, the Modaraba's performance in the financial year ended June 30, 2012 could not match the performance as in the preceding financial year, yet the same could be termed as fairly satisfactory, particularly keeping in view the overall unfriendly economic and business environment prevalent in the country. Moreover, it is also heartening to note that the Modaraba was able to achieve a favorable result, even after absorbing considerable losses due to compulsive implementation (under SECP's directives) of Shariah Compliant and Shariah Audit Mechanism introduced in the third quarter of the last financial year. It is also gives the Modaraba a sense of achievement that the Modaraba does not carry any non performing loan in its Islamic investment financing, as a consequence, it is not required to make any provisioning on any infected portfolio. The net profit of Rs. 18.219 million in the year ended June 30, 2012 has enabled the Modaraba to declare a fairly decent dividend of 8.00%.

#### Financial and Economic Review

The country's economic woes still continue. The following factors have been largely attributable to constrain the economy's ability to achieve sustainable recovery and growth:

- the slow progress in the prevailing security and economic conditions.
- high and persistent inflation.
- continuing fiscal slippages.
- unresolved power sector issue.
- high level of government borrowings from banks.





## TWENTIETH REPORT OF THE DIRECTORS OF MODARABA COMPANY FOR THE YEAR ENDED JUNE 30, 2012

### Future Outlook of the Modaraba

Although the Modaraba has always remained enthusiastic in making sizeable investments in the variety of Islamic modules introduced in the year 2008, but had to remain circumspect mainly due to the overall depressing economic environment prevalent in the country. The Modaraba has heretofore focused its financing to only a few products and that also to parties of repute. This pragmatic approach has thus far paid dividend.

Of late, the Modaraba has made a slight amendment in its strategy and in the current financial year it will chiefly concentrate on the trading portfolio in which it also enjoys a rich experience. This is ostensibly a sagacious move, specially keeping in view a huge quantum of increase in non performing loans in the books of the large commercial banks. For the time being, the Modaraba would also like to play safe. However, this renewed strategy will not become a permanent feature and will be strictly reviewed from time to time and in case the management does at any point in time realize that the economic conditions are conducive for financing/investment, it could then reformulate/revise its strategy and try to make a suitable product mix to maximize its profit and at the same time give maximum returns to its certificate holders.

The management is keen to remain steadfast in its policy to remain more quality business approach rather than quantity approach to achieve the respectable earnings for its certificate as well as all stake holders.

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



## TWENTIETH REPORT OF THE DIRECTORS OF MODARABA COMPANY FOR THE YEAR ENDED JUNE 30, 2012

Name of Director	Meetings Eligibility	Meetings Attended
Mr. Ismail H. Zakaria, Chairman	4	4
Mr. Jalaluddin Ahmed, Chief Executive	4	4
Mr. Yusuf Ayoob, Director	4	4
Mr. Suleman Ayoob, Director	4	2
Mr. A. Aziz Ayoob, Director	4	4
Mr. Zohair Zakaria, Director	4	4
Mr. Zain Ayoob, Director	4	4

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

### Pattern of Certificate Holding

A statement reflecting the pattern of holding of certificates as on June 30, 2012 is attached to the Annual Report.

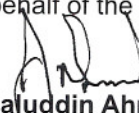
### Key Operating & Financial Data

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

### Auditors

The present auditors, Messrs. Rahman Sarfaraz Rahim Iqbal Rafiq & Company, Chartered Accountants (Member firm of Russell Bedford International) have offered themselves for re-appointment as the auditor of the Modaraba for the financial year ending June 30, 2013 subject to the approval of Registrar of Modaraba Companies & Modaraba.

On behalf of the Board

  
**Jalaluddin Ahmed**  
Chief Executive

Dated : September 19, 2012  
Place : Karachi





## AUDIT COMMITTEE

### Terms of Reference

#### Objectives

To provide a link between the Board and its external auditors, and to review the integrity of financial information and the effectiveness of the Company's internal controls, including the Company's internal audit function. The terms of reference of the audit committee have been developed on the lines laid down in the Code of Corporate Governance, 2002

These include:

#### Membership and Meetings

- 1 The Committee shall comprises majority of Non-Executive Directors;
- 2 The Committee shall appoint one of its members as Chairman of the Committee, provided that the Company's Chairman shall not act as Chairman of the Committee;
- 3 A Quorum will be two Directors.
- 4 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

#### Responsibilities

- (a) Determination of appropriate measures to safeguard the Company's assets.
- (b) To monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgments contained in them. In particular to review the half-year and annual financial statements and associated report before submission to the Board focusing on:
  - any changes in accounting policies and practices.
  - major judgmental and risk areas.
  - significant adjustments resulting from the audit.
  - the going concern assumption.
  - compliance with accounting standards.
  - compliance with listing regulations and other statutory and regulatory requirements.
- (c) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in absence of management, where necessary);
- (d) Review of management letter issued by external auditors and management's response thereto.
- (e) To make recommendations to the Board, for approval in general meeting, in respect of matters relating to:
  - the appointment or
  - re-appointment or
  - removal of the external auditor;
- (f) Ensuring coordination between the internal and external auditors of the company.
- (g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
- (h) Consideration of major finding of internal investigation and management's response thereto.
- (i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- (j) Review the company's statement of internal control system prior to endorsement by the board of directors.
- (k) Determination of compliance with relevant statutory requirements.
- (l) Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof and
- (m) Consideration of any other issue or matter as may be assigned by the board of directors.



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

This statement is being presented to comply with the Code Of Corporate Governance contained in 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 Board comprises seven directors, including the CEO. The company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes five non executive directors.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this management company.
3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Modaraba has prepared a Statement of Ethics and Business Practices, which has been signed by all directors and employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meeting of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Five of the directors met the criteria of exemption from taking orientation course under the condition of having 14 years of education and 15 years of experience on the Board of Directors of listed company. Further, The Board arranged orientation course for one of its directors during the year apprising them of their duties and responsibilities.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made
11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed. during the year.
12. The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.

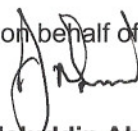




## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

13. The Directors, CEO and executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, two of which are non-executive Directors.
16. The Board has formed a Human Resource and Remuneration Committee. It comprises three members two of which are non executive directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has setup an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme 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 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period" prior to the announcement of interim / final results and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. The Modaraba has complied with all the major corporate and financial reporting requirements to the code. All related parties transactions has been reviewed and approved by the Board and are carried out as per agreed terms.
23. We confirm that all other material principles contained in the Code have been complied with except for the requirements pertaining to change in composition of Board of Directors or some of its committees.

For and on behalf of the Board

  
**Jalaluddin Ahmed**  
Chief Executive

Date : September 19, 2012



## REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE 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** ("the Management Company"), in respect of **FIRST AL NOOR MODARABA (the Modaraba)** to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and 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 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 the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the corporate governance procedures and risks.

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

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

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants

Karachi

Date: September 24, 2012





## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS OF FIRST AL-NOOR MODARABA

We have audited the annexed Balance Sheet of FIRST AL NOOR MODARABA (the Modaraba) as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of First 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 accounts and are further in agreement with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2012 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat as deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants  
Engagement Partner: **Muhammad Waseem**

Karachi  
Date: September 24, 2012



## PATTERN OF HOLDINGS OF THE CERTIFICATES HELD BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2012

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
95	1	100	3,711
93	101	500	35,100
110	501	1,000	80,664
203	1,001	5,000	493,750
46	5,001	10,000	351,624
21	10,001	15,000	261,417
4	15,001	20,000	69,500
8	20,001	25,000	177,601
3	25,001	30,000	86,640
3	30,001	35,000	98,680
1	35,001	40,000	36,435
2	40,001	45,000	86,776
2	45,001	50,000	100,000
1	50,001	55,000	51,660
1	55,001	60,000	60,000
3	60,001	65,000	190,001
1	70,001	75,000	74,000
1	80,001	85,000	84,000
2	95,001	100,000	198,472
2	100,001	105,000	208,000
2	105,001	110,000	218,100
1	120,001	125,000	124,180
1	145,001	150,000	146,000
1	195,001	200,000	200,000
1	200,001	215,000	212,226
1	300,001	305,000	302,500
1	310,001	315,000	310,276
1	385,001	390,000	386,600
1	410,001	415,000	414,000
1	460,001	465,000	463,547
1	520,001	525,000	521,220
1	565,001	570,000	569,900
1	1,030,001	1,035,000	1,034,440
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
620			21,000,000





## CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2012

Categories of Certificate Holders	Numbers	Certificate Held	Percentage
<b>BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS</b>			
National Bank of Pakistan - Trustee Department	1	1,034,440	
National Bank of Pakistan	1	98,472	
MCB Bank Limited - Treasury	1	5,553,270	
National Development Finance Corporation Investar	1	2,400	
subtotal		6,688,582	31.85%
<b>INSURANCE COMPANIES</b>			
EFU General Insurance Limited	1	130	
The Premier Insurance Company of Pakistan	1	500	
State Life Insurance Corporation of Pakistan	1	386,600	
subtotal		387,230	1.84%
<b>ASSOCIATED COMPANIES, UNDERTAKING &amp; RELATED PARTIES</b>			
Al-Noor Modaraba Management (Pvt) Ltd	1	4,200,000	
Reliance Insurance Company Ltd	1	521,220	
subtotal		4,721,220	22.48%
<b>NIT AND ICP</b>			
Investment Corporation of Pakistan		500	
subtotal		500	0.00%
<b>INDIVIDUALS</b>	587	6,101,495	29.05%
<b>OTHERS</b>	25	3,100,973	14.77%
<b>TOTAL:</b>	<b>620</b>	<b>21,000,000</b>	<b>100.00%</b>

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

Muslim Commercial Bank Limited	5,553,270	26.44%
Al-Noor Modaraba Management (Pvt.) Ltd	4,200,000	20.00%
Banker Equity Limited	2,005,830	9.55%
Ferozuddin A. Cassim	1,589,880	7.57%



# **FINANCIAL STATEMNETS**





# STATEMENT OF FINANCIAL POSITION

## AS AT JUNE 30, 2012

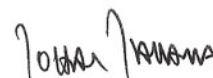
	Note	2012 Rupees	2011 Rupees
<b>Current assets</b>			
Cash and Bank balances	4	15,728,215	10,284,032
Short term investments	5.1	154,939,036	77,685,383
Musawamah receivables - secured	6	61,321,478	108,000,000
Modaraba receivables - secured	7	15,000,000	5,000,000
Profit receivable	8	4,139,915	6,931,782
Ijarah rental receivable		-	357,146
Bills receivable		-	2,578,076
Trade Debtors		171,500	-
Stock-in-trade	9	3,882,892	46,267,029
Advances, deposits, prepayments and other receivables	10	7,512,796	5,055,153
Income tax refundable / paid in advance	11	1,917,239	2,815,973
<b>Total current assets</b>		<b>264,813,071</b>	<b>264,974,574</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Long term deposits	12	3,853,589	3,853,589
Long term investments	5.3	20,021,159	20,767,147
Ijarah assets	13	32,911,971	24,892,945
Fixed assets in own use	14	32,897,369	34,944,483
<b>Total non-current assets</b>		<b>89,684,088</b>	<b>84,458,164</b>
<b>Total Assets</b>		<b>354,297,159</b>	<b>349,432,738</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current maturity of security deposits	15	954,850	2,799,010
Creditors, accrued and other liabilities	16	10,588,993	10,322,656
Provision for custom duty surcharge	17	4,398,842	4,398,842
Profit payable	18	1,787,738	39,636
<b>Total current liabilities</b>		<b>17,730,423</b>	<b>17,560,144</b>
<b>Non-current liabilities</b>			
Security deposits	15	5,732,842	3,336,007
Deferred liability - staff gratuity	19	2,174,651	2,396,843
<b>Total non-current liabilities</b>		<b>7,907,493</b>	<b>5,732,850</b>
<b>Total liabilities</b>		<b>25,637,916</b>	<b>23,292,994</b>
<b>NET ASSETS</b>		<b>328,659,243</b>	<b>326,139,744</b>
<b>REPRESENTED BY:</b>			
<b>CAPITAL AND RESERVES</b>			
Certificate Capital			
Authorised			
40,000,000 (June 30, 2011: 40,000,000) certificates			
of Rs 10/- each		400,000,000	400,000,000
Issued, subscribed and paidup capital	20	210,000,000	210,000,000
Reserves	21	100,977,411	96,333,651
Unappropriated profit		19,008,020	21,879,218
Unrealised diminution on remeasurement of investment classified as 'available for sale'- net		(1,326,188)	(2,073,125)
<b>Total capital and reserves</b>		<b>328,659,243</b>	<b>326,139,744</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

The annexed notes 1 to 45 form an integral part of these financial statements.

For Al Noor Modaraba Management (Private) Limited  
(Management Company)

  
Chief Executive

  
Director

  
Director



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

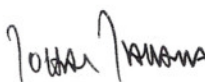
	Note	For the year ended June 30 2012 Rupees	For the year ended June 30 2011 Rupees
Profit from trading operation	23	12,539,066	14,454,615
Income on musawamah receivables		7,034,650	15,574,794
Income on modaraba receivables		1,853,962	2,920,049
Income from Ijarah	24	3,831,454	3,584,889
Income from investments	25	14,388,222	8,480,734
		<b>39,647,354</b>	<b>45,015,081</b>
Administrative and operating expenses	26	17,185,604	19,473,350
Financial and other charges	27	236,342	989,489
		<b>17,421,946</b>	<b>20,462,839</b>
<b>Operating profit</b>		<b>22,225,408</b>	<b>24,552,242</b>
Other income	28	1,827,679	5,489,028
		<b>24,053,087</b>	<b>30,041,270</b>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss	5.1.2	(2,457,203)	451,375
Share of profit from associates	5.3.1	85,490	3,560,579
		<b>21,681,374</b>	<b>34,053,224</b>
Modaraba management fee	29	(2,168,137)	(3,405,322)
		<b>19,513,237</b>	<b>30,647,902</b>
Workers welfare fund	30	(382,612)	(600,939)
<b>Profit before taxation</b>		<b>19,130,625</b>	<b>30,046,963</b>
Income tax expense	31	(911,827)	(154,539)
<b>Profit for the year</b>		<b>18,218,798</b>	<b>29,892,424</b>
Earnings per certificate - Basic and Diluted	32	<b>0.87</b>	<b>1.42</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

For Al Noor Modaraba Management (Private) Limited  
(Management Company)

  
Chief Executive

  
Director

  
Director





## STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Profit for the year		18,218,798	29,892,424
<b>Others comprehensive income</b>			
Unrealized gain/ (loss) on re-measurement of available of sale investment		778,312	(519,977)
Share in others comprehensive income of associate		(31,375)	15,075
Others comprehensive income		746,937	(504,902)
<b>Total comprehensive income</b>		<b>18,965,735</b>	<b>29,387,522</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

For Al Noor Modaraba Management (Private) Limited  
(Management Company)

  
Chief Executive

  
Director

  
Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

	Issued subscribed & paid capital Certificate Capital	Capital *Statutory Reserve	Reserve			Total
			Revenue reserve	Revenue Unappropriated profit	Other comprehensive income	
	Rupees					
Balance as at June 30, 2010	210,000,000	74,876,682	8,800,000	14,765,033	(1,568,223)	306,873,492
Share of associate's incremental depreciation on account of revaluation of fixed assets	-	-	-	378,731	-	378,731
Total comprehensive income for the year	-	-	-	29,892,423	(504,902)	29,387,521
Profit distribution in cash	-	-	-	(10,500,000)	-	(10,500,000)
Transfer to general reserve	-	-	700,000	(700,000)	-	-
Transfer to statutory reserve	-	11,956,969	-	(11,956,969)	-	-
<b>Balance as at June 30, 2011</b>	<b>210,000,000</b>	<b>86,833,651</b>	<b>9,500,000</b>	<b>21,879,218</b>	<b>(2,073,125)</b>	<b>326,139,744</b>
Share of associate's incremental depreciation on account of revaluation of fixed assets	-	-	-	353,764	-	353,764
Total comprehensive income for the year ended June 30, 2011	-	-	-	18,218,798	746,937	18,965,735
Profit distribution in cash	-	-	-	(16,800,000)	-	(16,800,000)
Transfer to general reserve	-	-	1,000,000	(1,000,000)	-	-
Transfer to statutory reserve	-	3,643,760	-	(3,643,760)	-	-
<b>Balance as at June 30, 2012</b>	<b>210,000,000</b>	<b>90,477,411</b>	<b>10,500,000</b>	<b>19,008,020</b>	<b>(1,326,188)</b>	<b>328,659,243</b>

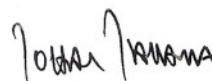
\* In accordance with the Prudential Regulations for Modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of the after tax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

The annexed notes 1 to 45 form integral part of these financial statements.

For Al Noor Modaraba Management (Private) Limited  
(Management Company)

  
Chief Executive

  
Director

  
Director





## STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2012

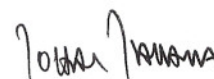
	Note	For the year ended June 30, 2012 Rupees	For the year ended June 30, 2011 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash from operations after working capital changes	34	95,929,650	35,561,255
Increase/(Decrease) in long-term security deposits		552,675	(2,083,978)
Income on musawamah receivable		9,804,657	12,568,015
Income on modaraba receivable		2,175,811	8,088,165
Income tax paid		(911,827)	(154,539)
Gratuity paid		(1,240,000)	(710,000)
<i>Net cash from operating activities</i>		<u>106,310,966</u>	<u>53,268,918</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to fixed assets			
- Own		(336,818)	(1,839,664)
- Ijarah		(23,274,336)	(10,493,553)
Sale proceeds on disposal of fixed assets			
- Own		1,250,000	11,465,000
- Ijarah		234,557	2,552,428
Dividend received		2,900,945	2,775,060
Profit on TDR received		7,251,337	1,443,836
Profit on certificates of islamic investment		460,630	
Profit on bank deposits		1,289,869	684,563
Purchase for investments in mutual funds		(7,500,000)	(2,500,000)
Purchase for investments in listed securities		(43,495,509)	(133,980,465)
Proceeds from sale of investments in listed securities		42,512,754	126,717,857
<i>Net cash (used in) investing activities</i>		<u>(18,706,571)</u>	<u>(3,174,938)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Profit paid to the certificate holders		(16,923,869)	(10,457,473)
Financial charges paid		(236,342)	(752,852)
<i>Net cash (used in) financing activities</i>		<u>(17,160,211)</u>	<u>(11,210,326)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>70,444,183</u>	<u>38,883,654</u>
Cash and cash equivalents at beginning of the year		50,284,032	11,400,377
<b>Cash and cash equivalents at end of the year</b>		<u>120,728,215</u>	<u>50,284,032</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

For Al Noor Modaraba Management (Private) Limited  
(Management Company)

  
Chief Executive

  
Director

  
Director



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

## 1 LEGAL STATUS AND NATURE OF BUSINESS

The First Al Noor Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and is managed by Al Noor Modaraba Management (Private) Limited, a company incorporated in Pakistan. The address of its registered office is 96-A, Sindhi Muslim Housing Society. 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 primarily engaged in ijarah financing, musharikhah, murabaha, musawamah, modaraba, equity investment, Ijarah and trading activities. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

### 2.2 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in year beginning from July 01, 2011 and are relevant to the Company:

- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

- Amendments to "IFRS 7 Financial Instruments", Applies to annual periods beginning on or after 1 July 2011 The amendments introduced additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), Applicable to annual periods beginning on or after 1 January 2012 Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporated into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

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





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

- b) Standards, amendments to published standards and interpretations that are effective in 2011 but not relevant to the Company

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

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

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

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

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

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after 1 January 2013



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

- IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013, is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction

- IAS 34 Interim Financial Reporting is amended, Applicable to annual periods beginning on or after 1 January 2013, to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

### 2.3 Applicability of International Accounting Standard 17 'Leases'

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

### 2.4 Islamic Financial Accounting Standard - 1

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

### 2.5 Islamic Financial Accounting Standard - 2

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

- Mujir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.
- SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after July 1, 2008.

### 2.6 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments classified as financial assets 'at fair value through profit or loss' or 'available for sale' have been marked to market and certain staff retirement benefits are carried at present value of defined benefit obligation.

### 2.7 Functional and presentation currency

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





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 2.8 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Modaraba's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are disclosed in note 3 & 41 to these financial statements.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### 3.2 Financial assets

##### 3.2.1 Classification

The Modaraba classifies its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) Financial Instruments: Recognition and Measurement, except for the assets classified under Islamic Financial Accounting Standards, in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

##### a) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss' category. The financial assets classified as at fair value through profit or loss included investments in listed equity securities.

##### b) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. The financial assets included in loans and receivables classification are cash and bank balances, Musawamah finance, Modaraba finance, net investment in finance lease and advances, deposits, prepayments and other receivables.

##### c) Held to maturity

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

d) Available for sale financial assets

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

e) Investment in associates

The Company considers its associate to be such in which the Company have ownership of not less than twenty percent of the voting power and / or has significant influence through common directorship, but not control.

### 3.2.2 Initial recognition and measurement

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

### 3.2.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial asset at fair value through profit or loss' & 'available for sale'

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

Gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

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

The Company accounts for its investment in associated undertakings using the equity method. Under this method Company's share of the post acquisition profits and / or losses of the associate is recognised in the profit and loss accounts and its share of post acquisition movements in reserve is recognised in reserves. Where company's share of losses of an associates equal or exceeds its interest in the associates, the company discontinue to recognize its shares of further losses except to the extent that company has incurred legal or constructive obligation or made payment on behalf of the associates. If the associates subsequently reports profits, the company resumes recognizing its share of those profit only after its share of the profit equals the share of losses not recognised.

b) 'Loans and receivables' & 'held to maturity'

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





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 3.2.4 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

### 3.2.5 Impairment

The management assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired.

#### i) Financial assets classified as "held to maturity"

For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the profit and loss account.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

#### ii) Financial assets classified as 'available for sale'

In case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in the profit and loss account. Impairment losses recognised on equity instruments are not reversed through profit and loss.

#### ii) Financial assets classified under Islamic Financial Accounting Standards

In case of assets classified under Islamic Financial Accounting Standards, the assets shall be reviewed and provided for according to the time based criteria mentioned in the Prudential Regulations for Modarabas.

### 3.2.6 Derecognition

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

### 3.2.7 Offsetting of financial assets and liabilities

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 3.2.8 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

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

### 3.2.9 Receivable from terminated / matured contracts

These are stated net of impairment loss. Impairment loss is recognised for doubtful receivables on the basis of Prudential Regulations for Modarabas issued by the SECP or based on the judgment of management, whichever is higher. Bad debts are written off when identified.

### 3.2.10 Ijarah rentals , Musawamah finance and Modaraba finance

Ijarah rentals, musawamah finance and modaraba finance receivables are stated net of provisions and suspense income, Provision is recognised in accordance with Prudential Regulations for Modaraba. Bad debts are written off as and when identified.

## 3.3 Fixed assets - Tangible

### 3.3.1 Owned assets

Assets are stated at cost less accumulated depreciation except free hold land are stated at cost less any identified impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal.

Repairs and maintenance are charged to income as and when incurred.

### 3.3.2 Ijarah assets

Ijarah assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the Ijarah (lease) period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged on monthly basis from the date of commencement of Ijarah. While prorata depreciation is charged in the month of maturity / termination on accrual basis.

### 3.3.3 Gain or loss on disposal

Gains / losses on disposal of fixed assets / Ijarah assets are charged to the profit and loss account currently.

### 3.3.4 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 3.3.5 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 15.1 to these financial statements after taking into account residual value, if any. The residual values, useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. These assets are not amortised as they are expected to have an indefinite life and are marketable.

Gain and loss on disposal of intangible assets, if any, are taken to the profit and loss account.

### 3.4 Loans, advances and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

### 3.5 Taxation

#### 3.5.1 Current

For items covered under final tax regime, provision is made according to the final tax rate provided in the Income Tax Ordinance, 2001.

The income of modarabas, not being trading income, is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. The Modaraba has the policy to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability in the current year.

#### 3.5.2 Deferred

The Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits to its certificate holders.

### 3.6 Creditors, accrued and other liabilities

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

#### 3.6.1 Provisions

Provisions are recognised when the Modaraba has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 3.6.2 Staff retirement benefits

#### Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Annual contributions are made to the fund on the basis of actuarial recommendations. The actuarial valuations are carried out using The Projected Unit Credit method. Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the higher of the present value of the Modaraba's gratuity obligation and the fair value of the Modaraba's assets are amortised over the expected average remaining working lives of the employees.

### 3.7 Stock In trade

Stock of raw material, 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 value. Cost of raw materials and trading stock comprises the invoice values and other charges paid thereon. Cost of work in process and finished goods include prime cost and appropriate portion of manufacturing overheads. Items in transit are stated at invoice value plus other incidental charges paid thereon up to the balance sheet date.

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

Packing materials are recorded at average cost.

### 3.8 Revenue recognition

#### 3.8.1 Ijarah

Income on Ijarah is recognised on an accrual basis.

#### 3.8.2 Non-performing ijarah lease

Unrealised income in respect of non-performing ijarah finance is held in suspense account, where necessary, in accordance with the requirements of Prudential Regulations for Modarabas issued by the SECP.

#### 3.8.3 Modaraba Finance

Profit on modaraba finance is recognised on the basis of pre-agreed profit / loss sharing ratio when actual gain / loss on transaction is computed upon termination / completion of transaction.

#### 3.8.4 Musawammah Finance

Profit on musawammah finance is recognized on an accrual basis, whereas unrealized musawammah income is excluded from profit in accordance with the requirements of Prudential Regulations of Modarabas.

#### 3.8.5 Dividend Income

Dividend income is recognised when the Modaraba's right to receive the dividend is established.

#### 3.8.6 Return on deposit with bank

Return on deposit with bank is recognized on an accrual basis.





# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

## 3.9 Segment reporting

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

Based on internal management reporting structure, services provided and products produced and sold, the Modaraba is organised into the following four operating segments:

- Trading
- Financing
- Investments
- Ijarah

Note	<b>2012</b>	2011
	<b>Rupees</b>	Rupees

## 4. CASH AND BANK BALANCES

With banks in current accounts		757,572	1,751,542
With banks in PLS accounts	4.1	<u>14,970,643</u>	<u>8,532,490</u>
		<u>15,728,215</u>	<u>10,284,032</u>

4.1 These deposits accounts carry profit at rates ranging from 6.4% to 6.5% (2010: 6.40% to 6.50%).

## 5 INVESTMENTS

### 5.1 Short-term investments

#### At fair value through profit and loss

- Equity securities - listed	5.1.1	<b>49,939,036</b>	37,685,383
Loans and Receivables	5.2	<u>105,000,000</u>	<u>40,000,000</u>
		<u>154,939,036</u>	<u>77,685,383</u>

#### At the fair value through Profit & Loss

Name of investee company	Number of shares				Balance as at June 30, 2012			
	As at July 1, 2011	Purchases during the year	Bonus / right issue	Sales /write-offs during the year	As at June 30, 2012	Carrying cost	Market value	Appreciation/ (diminution)
<b>Banking Sector</b>								
The Bank of Punjab	107,500	-	-	6,500	101,000	2,317,513	775,680	(1,541,833)
Summit Bank Limited	27,777	40,000	-	2,277	65,500	974,999	208,290	(766,709)
N.I.B. Bank Limited	113,600	-	-	2,400	111,200	1,856,040	221,288	(1,634,752)
Allied Bank Limited	16,522	-	1,652	-	18,174	1,424,508	1166,407	(258,101)
Askari Bank Limited	54,861	-	8,229	-	63,090	2,129,685	856,131	(1,273,554)
MCB Bank Limited	5,324	-	532	-	5,856	1,723,317	973,501	(749,816)
Soneri Bank Limited	12,200	-	1,425	800	12,825	569,922	94,777	(475,145)
Meezan Bank Ltd	-	5,000	-	5,000	-	-	-	-
National Bank of Pakistan	25,937	-	2,593	-	28,530	2,196,022	1,242,196	(953,826)
Mybank Limited	50,000	-	-	50,000	-	-	-	-
Bank Islamic Pakistan Limited	25,597	50,000	-	75,597	-	-	-	-
Bank Al Falah Limited	46,250	-	-	46,250	-	-	-	-
<b>Sub total</b>	<b>485,568</b>	<b>95,000</b>	<b>14,431</b>	<b>188,824</b>	<b>406,175</b>	<b>13,192,006</b>	<b>5,538,270</b>	<b>(7,653,736)</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

At the fair value through Profit & Loss

Name of investee company	Number of shares				Balance as at June 30, 2012			
	As at July 1, 2011	Purchases during the year	Bonus / right issue	Sales /write-offs during the year	As at June 30, 2012	Carrying cost	Market value	Appreciation/ (diminution)
<b>Non Life Insurance</b>								
Atlas Insurance Company Ltd	4,290	-	858	5,148	-	-	-	-
Adamjee Insurance Company Ltd	2,750	-	-	2,750	-	-	-	-
Sub total	<b>7,040</b>	-	<b>858</b>	<b>7,898</b>	-	-	-	-
<b>Construction and Materials</b>								
Lafarge Pakistan Cement Comp Ltd	85,000	-	-	-	85,000	442,526	367,200	(75,326)
Maple Leaf Cement Factory Ltd	38,795	-	-	-	38,795	825,903	179,621	(646,282)
Fauji Cement Company Ltd	20,000	-	-	-	20,000	301,795	112,600	(189,195)
Dewan Cement Company Ltd	10,000	-	-	-	10,000	183,537	34,300	(149,237)
D.G.Khan Cement Ltd	15,600	5,000	-	20,600	-	-	-	-
Lucky Cement Ltd	16,000	39,700	-	55,700	-	-	-	-
Sub total	<b>185,395</b>	<b>44,700</b>	-	<b>76,300</b>	<b>153,795</b>	<b>1,753,761</b>	<b>693,721</b>	<b>(1,060,040)</b>
<b>Oil &amp; Gas Producers</b>								
Attock Refinery Limited	-	12,500	-	12,500	-	-	-	-
BYCO Petroleum Limited	80,000	-	-	-	80,000	1,330,901	674,400	(656,501)
Shell Pakistan Limited	3,000	-	750	-	3,750	858,635	479,363	(379,272)
Pakistan State Oil Limited	6,000	4,000	-	-	10,000	2,792,204	2,358,400	(433,804)
Pakistan Oilfield Limited	2,500	23,000	-	15,500	10,000	3,674,599	3,669,400	(5,199)
Pakistan Refinery Limited	5,000	-	-	-	5,000	440,984	287,250	(153,734)
National Refinery Limited	1,832	3,168	-	-	5,000	1,660,008	1,156,950	(503,058)
Pakistan Petroleum Limited	20,000	14,000	-	5,000	29,000	5,595,489	5,460,410	(135,079)
Oil & Gas Development Co. Ltd	-	20,885	-	18,385	2,500	417,337	401,100	(16,237)
Sub total	<b>118,332</b>	<b>77,553</b>	<b>750</b>	<b>51,385</b>	<b>145,250</b>	<b>16,770,157</b>	<b>14,487,273</b>	<b>(2,282,884)</b>
<b>Gas Water &amp; Multiutilities</b>								
Sui Southern Gas Pipelines Ltd.	44,100	-	2,205	-	46,305	1,444,496	782,091	(662,405)
Sub total	<b>44,100</b>	-	<b>2,205</b>	-	<b>46,305</b>	<b>1,444,496</b>	<b>782,091</b>	<b>(662,405)</b>
<b>General Industries</b>								
Thal Jute	5,500	-	1,100	6,600	-	-	-	-
Sub total	<b>5,500</b>	-	<b>1,100</b>	<b>6,600</b>	-	-	-	-
<b>Electricity</b>								
The Hub Power Company Ltd	10,000	15,000	-	25,000	-	-	-	-
Southern Electric Power Comp	64,866	-	-	-	64,866	979,638	79,785	(899,853)
Japan Power Generation Ltd	57,999	-	-	-	57,999	196,835	101,498	(95,337)
Nishat Chunian Power Ltd	25,000	-	-	-	25,000	408,700	370,750	(37,950)
Nishat Power Ltd	10,000	-	-	-	10,000	170,559	147,000	(23,559)
Kot Addu Power Company Ltd	-	2,500	-	2,500	-	-	-	-
Sub total	<b>167,865</b>	<b>17,500</b>	-	<b>27,500</b>	<b>157,865</b>	<b>1,755,732</b>	<b>699,033</b>	<b>(1,056,699)</b>
<b>Automobile and Parts</b>								
Agriauto Industries Limited	6,000	-	-	-	6,000	654,736	486,000	(168,736)
Sub total	<b>6,000</b>	-	-	-	<b>6,000</b>	<b>654,736</b>	<b>486,000</b>	<b>(168,736)</b>
<b>Fixed Line Telecommunication</b>								
Pakistan Tele Communication Ltd	50,000	-	-	-	50,000	1,087,406	684,500	(402,906)
Sub total	<b>50,000</b>	-	-	-	<b>50,000</b>	<b>1,087,406</b>	<b>684,500</b>	<b>(402,906)</b>
<b>Support Services</b>								
TRG Pakistan Limited	25,000	-	-	-	25,000	137,119	85,500	(51,619)
Sub total	<b>25,000</b>	-	-	-	<b>25,000</b>	<b>137,119</b>	<b>85,500</b>	<b>(51,619)</b>





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Name of investee company	Number of shares				Balance as at June 30, 2012			
	As at July 1, 2011	Purchases during the year	Bonus / right issue	Sales /write-offs during the year	As at June 30, 2012	Carrying cost	Market value	Appreciation/ (diminution)
<b>Chemicals</b>								
Fauji Fertilizers Bin Qasim Ltd	135,000	145,000	-	140,000	140,000	7,207,066	5,714,800	(1,492,266)
Engro Corporation of Pakistan	7,500	12,500	6,000	-	26,000	3,076,914	2,647,840	(429,074)
Descon Chemicals Ltd	62,201	-	-	-	62,201	231,836	148,660	(83,176)
Fauji Fertilizers Company Ltd	-	56,750	-	39,500	17,250	2,128,358	1,915,613	(212,745)
Lotte Pakistan PTA Ltd	50,000	150,000	-	-	200,00	2,193,568	1,406,000	(787,568)
Fatima Fertilizers Company Ltd	45,768	10,000	-	55,768	-	-	-	-
Arif Habib Corporation	85,896	-	7,000	92,896	-	-	-	-
ICI Pakistan	11,000	-	-	-	11,000	1,731,258	1,441,770	(289,488)
Subtotal	<b>397,365</b>	<b>374,250</b>	<b>13,000</b>	<b>328,164</b>	<b>456,451</b>	<b>16,569,000</b>	<b>13,274,683</b>	<b>(3,294,317)</b>
<b>Equity Investment Instruments</b>								
First Habib Bank Modaraba	500	-	-	-	500	7,675	4,080	(3,595)
Sub total	<b>500</b>	-	-	-	<b>500</b>	<b>7,675</b>	<b>4,080</b>	<b>(3,595)</b>
<b>Financial Services</b>								
Jahangir Siddiqui & Company	20,000	-	-	-	20,000	770,112	248,200	(521,912)
	<b>20,000</b>	-	-	-	<b>20,000</b>	<b>770,112</b>	<b>248,200</b>	<b>(521,912)</b>
<b>Personal Goods</b>								
Azgard Nine	30,000	-	-	-	30,000	822,364	192,000	(630,364)
Nishat Mills Limited	25,000	-	-	-	25,000	1,498,962	1,189,500	(309,462)
Sub total	<b>55,000</b>	-	-	-	<b>55,000</b>	<b>2,321,326</b>	<b>1,381,500</b>	<b>(939,826)</b>
<b>Industrial Engineering</b>								
Al-Ghazi Tractor	995	-	-	-	995	243,029	204,313	(38,716)
	<b>995</b>	-	-	-	<b>995</b>	<b>243,029</b>	<b>204,313</b>	<b>(38,716)</b>
<b>Real Estate Investment and Services</b>								
Pace (Pakistan) Limited	175,000	-	-	-	175,000	864,677	357,000	(507,677)
	<b>175,000</b>	-	-	-	<b>175,000</b>	<b>864,677</b>	<b>357,000</b>	<b>(507,677)</b>
<b>Units of Mutual Funds</b>								
UBL Pakistan Limited-Islamic saving fund Class C	25,282	-	2,827	-	28,109	2,500,000	2,818,768	318,768
Meezan Islamic Fund-Growth units	-	58,068	987	-	59,055	2,500,000	2,932,650	432,650
Meezan Sovereign Fund-growth Fund	-	96,658	5,585	-	102,243	5,000,000	5,261,454	261,454
	<b>25,282</b>	<b>154,726</b>	<b>9,399</b>	-	<b>189,407</b>	<b>10,000,000</b>	<b>11,012,872</b>	<b>1,012,872</b>
<b>Total Listed securities</b>								
-At Fair value through Profit & Loss	<b>1,768,942</b>	<b>763,729</b>	<b>41,743</b>	<b>686,671</b>	<b>1,887,743</b>	<b>67,571,232</b>	<b>49,939,036</b>	<b>(17,632,196)</b>

### 5.1.2 Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss

Note	June 2012 Rupees	June 2011 Rupees
Market Value as	<b>49,939,036</b>	37,685,383
Cost of investment	<b>67,571,232</b>	54,120,678
Unrealised loss on investment as at year ended	<b>(17,632,196)</b>	(16,435,295)
Unrealised (loss)/gain on investment at the beginning of the year	<b>(16,435,295)</b>	16,886,770
Loss realised on disposal during the year	<b>1,260,302</b>	-
Unrealised loss on investment for the year ended	<b>(2,457,203)</b>	451,475

### 5.2 Loans and receivables

Terms deposit modaraba			
- Terms deposit modaraba - Albaraka Bank	5.2.1	40,000,000	40,000,000
- Certificates of Islamic Investment-Meezan bank limited	5.2.2	10,000,000	-
- HBL Al-Samarat	5.2.3	55,000,000	-
		<b>105,000,000</b>	<b>40,000,000</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

- 5.2.1 Term Deposit receipts include an amount of Rs 40,000,000 (2011: Rs. 40,000,000 ) held with Al Baraka Bank (Pakistan) Limited. The deposit receipts carry profit at a rate of 10.15 % to 12.50% (2011: 12.25% to 12.25%).
- 5.2.2 Certificates of Islamic Investment include an amount of Rs 10,000,000 (2011: Rs. Nil ) held with Meezan Bank Limited. The COII carry profit at a rate of 9.18 % to 10.50% (2011: Nil).
- 5.2.3 Certificates of HBL Al- Samarat Investment include an amount of Rs 55,000,000 (2011: Rs. Nil ) held with HBIL Islamic Banking Limited The HBL Al-Samarat carry profit at a rate of 10.00 % to 11.00% (2011: Nil ).

5.3 Long-term investments	Note	2012 Rupees	2011 Rupees
Investment in Associates	5.2.1	15,113,852	15,485,351
<b>Available for Sale</b>			
- Equity securities - listed	5.2.2	<u>4,907,307</u>	<u>5,281,796</u>
		<u>20,021,159</u>	<u>20,767,147</u>

### 5.2.1 Investment in associates

June 30, 2012				
Al-Noor Sugar Mills Limited	Shah Murad Sugar Mills Limited	Reliance Insurance Company Limited	Total	
Rupees				
Opening balance	7,584,268	4,022,271	3,878,813	15,485,352
Share of incremental depreciation	253,080	100,683	-	353,784
Shares of others comprehensive income	(21,846)	(9,529)	-	(31,375)
Share of profit of associate	871,488	378,112	578,866	85,490
	(640,253)	469,267	578,866	407,879
Dividend income	(330,000)	(102,203)	-	(432,203)
Reversal of sales of shares	-	-	(347,176)	(347,176)
	<u>6,614,015</u>	<u>4,389,335</u>	<u>4,110,503</u>	<u>15,113,852</u>

June 30, 2011				
Al-Noor Sugar Mills Limited	Shah Murad Sugar Mills Limited	Reliance Insurance Company Limited	Total	
Rupees				
Opening balance	5,580,790	3,402,794	3,199,586	12,183,170
Share of incremental depreciation	272,253	106,478	-	378,731
Shares of others comprehensive income	15,075	-	-	15,075
Share of profit of associate	2,266,150	615,202	679,227	3,560,579
	2,553,478	721,680	679,227	3,954,384
Dividend income	(550,000)	(102,203)	-	(652,203)
	<u>7,584,268</u>	<u>4,022,271</u>	<u>3,878,813</u>	<u>15,485,351</u>

#### 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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Summarized financial statements of associates:

	June 30, 2012		
	Al-Noor Sugar Mills Limited	Shah Murad Sugar Mills Limited	Reliance Insurance Company Limited
	Rupees in '000		
Share capital - ordinary shares of Rs. 10 each	185,703	211,187	318,940
Total assets	8,402,814	6,113,475	1,031,443
Total liabilities	6,510,890	5,072,995	557,575
Net assets	1,891,924	1,040,480	473,868
Revenue	2,836,987	2,724,911	4,070
Profit for the year - after tax	113,845	101,496	23,306
	Rupees		
Number of shares held	110,000	102,203	299,000
Cost of investment	1,623,000	2,081,160	1,513,000
Ownership interest	0.59%	0.48%	0.94%
Market value of shares	4,656,000	971,000	2,183,000
Net book value	(3,033,000)	1,110,160	(670,000)
Financial results based on the information available as on	30-Jun-12	30-Jun-12	31-Mar-12
Financial year ended of the companies	30-Sep	30-Sep	31-Dec
	June 30 2011		
	Rupees in '000		
Share capital - ordinary shares of Rs. 10 each	185,703	211,187	283,502
Total assets	7,198,004	5,984,880	997,195
Total liabilities	5,148,800	4,993,701	582,716
Net assets	2,049,204	991,179	415,199
Revenue	4,335,917	3,057,161	8,478
Profit for the year - after tax	318,973	119,060	40,683
	Rupees		
Number of shares held	110,000	102,203	288,915
Cost of investment	1,623,000	2,081,160	1,645,065
Ownership interest	0.59%	0.48%	1.15%
Market value of shares	4,317,500	919,827	2,149,528
Net book value	(2,694,500)	1,161,333	(504,463)
Financial results based on the information available as on	30-Jun-11	30-Jun-11	30-Jun-11
Financial year ended of the companies	30-Sep	30-Sep	31-Dec



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 5.3.2 Available for sale

#### Equity securities - listed

Name of investee company	Number of shares				Balance as at June 30, 2012			
	As at July 1, 2011	Purchases during the year	Bonus / right issue	Sales / write-offs during the year	As at June 30, 2012	Carrying cost	Market value	Appreciation / (diminution)
<b>Fully paid ordinary shares of Rs 10 each unless stated otherwise</b>								
<b>Equity Investment Instruments</b>								
PICIC Growth Fund	22,000	-	-	-	22,000	313,720	269,500	(44,220)
Pakistan Premier Fund	15,156	-	-	-	15,156	90,178	147,771	57,593
Pakistan Strategic Fund	25,000	-	-	-	25,000	111,000	214,000	103,000
First National Bank Modaraba	35,000	-	-	15,000	20,000	69,400	98,400	29,000
First Habib Bank Modaraba	6,000	-	-	6,000	-	-	-	-
First Habib Modaraba	-	3,481	-	-	3,481	27,781	26,804	(977)
First Equity Modaraba	19,000	-	-	19,000	-	-	-	-
Standard Chartered Modaraba	11,550	-	-	-	11,550	144,522	132,710	(11,813)
JS Growth Fund	16,500	-	-	16,500	-	-	-	-
JS Value Fund	24,000	-	-	24,000	-	-	-	-
Sub total	174,206	3,481	-	80,500	97,187	756,601	889,184	132,583
<b>Financial Services</b>								
Jahangir Siddiqui & Company Limited	13,751	-	-	-	13,751	413,493	170,650	(242,843)
First Capital Securities Corporation	9,740	-	-	-	9,740	84,034	26,395	(57,639)
Sub total	23,491	-	-	-	23,491	497,527	197,045	(300,481)
<b>Banks</b>								
The Bank of Punjab	19,375	-	-	-	19,375	-	-	-
Standard Chartered Bank (Pakistan) Limited	15,000	-	-	-	15,000	-	-	-
N.I.B. Bank Limited	35,000	-	-	-	35,000	-	-	-
JS Bank Limited	25,000	-	-	-	25,000	-	-	-
Sub total	109,015	-	-	-	94,375	-	-	-
<b>Non Life Insurance</b>								
EFU General Insurance Company Limited	3,260	-	-	-	3,260	-	-	-
Adamjee Insurance Company Limited	1,000	-	-	-	-	-	-	-
Pak Reinsurance Company Limited	9,788	-	-	-	9,788	-	-	-
Sub total	14,048	-	-	-	14,048	-	-	-
<b>Personal Goods</b>								
Nishat Mills Limited	7,500	-	-	-	7,500	374,220	115,200	(259,020)
Azgard Nine	18,000	-	-	-	18,000	524,250	356,850	(167,400)
Sub total	25,500	-	-	-	25,500	898,470	472,050	(426,420)
<b>Construction and Materials</b>								
Fauji Cement Company Limited	50,000	-	-	-	50,000	308,000	281,500	(26,500)
Maple Leaf Cement Company Limited	25,000	-	-	25,000	-	-	-	-
D.G.Khan Cement Limited	25,200	-	-	25,200	-	-	-	-
Kohat Cement Limited	6,325	-	-	6,325	-	-	-	-
Lucky Cement Limited	3,000	-	-	3,000	-	-	-	-
Sub total	109,525	-	-	59,525	50,000	308,000	281,500	(26,500)





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Name of investee company	Number of shares				Balance as at June 30, 2012			
	As at July 1, 2011	Purchases during the year	Bonus / right issue	Sales /write-offs during the year	As at June 30, 2012	Carrying cost	Market value	Appreciation/ (diminution)
<b>Gas Water &amp; Multiutilities</b>								
Sui Northern Gas Company Limited	10,000	-	500	-	10,500	248,000	177,345	(70,655)
Sub total	10,000	-	500	-	10,500	248,000	177,345	(70,655)
<b>Industrial metals and Mining</b>								
Dost steels	5,000	-	-	-	5,000	24,250	12,150	(12,100)
Ayesha Steels	-	275	-	-	275	-	-	-
Sub total	5,000	275	-	-	5,275	24,250	12,150	(12,100)
<b>Automobile and Parts</b>								
Sazgar Engineering	864	-	172	1,036	-	-	-	-
Sub total	864	-	172	1,036	-	-	-	-
<b>Fixed Line Telecommunication</b>								
Pakistan Telecommunication Co. Limited	82,500	-	-	-	82,500	1,456,125	1,129,425	(326,700)
Callmate Telips Telecommunication	13,950	-	-	-	13,950	-	-	-
Worldcall Telecommunication	15,000	-	-	-	15,000	55,500	30,750	(24,750)
Sub total	111,450	-	-	-	111,450	1,511,625	1,160,175	(351,450)
<b>Chemicals</b>								
Fauji Fertilizer Bin Qasim Limited	3,000	37,000	-	-	4,000	1,835,065	1,632,800	(202,265)
Arif Habib Corporation Limited	2,500	-	250	-	2,750	123,175	85,058	(38,118)
Fatima Fertilizer Company Limited	750	-	-	750	-	-	-	-
Sub total	6,250	37,000	250	750	42,750	1,958,240	1,717,858	(240,383)
<b>Total Listed securities - AFS</b>	<b>574,709</b>	<b>40,756</b>	<b>922</b>	<b>250,234</b>	<b>366,153</b>	<b>6,202,713</b>	<b>4,907,307</b>	<b>(1,295,406)</b>

## Note

5.3.3 Unrealized gain/(loss) on re-measurement of available of sale investment

June 2012  
RupeesJune 2011  
Rupees

Market Value as

4,907,307

5,281,796

Cost of investment

6,202,713

7,354,921

Unrealised loss on investment as at year ended

(1,295,406)

(2,073,125)

Unrealised loss on investment at the beginning of the year

(2,073,718)

(1,553,148)

Unrealised gain/(loss) on investment for the year ended

778,312

(519,977)

## 6. MUSAWAMAH RECEIVABLE - Secured

Musawamah receivable

6.1

61,321,478

108,000,000

6.1 This represents principal amount outstanding against musawamah receivable from various customers for the period ranging between 90 to 365 days. These musawmah carry profit ranging from 16.00% to 21% (2011: 14.96% to 21.00%) per annum. These are secured against hypothecation of stocks and trade receivables, vehicles, demand promissory notes, personal guarantee of directors/proprietors and mortgage of properties.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 7. MODARABA RECEIVABLE - Secured

Modaraba receivable	7.1	<u>15,000,000</u>	<u>50,000,000</u>
---------------------	-----	-------------------	-------------------

- 7.1 This represents balance outstanding with respect to funds provided under modaraba arrangements on pre-agreed profit and loss sharing basis to various entities. This represents investments as "Ras-ul Maal" with expected profit margin for the period ranging between 180 to 300 days. These are secured against hypothecation of stocks/trade receivables, current assets, demand promissory notes, personal guarantee of directors and proprietors and mortgage of property(ies). The expected rate(s) of profit ranges from 16.25% to 19.00% (2011: 14.00% to 20.00%) per annum.

### 8 PROFIT RECEIVABLE

Musawamah receivable		2,894,325	5,664,332
Modaraba receivable		102,397	424,246
PLS bank account		493,124	658,615
Term deposit modaraba (Albaraka Bank)		335,725	184,589
Certificates of Islamic Investment (Meezan Bank)		37,295	-
Al-Samarat (HBL Islamic Banking)		277,049	-
		<u>4,139,915</u>	<u>6,931,782</u>

### 9. Stock in Trade

Finished goods		41,50,682	41,483,825
In transit		-	5,050,994
less: Provision for slow moving stock		(267,790)	(267,790)
		<u>3,882,892</u>	<u>46,267,029</u>

### 10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good			
- Suppliers		4,480,000	2,652,000
- Expenses		-	211,004
- Employees		83,000	207,000
Prepayments		1,901,195	1,279,234
Dividend receivable		33,750	347,843
Others		667,949	358,072
Sales tax receivable		346,902	-
		<u>7,512,796</u>	<u>5,055,153</u>

### 11 TAXATION

- 11.1 The income of the Modaraba, not being trading income, is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed amongst the shareholders.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

As per section 148 of the income tax ordinance, 2001, the Collector of Customs shall collect advance tax from every importer of goods on the value of the goods at the rate specified in Part II of the First Schedule of the income tax ordinance, 2001. The tax collected under this section shall be a final tax on the income of the importer arising from the imports.

As per section 154 of the income tax ordinance, 2001, every authorised dealer in foreign exchange shall, at the time of realisation of foreign exchange proceeds on account of the export of goods by an exporter, deduct tax from the proceeds at the rates specified in Division IV of Part III of the First Schedule. The tax deducted under this section shall be a final tax on the income arising from the transaction.

No provision for current taxation has been made in these financial statements as the Modaraba intends to distribute at least 90 percent of its total income for the year after transfer to mandatory reserve, Income tax expense during the year amounting to Rs. 911,827 (2011: 154,539) are the tax deducted as final on the remittance received from the import / export of goods.

	Note	2012 Rupees	2011 Rupees
11.2	Income tax refundable	2,815,973	1,652,325
	Income tax adjusted / deducted at source	(898,734)	1,163,648
		<u>1,917,239</u>	<u>2,815,973</u>

### 12. LONG TERM DEPOSITS

National Commodities Exchange Limited		3,350,000	3,350,000
Guarantee Margin - MCB		440,000	440,000
Mobile Phone - Pakistan Mobile Comm.		12,489	12,489
Security Deposit- CDC Pakistan Ltd.		37,500	37,500
Security Deposit - KESC		13,600	13,600
		<u>3,853,589</u>	<u>3,853,589</u>

### 13. IJARAH ASSETS

Machinery	13.1	9,809,912	4,356,889
Vehicles	13.2	23,102,059	20,536,056
		<u>32,911,971</u>	<u>24,892,945</u>

#### 13.1 The following is a statement of ijarah assets:

	Year ended June 30, 2012		
	Ijarah Assets		
	Machinery & Equipments	Motor Vehicles	Total
<b>At July 01, 2011</b>			
Cost	11,308,568	67,659,766	78,968,334
Accumulated depreciation / amortisation	(6,951,679)	(47,123,710)	(54,075,389)
<b>Net book value</b>	<u>4,356,889</u>	<u>20,536,056</u>	<u>24,892,945</u>
<b>Additions</b>	8,254,836	15,019,500	23,274,336
<b>Transfer from ijarah to tangible fixed assets</b>			
Cost	(1,400,000)	(20,452,600)	(21,852,600)
Depreciation	980,000	16,869,247	17,849,247
	<u>(420,000)</u>	<u>(3,583,353)</u>	<u>(4,003,353)</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Year ended June 30, 2012		
	Ijarah Assets		
	Machinery & Equipments	Motor Vehicles	Total
<b>Disposals</b>			
Cost			
Depreciation			
Depreciation / amortisation charge for the year	(2,381,813)	(8,870,144)	(11,251,957)
<b>Closing net book value</b>	<b>9,809,912</b>	<b>23,102,059</b>	<b>32,911,971</b>
<b>At June 30, 2012</b>			
Cost	19,143,404	79,095,913	98,239,317
Accumulated depreciation / amortisation	(9,333,492)	(55,993,854)	(65,327,346)
<b>Net book value</b>	<b>9,809,912</b>	<b>23,102,059</b>	<b>32,911,971</b>
	Year ended June 30, 2011		
<b>At July 01, 2010</b>			
Cost	10,623,568	57,851,213	68,474,781
Accumulated depreciation / amortisation	(4,120,370)	(34,316,872)	(38,437,242)
<b>Net book value</b>	<b>6,503,198</b>	<b>23,534,341</b>	<b>30,037,539</b>
<b>Additions</b>	<b>3,897,000</b>	<b>16,506,000</b>	<b>20,403,000</b>
<b>Transfer from ijarah to tangible fixed assets</b>			
Cost	(8,252,000)	(36,330,113)	(44,582,113)
Depreciation	5,040,000	29,632,666	34,672,666
	(3,212,000)	(6,697,447)	(9,909,447)
<b>Disposals</b>			
Cost			
Depreciation			
Depreciation / amortisation charge for the year	(2,831,309)	(12,806,838)	(15,638,147)
<b>Closing net book value</b>	<b>4,356,889</b>	<b>20,536,056</b>	<b>24,892,945</b>
<b>At June 30, 2011</b>			
Cost	11,308,568	67,659,766	78,968,334
Accumulated depreciation / amortisation	(6,951,679)	(47,123,710)	(54,075,389)
<b>Net book value</b>	<b>4,356,889</b>	<b>20,536,056</b>	<b>24,892,945</b>
	Note	2012 Rupees	2011 Rupees
<b>14. FIXED ASSETS</b>			
Tangible assets	16.1	<b>32,812,741</b>	34,923,858
Intangible assets	16.1	<b>84,628</b>	20,625
		<b>32,897,369</b>	<b>34,944,483</b>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

14.1 The following is a statement of fixed assets:

	Year ended June 30, 2012							
	Tangible assets						Total	Intangible assets Computer software
	Land	Building	Computer equipment	Office equipment and appliances	Furniture and Fixtures	Motor Vehicles		
Rupees								
<b>At July 01, 2011</b>								
Cost	24,915,104	6,312,096	1,101,587	711,940	564,356	3,835,230	37,440,313	165,000
Accumulated depreciation / amortisation	-	(790,766)	(795,052)	(507,616)	(181,951)	(241,070)	(2,516,455)	(144,375)
<b>Net book value</b>	<b>24,915,104</b>	<b>5,521,330</b>	<b>306,535</b>	<b>204,324</b>	<b>382,405</b>	<b>3,594,160</b>	<b>34,923,858</b>	<b>20,625</b>
<b>Additions</b>	-	-	140,411	105,407	-	-	248,818	88,000
<b>Disposals</b>								
Cost	-	-	-	(30,500)	-	(1,295,965)	(1,326,465)	-
Depreciation	-	-	-	15,685	-	280,793	296,478	-
	(8,130,429)	-	-	(22,000)	-	(1,015,172)	(1,029,987)	-
Depreciation / amortisation charge for the year	-	(315,605)	(188,164)	(92,426)	(51,036)	(682,718)	(1,329,949)	(23,997)
<b>Closing net book value</b>	<b>24,915,104</b>	<b>5,205,725</b>	<b>258,782</b>	<b>205,490</b>	<b>331,369</b>	<b>1,896,271</b>	<b>32,812,741</b>	<b>84,628</b>
<b>At June 30, 2012</b>								
Cost	24,915,104	6,312,096	1,241,998	789,847	564,356	2,539,265	36,362,666	253,000
Accumulated depreciation / amortisation	-	(1,106,371)	(983,216)	(584,357)	(232,987)	(642,995)	(3,549,926)	(168,372)
<b>Net book value</b>	<b>24,915,104</b>	<b>5,205,725</b>	<b>258,782</b>	<b>205,490</b>	<b>331,369</b>	<b>1,896,271</b>	<b>32,812,741</b>	<b>84,628</b>
<b>Depreciation rate % per annum</b>	<b>NIL</b>	<b>5</b>	<b>30</b>	<b>30</b>	<b>10</b>	<b>20</b>		<b>30</b>
	Year ended June 30, 2011							
	Tangible assets						Total	Intangible assets Computer software
	Land	Building	Computer equipment	Office equipment and appliances	Furniture and Fixtures	Motor Vehicles		
Rupees								
<b>At July 01, 2010</b>								
Cost	33,045,533	6,312,096	1,053,403	692,440	440,491	3,321,420	44,865,383	165,000
Accumulated depreciation / amortisation	-	(475,161)	(716,579)	(444,079)	(131,722)	169,638	(1,597,903)	(94,875)
<b>Net book value</b>	<b>33,045,533</b>	<b>5,836,935</b>	<b>336,824</b>	<b>248,361</b>	<b>308,769</b>	<b>3,491,058</b>	<b>43,267,480</b>	<b>70,125</b>
<b>Additions</b>	-	-	210,239	41,500	123,865	1,464,060	1,839,664	-
<b>Disposals</b>								
Cost	(8,130,429)	-	(162,055)	(22,000)	-	(950,250)	(9,264,734)	-
Depreciation	-	-	116,274	18,150	-	538,475	672,899	-
	(8,130,429)	-	(45,781)	(3,850)	-	(411,775)	(8,591,835)	-
Depreciation / amortisation charge for the year	-	(315,605)	(194,747)	(81,687)	(50,229)	(949,183)	(1,591,451)	(49,500)
<b>Closing net book value</b>	<b>24,915,104</b>	<b>5,521,330</b>	<b>306,535</b>	<b>204,324</b>	<b>382,405</b>	<b>3,594,160</b>	<b>34,923,858</b>	<b>20,625</b>
<b>At June 30, 2011</b>								
Cost	24,915,104	6,312,096	1,101,587	711,940	564,356	3,835,230	37,440,313	165,000
Accumulated depreciation / amortisation	-	(790,766)	(795,052)	(507,616)	(181,951)	(241,070)	(2,516,455)	(144,375)
<b>Net book value</b>	<b>24,915,104</b>	<b>5,521,330</b>	<b>306,535</b>	<b>204,324</b>	<b>382,405</b>	<b>3,594,160</b>	<b>34,923,858</b>	<b>20,625</b>
<b>Depreciation rate % per annum</b>	<b>NIL</b>	<b>5</b>	<b>30</b>	<b>30</b>	<b>10</b>	<b>20</b>		<b>30</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 14.2 Disposal of fixed assets

The following assets were disposed of during the year :

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of buyer
	(Rupees)						
Honda City ATS 237	1,295,965	280,792	1,015,173	1,245,000	229,827	Negotiation	Mr. Farooq Ahmed
Air Conditioner	30,500	15,685	14,815	5,000	(9,815)	Negotiation	Zaheer Electronic

2012 Rupees

**1,326,465    296,477    1,029,988    1,250,000    220,012**

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of buyer
	(Rupees)						
Kamoki Land	8,130,429	-	8,130,429	11,500,000	3,369,571	Negotiation	Mr. Shahid Hanif Virk
Computer P IV	54,280	54,279	1	5,000	4,999	Negotiation	I.E. Computer Center
Computer Note Book	57,000	21,375	35,625	40,000	4,375	Negotiation	Mr. Mumtaz Alam
Computer Note Book	50,775	40,620	10,155	13,500	3,345	Negotiation	Media Shop
Air Condition	22,000	18,150	3,850	5,000	1,150	Negotiation	Zaheer Electronic
Honda City APQ-320	950,250	538,475	411,775	920,000	508,225	Negotiation	Mrs. Aisha Waheed

2011 Rupees

**9,264,734    672,899    8,591,835    12,483,500    3,891,665**

	Note	2012 Rupees	2011 Rupees
<b>15 SECURITY DEPOSITS</b>			
Security deposits - Ijarah		<b>6,687,692</b>	6,135,017
Less: Repayable / adjustable adjustable after one year		<b>5,732,842</b>	3,336,007
Current maturity of deposits		<b>954,850</b>	2,799,010
<b>16 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors		<b>1,275,742</b>	2,239,262
Accrued expenses		<b>2,622,302</b>	1,703,560
Payable to management company	16.1	<b>2,515,039</b>	3,405,322
Clearing and forwarding charges		<b>458,900</b>	458,900
Advances from customers		<b>1,769,908</b>	593,999
Provision for Worker's Welfare Fund		<b>382,612</b>	600,939
Advance Ijarah rentals		<b>749,521</b>	629,575
Unclaimed profit distributions		<b>814,968</b>	691,099
		<b>10,588,993</b>	10,322,656

16.1 This includes sindh sales tax on management fee payable amounting to Rs. 346,902/- (2011: Nil) as per the provisions of Sindh Sales Tax on Services Act, 2011. The said Act has been published as an Act of the Legislature of Sindh vide notification dated June 10, 2011. As per the advice obtained from the Tax consultant, the levy is effective from the date of amendment made in the Second Schedule through the Amendment Ordinance dated November 1, 2011. Due to the enforceability of the Act, the management fee payable to the Modaraba Management Company has come under the ambit of the Act.

The levy has been recorded as Sales tax refundable on the basis of opinion received from the tax consultant advising that the excess input tax shall be adjustable against the output tax on other services subject to levy under Sindh Sales Tax on Services Act, 2011 and any excess input tax shall be refundable.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 17 PROVISION FOR CUSTOM DUTY SURCHARGE

Custom duty / surcharge	17.1	<u>-4,398,842</u>	<u>4,398,842</u>
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- 17.1 In a suit filed with the Honorable High Court of Sindh in the year 1994 - 95, 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.

### 18 PROFIT PAYABLE

Late Payment & Cheques Return	18.1	<b>980,820</b>	39,636
Income for the year 2011		<b>2,374</b>	-
Share Dividend	18.2	<b>794,544</b>	-
NOC Charges		<b>10,000</b>	-
		<u><b>1,787,738</b></u>	<u>39,636</u>

- 18.1 This represents surcharge applied to customers due to late payment and cheques returned during the year. The management is required to donate the same for charitable purposes.
- 18.2 This represents non shariah shares dividend Income during the year. The management has to donate the same for charitable purposes as per circular 8 of 2012 of the Securities and Exchange Commission of Pakistan.

### 19 DEFERRED LIABILITY - STAFF GRATUITY

- 19.1 Staff Gratuity Scheme  
As disclosed in note 3.6.2, the Modaraba operates an unfunded gratuity scheme for its permanent employees. The latest actuarial valuation was carried out as at June 30, 2011, using the Projected Unit Credit Method.

#### 19.2 Principal actuarial assumptions used:

	2012	2011
Discount rate	14% per annum	12% per annum
Rate of increase in eligible salary.	20% per annum	11% per annum
Average expected remaining working life time of employees	12 years	10 years
Actuarial gains & losses recognition policy	Minimum 10% Corridor approach	
No of employees	11	11

Note	2012 Rupees	2011 Rupees
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#### 19.3 Liability recognised in the balance sheet:

Present value of the defined benefit obligation	<b>2,842,051</b>	3,096,825
Unrecognized actuarial gains	<b>(667,430)</b>	(699,982)
Defined benefit liability recognized in the accounts	<u><b>2,174,621</b></u>	<u>2,396,843</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees			
<b>19.4 Changes in present value of defined benefit obligation:</b>						
Obligation as at 1 July		3,096,825	2,851,446			
Current service cost		551,670	481,584			
Interest cost		433,556	342,174			
Actuarial loss / (gain)		-	131,621			
Benefits paid		(1,240,000)	(710,000)			
Obligation as at 30 June		<u>2,842,051</u>	<u>3,096,825</u>			
<b>19.5 Changes in actuarial gains / (losses)</b>						
Unrecognised actuarial gains / (losses) as at 30 June		(699,982)	(596,683)			
Actuarial losses for the year		-	(131,621)			
Actuarial losses recognized to P&L during the year		32,552	28,322			
Unrecognised actuarial gains / (losses) as at 30 June		<u>(667,430)</u>	<u>(699,982)</u>			
<b>19.6 Amounts recognized in profit and loss account</b>						
Current service cost		551,670	481,584			
Interest cost		433,556	342,174			
Actuarial losses recognized to P&L during the year		32,552	28,322			
Expense recognized in P&L		<u>1,017,778</u>	<u>852,080</u>			
<b>19.7 Recognized liability</b>						
Balance as on 1 July		2,396,873	2,254,793			
Expense recognized	19.6	1,017,778	852,080			
Payments during the year	19.4	(1,240,000)	(710,000)			
Company's liability at 30 June		<u>2,174,651</u>	<u>2,396,873</u>			
<b>19.8 Five years comparison</b>						
		.....June 30.....				
		2012	2011	2010	2009	2008
Present value of defined benefit obligation		2,842,051	3,096,825	2,851,446	2,081,539	1,201,371
		.....For the year ended June 30.....				
		2012	2011	2010	2009	2008
Experience Adjustments arising on plan liabilities (gain) / losses		-	131,621	185,262	380,529	46,528
<b>20. CERTIFICATE CAPITAL</b>						
<b>Authorised certificate capital</b>						
		2012	2011		2012 Rupees	2011 Rupees
40,000,000	40,000,000			Modaraba certificate of Rs. 10 each	400,000,000	400,000,000
				No. of Certificates		
				"Modaraba certificates of Rupees 10 each fully paid-up in cash"	200,000,000	200,000,000
				"Modaraba certificates issued as fully paid-up bonus certificates"		
		<u>1,000,000</u>	<u>1,000,000</u>		<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>





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

As at 30 June 2011, First AL Noor Modaraba Management (Private) Limited (the Management Company) held 4,200,000 certificates (2011: 4,200,000 certificates), as required under the Modaraba companies and Modaraba (Floatation and Control) Ordinance, 1980

### 21 RESERVES

#### Statutory reserve

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

During the current year the Modaraba has transferred an amount of Rs. 3,643,760/- (2011: Rs. 11,956,969) which represents 20% (2011: 40%) of the profit after tax.

### 22 CONTINGENCIES AND COMMITMENTS

There are no known contingencies and commitments at the balance sheet date.

23 PROFIT FROM TRADING OPERATIONS		2012 Rupees	2011 Rupees
Sales - net	24.1	114,836,770	172,100,522
Cost of sales profit	24.2	<u>(102,297,704)</u>	<u>(157,645,907)</u>
		<u>12,539,066</u>	<u>14,454,615</u>
<b>23.1 Sales</b>			
Local		98,350,093	158,906,148
Export		16,486,677	13,194,374
Sales		<u>114,836,770</u>	<u>172,100,522</u>
<b>23.2 Cost of Sales</b>			
Opening stock		41,483,814	29,108,226
Purchases		63,832,152	168,787,986
		105,316,066	197,896,212
Packing material consumed		314,740	355,240
Export expenses		817,580	878,370
		<u>106,448,386</u>	<u>199,129,821</u>
Less: Closing Stock		<u>(4,150,682)</u>	<u>(41,483,914)</u>
Cost of Sales		<u>102,297,704</u>	<u>157,645,907</u>
<b>24 INCOME FROM IJARAH</b>			
Ijarah Income		15,083,411	19,223,038
Less: Depreciation of ijarah assets		<u>(11,251,957)</u>	<u>(15,638,147)</u>
		<u>3,831,454</u>	<u>3,584,889</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 25 INCOME FROM INVESTMENTS

Gain on sale of marketable securities - net	3,623,924	4,015,030
Dividend income	2,586,851	2,837,280
Profit on term deposit modaraba (Al Baraka Bank)	7,402,473	1,628,425
Profit on COII -(Meezan Bank Ltd.)	497,925	-
Profit on Al-Samarat (HBL Islamic Banking)	277,049	-
	<u>14,388,222</u>	<u>8,480,734</u>

### 26 ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and other staff benefits	26.1	7,837,728	7,179,458
Rent, rates and taxes		1,009,126	2,070,892
Postage and telephone		332,283	343,248
Printing and stationery		426,850	334,561
Fee and subscription		842,948	728,108
Legal and professional charges		426,748	764,679
Traveling and conveyance		33,370	337,172
Entertainment		121,824	125,867
Repair and maintenance		1,332,020	1,384,913
Electricity and other utility charges		604,969	602,638
Depreciation		1,353,946	1,640,951
Auditor's remuneration	26.3	446,185	325,145
Advertisement and publicity		55,500	78,875
Zakat		303,445	150,851
Storage and transportation charges		211,325	215,858
Insurance		1,526,664	1,346,927
Commission		159,900	513,817
Brokerage commission - land		-	1,000,000
Others		160,773	329,390
		<u>17,185,604</u>	<u>19,473,350</u>

26.1 This includes Rs. 1,017,752 (2011: Rs. 852,080) in respect of staff retirement benefits.

26.2 Office space and janitorial expenditure / services are borne by Al Noor Modaraba Management (Private) Limited.

Note	2012 Rupees	2011 Rupees
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### 26.3 Auditors remuneration

Audit fee	250,000	175,000
Half yearly review	65,000	75,000
Out-of-pocket expenses	131,185	54,833
Others Fee	-	10,000
	<u>446,185</u>	<u>314,833</u>

### 27 FINANCIAL AND OTHER CHARGES

Profit paid on murabaha	-	752,852
Bank charges	158,902	159,197
Guarantee commission	77,440	77,440
	<u>236,342</u>	<u>989,489</u>





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
<b>28 OTHER INCOME</b>			
Profit on bank deposits	28.1	1,124,378	1,080,067
Foreign exchange difference		237,858	59,843
Profit on disposal of fixed asset	14.2	229,827	3,891,665
Insurance claim		100,005	-
Miscellaneous income		135,611	457,453
		<u>1,827,679</u>	<u>5,489,028</u>
28.1	This represents profit from PLS accounts, maintained with Islamic banks at the rates ranging from 6.5% to 6.9% (2011: 6.40% to 6.90%).		
<b>29 MODARABA MANAGEMENT FEE</b>			
	In accordance with the Modaraba Companies and Modaraba Rules, 1981 management fee at the rate of 10% of annual profits is payable to the Management Company.		
<b>30 WORKERS WELFARE FUND</b>			
	The Finance Act 2008 made certain changes to the Workers' Welfare Fund Ordinance, 1971. Through these amendments Workers' Welfare Fund (WWF) is payable @ 2% on the higher of the profit before taxation as per the financial statements or return of income. During the current year, the management has made a provision of Rs. 382,612 (2011: Rs. 600,939) in respect of this liability.		
<b>31 INCOME TAX EXPENSES</b>		2012 Rupees	2011 Rupees
Current tax	11.1	<u>911,827</u>	<u>232,507</u>
<b>31.1 Relation between tax expenses and accounting profit</b>			
Accounting profit for the current year		<u>19,130,625</u>	<u>30,046,963</u>
Tax on income @ 25% (2011: 25%)		4,782,656	7,511,741
Tax effect - exempt income		<u>(3,870,829)</u>	<u>(7,357,202)</u>
		<u>911,827</u>	<u>154,539</u>
<b>32 EARNING PER CERTIFICATE - Basic and Diluted</b>			
Profit for the year		<u>18,218,798</u>	<u>29,892,424</u>
		<b>Number</b>	<b>Number</b>
Weighted average number of certificates		<u>21,000,000</u>	<u>21,000,000</u>
Earning per certificate - basic and diluted		<u>0.87</u>	<u>1.42</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

There is no dilutive effect on the basic earnings per share of the Modaraba, since there are no convertible instruments in issue as at June 30, 2011 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised. There is no dilutive effect on the basic earning per certificate of the Modaraba.

### 33 REMUNERATION OF 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:

#### 33 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:

	2012			2011		
	Officers	Employees	Total	Officers	Employees	Total
Salary	3,864,605	1,468,300	5,332,905	3,260,925	1,401,813	4,662,738
Benefit	310,105	232,490	542,595	566,957	215,503	782,460
Gratuity	665,798	351,954	1,017,752	580,403	271,677	852,080
EOBI	18,500	24,900	43,400	19,950	23,000	42,950
Group insurance	151,514	82,002	233,516	134,994	63,188	198,182
General services	-	667,560	667,560	-	585,370	585,370
Contract staff	-	-	-	-	55,678	55,678
	<b>5,010,522</b>	<b>2,827,206</b>	<b>7,837,728</b>	<b>4,563,229</b>	<b>2,616,229</b>	<b>7,179,458</b>
No. of persons	5	7	12	4	7	11

Note

2012  
Rupees2011  
Rupees

### 34 CASH FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

<b>Profit before taxation</b>		<b>19,130,625</b>	<b>30,046,963</b>
<i>Adjustments for:</i>			
Gain on sale of investment in listed securities		(2,364,271)	(4,015,030)
Dividend income		(2,586,851)	(2,837,280)
Income on musawamah investment		(7,034,650)	(15,574,794)
Income on modaraba investment		(1,853,962)	(2,920,049)
Profit on disposal of fixed assets	14	(229,827)	(3,891,665)
Profit on bank deposits		(1,124,378)	(1,080,067)
Profit on TDR-(PLs Sharing Certificates)		(7,402,473)	(1,628,425)
Profit paid on Morabaha		-	752,852
Profit on certificates of Islamic Investment		(497,925)	-
Profit on Al-Samarat		(277,049)	-
Depreciation - owned assets	14.1	1,329,949	1,591,451
Depreciation - Ijarah assets	13.1	11,251,957	15,638,147
Amortisation of intangible assets	14.1	23,997	49,500
Provision for gratuity		1,017,752	852,080
Share of profit from associates	5.3.1	(85,490)	(3,560,579)
Unrealized loss/(gain) on re measurement of investments in listed securities		2,457,203	(451,375)
		<b>7,376,019</b>	<b>(17,075,233)</b>
<b>Operating profit before working capital changes</b>		<b>11,754,606</b>	<b>12,971,730</b>





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
<b>(Increase)/Decrease in current assets</b>			
Stock-in-trade	9	42,384,137	(17,426,593)
Bills receivables		2,578,076	(262,027)
Musawamah receivable - secured	6	46,678,522	(19,000,000)
Modaraba receivable - secured	7	(10,000,000)	60,475,000
Profit receivable	8	2,791,867	1,581,245
Ijarah Rental receivable		357,145	684,513
Trade Debtors		(171,500)	-
Advances, deposits, prepayments and other receivables	10	(2,457,648)	(4,701,716)
		<b>82,160,599</b>	<b>21,350,422</b>
<b>Increase/(Decrease) in current liabilities</b>			
Creditors, accrued expenses and other liabilities	16	266,337	1,199,467
Profit payable	17	1,748,102	39,636
		<b>2,014,439</b>	<b>1,239,103</b>
<b>Cash flow from operating activities</b>		<b>95,929,650</b>	<b>35,561,255</b>
<b>35 CASH AND CASH EQUIVALENTS</b>			
Cash and Bank balances	4	15,728,215	10,284,032
Term deposit modaraba	5.2	105,000,000	40,000,000
		<b>120,728,215</b>	<b>50,284,032</b>

### 36 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2012				
Loans and receivables	Assets at fair value	Available for sale through Profit/Loss	Held to maturity	Total
Rupees				

#### FINANCIAL ASSETS

Cash and cash equivalents	120,728,215	-	-	-	120,728,215
Investments	-	49,939,036	4,907,307	-	54,846,343
Bills receivable	-	-	-	-	-
Long term deposits	3,853,589	-	-	-	3,853,589
	<b>124,581,804</b>	<b>49,939,036</b>	<b>4,907,307</b>	<b>-</b>	<b>179,428,147</b>

June 30,  
2012  
Rupees

#### FINANCIAL LIABILITIES

Security deposits	6,687,692
Creditors, accrued and other liabilities	10,588,993
Profit payable	1,787,738
Deferred liabilities - staff gratuity	2,174,651
	<b>21,239,074</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	As at June 30, 2011				Total
	Loans and receivables	Assets at fair value	Available for sale	Held to maturity	
	Rupees				
<b>ASSETS</b>					
Cash and cash equivalents	50,284,032	-	-	-	50,284,032
Investments	-	37,685,383	5,281,796	-	42,967,179
Bills receivable	2,578,076	-	-	-	2,578,076
Long term deposits	3,853,589	-	-	-	3,853,589
	<b>56,715,697</b>	<b>37,685,383</b>	<b>5,281,796</b>	<b>-</b>	<b>99,682,876</b>

	June 30, 2011 Rupees
<b>FINANCIAL LIABILITIES</b>	
Security deposits	6,135,017
Creditors, accrued and other liabilities	10,322,656
Profit payable	39,636
Deferred liabilities - staff gratuity	2,396,843
<b>Total non-current liabilities</b>	<b>18,894,152</b>

### 37 FINANCIAL RISK MANAGEMENT

The Modaraba financed its operations entirely through equity during the year ended June 30, 2012. The Modaraba utilises funds in ijarah financing, modaraba financing and musawammah financing and equity securities of listed entities. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

#### 37.1 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

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

#### 37.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba is not exposed to currency risk at the balance sheet date as there is no receivable balance in foreign currency (2011: Rs. 2,578,076).

#### 37.3 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to the risk. At the reporting date the profit rate profile of the Modaraba's significant profit bearing financial instruments in the periods in which they mature is as follows:





# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

Effective yield / profit rate %	Total	2012					Not exposed to yield / five years profit risk
		Up to one month 3 months	Up to one month to one year	Over three months to	Over one year to		
(Rupees)							
<b>Assets</b>							
Bank balances	6.4% - 6.5%	15,728,215	14,970,643	-	-	-	757,572
Loans and Receivables	9.18%-12.5%	105,000,000	35,000,000	50,000,000	20,000,000	-	-
Investments		69,960,195	-	-	-	-	69,960,195
Musawamah receivables - secured	16.75% - 17.50%	61,321,478	30,000,000	-	19,321,478	-	12,000,000
Modaraba receivables - secured	16.25%	15,000,000	-	15,000,000	-	-	-
Profit receivable	14.00% - 17.50%	4,139,914	2,867,041	346,605	926,268	-	-
Investment in Ijarah finance	15.5% - 19.00%	32,705,885	-	-	18,595,526	14,110,359	-
Ijarah rental receivable	14.82% to 27.5%	-	-	-	-	-	-
Bills receivable		-	-	-	-	-	-
Advances, deposits, prepayments and other receivables		7,512,796	-	-	-	-	7,512,796
Long-term Deposit		3,853,589	-	-	-	-	3,853,589
<b>Total Financial Assets as at June 30, 2012</b>		<b>315,222,071</b>	<b>82,837,684</b>	<b>65,346,605</b>	<b>58,843,272</b>	<b>14,110,359</b>	<b>94,084,151</b>

<b>Liabilities</b>							
Security deposits		6,687,692	-	-	-	-	6,687,692
Creditors, accrued and other liabilities		10,588,993	-	-	-	-	10,588,993
Profit payable		1,787,738	1,787,738	-	-	-	-
Deferred Liabilities - staff gratuity		2,174,651	-	-	-	-	2,174,651
<b>Total Financial Liabilities as at June 30, 2012</b>		<b>21,239,074</b>	<b>1,787,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,451,336</b>

**Total yield / profit risk sensitivity gap** 81,049,946    65,346,605    58,843,272    14,110,359

**Cumulative yield / profit risk sensitivity gap** 81,049,946    146,396,551    205,239,823    219,350,182

Effective yield / profit rate %	Total	2011					Not exposed to yield / five years profit risk
		Up to one month 3 months	Up to one month to one year	Over three months to	Over one year to		
(Rupees)							
<b>Assets</b>							
Cash and Bank balances	5.00% - 12.5%	10,284,032	8,532,490	-	-	-	1,751,542
Loans and receivables	12.25%-12.5%	40,000,000	20,000,000	20,000,000	-	-	-
Investments		58,452,530	-	-	-	-	58,452,530
Musawamah receivables - secured	14.00% - 21.00%	108,000,000	5,500,000	22,500,000	80,000,000	-	-
Profit receivable	14.00% - 20.00%	6,931,782	421,150	725,095	5,785,536	-	-
Investment in Ijarah finance	16.00%-20.00%	24,892,945	-	-	9,444,536	15,448,409	-
Ijarah rental receivable	8.89% -18.4%	357,145	357,145	-	-	-	-
Bills receivable		2,578,076	-	-	-	-	2,578,076
Advances, deposits, prepayments and other receivables		5,055,153	-	-	-	-	5,055,153
Long-term Deposit		3,853,589	-	-	-	-	3,853,589
<b>Total Financial Assets as at June 30, 2011</b>		<b>260,405,251</b>	<b>34,810,785</b>	<b>43,225,095</b>	<b>95,230,072</b>	<b>15,448,409</b>	<b>71,690,890</b>

<b>Liabilities</b>							
Security deposits		6,135,017	-	-	-	-	6,135,017
Creditors, accrued and other liabilities		10,322,656	-	-	-	-	10,322,656
Profit payable		39,636	-	39,636	-	-	-
Deferred Liabilities - staff gratuity		2,396,843	-	-	-	-	2,396,843
<b>Total Financial Liabilities as at June 30, 2011</b>		<b>18,894,152</b>	<b>-</b>	<b>39,636</b>	<b>-</b>	<b>-</b>	<b>18,854,516</b>

**Total yield / profit risk sensitivity gap** 34,810,785    43,225,095    95,190,436    15,448,409

**Cumulative yield / profit risk sensitivity gap** 34,810,785    78,035,880    173,226,316    188,674,725

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Sensitivity analysis for financial instruments

The sensitivity of the net income for the year is the effect of the assumed changes in interest rates on the floating rate financial instruments held at the year end. Since the Modaraba has no floating rate financial instruments held at the year end, therefore it is not exposed to profit risk due to change in market profit rates.

### 37.4 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Modaraba is exposed to equity securities price risk because of investments held by the Modaraba and classified as 'available for sale' and "At fair value through profit and loss". To manage its price risk arising from investments in equity securities, the Modaraba diversifies its portfolio.

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, other comprehensive income for the year would be affected by Rs. 264,089 (2011: Rs 774,267) as a result of gains / losses on equity securities classified as 'available for sale' and profit and loss for the year would be affected by Rs. 2,496,940 (2011:1,884,269) as a result of gains / losses on equity securities classified as 'At fair value through profit and loss'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Modaraba's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Modaraba's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Modaraba's net assets of future movements in the level of the KSE 100 Index.

### 37.5 Credit risk

37.5.1 Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to credit risk in respect of musharaka, musawamah, modaraba and term deposit mudarbas.

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

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

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





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Out of the total financial assets of Rs. 315,222,071 (2011: Rs 260,405,251) the financial assets which are subject to credit risk amounted to Rs.79,318,200 (2011: Rs 119,445,724 million). The management believes that the Modaraba is not exposed to major concentration of credit risk.

37.5.2 The analysis below summarises the credit quality of the Modaraba's financial assets:

	June 30, 2012 Rupees	June 30, 2011 Rupees
<b>Bank balances</b>		
A2	13,595,862	8,499,864
A1+	60,875	131,318
A-1+	2,071,477	1,652,849
<b>Bills receivable</b>		
- Bills receivable	-	2,578,076
<b>Loans and receivables</b>		
A2	40,000,000	40,000,000
A-1-	65,000,000	

37.5.3 An analysis of the age of significant financial assets that are past due but not required to be impaired by applicable laws

	30 June 2012		30 June 2011	
	outstanding	overdue	outstanding	over due
Ijarah rental receivable	-	-	357,146	1 - 30 Days

37.5.4 An analysis of the financial assets that are individually impaired as per the requirements of the Prudential Regulations for Modarabas are as under:

	OAEM	As at 30 June 2012			Total
		Substandard	Doubtful	Loss	
Musawamah receivable	-	12,000,000	-	-	-
	OAEM	As at 30 June 2011			Total
		Substandard	Doubtful	Loss	
Musawamah receivable	-	-	-	-	-

Payments of musawamah and modaraba are not exposed to overdue because they are meeting their maturity dates of payments and payments are received as per schedule.

- Musawamah receivable classified as substandard above has been recovered subsequently during the course of audit, and therefore there is no possibility of further classification as doubtful or loss.

- Payments of Ijarah and modaraba are not exposed to overdue because they are meeting their maturity dates of payments and payments are received as per schedule.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 37.5.5 Concentration of credit risk

	2012		2011	
	Rupees	%	Rupees	%
Textile composite	32,257,808	40.67%	46,372,875	38.82%
Fuel and energy	-	0.00%	4,421,151	3.70%
Chemical and pharmaceutical	12,000,000	15.13%	26,043,617	21.80%
Food and allied industries	19,957,995	25.16%	20,627,629	17.27%
Others miscellaneous	15,102,397	19.04%	21,980,452	18.40%
	<b>79,318,200</b>	<b>100%</b>	<b>119,445,724</b>	<b>100%</b>

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

	2012 Rupees	2011 Rupees
Musawamah receivables - secured	61,321,478	108,000,000
Modaraba receivables - secured	15,000,000	5,000,000
Profit receivable	2,996,722	6,088,578
Ijarah rental receivable	-	357,146
	<b>79,318,200</b>	<b>119,445,724</b>

### 37.6 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at 30 June 2012		
Total	Upto three months	More than three months and upto one year
Rupees		

#### Current liabilities

Current maturity of security deposits  
Creditors, accrued and other liabilities  
**Total current liabilities**

954,850	-	954,850
10,588,993	5,519,954	5,069,039
11,543,843	5,519,954	6,023,889





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Non-current liabilities

Security deposits  
Deffered liabilities - staff gratuity  
Total non-current liabilities

Total	Upto three months	More than three months and upto one year	More than one year
Rupees			
5,732,842	-	-	5,732,842
2,174,651	-	-	2,174,651
7,907,493	-	-	7,907,493
<b>19,451,336</b>	<b>5,519,954</b>	<b>6,023,889</b>	<b>7,907,493</b>

### As at 30 June 2011

### Current liabilities

Current maturity of security deposits  
Creditors, accrued and other liabilities  
Total current liabilities

Total	Upto three months	More than three months and upto one year
Rupees		
2,799,010	-	2,799,010
10,322,656	5,709,821	4,612,835
<b>13,121,666</b>	<b>5,709,821</b>	<b>7,411,845</b>

Total	Upto three months	More than three months and upto one year	More than one year
Rupees			
2,799,010	-	2,799,010	
10,322,656	5,709,821	4,612,835	
<b>13,121,666</b>	<b>5,709,821</b>	<b>7,411,845</b>	

### Non-current liabilities

Security deposits  
Deffered liabilities - staff gratuity  
Total non-current liabilities

Total	Upto three months	More than three months and upto one year	More than one year
Rupees			
3,336,007	-	-	3,336,007
2,396,843	-	-	2,396,843
5,732,850	-	-	5,732,850
<b>5,732,850</b>	<b>5,709,821</b>	<b>7,411,845</b>	<b>5,732,850</b>

### 37.7 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Effective July 1, 2009, the Modaraba adopted the amendments to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable input) (level 3).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Presently, the modaraba have equity instruments which are disclosed at level 1 of fair value hierarchy.

### 38 CAPITAL RISK MANAGEMENT

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

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Certificate of Musharaka and borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt. The Modaraba has no borrowing at the year end.

### 39 RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba comprise of its Management Company, associated companies, directors of the Management Company and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the Management Company) under the terms of their employment are as follows:

	June 2012	June 2011
	Rupees	
<b>39.1 Balance outstanding at year end</b>		
Modaraba Management Company		
- Management fee	<u>2,515,039</u>	<u>3,405,322</u>
Associated undertakings		
- Guarantee commission accrued to MCB Bank Limited	<u>650,471</u>	<u>572,977</u>
- Sharing of common expense charged during the year with Al-Noor Sugar Mills Ltd.	<u>150,000</u>	<u>150,000</u>
Other related parties (other than key management personnel)		
- Contribution to staff gratuity fund	<u>2,174,621</u>	<u>2,396,843</u>
<b>39.2 Transactions during the year</b>		
Modaraba Management Company		
- Management fee	<u>2,515,039</u>	<u>3,405,322</u>
Associated undertakings		
- Guarantee commission accrued to MCB Bank Limited	<u>77,440</u>	<u>77,440</u>
- Sharing of common expense charged during the year with Al-Noor Sugar Mills Ltd.	<u>600,000</u>	<u>600,000</u>
Other related parties (other than key management personnel)		
- Contribution to staff gratuity fund	<u>1,017,778</u>	<u>852,080</u>
Associated undertakings		<b>No. of shares</b>
- Bonus shares of Reliance Insurance Company Limited	<u>36,114</u>	<u>32,101</u>





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 40 INFORMATION ABOUT BUSINESS SEGMENTS

	2012				
	Trading	Financing	Investment	Ijarah	Total
<b>Segment revenue</b>	<u>114,836,770</u>	<u>8,888,612</u>	<u>14,388,222</u>	<u>15,083,411</u>	<u>153,197,015</u>
<b>Segment results</b>	<u>12,539,066</u>	<u>8,652,270</u>	<u>11,931,019</u>	<u>3,967,065</u>	<u>37,089,420</u>
Unallocated corporate expenses					(17,185,604)
Other income					1,692,068
Share of profit from associate					85,490
Modaraba company's management fee					(2,168,137)
Provision for worker's welfare fund					(382,612)
Income taxes	(911,827)				(911,827)
Profit for the year					<u>18,218,798</u>
<b>OTHER INFORMATION</b>					
Capital expenditure	-	-	-	23,274,336	23,274,336
Depreciation and amortization	-	-	-	(11,251,957)	(11,251,957)
<b>ASSETS AND LIABILITIES</b>					
Segment assets	3,882,892	79,318,200	174,960,195	32,911,971	291,073,258
Unallocated corporate assets					63,223,900
Consolidated total assets					<u>354,297,159</u>
Segment liabilities	1,275,742	22,021	-	9,207,121	10,504,884
Unallocated corporate liabilities					15,133,032
Consolidated total liabilities					<u>25,637,916</u>

	2011				
	Trading	Financing	Investment	Ijarah	Total
<b>Segment revenue</b>	<u>172,100,522</u>	<u>18,494,843</u>	<u>6,852,310</u>	<u>19,223,036</u>	<u>216,670,711</u>
<b>Segment results</b>	<u>14,454,615</u>	<u>17,505,354</u>	<u>7,303,684</u>	<u>4,042,342</u>	<u>43,305,995</u>
Unallocated corporate expenses					(19,473,350)
Other income					6,660,000
Share of profit from associate					3,560,579
Modaraba company's management fee					(3,405,322)
Provision for worker's welfare fund					(600,939)
Income taxes	(154,539)				(154,539)
Profit for the year					29,892,423
<b>OTHER INFORMATION</b>					
Capital expenditure	-	-	-	20,403,000	22,242,664
Depreciation and amortization	-	-	-	(15,638,147)	(17,279,098)
<b>ASSETS AND LIABILITIES</b>					
Segment assets	48,845,105	122,701,455	98,452,530	25,250,090	295,249,180
Unallocated corporate assets					54,183,558
Consolidated total assets					<u>349,432,738</u>
Segment liabilities	2,239,262	22,021	-	6,764,592	9,025,875
Unallocated corporate liabilities					14,261,119
Consolidated total liabilities					<u>23,286,993</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The Above mentioned segments do not necessary match with the organization structure the Modaraba

### 41 ACCOUNTING ESTIMATES AND JUDGMENTS

The Modaraba reviews its loan portfolio of Ijarah, Musawamah and Modaraba financing to assess amount of non-performing contracts and provision required there against on a regular basis. The provision is made in accordance with the prudential regulations issued by the SECP (if any). The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Musawamah finance (notes 3.8.4 and 6)
- ii) Modaraba finance (notes 3.8.3 and 7)
- iii) Determination and measurement of useful life and residual value of fixed assets and ijarah assets (notes 3.3, 14 and 15)

### 42 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the comparison. Significant reclassifications and rearrangements are as follows:

Reclassification from Component	Reclassification to Component	Amount (Rs.)
Cash and Bank balance	Short term investments	40,000,000

### 43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on September 19, 2012 have approved distribution at the rate of 8% (2011: 8%) per certificate of Rs. 10 each.

### 44 DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on September 19, 2012 .

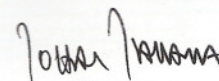
### 45 GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee.

For Al Noor Modaraba Management (Private) Limited  
(Management Company)

  
Chief Executive

  
Director

  
Director