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## Corporate Information

MODARABA MANAGEMENT COMPANY	IBL Modaraba Management (Pvt.) Ltd.	
BOARD OF DIRECTORS	Dr. Hasan Sohaib Murad Shaheen Rashid Arslan Khan Khakwani	Chairman & CEO Director Director
COMPANY SECRETARY	M. Sohail A. Sheikh	
AUDIT COMMITTEE	Shaheen Rahid Arslan Khan Khakwani Zeeshan Ahmed	Chairman Member Internal Auditor
BANKERS	Askari Bank Limited Summit Bank Limited Dubai Islamic Bank Limited MCB Bank Limited Faysal Bank Limited Habib Bank Limited Silk Bank Limited The Bank of Punjab	
REGISTRAR	Technology Trade (Pvt) Ltd Dagia House 241-C, Block-2 P.E.C.H.S., Shakra-e-Quaideen, Karachi.	
REGISTERED OFFICE	Suite # 105, 1 <sup>st</sup> Floor, Fortune Center, 45-A,Block # 6 , P.E.C.H.S., Shakra-.e-Faisal, Karachi.	
PRINCIPLE OFFICE	87-Aurangzaib, Block, New Garden Town, Lahore .	



## Directors' Report

The Board of Directors of IBL Modaraba Management (Private) Limited, the Management Company of First IBL Modaraba (FIBLM), is pleased to present to the certificate holders the Audited Financial Statements of First IBL Modaraba for the year ended June 30, 2012 alongwith Auditors Report thereon.

### Financial Results

Summarized results for the year under report are as under:

	(Rs. in "000")	
	June 2012	June 2011
Total Operating Income	8,836	49,575
Loss before Management Fee & taxation	(40,473)	(10,190)
Management Fee – 10%	NIL	NIL
Loss before tax	(40,473)	(10,190)
Provision for Taxation	NIL	NIL
Net Loss after tax	(40,473)	(10,190)

### Review of Operations:

During this fiscal year, the financial sector has shown some recovery. Although the liquidity crisis and constraint in the mobilization of resource have not improved much. This has also affected the performance of Modaraba sector.

During the period under review, the stock market has also shown decline due to current economic and political situations prevailing in the country. The foreign inflow in the market has also not improved.

In addition of the above noted facts affecting the macro economy, the Modaraba has shown a decline which is mainly because of the following factors:

- ❖ Huge Provisioning booked against non-performing assets as per the requirements of Prudential Regulations for the Modarabas
- ❖ No income was booked in the accounts against the matured financial agreements
- ❖ No Fresh business was carried due to liquidity crises

Even in the stringent socio economic conditions, the Modaraba has still booked Operating Income of Rs.8.836 million and reduced its Administrative Expenses by 16.30%.

The Break-up of revenue generated during the year under review is as under:

INCOME	June 2012 Amount in Rs.	June 2011 Amount in Rs.
Profit on musharaka financing	935,464	35,838,885
Income from Ijarah financing	2,899,015	6,729,639
Profit on murabaha financing	4,025,004	3,847,764
Return on investments	38,980	193,863
Other income	938,367	2,965,495
<b>Total</b>	<b>8,836,830</b>	<b>49,575,646</b>



During the year the Modaraba for compliance of the Prudential Regulations for Modarabas, had provided the sum of Rs.26.017 million as impairment against overdue Musharakah Principal Payments and Rs. 1.763 million against Musharakah profit receivable which resulted in reduction of the profit for the year.

The operating expenses of the Modaraba reduced from Rs. 59.76 million to Rs. 49.31 million as compare to the previous year.

<b>EXPENSES</b>	<b>June 2012 Amount in Rs.</b>	<b>June 2011 Amount in Rs.</b>
Administrative and general expenses	<b>12,687,091</b>	15,157,847
Amortization on assets subject to Ijarah	<b>5,762,332</b>	5,191,464
Amortization on Intangible Assets	<b>247,500</b>	-
Unrealised (Gain)/ loss on re-measurement of investments 'at fair value through profit or loss	<b>(50,126)</b>	3,329
Realised loss on sale of investments	<b>898,869</b>	-
Provision against non-performing Musharaka receivables	<b>26,017,137</b>	14,311,552
Profit Receivable on Musharaka receivables held in suspense account	<b>1,763,126</b>	11,791,459
Finance cost	<b>1,984,376</b>	13,310,002
<b>Total</b>	<b>49,310,305</b>	59,765,653

The Modaraba is also continuously building statutory reserves out of the profit of each year, which accumulated to Rs.34.31 million but due to loss in the current year Modaraba is not in the position to transfer the amount to statutory reserves as required by Prudential Regulations for Modarabas.

### **Corporate Governance:**

The Modaraba has implemented all aspects of Code of Corporate Governance introduced by SECP.

- The financial statements prepared by the Management of Modaraba present fairly the state of affairs, the result of its operations, cash flows, other comprehensive income and changes in the equity.
- Proper books of accounts of Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Modaraba ability to continue as going concern.
- There is no material departure from the best practices and Corporate Governance as detailed in the listing regulations.
- There has been no trading in company shares by Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.



**Attendance of Board Meetings:**

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

Sr. No.	Name of Director	Number of Meetings	No. of Meeting Attended	Leave of Absence
1	Dr. Hassan Sohaib Murad	8	8	0
2	Mr. Ale Imran	5	3	2
3	Mr. Arsalan Khakwani	8	8	0
4	Mr. Shaheen Rashid	8	8	0

**Operating Data for six years:**

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

**Pattern of Certificate holding:**

The detailed pattern of certificate holding as on June 30, 2012 as required under the code is annexed to this report.

There has been no trading in the shares of the Modaraba by any of its directors, CEO, CFO, Company Secretary or their spouses or minor children.

**The Economy and Future prospects:**

Despite numerous challenges, both locally and internationally Pakistan's economy showed improvement in 2011-12 than many developing economies. Domestically, economy was struck by floods in Khyber Pakhtun Kha, Sindh and parts of Baluchistan. Notwithstanding these challenges, the Gross Domestic growth this year was around 3.7% as compared to 3.0% percent last year. Despite global slowdown, our country has managed to maintain its exports to last year's level despite lots of changes like adverse Law & Order situation, shortage of Electricity & Gas, and mainly capital flow to country. Country's Balance of Payment was adversely affected due to sharp increase in oil prices, repayments of debt and import of fertilizer. The economy is now showing signs of modest recovery.

The performance of NBFC sector in the year under review still remained under pressure mainly due to the non-availability of liquidity for fresh business, toughest recovery from NPL's due to economic meltdown and depletion of earning assets, which not only impaired the profitability of the sector but also adversely affected the repayment capacity. Similarly, the performance of Modaraba Sector also suffered.

The Modaraba is now on its path of stability but the macro economic factors are still affecting its performance. The most important aspect is the liquidity crunch in the market specially in NBFC Sector, which is hampering the planned business targets and accordingly compelling the organizations to modify their business plan, your management is confident to turn around the current trend and is hopeful for improved results, if there is no major negative revolutionary change in the economic conditions occurs.

In order to comply with the prudential regulation for the Modarabas, and as reported in the notes to the accounts (Note 6.1) the Management company of First IBL Modaraba, i.e. IBL Modaraba Management (Pvt.) Ltd., has started repayment of the expenses carried out by the Modaraba on its behalf (Rs. 13.393 million in 2012). Till date, FIBLM has received an amount of Rs. 1.8 million from the management company.

As stated in note 6.3, in the notes to the accounts, Rs. 1.314 million were paid against the rental of car in possession of the Chief Executive Officer of Modaraba has also been reimbursed to FIBLM on July 03,



For the illegal and unauthorized changes not only in the Management but also in the Pattern of Share Holding of the wholly owned subsidiary namely M/s. Alka Power (Pvt.) Ltd of FIBLM, FIBLM has hired the services of veteran lawyers to get these illegal & unauthorized changes nullified from the court of Law. The management is very much hopeful that results of this, will speak by their own in near future.

**Auditors**

The present auditors, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants are due for retirement and being eligible and have offered themselves for re-appointment. The Board has confirmed their re-appointment for the year ending June 30, 2013 subject to the approval by the Registrar Modaraba companies & Modarabas.

**Acknowledgement**

The board would like to place on record its thanks for the continued support and guidance provided by Securities & Exchange Commission of Pakistan, Registrar Modaraba, State Bank of Pakistan, NBFBI & Modaraba Association of Pakistan. The board also extends its appreciation and gratitude to the certificate holders and customers for entrusting their confidence in us and assures them that we remain committed to maintain high service standards and strong culture of good corporate governance and compliance in all our endeavors.

Finally the board appreciates the dedication and hard work put in by the management and all staff members of First IBL Modaraba.

On Behalf of the Board

**Dr. Hasan Sohaib Murad**  
Chairman/CEO  
December 07, 2012





**FIRST IBL MODARABA  
SIX YEAR'S FINANCIAL SUMMARY  
BALANCE SHEET SUMMARY**

**Financial highlights for the last six years at a glance**

----- (Rs in Million) -----

Year Ended June 30.	2007	2008	2009	2010	2011	2012
					Restated	
<b>EQUITY</b>						
Issued, subscribed & paid up capital	116.88	116.88	201.88	201.88	201.88	201.88
Statutory Reserve	32.58	48.35	31.56	39.14	39.17	39.99
Revenue Reserve and Unappropriated profit	14.97	6.74	5.62	6.96	(10.07)	(50.54)
Modaraba certificate deposit money	-	85	-	-	-	-
<b>Total Equity</b>	<b>164.43</b>	<b>256.96</b>	<b>239.06</b>	<b>247.98</b>	<b>230.98</b>	<b>191.33</b>
<b>LIABILITIES</b>						
Customer Security Deposit	-	3.69	3.8	4.22	9.37	2.70
Other Deferred Liabilities	0.36	-	-	-	-	-
<b>CURRENT LIABILITIES</b>						
Short term finance	-	-	20.82	20.85	9.50	0.008
Short term Musharakah	31.96	-	85.00	86.79	29.14	14.64
Unclaimed profit distribution	-	2.35	5.12	4.14	7.99	7.70
Other Current Liabilities	10.50	11.52	16.00	15.91	11.83	19.34
<b>Total current Liabilities</b>	<b>42.46</b>	<b>13.87</b>	<b>126.94</b>	<b>127.69</b>	<b>58.46</b>	<b>41.69</b>
<b>Total Equity &amp; Liabilities</b>	<b>207.25</b>	<b>274.52</b>	<b>369.80</b>	<b>379.88</b>	<b>298.80</b>	<b>235.71</b>
<b>NON-CURRENT ASSETS</b>						
Assets Leased Out	-	22.80	19.28	16.88	15.86	9.46
Assets in Own Use	0.99	4.60	3.70	4.24	2.78	1.89
Long Term Murabahah	-	30.00	30.00	30.00	23.00	23.00
Long Term Investment	-	-	7.80	17.13	57.06	57.31
Other Long Term Assets	12.87	1.41	1.20	3.38	3.38	3.40
<b>Total Non-Current Assets</b>	<b>13.86</b>	<b>58.81</b>	<b>61.98</b>	<b>71.63</b>	<b>102.08</b>	<b>95.07</b>
<b>CURRENT ASSETS</b>						
Short Term Musharakah	146.79	119.96	252.47	227.66	123.13	85.25
Ijarah Rental Receivables	-	0.49	1.44	1.51	4.14	1.92
Short Term Investments	20.35	62.5	27.14	23.31	14.22	2.17
Other Current Assets	7.57	9.02	24.97	53.45	51.79	49.77
Advance, Deposits and prepayments	-	1.78	0.73	1.26	1.47	1.48
Cash & Bank Balances	18.68	21.96	1.14	1.06	1.98	0.05
<b>Total Current Assets</b>	<b>193.39</b>	<b>215.71</b>	<b>307.89</b>	<b>308.25</b>	<b>196.73</b>	<b>140.64</b>
<b>Total Assets</b>	<b>207.25</b>	<b>274.52</b>	<b>369.87</b>	<b>379.88</b>	<b>298.80</b>	<b>235.71</b>



## Income Statement Highlights

----- (Rs in Million) -----						
Year ended June 30.	2007	2008	2009	2010	2011	2012
					Restated	
<b>INCOME</b>						
Ijarah	-	6.20	6.44	6.69	6.73	2.90
Musharakah & Murabahah	13.16	16.47	30.2	40.61	39.69	4.96
Capital Gain on Investment	1.66	0.96	(4.80)	4.00	-	-
Dividend	2.18	-	-	-	-	-
Investment income	-	1.59	2.00	1.86	0.19	0.04
Other	0.62	0.39	0.20	7.04	2.96	0.93
<b>Total Income</b>	<b>17.62</b>	<b>25.61</b>	<b>34.04</b>	<b>60.20</b>	<b>49.57</b>	<b>8.83</b>
<b>EXPENSES</b>						
Operating	4.69	13.68	19.40	13.15	13.49	11.03
Financial	4.60	2.97	7.78	15.95	13.31	1.98
Amortisation, Depreciation	0.38	4.34	4.21	6.32	6.86	7.67
Provision for Doubtful Receivable	-	-	-	19.50	26.10	27.78
Provision for diminution in value of investment	(1.10)	(0.83)	0.83	2.98	0.00	0.85
<b>Total expenses</b>	<b>8.57</b>	<b>20.16</b>	<b>32.22</b>	<b>57.90</b>	<b>59.76</b>	<b>49.31</b>
Profit /(Loss) before Management Fee	9.05	5.45	1.82	2.30	(10.19)	(40.48)
<b>Less:-</b> Management Fee	0.90	0.55	0.18	0.23	-	-
Profit before Taxation	8.14	4.91	1.65	2.08	(10.19)	(40.48)
<b>Less:-</b> Taxation	-	-	-	-	-	-
<b>Net Profit/(loss)</b>	<b>8.14</b>	<b>4.91</b>	<b>1.65</b>	<b>2.08</b>	<b>(10.19)</b>	<b>(40.47)</b>
<b>APPROPRIATIONS</b>						
Final Dividend	9.35	5.84	-	6.05	-	-
Interim Dividend	-	-	-	-	-	-
Statutory Reserves	1.63	0.98	0.33	0.42	-	-





## Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance. IBL Modaraba Management (Pvt) Limited (The Management Company) and its Board of Directors are responsible for management of affairs of the First IBL Modaraba and is pleased to confirm that the Code of Corporate Governance is being complied with in all material respects.

The Company has applied the principles contained in the CCG in the following manner:

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

Category	Name
Independent Directors	Nil Mr. Ale Imran till 17-03-2012
Executive Directors	Mr. Arslan Khan Khakwani
Non-Executive Directors	Dr. Hasan Sohaib Murad Mr. Shaheen Rasheed

*\* The independent Director will be appointed in the next election of Directors.*

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on 17 March 2012 has not yet been filled.
5. The company has prepared a "Code of Conduct" and appropriate steps have been taken to disseminate these to the concerned alongwith the supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended have been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions have been taken by the board.
8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board has not arranged any training program for its directors during the year.
10. The board has appointed the Company Secretary on approved remuneration and terms and conditions of employment. The persons performing functions at present of CFO and Head of Internal Audit do not qualify the criteria required by Code of Corporate Governance.



11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were endorsed by CEO only before approval of the board as no CFO has been appointed.
13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The board has formed an Audit Committee. It presently works with two members of whom one is executive and one is non-executive director and chairman is not an Independent Director. Casual vacancy created due to resignation of the independent director since 17 March 2012 is still vacant.
16. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board of Directors has not formed a Human Resource and Remuneration (HR&R) Committee as required under the Code of Corporate Governance. However, subsequent to the year ended June 30, 2012 the Board of Directors has appointed the said committee.
18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the matters stated in paragraphs 1, 4, 9, 10, 12, 15, and 17 toward which reasonable progress is being made by the Modaraba to seek compliance by the end of next accounting year.

For and on behalf of Board of Directors,  
IBL Modaraba Management (Pvt) Limited  
Management Company of First IBL Modaraba



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IBL Modaraba Management (Private) Limited (the Management Company) in respect of First IBL Modaraba (the Modaraba), to comply with the Listing Regulations of respective Stock Exchanges, 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 the inquiries of the Management Company personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Further the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges requires the Modaraba to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee of the Management Company. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee of the Management Company. 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, we draw attention to following paragraphs of statement of compliance with Code of Corporate Governance viz Para 1 [ Independent Directors ], 4 [ Filling of Casual Vacancy on the Board ], 9 [ Training Program for Directors], 10 [ Qualification of CFO & Head of Internal Audit], 12 [ Signatures of CFO on Financial Statements ], 15 [ Audit Committee Matters ] and 17 [ HR&R Committee ], except for these matters, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to Modaraba for the year ended June 30, 2012.

**Rahman Sarfaraz Rahim Iqbal Rafiq,**  
CHARTERED ACCOUNTANTS  
LAHORE:



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

We have audited the annexed balance sheet of First IBL Modaraba as at 30 June 2012 and the related profit and loss account, statement of other 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, subject to our observations below, 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 (IBL 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 –

- I a) “Ijarah rentals receivable” as shown by note 3 include Ijarah rentals of Rs. 6.001 million that are required to be provided for this year under Part III, paragraph 5 (1B) of prudential regulations applicable to Modaraba. Whereas management made provision against doubtful Ijarah rentals receivable of Rs. 5.285 million as explained in the said note.
- b) “Short term Investments”, as shown in note 4 include shares of book value of Rs.1.874 million (30 June 2011: Rs. 1.226 million) which have not been confirmed through CDC holding report at the year end. These shares are stated not to be in the name of Modaraba and we have not been shown any other document as an evidence from which ownership of Modaraba of the said shares could be confirmed. Hence short term investments amounting to Rs. 1.874 million out of total short term investments of Rs.2.169 million (30 June 2011: Rs. 14.220 million) remained unverified.
- c) “Musharaka receivables” as shown by note 5 include principal and profit amounts of Rs.68.406 million (30 June 2011: Rs. 28.623 million) and Rs.20.766 million (30 June 2011: Rs. 21.243 million) respectively that are required to be provided this year under Part III, Paragraph 5 (1A) of Prudential Regulations applicable to Modaraba. Whereas the management has made provision against doubtful musharaka principal receivables and against doubtful profit receivables of Rs.26.017 million (30 June 2011: Rs. 14.311 million) and Rs. 1.763 million (30 June 2011: Rs. 11.791 million) respectively as explained in the said note.

Had the management made the required provisions then the amount of assets would have been reduced by aforesaid provisions and consequently loss before tax for the year would have increased by the same amount.

- d) We have neither been shown documentation/confirmation for the receivable balances of Rs.8.587 million disclosed under the heads “Balance with broker” and “Others” under “Advances, deposits, prepayments and other receivables” as included in note 6 nor any documents/records were made available to verify such balances by other alternative procedures. The said note also includes receivable balance of Rs.3.811 million from a party which has confirmed receivable balance from the Modaraba of Rs.1.628 million instead of payable balance. We have not been given explanation or provided reconciliation of the aforesaid difference.

Had the management made the required provisions then the amount of assets would have been reduced by aforesaid amounts and consequently loss before tax for the year would have increased by the same amount.



- e) “Investment in subsidiary” as shown by note 11 is stated to be made up of investment representing 80% equity of Alka Power (Pvt) Limited at a cost of Rs.6.4 million and advance amounting to Rs.50.905 million. The advance amount exceeds the exposure limit by Rs.4.710 million (30 June 2011: Rs. 1.217 million) as required by Para 1 of Part II (A) of Prudential Regulations. Confirmation received from the said company shows investment of Rs. 6.0 million which is claimed to form 23% of the equity and instead of the advance an amount of Rs. 1.388 million (net) as on 30 June 2011 receivable from the Modaraba.

We have not been given explanation of the aforesaid differences. The latest audited financial statements of the subsidiary and/ or other documentation by the subsidiary could not be made available to the auditors and therefore verification of the amount of advance and impairment testing could not be performed.

- f) Modaraba has not deposited income tax withheld on salaries and on payments for goods and services of Rs.1,449,247/- as disclosed in note 15 of the financial statements which is non compliance of income tax laws. The said non compliance may also result in penalties and additional surcharge; these amounts have not been ascertained and provided for or disclosed in financial statements under the head “contingencies”.

II Except for the financial impact of the matters and departures from Prudential Regulations as described in paragraph 'I' above:

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of First IBL 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 other 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 30 June 2012 and of the loss, its other comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS  
Engagement Partner: A. Rahman Mir

LAHORE:  
Date: December 07, 2012



ASSETS	Note	2012 Rupees	2011 Rupees <u>Restated</u>
<b>Current Assets</b>			
Ijarah rentals receivable	3	1,917,750	4,141,167
Short term investments	4	2,168,691	14,220,319
Current portion of murabaha finance	11	-	-
Musharaka receivables	5	85,252,703	123,132,184
Advances, deposits, prepayments and other receivables	6	51,260,197	53,268,014
Cash & bank balances	7	46,211	1,976,049
<b>Total current assets</b>		<b>140,645,552</b>	<b>196,737,733</b>
<b>Non-current assets</b>			
Assets in own use	8	1,146,192	2,777,632
Assets subject to Ijarah	9	9,460,979	15,857,220
Intangible Assets	10	752,500	-
Long term deposits		3,405,460	3,379,960
Investment in subsidiary	11	57,305,581	57,055,581
Long term murabaha finance	12	23,000,000	23,000,000
<b>Total non-current assets</b>		<b>95,070,712</b>	<b>102,070,393</b>
<b>TOTAL ASSETS</b>		<b>235,716,264</b>	<b>298,808,126</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Current liabilities</b>			
Musharaka finance	13	14,642,348	29,142,348
Short term finance	14	8,110	9,499,914
Accrued and other liabilities	15	12,852,502	11,612,551
Current portion of security deposit	16	6,491,002	220,000
Unclaimed profit distribution		7,693,592	7,987,915
<b>Total current liabilities</b>		<b>41,687,554</b>	<b>58,462,728</b>
<b>Non-current liabilities</b>			
Long term security deposits	16	2,704,494	9,368,392
<b>TOTAL LIABILITIES</b>		<b>44,392,048</b>	<b>67,831,120</b>
<b>CAPITAL &amp; RESERVES</b>			
<b>Authorised certificate capital</b>			
50,000,000 (2011: 50,000,000) certificates of Rs. 10 each	17	500,000,000	500,000,000
<b>Certificate capital</b>			
<b>Issued, subscribed and paid-up certificate capital</b>			
18,500,000 (2011:18,500,000) certificates of Rs.10 each issued as fully paid in cash		185,000,000	185,000,000
1,687,500 (2011:1,687,500) certificates of Rs.10 each issued as fully paid bonus		16,875,000	16,875,000
	17	<b>201,875,000</b>	<b>201,875,000</b>
Reserves	18	39,992,711	39,172,026
Unappropriated profit/(loss)		(50,543,495)	(10,070,020)
		<b>191,324,216</b>	<b>230,977,006</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>235,716,264</b>	<b>298,808,126</b>
Contingencies and Commitments	19		

The annexed notes 1 to 37 form an integral part of these financial statements.

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



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

**FIRST IBL MODARABA**  
**PROFIT & LOSS ACCOUNT**  
**For the year ended June 30, 2012**



	Note	2012 Rupees	2011 Rupees <u>Restated</u>
<b>INCOME</b>			
Profit on musharaka financing	20	935,464	35,838,885
Income from Ijarah financing		2,899,015	6,729,639
Profit on murabaha financing		4,025,004	3,847,764
Return on investments	21	38,980	193,863
Other income	22	938,367	2,965,495
		8,836,830	49,575,646
<b>EXPENSES</b>			
Administrative and general expenses	23	12,687,091	15,157,847
Amortization on assets subject to Ijarah		5,762,332	5,191,464
Amortization on Intangible Assets		247,500	-
Unrealised (Gain)/ loss on re-measurement of investments 'at fair value through profit or loss'		(50,126)	3,329
Realised loss on sale of investments		898,869	-
Provision against non-performing Musharaka receivables	5.2	26,017,137	14,311,552
Profit Receivable on Musharaka receivables held in suspense account	20	1,763,126	11,791,459
Finance cost	24	1,984,376	13,310,002
		49,310,305	59,765,653
Operating Profit/(Loss)		(40,473,475)	(10,190,007)
Management fee	25	-	-
Profit/(loss) before taxation		(40,473,475)	(10,190,007)
Taxation	26	-	-
Profit/(loss) after taxation		<u>(40,473,475)</u>	<u>(10,190,007)</u>
Earnings/(loss) per certificate basic/diluted	27	<u>(2.00)</u>	<u>(0.50)</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

**For IBL Modaraba Management (Private) Limited**  
**(Management Company)**



**CHIEF EXECUTIVE**



**DIRECTOR**



**DIRECTOR**



**FIRST IBL MODARABA  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
For the year ended June 30, 2012**

	2012 Rupees	2011 Rupees <b>Restated</b>
Profit/(Loss) for the year	(40,473,475)	(10,190,007)
<b>Other comprehensive income:</b>		
Net unrealised gain / (loss) on available-for-sale investments	(78,184)	29,603
Realised loss on sale of available-for-sale investments	898,869	-
	820,685	29,603
<b>Total comprehensive income for the year</b>	<b>(39,652,790)</b>	<b>(10,160,404)</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

**For IBL Modaraba Management (Private) Limited  
(Management Company)**

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



**FIRST IBL MODARABA**  
**CASH FLOW STATEMENT**  
**For the year ended June 30, 2012**



	Note	2012 Rupees	2011 Rupees <span style="border: 1px solid black; padding: 2px;">Restated</span>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) before taxation		(40,473,475)	(10,190,007)
<b>Adjustment for non-cash and other items:</b>			
Depreciation on fixed assets in own use		1,665,557	1,670,176
Amortization on assets subject to Ijarah		5,762,332	5,191,464
Amortization on Intangible Assets		247,500	-
(Gain) /loss on sale of assets under ijarah arrangements		82,123	(69,063)
Finance cost		1,984,376	13,310,002
Provision in respect of musharaka facilities		26,017,137	14,311,552
Provision in respect of profit on musharaka facilities		1,763,126	11,791,452
(Gain) / loss on sale of investment		-	(100,563)
Revaluation (gain)/loss on investment at fair value through profit or loss		(50,126)	3,329
Realised loss on sale of investment		898,869	-
Dividend income		(38,980)	(93,300)
		38,331,914	46,015,049
<b>(Increase)/decrease in current assets</b>		(2,141,561)	35,825,042
Ijarah rentals receivable		2,223,417	(2,627,219)
Short term investments		2,051,628	-
Murabaha receivable		-	30,000,000
Musharaka receivable		11,862,344	90,212,223
Advance, deposits, prepayments and other receivables		176,804	(10,274,911)
		16,314,193	107,310,093
<b>Increase/(decrease) in current liabilities</b>		(14,500,000)	(57,643,954)
Musharaka arrangement		(9,491,804)	(11,348,209)
Short term finance		1,239,951	3,011,398
Accrued and other liabilities		-	5,149,099
Customers' security deposits received		(392,896)	(75,000)
Current portion of security deposit		-	(231,339)
Due to management company		(23,144,749)	(61,138,005)
<b>Cash flow from operating activities</b>		(8,972,117)	81,997,130
Finance cost paid		(1,984,376)	(20,087,987)
Taxes paid		(67,887)	(70,825)
<b>Net cash generated from / (used in) operating activities</b>		(11,024,380)	61,838,318
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of assets for ijarah arrangements		-	(5,412,328)
Purchase of fixed assets for own use		(1,307,780)	(200,000)
Purchase of short term investments		-	(10,000,000)
Proceeds from sale of short term investments		10,381,379	19,214,443
Long term deposits		(25,500)	-
Investments in subsidiary		(250,000)	(40,714,393)
Long term Murabaha Finance		-	(23,000,000)
Proceeds from sale of assets subject to Ijarah		551,786	1,307,815
Dividend received		38,980	93,300
<b>Net cash generated from / (used in) investing activities</b>		9,388,865	(58,711,163)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Profit paid to certificate holders		(294,323)	(2,208,620)
<b>Net cash generated from / (used in) financing activities</b>		(294,323)	(2,208,620)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		(1,929,838)	918,535
<b>Cash and bank balances at the beginning of the year</b>		1,976,049	1,057,514
<b>Cash and bank balances at end of the year</b>	7	46,211	1,976,049

The annexed notes 1 to 37 form an integral part of these financial statements.

For IBL Modaraba Management (Private) Limited

(Management Company)



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



**FIRST IBL MODARABA**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended June 30, 2012**

Certificate capital	Statutory reserve	Reserves		Unappropriated profit/(loss)	Total
		Unrealized (loss)/gain on revaluation of AFS investments	Sub Total		
-----Rupees-----					
201,875,000	34,313,509	4,828,914	39,142,423	6,965,364	247,982,787
				(789,133)	(789,133)
201,875,000	34,313,509	4,828,914	39,142,423	6,176,231	247,193,654
				(6,056,244)	(6,056,244)
		29,603	29,603	(10,190,007)	(10,160,404)
201,875,000	34,313,509	4,858,517	39,172,026	(10,070,020)	230,977,006
		820,685	820,685	(40,473,475)	(39,652,790)
201,875,000	34,313,509	5,679,202	39,992,711	(50,543,495)	191,324,216

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<b>Balance as at June 30, 2010 before restatement</b>	201,875,000	34,313,509	4,828,914	39,142,423	6,965,364	247,982,787
Profit on musharaka finance (Refer 35.3)					(789,133)	(789,133)
<b>Balance as at June 30, 2010-restated</b>	201,875,000	34,313,509	4,828,914	39,142,423	6,176,231	247,193,654
Profit distribution for the year ended 30 June 2010					(6,056,244)	(6,056,244)
Total comprehensive income for the year			29,603	29,603	(10,190,007)	(10,160,404)
<b>Balance as at June 30, 2011-restated</b>	201,875,000	34,313,509	4,858,517	39,172,026	(10,070,020)	230,977,006
Total comprehensive income for the year			820,685	820,685	(40,473,475)	(39,652,790)
<b>Balance as at June 30, 2012</b>	201,875,000	34,313,509	5,679,202	39,992,711	(50,543,495)	191,324,216

The annexed notes 1 to 37 form an integral part of these financial statements.

**For IBL Modaraba Management (Private) Limited**  
**(Management Company)**

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR



**FIRST IBL MODARABA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2012**

**1 STATUS AND NATURE OF BUSINESS**

First IBL Modaraba ("the Modaraba") is a multi purpose, perpetual and multi dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under, having its registered office at Suite # 105, 1st Floor, Fortune center, 45-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi. The Modaraba is managed by IBL Modaraba Management (Private) Limited, incorporated in Pakistan under the Companies Ordinance, 1984 and registered with Registrar of Modaraba Companies. The Modaraba is listed on Karachi, Lahore and Islamabad stock exchanges. The Modaraba commenced its operations on October 19, 1989 and is currently engaged in various Islamic modes of financing and operations including Ijarah, Musharaka and Murabaha arrangements.

**2 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.

**2.1 Basis of preparation**

**2.1.1 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.

SECP vide Circular No. 10 of 2004 dated February 13, 2004 has deferred, till further orders, the applicability of the IAS 17 "Leases" with effect from July 01, 2003. Accordingly, this IAS has not been considered for the purpose of preparation of these financial statements.

**2.1.2 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' and 'available for sale' have been marked to market. The financial statements, except for cash flow information, have been prepared under accrual basis of accounting.

**2.1.3 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO**

**Standards and interpretations that become effective but not relevant to the modaraba:**

The following standards (revised or amended) and interpretation became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the modaraba.

- IFRS 7 - Financial Instruments: Disclosures
- IAS 1 - Presentation of Financial Statements
- IAS 24 - Related Party Disclosures
- IAS 34 - Interim Financial Reporting
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

**Forthcoming requirements not effective in current year and not considered relevant**

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the modaraba's operations or are not expected to have significant impact on the modaraba's financial statements other than increased disclosures in certain cases:



- IFRS 1 - First time adoption of IFRSs (amendment applicable for annual periods beginning on or after January 01, 2013).
- IFRS 7 - Financial Instruments: Disclosures (amendments applicable for annual periods beginning on or after January 01, 2015).
- IFRS 9 - Financial Instruments- Classification and Measurement (applicable for annual period beginning on or after January 01, 2015).
- IFRS 10 - Consolidated Financial Statements - (amendments applicable for annual periods beginning on or after January 01, 2014).
- IFRS 11 - Joint Arrangements - (amendment applicable for annual periods beginning on or after January 01, 2013).
- IFRS 12 - Disclosure of Interests in Other Entities - (amendments applicable for annual periods beginning on or after January 01, 2014).
- IFRS 13 - Fair Value Measurement - (applicable for annual periods beginning on or after January 01, 2013).
- IAS 1 - Presentation of Financial Statements (amendments applicable for annual periods beginning on or after July 01, 2013).
- IAS 12 - Income Taxes (amendments applicable for annual periods beginning on or after January 01, 2012).
- IAS 16 - Property, Plant and Equipment (amendment applicable for annual periods beginning on or after January 01, 2013).
- IAS 19 - Employee Benefits (effective for annual periods beginning on or after January 01, 2013).
- IAS 27 - Consolidated and separate financial statements (amendment applicable for annual periods beginning on or after January 01, 2014).
- IAS 28 - Investments in Associates (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 - Financial Instruments: Presentation (amendments applicable for annual periods beginning on or after January 01, 2014).
- IAS 34 - Interim Financial Reporting (amendment applicable for annual periods beginning on or after January 01, 2013).
- IFRIC 20- Stripping Costs in the Production phases of a Surface Mine (effective for annual periods beginning on or after 1 January 2013).

#### 2.2 Islamic Financial Accounting Standard - 1

SECP notified the Islamic Financial Accounting Standard 1 (IFAS-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 has adopted IFAS-1 in the year ended June 30, 2010 after obtaining certain clarifications from the Shariah advisor of the Modaraba Association of Pakistan.

#### 2.3 Islamic Financial Accounting Standard - 2

During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' (IFAS 2) issued by the Institute of Chartered Accountants of Pakistan which was notified by the SECP vide an SRO 431(1)/2007 dated May 22, 2007 was adopted. However 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. Under IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
  - Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
  - Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.
- Consequently, in preparation of these financial statements the Modaraba has accounted for Ijarah transactions executed before July 01, 2008 as operating leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

#### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) Determination and measurement of useful life and residual value of fixed assets. (note 2.7 & 2.8).
- ii) Provision against doubtful receivables based on time based criteria in terms of prudential regulations for modaraba. Musharaka, Murabaha, Ijarah finances and related other receivables are tested for impairment taking into account the borrowers' payment/credit history and adequacy of security.

#### 2.5 Financial instruments

##### 2.5.1 Classification

###### 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 include investments in listed equity securities.

###### b) Loans and receivables

These are non-derivative 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, Musharaka receivables, Ijarah rentals receivable, long term deposits, Murabaha finance, Investment in subsidiary and Advances, deposits and other receivables.

###### c) 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 loans and receivables, held to maturity and financial assets at fair value through profit or loss.

###### d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity and where the Modaraba has positive intent and ability to hold financial assets to maturity are classified as financial assets held to maturity.



### 2.5.3 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 and held to maturity

The investment in listed securities are valued at market rate using the closing market rates and are carried in 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 profit and loss account.

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

Investments categorised as held to maturity are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses. The resultant change in values is reported directly in the profit and loss account.

#### b) Loans and receivables

Loans and receivables financial assets are carried at amortised cost less the amount of provision made against doubtful amounts and profit kept in suspense account in accordance with the requirements of prudential regulations for modaraba.

### 2.5.4 Regular way contracts

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

### 2.5.5 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. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit and loss account. Impairment losses recognised on equity instruments are not reversed through profit and loss account. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Impairment loss/provisions against Ijarah, Musharaka and Murabaha arrangements is recognised in accordance with the requirements of the Prudential Regulations.

### 2.5.6 Derecognition

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

### 2.5.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset 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.

### 2.5.8 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include musharaka finance, Short term finance, due to management company, creditors, accrued and other liabilities and unclaimed profit distribution. These are initially recognised at fair value and subsequently stated at amortised cost.

### 2.6 Ijarah rentals, murabaha finance and musharaka finance

Lease rentals, murabaha finance and musharaka 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.



## **2.7 Tangible fixed assets**

### **2.7.1 Owned assets**

Assets are stated at cost less accumulated depreciation less accumulated impairment losses. 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.

### **2.7.2 Assets given to customers under ijarah arrangements**

Assets leased out under Ijarah on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation/amortization and accumulated impairment losses. Depreciation/amortization is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset.

### **2.7.3 Gain or loss on disposal**

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

### **2.7.4 Impairment**

The carrying values of non financial 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 exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

## **2.8 Intangible Assets**

Intangible assets acquired by the Modaraba are stated at cost less accumulated amortization and impairment losses, if any.

Amortization is charged to profit and loss account on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

## **2.9 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.

## **2.10 Taxation**

### **Current**

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemption available, if any. The income of Modarabas from non trading activities is exempt from tax provided that not less than 90% of their total profits are distributed to the certificate-holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability in the current year.

### **Deferred**

The Modaraba accounts for deferred taxation using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability/asset has not been accounted for in these financial statements as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue to distribute at least 90% of its profit in future years due to which no tax would be payable.

## **2.11 Creditors, accrued and other liabilities**

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

## **2.12 Provisions**

Provisions are recorded when the Modaraba has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.



### **2.13 Staff retirement benefits**

#### **2.13.1 Staff provident scheme - Defined contribution plan**

The Modaraba operates an unfunded contributory provident fund scheme for employees eligible under the scheme. Equal monthly contributions are made both by the Modaraba and the employees at 10% of the basic salary.

#### **2.13.2 Staff gratuity fund - Defined benefit plan**

The Modaraba operates an un-funded scheme for its employees. Gratuity is payable on retirement / resignation after the qualifying period of ten years with modaraba. Gratuity is payable at the rate of three fourth of one month gross salary for each completed year of service or part thereof exceeding ten years.

### **2.14 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balances with banks on current and deposit accounts.

### **2.15 Proposed profit distribution to certificate holder**

Profit distribution to certificate holders is recognised as a liability in the period in which such distributions are approved by the Board of Directors of the management company.

### **2.16 Revenue recognition**

Revenue is recognized on the following basis:

- Profit on finances under musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Profit on finances under murabaha arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Ijarah rentals are recognised as income on accrual basis, as and when rentals become due.
- Dividend income is recognized when the right to receive dividend is established.
- Return on deposits with bank is recognized on accrual basis.
- Other income is recognised on accrual basis.

### **2.17 Functional and presentation currency**

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

### **2.18 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 Officer 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 Officer 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.

### **2.19 Investment in subsidiary**

Investment in subsidiary is initially valued at cost. At subsequent reporting dates, the Modaraba reviews the carrying amount of investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

### **2.20 Earnings per certificate**

Earnings per certificate is calculated by dividing the profit attributable to certificate-holders by the weighted average number of certificates outstanding during the year.



	Note	2012	2011
		----- (Rupees) -----	
<b>3 IJARAH RENTALS RECEIVABLE - SECURED</b>			
Considered good		1,917,750	4,141,167
Considered doubtful		<u>5,351,355</u>	<u>1,050,720</u>
		7,269,105	5,191,887
Accumulated Impairment	<b>3.1</b>	(5,351,355)	(1,050,720)
		<u><u>1,917,750</u></u>	<u><u>4,141,167</u></u>

These represent rentals receivable against assets leased out under Ijarah contracts. The Modaraba has provided facility to its associate undertaking, as detailed in note 32, which is prohibited by the prudential regulations Part II Para 7(3).

**3.1** Movement in accumulated impairment is as follows:

As at beginning of the year	1,050,720	1,050,720
Recognized during the year	5,284,945	-
Reversed during the year	<u>(984,310)</u>	<u>-</u>
As at end of the year	<u><u>5,351,355</u></u>	<u><u>1,050,720</u></u>

During the year provision amounting to Rs. 715,663/- (2011: Rs. 398,028/-) against over due ijarah rentals as required by Part III Para 5 (1 B) of Prudential Regulations has not been made.

**4 SHORT TERM INVESTMENTS**

Investments in listed equity securities classified as:

Available for sale	<b>4.1</b>	1,994,302	4,096,056
At fair value through profit or loss	<b>4.2</b>	174,389	124,263
Investments in Term Deposit Receipts- Held to Maturity	<b>4.3</b>	-	10,000,000
		<u><u>2,168,691</u></u>	<u><u>14,220,319</u></u>

**4.1 Available for sale**

2012	2011	Name of entity	Note	2012	2011
No. of shares/ Certificates				----- (Rupees) -----	
Holdings are in ordinary certificates / shares of Rupees 10 each.					
2,572	26,003	Searle Pakistan Ltd		122,401	1,413,263
-	108,239	United Distributors Pakistan Ltd		-	1,473,133
392,500	392,500	Lafarge Pakistan Cement Ltd.		1,695,600	1,059,750
5,700	5,700	Arif Habib Corporation Ltd.		176,301	149,910
<u><u>400,772</u></u>	<u><u>532,442</u></u>		<b>4.1.1</b>	<u><u>1,994,302</u></u>	<u><u>4,096,056</u></u>

**4.1.1** It includes shares of Rs.Nil (2011: Rs.2,871,015/-) pledged as collateral for musharaka finance liability. It also includes shares of Rs.1,871,901/- (2011: Rs. 1,225,041/-) not in the name of the Modaraba.

**4.2 At fair value through profit or loss**

2012	2011	Name of entity	Note	2012	2011
No. of shares/ Certificates				----- (Rupees) -----	
Holdings are in ordinary certificates / shares of Rupees 10 each.					
2,241	2,241	Invest capital investment Bank Ltd.		1,815	717
200	200	Attock Refinery Ltd.		24,574	24,546
100,000	100,000	First Punjab Modaraba		148,000	99,000
<u><u>102,441</u></u>	<u><u>102,441</u></u>		<b>4.2.1</b>	<u><u>174,389</u></u>	<u><u>124,263</u></u>

**4.2.1** It includes shares of Rs.1,815/- (2011: Rs.717/-) not in the name of the Modaraba.

**4.3** The investments in term deposit receipts with Habib Bank Limited having profit rate of 11.25% p.a matured during the year.





	Note	2012 ------(Rupees)-----	2011 Restated
<b>5 MUSHARAKA RECEIVABLES - SECURED</b>			
Considered good	5.1	85,252,703	123,132,184
Considered doubtful		59,828,689	33,811,552
		145,081,392	156,943,736
Accumulated Impairment	5.2	(59,828,689)	(33,811,552)
		85,252,703	123,132,184

5.1 This represents musharaka finance provided to customers for business activities for a maximum period of twelve months. The provisional rate of profit on these finances ranges from 10% to 29% (2011: 10% to 29%) per annum and secured by way of hypothecation of goods and book debts. This charge is not registered under the Companies Ordinance, 1984.

5.2 This represents provision made against over due principal amount of musharaka investment on time based criteria in terms of the requirement of the Prudential Regulations applicable to Modaraba. The profit accrued of Rs.22,611,242/- (2011: Rs.20,848,116/-) is held in suspense account (Refer note 6). The management expects effective recovery in the following year and therefore has under provided provision for principal by Rs.42.389 million (2011: Rs. 14.312 million) and profit by Rs.19.003 million (2011: Rs. 9.452 million).

Movement in accumulated impairment is as follows:

As at beginning of the year	33,811,552	19,500,000
Recognized during the year	26,017,137	14,311,552
Reversed during the year	-	-
As at end of the year	59,828,689	33,811,552

5.3 The Modaraba has provided facility to its associate undertakings, major certificate holders and those engaged in speculative transactions, as detailed in note 32 which is prohibited by the prudential regulations Part II Para 7(3), Section 17(2) of Modaraba Ordinance, 1980 and Rule 31 of Modaraba Rules. The outstanding principal is expected to be realised by the modaraba on respective maturity dates.

5.4 Previous year figure of "Musharaka receivables" is restated (Refer note 35 for detail).

	Note	2012 ------(Rupees)-----	2011 Restated
<b>6 ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advance income tax		649,456	581,569
Advance to employees against salary		762,713	843,120
Prepayments		66,008	47,207
		1,478,177	1,471,896
Accrued profit:			
Profit receivable on musharaka finance		39,979,152	39,442,156
Less: Profit held in suspense account		(22,611,242)	(20,848,116)
		17,367,910	18,594,040
Profit receivable on murabaha financing		335,417	-
Other receivables:			
Receivable from modaraba management company	6.1	13,393,142	11,266,272
Balance with broker	6.2	4,775,884	4,775,884
Others	6.3	13,909,667	17,159,922
		32,078,693	33,202,078
		51,260,197	53,268,014

6.1 This represents the amount that is to be reimbursed to modaraba in respect of rent of office and other expenses. During the year expenses paid on behalf of management company amount to Rs.2,126,870/- (2011: Rs. 2,222,961/-) and during the year modaraba was able to adjust Rs. Nil/- (2011: Rs. 231,339/-). The facility is in contravention of the Modaraba Ordinance and Rules thereunder.

6.2 This represents amount receivable from Khoja's Capital Management, associated company.



- 6.3 This includes amount of Rs.1,314,715/- (2011: Rs. 109,915/-) receivable from Chief Executive Officer in respect of lease rentals paid by Modaraba which is prohibited by the prudential regulations Part-II, para 7 (3) and Section 195 of Companies Ordinance, 1984. This amount was subsequently realized and credited in bank statement on July 03, 2012.
- 6.4 Previous year figure of "profit receivable on musharaka finance" is restated (Refer note 35 for detail).

<b>7 CASH AND BANK BALANCES</b>	<b>2012</b>	<b>2011</b>
	----- <b>(Rupees)</b> -----	
Cash in hand	26,829	34,722
Cash with banks in:		
- current accounts	6,635	1,537,502
- deposit accounts	12,747	403,825
	19,382	1,941,327
	46,211	1,976,049

**8 ASSETS IN OWN USE**

**COST**

Balance as at 01 July 2010

Additions during the year

Disposals

Balance as at 30 June 2011

Balance as at 01 July 2011

Additions during the year

Disposals

Balance as at 30 June 2012

**DEPRECIATION**

Balance as at 01 July 2010

Charge for the year

Depreciation on disposals

Balance as at 30 June 2011

Balance as at 01 July 2011

Charge for the year

Depreciation on disposals

Adjustments

Balance as at 30 June 2012

**Written down value as at 30 June 2011**

**Written down value as at 30 June 2012**

**Depreciation rate**

-----Year ended June 30, 2012-----				
Fixed Assets - owned				Total
Machinery	Furniture and Fittings	Vehicles	Office Equipments and Computers	
-----Rupees-----				
1,891,500	4,588,095	153,490	3,075,575	9,708,660
-	-	-	200,000	200,000
-	-	-	-	-
1,891,500	4,588,095	153,490	3,275,575	9,908,660
1,891,500	4,588,095	153,490	3,275,575	9,908,660
-	-	2,000	305,780	307,780
-	-	-	-	-
1,891,500	4,588,095	155,490	3,581,355	10,216,440
104,637	2,943,034	100,671	2,312,510	5,460,852
378,300	788,362	17,898	485,616	1,670,176
-	-	-	-	-
482,937	3,731,396	118,569	2,798,126	7,131,028
482,937	3,731,396	118,569	2,798,126	7,131,028
378,300	856,699	30,965	399,593	1,665,557
-	-	-	-	-
273,663	-	-	-	273,663
1,134,900	4,588,095	149,534	3,197,719	9,070,248
<b>1,408,563</b>	<b>856,699</b>	<b>34,921</b>	<b>477,449</b>	<b>2,777,632</b>
<b>756,600</b>	<b>-</b>	<b>5,956</b>	<b>383,636</b>	<b>1,146,192</b>
<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>&amp; 33.33%</b>



**9 ASSETS SUBJECT TO IJARAH**

-----Year ended June 30, 2012-----				
Note	Cost	Accumulated Amortization	Written Down Value	
-----Rupees-----				
For Ijarah arrangement before July 1, 2008	9.1	17,535,458	12,514,883	5,020,575
For Ijarah arrangement after July 1, 2008	9.2	8,559,078	4,118,674	4,440,404
		<b>26,094,536</b>	<b>16,633,557</b>	<b>9,460,979</b>

-----Year ended June 30, 2011-----				
Note	Cost	Accumulated Amortization	Written Down Value	
-----Rupees-----				
For Ijarah arrangement before July 1, 2008	9.1	18,936,458	9,965,706	8,970,752
For Ijarah arrangement after July 1, 2008	9.2	8,702,078	1,815,610	6,886,468
		<b>27,638,536</b>	<b>11,781,316</b>	<b>15,857,220</b>

**9.1 For Ijarah arrangement before July 1, 2008:**

-----Year ended June 30, 2012-----				
Machinery	Ijarah Assets		Total	
	Vehicles	Office Equipments and Computers		
-----Rupees-----				
Balance as at 01 July 2010	8,536,775	10,532,803	5,266,880	24,336,458
Additions during the year	-	-	-	-
Disposals	-	(5,400,000)	-	(5,400,000)
Balance as at 30 June 2011	8,536,775	5,132,803	5,266,880	18,936,458
Balance as at 01 July 2011	8,536,775	5,132,803	5,266,880	18,936,458
Additions during the year	-	-	-	-
Disposals	-	(1,401,000)	-	(1,401,000)
Balance as at 30 June 2012	8,536,775	3,731,803	5,266,880	17,535,458

**AMORTIZATION**

Balance as at 01 July 2010	2,891,332	5,411,152	2,492,814	10,795,298
Charge for the year	1,451,386	1,018,518	964,997	3,434,901
Amortization on disposals	-	(4,264,493)	-	(4,264,493)
Balance as at 30 June 2011	4,342,718	2,165,177	3,457,811	9,965,706
Balance as at 01 July 2011	4,342,718	2,165,177	3,457,811	9,965,706
Charge for the year	1,670,817	847,954	850,219	3,368,990
Amortization on disposals	-	(819,813)	-	(819,813)
Balance as at 30 June 2012	6,013,535	2,193,318	4,308,030	12,514,883

<b>Written down value as at 30 June 2011</b>	<b>4,194,057</b>	<b>2,967,626</b>	<b>1,809,069</b>	<b>8,970,752</b>
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<b>Written down value as at 30 June 2012</b>	<b>2,523,240</b>	<b>1,538,485</b>	<b>958,850</b>	<b>5,020,575</b>
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**9.2 For Ijarah arrangement commencing after July 1, 2008 on straight line Amortization**

	Assets subject to Ijarah			Total
	Machinery	Vehicles	Office Equipments and Computers	
<b>COST</b>	-----Rupees-----			
Balance as at 01 July 2010	425,000	3,037,800	-	3,462,800
Additions during the year	1,920,103	2,888,400	603,825	5,412,328
Disposals	-	(173,050)	-	(173,050)
Balance as at 30 June 2011	2,345,103	5,753,150	603,825	8,702,078
Balance as at 01 July 2011	2,345,103	5,753,150	603,825	8,702,078
Additions during the year	-	-	-	-
Disposals	-	(143,000)	-	(143,000)
Balance as at 30 June 2012	2,345,103	5,610,150	603,825	8,559,078
<b>AMORTIZATION</b>				
Balance as at 01 July 2010	11,504	117,348	-	128,852
Charge for the year	502,882	1,127,831	125,850	1,756,563
Amortization on disposals	-	(69,805)	-	(69,805)
Balance as at 30 June 2011	514,386	1,175,374	125,850	1,815,610
Balance as at 01 July 2011	514,386	1,175,374	125,850	1,815,610
Charge for the year	1,140,847	987,448	265,047	2,393,342
Amortization on disposals	-	(90,278)	-	(90,278)
Balance as at 30 June 2012	1,655,233	2,072,544	390,897	4,118,674
<b>Written down value as at 30 June 2011</b>	<b>1,830,717</b>	<b>4,577,776</b>	<b>477,975</b>	<b>6,886,468</b>
<b>Written down value as at 30 June 2012</b>	<b>689,870</b>	<b>3,537,606</b>	<b>212,928</b>	<b>4,440,404</b>



### 9.3 Disposal of Ijarah assets

The following assets were disposed off during the year having carrying value of more than Rs. 50,000/-:

-----2012-----							
Particulars	Cost	Accumulated Amortization	Net book Value	Sale Proceeds	Gain/(Loss)	Mode of disposal	Particulars of buyer
------(Rupees)-----							
Honda city	872,000	514,294	357,706	327,186	(30,520)	Termination of lease	Etimaad Engineering
Suzuki Alto	529,000	305,519	223,481	211,600	(11,881)	Termination of lease	Saleem Ata
Motor cycle	143,000	90,278	52,722	13,000	(39,722)	Termination of lease	Shoab Tahir Khan
	<u>1,544,000</u>	<u>910,091</u>	<u>633,909</u>	<u>551,786</u>	<u>(82,123)</u>		

-----2011-----							
Particulars	Cost	Accumulated Amortization	Net book Value	Sale Proceeds	Gain/(Loss)	Mode of disposal	Particulars of buyer
------(Rupees)-----							
Spectra	400,000	138,334	261,666	325,088	63,422	Termination of lease	Rizwan Ahmed
Motor cycle	25,000	16,667	8,333	9,131	798	Termination of lease	Wiki
Motor cycle	64,650	21,450	43,200	37,155	(6,045)	Termination of lease	Sohail Akbar
Motor cycle	83,400	31,688	51,712	62,600	10,888	Termination of lease	Faisal ul Rahman
BMW	5,000,000	4,126,159	873,841	873,841	-	Termination of lease	Shuja Malik
	<u>5,573,050</u>	<u>4,334,298</u>	<u>1,238,752</u>	<u>1,307,815</u>	<u>69,063</u>		

### 9.4 FUTURE IJARAH RENTALS RECEIVABLE

Future minimum Ijarah rentals receivable on the basis of Ijarah agreements executed upto 30 June are as follows:

Not later than one year	11,220,590	5,708,223
Later than one year but not later than five years	1,255,343	5,949,059
Later than five years	-	-
	<u>12,475,933</u>	<u>11,657,282</u>

#### General description of Ijarah arrangements

This represents Ijarah arrangements made by the Modaraba at profit rates ranging from 12.50% to 25% (2011: 12.50% to 25%) per annum. Most of the Ijarah are of machinery and vehicles. These are secured against assets under ijarah, personal/corporate guarantees, demand promissory notes executed by Musta'jir and other collaterals.

### 10 INTANGIBLE ASSETS- COMPUTER SOFTWARE

#### Cost

Balance as at 1 July 2011	-	-
Additions during the year	1,000,000	-
Balance as at 30 June 2012	<u>1,000,000</u>	-

#### Amortization

Balance as at 1 July 2011	-	-
Charged during the year	(247,500)	-
Balance as at 30 June 2012	<u>(247,500)</u>	-
<b>Net Book Value as at 30 June 2012</b>	<u>752,500</u>	<u>-</u>

The Modaraba amortizes intangible asset over the period of three years @ 33.33% per year.



	Note	2012	2011
		----- (Rupees) -----	
		<b>Restated</b>	
<b>11 INVESTMENT IN SUBSIDIARY</b>			
Equity investment	11.1	6,400,000	6,400,000
Advance	11.2	50,905,581	50,655,581
		<u>57,305,581</u>	<u>57,055,581</u>

**11.1** This represents equity investment in the ordinary shares of Alka Power (Private) Limited. Modaraba holds 80% (2011: 80%) control over subsidiary through 80,000 shares (2011: 80,000 shares) of Rs. 100/- each, acquired at a cost of Rs. 80/- per share. However, the approval for investment of SECP is for Rs. 6.0 million. The amount exceeds the approved amount by Rs. 0.4 million.

**11.2** This represents advance to Alka Power (Private) Limited which is stated to be adjustable against further issue of shares of Rs. 100/- each at par. The advance amount exceeds the exposure limit by Rs. 4.710 million (June 30, 2011: Rs.1.217 million) as required by Para I of Part II (A) of Prudential Regulations.

**11.3** Previous year figure of "Advance" is restated (Refer note 35 for detail).

**12 LONG TERM MURABAHA FINANCE**

Opening balance		23,000,000	-
Add: Disbursed during the year	12.1	<u>-</u>	<u>23,000,000</u>
		23,000,000	23,000,000
Less: Current portion		<u>-</u>	<u>-</u>
		<u>23,000,000</u>	<u>23,000,000</u>

**12.1** This represents murabaha arrangements made with a single party on 7 February 2011 for a period of three years, maturing on 7 March 2014 incorporating profit at the rate of 17.5% (2011: 17.5%) p.a. payable monthly. The facility is secured by hypothecation of stocks, spares, stores & other stocks of the value of Rs. 30,000,000/- (June 30, 2011: Rs. 30,000,000/-) plus personal guarantee of borrower and demand promissory note. Evidence of registration of charge on stocks etc is not on record.

		<u>14,642,348</u>	<u>29,142,348</u>
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**13.1** Musharaka finance facilities are arranged for the purpose of normal business activities of the Modaraba from a modaraba. The maximum period of these arrangements is twelve months. The provisional rate of profit payable ranges from 12.6% to 18% (2011: 12.6% to 18%) per annum. The arrangements are secured against pledge of marketable securities, hypothecation charge over current assets and demand promissory note.

**13.2** Previous year figure of "Musharaka Finance" is restated (Refer note 35 for detail).

**14 SHORT TERM FINANCE - SECURED**

Running Finance	14.1	-	9,499,914
Overdrawn Bank	14.2	<u>8,110</u>	<u>-</u>
		<u>8,110</u>	<u>9,499,914</u>

**14.1** The facility with a limit of Rs. 9.5 million obtained as short term running finance for working capital requirements from bank carrying mark up at 1.5% spread over deposit rate of HBL Advantage A/C # D3M-1025/2011/001 has expired during the year without renewal thereof. During the year outstanding balance has been repaid in full.

**14.2** This represents overdrawn bank balance.

**15 ACCRUED AND OTHER LIABILITIES**

Accrued expenses		1,013,362	703,161
Musharaka profit payable		1,430,192	1,430,192
Contribution to Provident fund payable	15.1	1,644,179	1,413,448
Withholding tax		1,449,247	906,146
Other liabilities		<u>7,315,522</u>	<u>7,159,604</u>
		<u>12,852,502</u>	<u>11,612,551</u>

**15.1** Contribution is not deposited by company in separate bank account and requirements of Companies Ordinance, 1984 have not been complied with.



	Note	2012	2011
		----- (Rupees) -----	
<b>16 LONG TERM SECURITY DEPOSITS</b>			
Security deposits		9,195,496	9,588,392
Less: Current portion		<u>(6,491,002)</u>	<u>(220,000)</u>
		<u>2,704,494</u>	<u>9,368,392</u>
<b>17 CERTIFICATE CAPITAL</b>			
<b>Authorised certificate capital</b>			
<b>2012</b>			<b>2011</b>
<b>No. of certificates</b>			
<u>50,000,000</u>		<u>50,000,000</u>	Modaraba certificates of Rs. 10/- each.
<u>50,000,000</u>		<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued, subscribed and paid-up capital</b>			
18,500,000		18,500,000	Modaraba Certificates of Rs 10/- each fully paid in cash
1,687,500		1,687,500	Modaraba Certificates of Rs 10/- each issued as fully paid bonus certificates
<u>20,187,500</u>		<u>20,187,500</u>	<u>201,875,000</u>
<u>20,187,500</u>		<u>201,875,000</u>	<u>201,875,000</u>
<b>18 RESERVES</b>			
Statutory Reserve	<b>18.1</b>	34,313,509	34,313,509
Unrealised gain on revaluation of available for sale investments		<u>5,679,202</u>	<u>4,858,517</u>
		<u>39,992,711</u>	<u>39,172,026</u>
<b>18.1</b> Statutory reserve represents profit set aside in accordance with the requirements of Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 30% of its after tax profit till such time that reserves become equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. In view of loss after tax for the current and previous year, no transfer to statutory reserve is made.			
<b>19 CONTINGENCIES AND COMMITMENTS</b>			
<b>19.1 Contingencies:</b>			
The modaraba has provided guarantee amounting to Rs.43,282,625/- (2011: Rs.85,092,100/-) on behalf of the contractor which is secured against 10% cash margin of the guarantee amount, lien over immovable property and personal guarantee of the contractor.			
The guarantee (unfunded facility) exceeded the allowable limit in the previous year which is laid down by Para 1 Part II of Prudential Regulations which restrict the maximum amount for unfunded facility to a single person to the extent of 30% of equity of modaraba. However, the guarantee amount is within allowable limit in the current year.			
<b>19.2 Commitments:</b>			
The modaraba has not made any capital commitments (2011: Nil) at the balance sheet date.			
<b>20 PROFIT ON MUSHARAKA FINANCING</b>			
Profit on musharaka arrangements (Gross)	<b>20.1</b>	<u>935,464</u>	<u>35,838,885</u>
<b>20.1</b> During the year provision against overdue profit receivable on musharaka receivables has been made and held in suspense account shown under the head "Expenses" in profit and loss account. In the previous year provision was netted against profit amount.		<u>1,763,126</u>	<u>11,791,459</u>
<b>21 RETURN ON INVESTMENTS</b>			
Dividend Income		38,980	93,300
Gain realised on sale of investments-Net		<u>-</u>	<u>100,563</u>
		<u>38,980</u>	<u>193,863</u>



	Note	2012	2011
		----- (Rupees) -----	
<b>22 OTHER INCOME</b>			
<b>Income from financial assets:</b>			
Profit on bank deposits		2,920	1,730
Profit on term deposit receipts		821,677	286,644
Profit on receivables		-	532,275
		<u>824,597</u>	<u>820,649</u>
<b>Income / (Loss) from assets other than financial assets:</b>			
Gain / (Loss) on disposal of assets subject to Ijarah		(82,123)	69,063
Miscellaneous income		195,893	2,075,783
		<u>113,770</u>	<u>2,144,846</u>
		<u><u>938,367</u></u>	<u><u>2,965,495</u></u>
<b>23 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and other benefits	23.1	7,345,414	8,388,858
Travelling and conveyance		713,064	245,539
Entertainment		136,406	158,819
Repair and maintenance		594,262	106,738
Registrar services		-	133,987
Utilities		37,993	53,478
Printing and stationery		191,731	125,433
Fee and subscription		464,090	421,844
Legal and professional		382,656	2,033,020
Auditors' remuneration	23.2	330,000	372,250
Insurance		58,688	46,386
Postage		53,741	46,466
Telephone		208,064	477,213
Depreciation on fixed assets - owned	8	1,665,557	1,670,176
Motor vehicle running and maintenance		48,004	200,330
Stamp paper and revenue stamps		-	2,465
Advertisement		32,550	94,313
Donation		-	50,000
Penalty paid to KSE	23.3	100,000	-
Miscellaneous		324,871	530,532
		<u>12,687,091</u>	<u>15,157,847</u>
<b>23.1 Remuneration of Officers</b>			
Salaries and other benefits include remuneration of officers:			
Remuneration		4,191,204	1,925,900
Employer's contribution to provident fund		210,034	161,798
Others		1,000	192,000
		<u>4,402,238</u>	<u>2,279,698</u>
Number of persons		<u>4</u>	<u>3</u>
Officers are also provided with free use of Modaraba's vehicles.			
<b>23.2 Auditors' Remuneration</b>			
Audit fee		330,000	350,000
Out-of-pocket expenses		-	22,250
		<u>330,000</u>	<u>372,250</u>
<b>23.3</b> None of the directors and their spouses has any interest in the donee.			
			<b>Restated</b>
<b>24 FINANCE COST</b>			
Mark up on short term finance		1,120,593	424,984
Profit on Musharaka finance		532,347	12,855,002
Bank charges		331,436	30,016
		<u>1,984,376</u>	<u>13,310,002</u>
For restated figures refer note 35.3 also.			
<b>25 MODARABA MANAGEMENT COMPANY FEE</b>			
The management company is entitled to a remuneration for services rendered to the Modaraba under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 upto maximum 10% per annum of the net annual profits of the Modaraba. In view of loss for the current and previous year no management company fee is recognised.			





**26 TAXATION**

No provision with respect to current and deferred taxation has been made in these accounts on the premise that under the current tax law the income of Modaraba from non trading activities is exempt from income tax provided that they distribute ninety percent of its profit to certificate holders out of current year's total profit after appropriating to statutory reserves. The Modaraba intends to continue to avail the said exemption.

	2012 ----- <b>(Rupees)</b> -----	2011 ----- <b>(Rupees)</b> -----
		<b>Restated</b>
<b>27 EARNINGS/(LOSS) PER CERTIFICATE- Basic and Diluted</b>		
Profit/(Loss) for the year	(40,473,475)	(10,190,007)
Weighted average number of modaraba certificates outstanding during the year	20,187,500	20,187,500
Earnings/(Loss) per certificate- basic and diluted	(2.00)	(0.50)

There is no dilution effect on the basic earnings/(loss) per certificate as the Modaraba has no convertible instruments in issue at the end of the year.

**28 MATURITIES OF ASSETS AND LIABILITIES**

		----- As at June 30, 2012 -----			
Assets	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees-----					
Cash and bank balances	46,211	46,211	-	-	-
Advances, deposits, prepayments & other receivables	51,260,197	-	-	51,260,197	-
Short term investments	2,168,691	174,389	-	1,994,302	-
Musharaka receivables	85,252,703	-	-	85,252,703	-
Ijarah rentals receivable	1,917,750	1,917,750	-	-	-
Investment in subsidiary	57,305,581	-	-	-	57,305,581
Long term deposits	3,405,460	-	-	-	3,405,460
Fixed assets	10,607,171	-	-	-	10,607,171
Intangible Assets	752,500	-	-	-	752,500
Long term murabaha finance	23,000,000	-	-	-	23,000,000
<b>Total assets as at June 30, 2012</b>	<b>235,716,264</b>	<b>2,138,350</b>	<b>-</b>	<b>138,507,202</b>	<b>95,070,712</b>

		----- As at June 30, 2012 -----			
Liabilities	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees-----					
Accrued and other liabilities	12,852,502	1,449,247	-	11,403,255	-
Short term finance	8,110	-	-	8,110	-
Musharaka finance	14,642,348	-	-	14,642,348	-
Security deposits payable	9,195,496	287,190	5,400	6,196,412	2,706,494
Unclaimed profit distribution	7,693,592	-	-	7,693,592	-
<b>Total liabilities as at June 30,2012</b>	<b>44,392,048</b>	<b>1,736,437</b>	<b>5,400</b>	<b>39,943,717</b>	<b>2,706,494</b>
<b>Net balance</b>	<b>191,324,216</b>	<b>401,913</b>	<b>(5,400)</b>	<b>98,563,485</b>	<b>92,364,218</b>
<b>Certificate holders' equity</b>	<b>191,324,216</b>				



**MATURITIES OF ASSETS AND LIABILITIES**

----- As at June 30, 2011 -----

Assets	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees (Restated)-----					
Cash and bank balances	1,976,049	1,976,049	-	-	-
Advances, deposits, prepayments & other receivables	53,268,014	-	-	53,268,014	-
Short term investments	14,220,319	124,263	-	14,096,056	-
Musharaka receivables	123,132,184	-	-	123,132,184	-
Ijarah rentals receivable	4,141,167	4,141,167	-	-	-
Investment in subsidiary	57,055,581	-	-	-	57,055,581
Long term deposits	3,379,960	-	-	-	3,379,960
Fixed assets	18,634,852	-	-	-	18,634,852
Long term murabaha finance	23,000,000	-	-	-	23,000,000
<b>Total assets as at June 30, 2011</b>	<b>298,808,126</b>	<b>6,241,479</b>	<b>-</b>	<b>190,496,254</b>	<b>102,070,393</b>

----- As at June 30, 2011 -----

Liabilities	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees (Restated)-----					
Accrued and other liabilities	11,612,551	906,146	-	10,706,405	-
Short term finance	9,499,914	-	-	9,499,914	-
Musharaka finance	29,142,348	-	-	29,142,348	-
Security deposits payable	9,588,392	220,000	-	-	9,368,392
Unclaimed profit distribution	7,987,915	-	-	7,987,915	-
<b>Total liabilities as at June 30, 2011</b>	<b>67,831,120</b>	<b>1,126,146</b>	<b>-</b>	<b>57,336,582</b>	<b>9,368,392</b>
<b>Net balance</b>	<b>230,977,006</b>	<b>5,115,333</b>	<b>-</b>	<b>133,159,672</b>	<b>92,702,001</b>
<b>Certificate holders' equity</b>	<b>230,977,006</b>				

**29 FINANCIAL INSTRUMENTS BY CATEGORY**

----- As at June 30, 2012 -----

ASSETS	Loans and receivables	Held to maturity	Available for sale	Held for trading	Total
-----Rupees-----					
Cash and bank balances	46,211	-	-	-	46,211
Ijarah rentals receivable	1,917,750	-	-	-	1,917,750
Advances and deposits	1,512,169	-	-	-	1,512,169
Musharaka profit and other receivables	49,682,020	-	-	-	49,682,020
Short term investments	-	-	1,994,302	174,389	2,168,691
Musharaka receivables	85,252,703	-	-	-	85,252,703
Long term deposits	3,405,460	-	-	-	3,405,460
Long term murabaha finance	23,000,000	-	-	-	23,000,000
Investment in subsidiary	57,305,581	-	-	-	57,305,581
	<b>222,121,894</b>	<b>-</b>	<b>1,994,302</b>	<b>174,389</b>	<b>224,290,585</b>



----- As at June 30, 2012 -----

LIABILITIES	Liabilities at fair value through profit or loss	At Amortized cost	Total
-----Rupees-----			
Musharaka finance	-	14,642,348	14,642,348
Short term finance-secured	-	8,110	8,110
Accrued & other liabilities	-	12,852,502	12,852,502
Security deposits payable	-	9,195,496	9,195,496
Unclaimed profit distribution	-	7,693,592	7,693,592
	-	<b>44,392,048</b>	<b>44,392,048</b>

----- As at June 30, 2011 -----

ASSETS	Loans and receivables	Held to maturity	Available for sale	Held for trading	Total
-----Rupees (Restated)-----					
Cash and bank balances	1,976,049	-	-	-	1,976,049
Ijarah rentals receivable	4,141,167	-	-	-	4,141,167
Advances and deposits	1,424,689	-	-	-	1,424,689
Musharaka profit and other receivables	51,796,118	-	-	-	51,796,118
Short term investments	-	10,000,000	4,096,056	124,263	14,220,319
Musharaka receivables	123,132,184	-	-	-	123,132,184
Long term deposits	3,379,960	-	-	-	3,379,960
Long term murabaha finance	23,000,000	-	-	-	23,000,000
Investment in subsidiary	57,055,581	-	-	-	57,055,581
	<b>265,905,748</b>	<b>10,000,000</b>	<b>4,096,056</b>	<b>124,263</b>	<b>280,126,067</b>

----- As at June 30, 2011 -----

LIABILITIES	Liabilities at fair value through profit or loss	At Amortized cost	Total
-----Rupees (Restated)-----			
Musharaka finance	-	29,142,348	29,142,348
Short term finance-secured	-	9,499,914	9,499,914
Accrued & other liabilities	-	11,612,551	11,612,551
Security deposits payable	-	9,588,392	9,588,392
Unclaimed profit distribution	-	7,987,915	7,987,915
	-	<b>67,831,120</b>	<b>67,831,120</b>

### 30 FINANCIAL RISK MANAGEMENT

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

#### 30.1 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk.

##### (i) Currency risk

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



**(ii) Equity price risk**

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is exposed to equity price risk as modaraba holds available for sale and held for trading investments.

**Reporting date all index points**

		Changes in KSE all index	Effects on profit before tax	Effects on equity
			-----Rupees-----	
Available for sale investments		+10%	-	199,430
	<b>2012</b>	-10%	-	(199,430)
		+10%	-	409,606
	<b>2011</b>	-10%	-	(409,606)
		+10%	17,439	-
	<b>2012</b>	-10%	(17,439)	-
At fair value through profit or loss		+10%	12,426	-
	<b>2012</b>	-10%	(12,426)	-
		+10%	12,426	-
	<b>2011</b>	-10%	(12,426)	-

**(iii) Profit rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

The Modaraba has no significant long-term interest-bearing assets. The Modaraba's markup/profit rate risk arises from long term Murabaha financing, short term Musharaka financing, investments in term deposits, deposit account balances and ijarah financing.

	2012	2011
	----- (Rupees) -----	
		<b>Restated</b>
At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments were:		
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Long term murabaha finance	23,000,000	23,000,000
Ijarah rentals receivable	1,917,750	4,141,167
Musharaka receivables	85,252,703	123,132,184
Short term investments- Investment in term deposit receipts	-	10,000,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances-deposit accounts	12,747	403,825

**Cash flow sensitivity analysis for fixed rate instruments**

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 1,101,705/- lower/higher and loss after taxation for the year 2011: Rupees 1,602,734/- lower/higher respectively. This analysis is prepared assuming that the amounts of floating rate instruments outstanding at balance sheet dates remained outstanding for the whole year.

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 127/- lower/higher and loss after taxation for the year 2011: Rupees 4,038/- lower/higher respectively. This analysis is prepared assuming that the amounts of floating rate instruments outstanding at balance sheet dates remained outstanding for the whole year.

**Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments whose fair values have been disclosed in their respective notes to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date. The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:



Level 1: Quoted market price (unadjusted) in active market for identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

As at 30 June 2012:

At fair value through profit or loss

Available for sale

As at 30 June 2011:

At fair value through profit or loss

Available for sale

Level-1	Level-2	Level-3	Total
Rupees			
174,389	-	-	174,389
1,994,302	-	-	1,994,302
<u>2,168,691</u>	<u>-</u>	<u>-</u>	<u>2,168,691</u>
124,263	-	-	124,263
4,096,056	-	-	4,096,056
<u>4,220,319</u>	<u>-</u>	<u>-</u>	<u>4,220,319</u>

### 30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to credit risk in respect of long term murabaha, musharaka and ijarah arrangements.

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, obtaining securities and continually assessing the credit worthiness of counterparties.

#### 30.2.1 Maximum exposure to credit risk

The maximum exposure to credit risk at the reporting date was as follows:

##### Financial assets

	2012	2011
	-----Rupees-----	
		Restated
Bank balances	19,382	1,941,327
Ijarah rentals receivable	1,917,750	4,141,167
Advances and deposits	1,412,169	1,424,689
Investments in Term Deposit Receipts	-	10,000,000
Profit receivable on musharaka finance and other receivables	49,782,020	51,796,118
Musharaka receivables	85,252,703	123,132,184
Murabaha finance	23,000,000	23,000,000
Long term deposits	3,405,460	3,379,960
Advance to subsidiary against issue of shares	50,905,581	50,655,581
	<u>215,695,065</u>	<u>269,471,026</u>

Geographically all credit exposure is concentrated in Pakistan.

#### 30.2.2 Concentration of credit risk

Concentration of credit risk in respect of balances with customers by industrial distribution is as follows:

	----- As at June 30, 2012 -----			
	Ijarah rental receivables	Musharaka receivables	Murabaha receivables	Total
	-----Rupees-----			
Chemical and pharmaceuticals	-	-	23,000,000	23,000,000
Brokerage houses	-	22,405,775	-	22,405,775
Education	1,073,340	57,463,038	-	58,536,378
Engineering	16,611	1,736,837	-	1,753,448
Individuals	439,076	-	-	439,076
Others	388,723	3,647,053	-	4,035,776
	<u>1,917,750</u>	<u>85,252,703</u>	<u>23,000,000</u>	<u>110,170,453</u>
	----- As at June 30, 2011 -----			
	Ijarah rental receivables	Musharaka receivables	Murabaha receivables	Total
	-----Rupees (Restated)-----			
Chemical and pharmaceuticals	-	-	23,000,000	23,000,000
Brokerage houses	-	45,123,105	-	45,123,105
Education	1,448,570	69,003,317	-	70,451,887
Engineering	60,907	2,474,835	-	2,535,742
Individuals	2,412,357	-	-	2,412,357
Others	219,333	6,530,927	-	6,750,260
	<u>4,141,167</u>	<u>123,132,184</u>	<u>23,000,000</u>	<u>150,273,351</u>



2012                      2011  
------(Rupees)-----  
Restated

The age analysis of musharaka and ijarah rental receivables and related impairment loss at the balance sheet date was:

**Aging of Musharaka and Ijarah rental receivables**

Not past due	520,122	73,228,381
Past due 0 - 180 days	27,060,542	30,808,535
Past due 181 - 365 days	36,565,016	1,000,000
1 - 2 years	30,268,421	14,214,713
More than 2 years	57,936,396	42,883,994

Due to Modaraba's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counter parties on their obligations to the Modaraba. Accordingly, the credit risk is moderate.

**30.3 Liquidity Risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The Modaraba's management closely monitors the Modaraba's liquidity and cash flow position.

----- As at June 30, 2012 -----

Total	Upto three months	More than three months and upto one year	More than one year
-------	-------------------	--	--------------------

-----Rupees-----

**Current Liabilities**

Musharaka finance	14,642,348	-	14,642,348	-
Short term finance (Overdrawn Bank)	8,110	-	8,110	-
Accrued & other liabilities	12,852,502	1,449,247	11,403,255	-
Security deposits payable	6,491,002	292,590	6,198,412	-
Unclaimed profit distribution	7,693,592	-	7,693,592	-
<b>Total current liabilities</b>	<b>41,687,554</b>	<b>1,741,837</b>	<b>39,945,717</b>	<b>-</b>

**Non-current liabilities**

Security deposits payable	2,704,494	-	-	2,704,494
<b>Total non-current liabilities</b>	<b>2,704,494</b>	<b>-</b>	<b>-</b>	<b>2,704,494</b>

----- As at June 30, 2011 -----

Total	Upto three months	More than three months and upto one year	More than one year
-------	-------------------	--	--------------------

-----Rupees (Restated)-----

**Current Liabilities**

Musharaka finance	29,142,348	-	29,142,348	-
Short term finance	9,499,914	-	9,499,914	-
Accrued & other liabilities	11,612,551	906,146	10,706,405	-
Security deposits payable	220,000	220,000	-	-
Due to Management Company	-	-	-	-
Unclaimed profit distribution	7,987,915	-	7,987,915	-
<b>Total current liabilities</b>	<b>58,462,728</b>	<b>1,126,146</b>	<b>57,336,582</b>	<b>-</b>

**Non-current liabilities**

Security deposits payable	9,368,392	-	-	9,368,392
<b>Total non-current liabilities</b>	<b>9,368,392</b>	<b>-</b>	<b>-</b>	<b>9,368,392</b>

**31 CAPITAL RISK MANAGEMENT**

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

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



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

	2012	2011
	----- (Rupees) -----	
Total borrowings	14,650,458	38,642,262
Less: Cash and bank balances	(46,211)	(1,976,049)
Net debt	<u>14,604,247</u>	<u>36,666,213</u>
Total equity	191,324,216	230,977,006
Total capital	<u><u>205,928,463</u></u>	<u><u>267,643,219</u></u>
Gearing ratio	<u>7.1%</u>	<u>13.7%</u>

### 32 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of its Management Company, major certificate holders of the modaraba and their close family members, directors of the management company and their close family members, key management personnel of the management company and their close family members, the provident fund and entities with common directors or under common management.

Contribution to the provident fund is made in accordance with the services rules. The Modaraba management fee is accrued in accordance with the requirements of Modaraba regulations, Remuneration of the key management personnel are in accordance with terms of their employment. Other transactions are also at agreed terms.

Detail of transactions with related parties and balances with them as at the year end were as follows:

		2012	2011
		----- (Rupees) -----	
			Restated
<b>Transactions during the year</b>	<b>Relationship</b>		
<b>IBL Modaraba Management (Private) Limited</b>			
Expenses paid on behalf of Management Company	Management Company	2,126,870	2,222,961
Adjustment against management fee payable		-	231,339
<b>Alka Power (Private) Limited</b>			
Advance against issue of shares	Subsidiary	250,000	42,421,901
<b>University of Management and Technology</b>			
Recovery against Musharaka		1,500,000	-
Mark up charged on Musharaka facility	Holds 15.2% of the paid up certificates of Modaraba	577,972	6,120,000
Musharaka mark up received		-	-
<b>Institute of leadership &amp; Management</b>			
Recovery against Musharaka		8,846,000	7,056,099
Mark up charged on Musharaka facility		-	6,899,374
Musharaka mark up received	Common management	125,000	8,808,898
Ijarah rental accrued		1,626,120	1,626,120
Ijarah rental received		2,001,350	677,550
<b>Key management personnel</b>			
Salaries and benefits		4,191,204	1,925,900
Contribution to staff provident fund		210,034	161,798
Other benefits		1,000	192,000
Number of persons		4	3
Payments made on behalf of Chief Executive Officer of management company		1,204,800	109,915



	2012	2011
	------(Rupees)-----	
		Restated
<b>Outstanding Balance at the year end</b>		
Receivable from modaraba management company	13,393,142	11,266,272
Receivable from University of Management and Technology	49,402,909	50,324,937
Receivable from Institute of leadership & Management	27,566,696	36,912,926
Investment in Subsidiary-Alka Power (Pvt)Limited	57,305,581	57,055,581
Receivable from Khoja's Capital Management	4,775,884	4,775,884
Receivable from chief executive officer of management company (Subsequently received on July 03, 2012)	1,314,715	109,915

**33 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

There are no significant activities since the year end affecting the financial statements.

**34 CORRESPONDING FIGURES**

The corresponding figures for the last year are rearranged and reclassified, wherever necessary, for the purposes of comparison. Appropriate disclosure is given in relevant note in case of material rearrangements.

**35 PRIOR PERIOD ADJUSTMENTS**

The Modaraba has restated corresponding figures by correcting prior periods' errors as required under IAS 8 " Accounting policies, Changes in accounting estimates and errors" para 42 by restating opening balances assets, liabilities, equity and expenses as detailed below:

	Note	2011 Rupees
Musharaka Receivables before restatement		109,132,184
Increase in Musharaka Receivables -relating to year ended June 30, 2010	35.1	10,950,000
-relating to year ended June 30, 2011		3,050,000
		<u>14,000,000</u>
Musharaka Receivable-restated		<u>123,132,184</u>
Profit receivable on Musharaka Finance before restatement		35,442,156
Increase in Profit receivable on Musharaka Finance	35.2	4,000,000
Profit receivable on Musharaka Finance-restated		<u>39,442,156</u>
Investment in subsidiary before restatement		59,552,222
Decrease in Investment in subsidiary -relating to year ended June 30, 2010	35.3	(1,039,133)
-relating to year ended June 30, 2011	35.3	(1,457,508)
		<u>(2,496,641)</u>
Investment in subsidiary-restated		<u>57,055,581</u>
Musharaka Finance before restatement		11,442,348
Increase in Musharaka Finance -relating to year ended June 30, 2010	35.4	14,700,000
-relating to year ended June 30, 2011		3,000,000
		<u>17,700,000</u>
Musharaka Finance-restated		<u>29,142,348</u>
Finance cost before restatement		11,902,494
Increase in finance cost	35.5	1,407,508
Finance cost-restated		<u>13,310,002</u>
Unappropriated loss before restatement		9,280,887
Increase in unappropriated loss	35.6	789,133
Unappropriated loss-restated		<u>10,070,020</u>

**35.1** Musharaka Finance received of Rs.13.7 million and recovery of advance of Rs. 0.3 million were wrongly treated as recovery of Musharaka receivables (Principal) which has been corrected in the current year by restating the prior periods' balances.

**35.2** Musharaka Finance received of Rs.4.0 million relating to year ended June 30, 2010 was wrongly treated as recovery of profit receivable on Musharaka receivables which has been corrected in the current year by restating the prior period's balance.





35.3 Amounts received from Alka Power (Pvt.) Ltd. of Rs. 250,000/- relating to year ended June 30, 2010 & of Rs. 50,000/- relating to year ended June 30, 2011 respectively were wrongly treated as recovery of Musharaka receivables (Principal). Similarly profit paid on musharaka finance of Rs. 789,133/- relating to year ended June 30, 2010 & of Rs. 1,407,508/- relating to year ended June 30, 2011 respectively were wrongly treated as advance to subsidiary (refer note 24 also). The balance is therefore restated after deducting total of these amounts of Rs. 2,496,641/- from advance to subsidiary (refer note 11 also).

35.4 Musharaka Finance received of Rs. 17.7 million relating to year ended June 30, 2010 & June 30, 2011 were wrongly treated as recovery of Musharaka receivables (Principal) which has been corrected in the current year by restating the prior periods' balances (refer note 35.1 and 35.2 also).

35.5 Profit paid on musharaka finance of Rs. 1,407,508/- relating to year ended June 30, 2011 was wrongly treated as advance to subsidiary which has been corrected in the current year by restating the prior period's balances (refer note 35.3 also).

35.6 Profit paid on musharaka finance of Rs. 789,133/- relating to year ended June 30, 2010 was wrongly treated as advance to subsidiary which has been corrected in the current year by restating the unappropriated loss as on June 30, 2010 (refer statement of changes in equity also).

### 36 GENERAL

Figures have been rounded off to the nearest rupee.

### 37 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on December 07, 2012 by the board of directors of the Modaraba Management Company..

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR





## FIRST IBL MODARABA

PATTERN OF HOLDING OF CERTIFICATE HELD BY THE CERTIFICATE HOLDERS

As At June 30, 2012

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDERS		TOTAL CERTIFICATES HELD
	FROM	TO	
379	1	100	16,201
314	101	500	84,576
203	501	1000	143,183
248	1001	5000	508,998
29	5001	10000	189,668
7	10001	15000	88,033
4	15001	20000	74,500
4	20001	25000	89,307
2	25001	30000	57,500
3	30001	35000	101,664
3	35001	40000	112,740
2	40001	45000	83,593
1	50001	55000	51,087
1	55001	60000	58,000
1	90001	95000	92,700
2	95001	100000	197,500
1	100001	105000	101,600
1	125001	130000	128,629
1	130001	135000	135,000
1	135001	140000	135,819
1	145001	150000	150,000
1	155001	160000	160,000
1	165001	170000	170,000
1	170001	175000	171,005
1	195001	200000	200,000
1	235001	240000	235,068
1	305001	310000	305,299
1	335001	340000	339,509
1	505001	510000	509,990
1	725001	730000	727,077
1	845001	850000	850,000
3	1045001	1050000	3,150,000
1	1180001	1185000	1,180,905
1	1425001	1430000	1,426,774
1	1515001	1520000	1,515,820
1	1575001	1580000	1,575,755
1	1995001	2000000	2,000,000
1	3065001	3070000	3,070,000
<b>1,227</b>			<b>20,187,500</b>

### CATEGORIES OF CERTIFICATES HOLDERS

As At June 30, 2012

CATEGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATES HELD	PERCENTAGE
NATIONAL INVESTMENT TRUST	1	1,426,774	7.07
INVESTMENT CORPORATION OF PAKISTAN	1	3,006	0.01
PUBLIC SECTOR COMPANIES AND CORPORATIONS	0	-	-
BANKS	6	1,231,543	6.10
DEVELOPMENT FINANCE INSTITUTIONS	1	1,000	-
INSURANCE COMPANIES	4	517,608	2.56
MODARABAS	1	70	-
OTHERS	13	2,285,429	11.32
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	3	5,100,905	25.27
DIRECTORS' CHIEF EXECUTIVE OFFICER & THEIR SPOUSE AND MINOR CHILDREN	1	1,515,820	7.51
INDIVIDUALS	1196	8,105,345	40.15
	<b>1227</b>	<b>20,187,500</b>	<b>100</b>



**FIRST IBL MODARABA  
DETAIL OF CATEGORIES OF CERTIFICATE HOLDERS**

CATEGORIES OF CERTIFICATE HOLDERS	PERCENTAGE %	CERTIFICATE HELD
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON- BANKING FINANCIAL INSTITUTION</b>		
NATIONAL DEVELOPMENT FINANCE		1,000
M/S CRESCENT INVESTMENT BANK LIMITED		4,348
NATIONAL BANK OF PAKISTAN		727,077
NATIONAL BANK OF PAKISTAN		135,819
THE BANK OF PUNJAB-TREASURY DIVISION		305,299
THE BANK OF PUNJAB		1,000
SONERI BANK LIMITED		58,000
<b>Sub-Totals:</b>	<b>6.11</b>	<b>1,232,543</b>
<b>INSURANCE COMPANIES</b>		
GULF INSURANCE COMPANY LTD		1,200
ASIA INSURANCE COMPANY LTD		5,843
SILVER STAR INSURANCE COMPANY LTD		575
STATE LIFE INSURANCE CORP. OF PAKISTAN		509,990
<b>Sub-Totals:</b>	<b>2.56</b>	<b>517,608</b>
<b>DIRECTORS' CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN</b>		
HASAN SOHAIB MURAD (DHM)		1,515,820
<b>Sub-Totals:</b>	<b>7.51</b>	<b>1,515,820</b>
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>		
IBL MODARABA MANAGEMENT (PVT) LIMITED		850,000
IBL MODARABA MANAGEMENT (PVT) LIMITED		1,180,905
UNIVERSITY OF MANAGEMENT & TECHNOLOGY		3,070,000
<b>Sub-Totals:</b>	<b>25.26</b>	<b>5,100,905</b>
<b>MODARABAS AND MUTUAL FUNDS</b>		
FIRST TRI STAR MODARABA		70
<b>Sub-Totals:</b>	<b>0.00</b>	<b>70</b>
<b>NIT AND ICP</b>		
INVESTMENT CORPORATION OF PAKISTAN		3,006
NATIONAL BANK OF PAKISTAN - TRUSTEE DEPARTMENT		1,426,774
<b>Sub-Totals:</b>	<b>7.08</b>	<b>1,429,780</b>
<b>OTHERS</b>		
UNITED ETHANOL INDUSTRIES LIMITED		2,000,000
NH SECURITIES (PVT) LTD		165
D.S CORPORATION (PVT) LTD		11,687
NAFEES COTTON MILLS LIMITED		191
TAG HOLDING (PVT) LTD		6,080
SARFRAZ MEHMOOD (PVT) LIMITED		512
PYRAMID INVESTMENT (PVT) LIMITED		800
FIRST NATIONAL EQUITIES LIMITED		200,000
DARSON SECURITIES (PVT) LTD		168
AWJ SECURITIES (SMC-PRIVATE) LIMITED		584
NATIONAL INVESTMENT TRUST LIMITED		36,742
GOVT COLLEGE UNIVERSITY		27,500
ISMAIL ABDUL SHAKOOR SECURITIES (PVT) LTD		1,000
<b>Sub-Totals:</b>	<b>11.32</b>	<b>2,285,429</b>
<b>INDIVIDUAL</b>		
LOCAL - INDIVIDUAL		8,105,345
<b>Sub-Totals:</b>	<b>40.15</b>	<b>8,105,345</b>
<b>Grand Total</b>	<b>100.00</b>	<b>20,187,500</b>



**FIRST IBL MODARABA**  
CATEGORIES OF CERTIFICATES HOLDERS  
As At June 30, 2012

	CERTIFICATES HELD	PERCENTAGE
<u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u>		
UNIVERSITY OF MANAGEMENT & TECHNOLOGY	3,070,000	15.21
IBL MODARABA MANAGEMENT (PRIVATE) LIMITED	2,030,905	10.06