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Vision

To be a leading Modaraba institution providing a range of diversified and Sharia compliant products and services.

Mission

To add value for all the stake holders including investors (Modarib), management, staff and the society at large; through creative, innovative and Shariah compliant products and services aimed at eradicating Riba from the society, employing the highest standards of ethics and fair play.



Corporate Information

MODARABA MANAGEMENT COMPANY	UDL Modaraba Management (Private) Limited
Board of Directors	Asad Abdulla Chairman (Non Executive Director) Ather Naqi Chief Executive Officer Shuja Malik Executive Director S.M. Nasir Raza Executive Director
Company Secretary & CFO	Syed Aamir Hussain
Audit Committee	S.M. Nasir Raza Chairman Shuja Malik Member Asad Abdulla Member
Human Resource & Remunation Committee	Asad Abdulla Chairman S.M. Nasir Raza Member Shuja Malik Member
Auditors	Avais Hyder Liaquat Nauman Chartered Accountant
Bankers	Habib Metropolitan Bank Limited Faysal Bank Habib Bank Limited Silk Bank Limited (Islamic Banking) Dubai Islamic Bank Limited
Registrar	Share Registrar Department, Central Depository Company of Pakistan Ltd. CDC House Shahrah-e-Faisal, Karachi
Shariah Advisor	Mufti Abdul Qadir
Legal Advisor	Mohsin Tayebaly & Co. 2nd Floor Dime Centre, BC-4, Block-9, Kehkashan, Clifton, Karachi-75600
Tax Advisor	Ford Rhodes Sidar Hyder & Co. Chartered Accountants Progressive Plaza, Beamount Road P.O.Box 15541, Karachi-75530.
Head Office & Registered Office	C-117/1 KDA Schemen No. 1, Tipu Sultan Road, Karachi.
Factory	E-44/45 North Western Industrial Zone, Port Qasim, Karachi
Phone	(92-21) 34315591-5
Fax	(92-21) 34315596
E-mail	info@udlmodaraba.com
Web	www.udlmodaraba.com

Directors' Report

The Board of Directors of UDL Modaraba Management (Private) Ltd., (the management company of the Modaraba), has pleasure in presenting to the certificate holders, the Annual Report of the Modaraba together with Audited Accounts for the year ended 30th June, 2013.

Year ended 30.06.13 Year ended 30.06.12
(Rupees in thousands)

Financial results are summarized as under

Net profit after tax for the year	41,546	49,518
Add: Unappropriated profit brought forward	47,608	47,573
Profit available for appropriation	89,154	97,091
Appropriations:		
Statutory reserve	8,309	9,904
Profit distribution		
- Interim @10.0% (2012: 5.0%)	26,386	13,193
- Final @10.0% (2012: 10.0%)	26,386	26,386
	61,081	49,483
Unappropriated profit carried forward	28,073	47,608
Earning per certificate	1.57	1.88

Review of Operations:

The income of the Modaraba during the year has increased by 17%. Expenses increased by 34% resulting in a decrease in operating profit by 27%. Diversification into pharmaceutical business has resulted in increase in expenses. The major increase is in staff related salaries and other benefits, travelling and depreciation charge of plant, machinery and equipments.

Gross Profit of the company has increased to Rs. 182 million as compared to Rs. 155 million in FY 2012, which is mainly due to increase in return on investments inclusive of unrealized gain and core operation activity of Ijarah. Income from Ijarah operations increased by Rs 20 Million.

Diversification - Pharmaceutical Business

Your Modaraba has received all necessary approvals on June 12, 2013 from Ministry of Health. The raw material required immediately has been imported and the plant is now operational. We are expecting to launch the Pharma products in the market by mid October, 2013 under the brand name "UDL Pharmaceuticals"-a division of First UDL Modaraba.

Meanwhile three new sections have been completed which are to be approved by Drug Regulatory Authority of Pakistan (DRAP) before start of production. This would enable your Modaraba to launch additional product lines in due course of time.

Moreover we are also in the process of Launching of imported Anti cancer drugs. All required approvals from Ministry of Health have been obtained. Initially 3 products registration have been obtained. We are planning on applying for more products registrations. The import of anti cancer drugs would serve dual purposes, i.e. availability at economical prices to the patients and also adding to the top and bottom lines of the Company.

Directors' Report

Profit Distribution

The Modaraba had distributed an interim dividend of 10% in the month of May' 2013, and the Board has now approved final dividend of 10% amounting to Rs. 26,386,589 making the total for the year to 20%. Overall, the management is happy with the performance of the Modaraba. The decline in profitability is due to the pharmaceutical venture which has been compensated by increase in profitability from core activities and also from investments.

Future Outlook:

With the diversification of the Modaraba's activities, the initial few years may witness a decline in profitability. However, the management feels that diversification was very important as a return on financial activities is no more attractive for a Modaraba. Mainly due to lack of leverage finance available, inflation and the falling value of rupee which makes the assets to be leased out even more expensive, which would eventually result in decline in the value of business. The pharmaceutical segment would serve as a hedge against the falling value of the rupee and the business like most industrial ventures Insha-Allah, would contribute better return along with current financial activities.

Shariah Compliance and Audit Mechanism

Under the laws, rules and regulations governing the Modaraba and further as stipulated in the Prospectus, your Modaraba, has tried its best to comply with the Shariah guidelines and audit mechanism which have been confirmed by our Shariah Advisor in his report

Corporate Governance:

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

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

Audit Committee:

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

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

Directors' Report

Attendance of Board Meetings:

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

	Name of Director	Number of Meetings	Number of Meetings Attended	Leave of Absence
1)	Syed Nasir Raza	4	4	-
2)	Mr. Rashid Abdulla	4	4	-
3)	Mr. Asad Abdulla	4	4	-
4)	Mr. Shuja Malik	4	4	-
5)	Mr. A.W.Rahi (Late)	4	3*	-

*During the year the Chief Executive of your company passed away. He was a guiding force for all of us and would be deeply missed. May Allah grant him a place in Jannah.

Also during the year Mr. Rashid Abdulla resigned from the board.

At present there are two casual vacancies on the board, which would be filled once the Registrar Modaraba gives his consent on the appointment of new members proposed by the existing board.

Pattern of Certificate holding:

A Statement showing Pattern of Certificate Holding of the Modaraba and additional information as at June 30, 2013 is included in this report.

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the Certificates of the Modaraba during the year.

Statement of Compliance with best practices:

The Board feels pleasure in stating that provisions of the Code relevant for the year ended June 30, 2013, have been duly complied with.

a) Key Operating Data

A summary of key operating and financial data of the Modaraba of last six years is annexed in this report.

Directors' Report

b) Status of Compliance with the Code:

S. No.	Particulars	Clause
a)	Board of Directors clauses.	(i & ii)
b)	Casual Vacancy.	(iii)
c)	Responsibilities, Powers and Functions of Board of Directors.	(iv to vi)
d)	Meetings & Significant Issues for BoD decisions	(vii to ix)
e)	Related party transaction.	(x)
f)	Director's Training Programme	(xi)
g)	The CFO, Company Secretary & Head of Internal Audit.	(xii to xv)
h)	Corporate & Financial reporting framework.	(xvi)
i)	The Directors Remuneration.	(xvii)
j)	Frequency of financial reporting.	(xviii to xx)
k)	Responsibility for financial reporting and Corporate Compliance.	(xxi to xxiii)
l)	Committees of the Board.	(xxiv to xxvi)
m)	Audit Committee.	(xxvii to xxxii)
n)	External auditors.	(xxxiii to xxxix)
o)	Compliance with the Code of Corporate Governance..	(xl to xlii)

c) Independent Director:

The Board of Directors has proposed an independent director's name to the Registrar Modaraba for their approval. All necessary documents pertaining to the appointment of an independent director have been submitted and approval is awaited.

Staff Benefit Scheme:

The Modaraba had a gratuity scheme which was suspended on December 31, 2012. All staff members eligible were paid in full in the month of August 2013. The company also has a provident fund scheme for the staff.

Auditors

The present auditors M/s Avais Hyder Liaquat Nauman & Co. are due for retirement and being eligible, offered them for re-appointment for the year 2013-14.

Acknowledgement:

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

The Board would also like to thank valued customers and investors for reposing trust and confidence in the Modaraba, and to the members of Management and Staff for their commitment and dedication.

For and on Behalf of the Board

Ather Naqi
Chief Executive
Date: 23rd September 2013

Six Years Financial Summary Balance Sheet Summary

(Rs. in million)

Year Ended June 30, 2013	2008	2009	2010	2011	2012	2013
EQUITY						
Issued, subscribed & paid up capital	263.87	263.87	263.87	263.87	263.87	263.87
Statutory Reserve	127.76	146.31	161.53	183.42	193.33	201.62
Revenue Reserve and unappropriate profit	46.52	40.15	49.27	47.37	47.49	85.75
Total Equity	438.15	450.33	475.16	494.66	504.69	551.27
LIABILITIES						
Customer Security Deposit	14.85	20.21	18.8	24.53	60.72	97.32
Other Deferred Liabilities	104.79	104.95	105.17	105.47	105.82	104.01
Current Liabilities						
Current maturity of Long term Security Deposit	4.26	7.25	7.01	9.52	10.83	6.86
Other Current Liabilities	26.14	31.22	34.15	25.74	33.87	34.77
Total Current Liabilities	30.4	38.47	41.16	35.26	44.70	41.63
Total Equity & Liabilities	588.19	613.95	640.29	659.92	715.93	794.23
ASSETS						
Assets Leased Out	86.66	107.01	93.51	141.98	283.23	324.97
Assets in own use - Tangible	1.63	0.28	2.7	7.89	7.07	180.71
Assets in own use - Intangible	-	-	-	-	1.50	2.5
Long Term Investment	55.96	72.64	87.19	43.12	69.48	126.95
Other Long Term Assets	0.08	0.07	0.07	0.07	0.07	11.07
Current Assets						
Stock	-	-	-	-	-	2.97
Musharika	193.26	330.66	327.69	157.62	140.35	20.77
Financial Assets	15.19	9.91	16.85	41	12.38	27.68
Other Current Assets	8.89	33.64	50.94	17.39	29.39	6.23
Cash & Bank Balances	226.52	59.74	61.34	250.85	172.46	95.85
Total Current Assets	443.86	433.95	456.82	466.86	354.58	150.53
Total Assets	588.19	613.95	640.29	659.92	715.93	794.23

Income Statement Highlights

(Rs. in million)

Year Ended June 30, 2013	2008	2009	2010	2011	2012	2013
Lease	29.04	42.51	54.25	58.13	114.89	135.47
Musharika	17.53	26.71	44.09	47.87	18.35	13.89
Capital Gain on Investment	0.17	0.36	0.29	31.95	3.396	17.12
Dividend	0.07	0.07	0.15	1.21	0.53	0.74
Sales - Pharma	-	-	-	-	-	1.50
Other	24.76	20.52	7.18	7.25	18.042	13.27
Total Income	71.57	90.17	105.96	146.41	155.208	181.99
EXPENSES						
Operating	11.11	14.71	15.44	19.92	19.71	39.56
Financial	-	-	-	-	0.03	0.04
Amortization, Depreciation	19.95	31.54	53.1	43.07	89.11	106.35
Provision for doubtful Receivable	(11.98)	-	-	-	5.81	5.81
Provision for Disminution in value of Investment	(0.26)	15.42	-	-	-	-
Impairment loss on investment	-	6.79	-	-	-	-
Total Expenses	18.82	68.46	68.54	62.99	114.66	151.757
Share of Profit from Associates	9.57	19.51	16.94	1.89	11.6	12.946
Unrealized gain on investments	-	-	2.06	(3.71)	2.87	5.496
Profit/ (Loss) before Management Fee	62.32	41.22	56.42	81.6	55.018	48.675
Less:- Management Fee & Other	6.23	4.12	5.64	8.16	5.5018	7.20
Profit before Taxation	56.09	37.1	50.78	73.44	49.52	41.48
Less:- Taxation	-	-	-	0.48	-	-
Net Profit	56.09	37.1	50.78	72.96	49.5162	41.48
APPROPRIATIONS						
Final Dividend	26.39	26.39	32.98	46.17	39.58	52.77
Statutory Reserve	28.05	18.55	15.23	21.65	9.9	8.29
Break-up value per Certificates (Rs.)	16.60	17.07	18.00	18.75	19.12	20.89
Market Price on 30th June (Rs.)	4.77	3.51	5.90	7.25	7.40	10.00
Dividend per Certificate (Rs.)	1.00	1.00	1.25	1.75	1.50	2.00
Earning Per Certificate (Rs.)	2.13	1.41	1.92	2.77	1.88	1.57
Current Ratio (X)	14.60	11.28	11.12	13.30	8.04	3.57
Net Profit margin (%)	78.36	41.14	47.91	49.83	31.90	22.52
Return on Equity (%)	12.80	8.24	10.68	14.75	9.81	7.52
Return on Investment (%)	9.54	6.04	19.20	35.39	22.48	23.48
Dividend Payout (%)	47.04	71.14	64.97	63.29	79.79	127

Statement of Compliance with the Code of Corporate Governance

This statement is being prepared to comply with the code of corporate governance containing in listing regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a Modaraba is managed in compliance with the best practices of corporate governance.

- 1) The Modaraba encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The newly elected Board comprises of the following

Independent Director	Mr. Majid Hasan*
Non Executive Directors	Mr. Asad Abdulla
Executive Directors	Mr. Ather Naqi Mr. Shuja Malik Mr. Syed Nasir Raza

*The Board of Directors has proposed an independent director's name to the Registrar Modaraba for their approval. All necessary documents pertaining to the appointment of an independent director have been submitted and approval is awaited. The proposed independent Director meets the criteria of independence under clause 1B of the CCG.

- 2) The directors have confirmed that none of them is serving as a director in more than seven listed companies including Modaraba.
- 3) All the resident directors of the Modaraba are registered taxpayer and, none of them has defaulted in payment of any loan to a Bank, Modaraba, DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) The casual vacancy was occurred and filled timely in the board during the current year.
- 5) The Company has adopted a Code of Conduct which has been disseminated throughout the Company it has been placed on the website of the Company.
- 6) The Board has developed a vision / mission statement an overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All powers of the Board have been duly exercised and decisions on material transactions, and major judgemental area if any were taken by the board. The board approves the appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive and/or Non Executive Directors.
- 8) The meetings of the Board were presided by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board met atleast once in every quarter. Written notices of Board meeting, along with agenda and working papers, circulated at least seven days before the meetings. The minutes of the meeting were appropriately circulated and recorded in time.
- 9) Majority of the Director of the Board are having more than 14 years of education and more than 15 years of experience therefore they are exempted from the Directors' training program as prescribed by the Code of Corporate Governance.
- 10) The Board has approved appointment of CFO, Modaraba Secretary and head of Internal Audit, Including their remuneration, terms and conditions of employment.
- 11) The Director's report for this year has been prepared in compliance with the requirements of the CCG containing the salient matters required to be disclosed.

- 12) The financial statements of the Modaraba were endorsed by CEO and CFO and duly reviewed by the Audit Committee before approval of the Board.
- 13) The Director's, CEO and executives do not hold any interest in the Shares of the Modaraba other than that disclosed in the pattern of Shares holdings.
- 14) The Modaraba has complied with all the corporate and financial reporting requirement of the CCG.
- 15) The Board has formed an Audit Committee comprising one Non Executives Directors.
- 16) The meetings of the Audit committee were held atleast 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 the compliance.
- 17) The Board has also constituted a Human Resource and Remuneration Committee comprising of one Non Executives and two Executive Director. The Chairman of the Committee is a Non Executive Director.
- 18) The Board has setup and effective internal audit function.
- 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 Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold Shares of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants(IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
- 20) The statutory auditor or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations. The auditors have confirmed that they have observed IFAC guideline in this regard.
- 21) The Company determined "Closed periods" prior to the announcement of interim/final results and business decisions, which may materially affect the market price of the Modaraba Certificates, and work intimated immediately to Directors / employees and stock exchange(s).
- 22) Material and price sensitive information has been disseminated at once among all market participant through stock exchange(s).
- 23) We confirm that all other material principles enshrined in the CCG have been complied with.

Ather Naqi
Chief Executive Officer

Review Report to the Members 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 for the year ended June 30, 2013 prepared by the Board of Directors of First UDL Modaraba Management (Private) Limited (Modaraba Management Company), to comply with the listing regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited and chapter XI of Lahore Stock Exchange where the Modaraba is listed.

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

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

(i) As per requirement of clauses i (b) of the Listing Regulations, which states that "the Board of Directors of each listed company shall have at least one member as an independent director", there is no independent director on the board as on June 30, 2013. However, subsequent to the year end, the Modaraba has proposed an independent director's name to the Registrar Modaraba for their approval and the same is awaited.

Based on our review, with the exception of the matter described in the preceding paragraph (i) 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 materials respects, which the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2013.

Chartered Accountants
Karachi
Dated: 23 September 2013

Engagement Partner: Moazzam Saddique

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of FIRST UDL MODARABA (the Modaraba) as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) In our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) In our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2013 and the profit, its cash flows, its total comprehensive income and changes in equity for the year then ended; and
- (d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Karachi
Dated: 23 September 2013

Engagement Partner: Moazzam Saddique

Mufti Abdul Qadir

Shariah Advisor

Shahadatu Tahfeez-ul-Quran
Shahadat-ul-Aalamiyyah
Shahadat-ul-Takhassus fil Figh wal Ifta

MA (Islamic Studies), MA (Arabic)
PGD (Islamic Banking & Finance)
MIBF (Masters in Islamic Banking & Finance)

Ref: FUDLM-6-13

Date: 18-09-13



Shari'ah Review Report First UDL Modaraba (FUDLM) For the year ended June 30, 2013

الحمد لله رب العالمين، والصلوة والسلام على سيد الانبياء والمرسلين، وعلى آله واصحابه اجمعين،
ومن تبعهم باحسان الى يوم الدين، وبعد:

I have conducted the Shariah review of First UDL Modaraba managed by UDL Modaraba Management (Private) Limited, the Modaraba Management Company for the year ended June 30, 2013 in accordance with the requirements of the Shariah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- The Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
- Following were the major developments that took place during the year:

Training and Development:

The key staff of the FUDLM is fully equipped with Islamic finance tools through training conducted by the NBF & Modaraba Association of Pakistan, the Centre of Islamic Economics.

- The agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.

- The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Charity:

An amount of Rs. 0.20 million was collected on account of non-timely payments by customers and conventional bank's profit was paid in approved charitable institution.

B-41 Block N, North Nazimabad Karachi, Near Sakhi Hassan Post Office 74700, Pakistan
Cell Number: 0321-2103451, Email Address: abdulqadirh_22@yahoo.com, abdulqadirh_22@hotmail.com

Mufti Abdul Qadir

Shariah Advisor

Shahadatu Tahfeez-ul-Quran
Shahadat-ul-Aalamiyyah
Shahadat-ul-Takhassus fil Figh wal Ifta

MA (Islamic Studies), MA (Arabic)
PGD (Islamic Banking & Finance)
MIBF (Masters in Islamic Banking & Finance)

Ref: FUDLM-6-13

Date: 18-09-13

Observations:

I have pointed out some issues to be resolved in view of SECP Circular No. 8 of 2012 dated 03-02-2012, whereby Shariah Compliance and Audit Mechanism (SCSAM) was introduced.

As regard to the resolution of the issues:

- It was confirmed that First UDL Modaraba has divested all the Shariah Non Compliant shares within the given time period as of 02/02/2013 except one scrip only i.e. Security Leasing Corporation Limited (SLCL), which has been subsequently sold. Therefore, the Modaraba has no non-Shariah Compliant shares in the portfolio.
- It has been noticed that all the surplus funds in the Modaraba are always and invariably placed with Islamic Banking institutions except one "PLS Account" which was historically maintained with Faysal Bank for dividend transactions only. Now this account has also been closed and the profit has been donated to charitable institution.
- As regards insurance coverage facility, it has been noticed that the Modaraba has started availing insurance facility from renowned Takaful companies apart from conventional insurance companies and further negotiations with other Takaful Companies is underway for remaining and new transactions / leases. The entire insurance coverage shall eventually be transferred to the Takaful Companies.
- As regards, Musharika & Ijarah agreements, they are on the formats as approved by the Religious Board duly vetted by the Shariah Advisor of the NBF & Modaraba Association of Pakistan.
- The Modaraba has purchased a Pharmaceuticals plant and running the business, as a division of First UDL Modaraba and the funds have been injected from their own resources.

Recommendations:

- It is highly recommended and desirable for the Modaraba to convert their insurance coverage facility arrangements fully from conventional insurance companies to Takaful Companies.
- The management should continue its endeavor to comply with the rulings of Shariah in its business operations and future transactions.
- The Modaraba should focus on new innovations and explore the possibility of entering into more specialized Shariah compliant financing modes.

Conclusion:

Based on the above mentioned facts I am of the view that the business operations of First UDL Modaraba are Shariah Compliant, to the best of my knowledge.

May Allah make us successful in this world and hereafter and forgive our mistakes.

الخطا مني والصواب من الله وما توفيقي الا بالله

Signature:

Mufti Abdul Qadir
Shariah Advisor
First UDL Modaraba
18 Sep, 2013



B-41 Block N, North Nazimabad Karachi, Near Sakhi Hassan Post Office 74700, Pakistan
Cell Number: 0321-2103451, Email Address: abdulqadirh_22@yahoo.com, abdulqadirh_22@hotmail.com

Financial Statement



Balance Sheet

as at June 30, 2013

ASSETS	Note	2013	2012
		Rupees	
Non-current assets			
Fixed assets - tangible	7	505,677,477	290,301,131
Fixed assets - intangibles	8	2,500,000	1,500,000
Long term investments	9	126,953,043	69,474,559
Diminishing musharaka financing	10	7,653,335	-
Long term deposits		911,100	74,100
Total non-current assets		643,694,955	361,349,790
Current assets			
Ijarah rental receivables	11	551,490	1,023,248
Stock	12	2,968,310	-
Current portion of musharaka financing	10	13,120,000	140,355,677
Investments	13	27,682,683	12,384,768
Advances	14	7,389,130	18,813,111
Prepayments and other receivables	15	2,975,967	9,536,603
Bank balances	16	95,850,777	172,466,408
Total current assets		150,538,357	354,579,815
Total assets		794,233,312	715,929,605
EQUITY AND LIABILITIES			
Certificate holders' equity			
Certificate capital	17	263,865,890	263,865,890
Statutory reserves	18	201,638,380	193,329,185
Unrealized gain/(loss) on re-measurement of available for sale investments		57,884,421	(114,781)
Unappropriated profit		28,071,365	47,607,761
Total equity		551,460,056	504,688,055
Non-current Liabilities			
Long term security deposits	19	97,325,609	60,728,147
Deferred liabilities	20	104,016,279	105,825,246
Total non-current liabilities		201,341,888	166,553,393
Current Liabilities			
Current maturity of security deposits	19	6,862,017	10,832,207
Payable to management company	21	2,432,709	5,384,109
Accrued and other liabilities	22	32,136,642	28,471,841
Total current liabilities		41,431,368	44,688,157
Total liabilities and equity		794,233,312	715,929,605

CONTINGENCIES AND COMMITMENTS

23

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

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

Chief Executive

Director

Director

Profit & Loss Account

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	
Income from:			
- Ijarah operations	24	135,472,730	114,891,878
- Musharaka finance		13,891,953	18,350,986
- Investments	25	16,019,760	3,925,754
- Sales - Pharma		1,502,200	-
- Other sources	26	14,997,576	18,039,903
		181,884,219	155,208,521
Expenses			
Operating	27	45,321,619	24,529,836
Depreciation on assets leased out under Ijarah	7	106,346,050	89,119,314
Financial charges	28	37,822	23,150
		151,705,491	113,672,300
		30,178,728	41,536,221
Operating profit			
Unrealized gain on re-measurement of investments at fair value through profit or loss		5,496,429	2,871,454
Share of profit from associates (unrealized)	9.1	1,294,579	11,602,341
		48,620,736	56,010,016
Less:			
Modaraba Management company's remuneration		(4,862,074)	(5,501,966)
Services sales tax on Management Company's remuneration			
- Current		(777,932)	-
- Prior		(586,876)	-
		42,393,854	50,508,050
Less:			
Workers Welfare Fund		(847,877)	(990,354)
Profit before tax		41,545,977	49,517,696
Provision for taxation	29	-	-
		41,545,977	49,517,696
Profit after taxation			
Earnings per certificate - basic and diluted	30	1.57	1.88

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

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

Chief Executive

Director

Director

Statement of Comprehensive Income

for the year ended June 30, 2013

	2013	2012
	Rupees	
Profit after taxation	41,545,977	49,517,696
Other comprehensive income		
Movement in available for sale investment	57,999,202	88,277
Other comprehensive income	57,999,202	88,277
Total comprehensive income	99,545,179	49,605,973

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

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

Chief Executive

Director

Director

Cash Flow Statement

for the year ended June 30, 2013

Note	2013	2012
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	41,545,977	49,517,696
Adjustment of non cash items:		
Depreciation on own assets	7 4,432,522	1,813,798
Amortization of Intangible asset	8 300,000	-
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss	(5,496,429)	(2,871,454)
Amortization of assets leased out under Ijarah	7 106,346,050	89,119,314
(Gain) on sale of investments	25 (15,272,294)	(3,018,707)
Share of profit from associates	(12,945,579)	(11,602,341)
(Gain) on sale of fixed assets		
- own assets	26 (1,669,468)	(373,339)
- assets leased out under Ijarah	24 2,133,774	381,641
Provision for staff gratuity	2,291,471	357,850
Dividend income	25 (747,466)	(533,708)
Financial charges	28 37,822	23,150
Operating profit before working capital changes	120,956,379	122,813,900
Changes in working capital:		
Decrease / (increase) in current assets		
Ijarah rental receivables	471,758	2,053,899
Stock-in-trade	(2,968,310)	-
Musharaka receivables	119,582,342	17,264,338
Advances	11,423,981	(18,019,111)
Prepayments & other receivables	6,560,636	3,984,825
	135,070,407	5,283,951
(Decrease) / increase in current liabilities		
Management fee payable	(2,951,400)	1,050,192
Accrued and other liabilities	3,664,800	7,064,836
	713,400	8,115,028
Gratuity paid	(229,147)	-
Financial charges paid	(37,822)	(23,150)
Net cash generated from operating activities	254,410,893	136,189,729

Cash Flow Statement

for the year ended June 30, 2013

Note	2013	2012
	Rupees	
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets		
- own assets	(179,671,418)	(2,570,182)
- intangible asset	(1,300,000)	(1,500,000)
- assets leased out under Ijarah	(161,515,164)	(243,578,739)
Total Investments	(17,233,826)	(24,190,718)
Proceeds from sale of investments	29,768,427	44,030,006
Proceeds from sale of fixed assets		
- own assets	3,270,000	1,950,000
- assets leased out under Ijarah	11,297,359	12,831,533
Payment of longterm deposit	(837,000)	-
Dividends received	747,466	533,708
Net cash used in investing activities	(315,474,155)	(212,494,392)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(48,179,641)	(39,579,884)
Long-term security deposits	32,627,272	37,502,709
Net cash used in financing activities	(15,552,369)	(2,077,175)
Net increase in cash and cash equivalents	(76,615,631)	(78,381,837)
Cash and cash equivalents at the beginning of the year	172,466,408	250,848,245
Cash and cash equivalents at the end of the year	95,850,777	172,466,408

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

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

Chief Executive

Director

Director

Statement of Changes in Equity

for the year ended June 30, 2013

	Certificate Capital	*Statutory reserve	Unrealized gain / (loss) on re-measurement of available for sale investment	Unappropriated profit	Total certificate holders' equity
	Rupees				
Balance as at July 01, 2011	263,865,890	183,425,646	(203,058)	47,573,488	494,661,966
Total comprehensive income for the year ended June 30, 2012	-	-	88,277	49,517,696	49,605,973
Profit distribution - 30 June 2011 at 10%	-	-	-	(26,386,589)	(26,386,589)
Interim Profit distribution at 5%	-	-	-	(13,193,295)	(13,193,295)
Transfer to statutory reserve at 20%	-	9,903,539	-	(9,903,539)	-
Balance as at June 30, 2012	263,865,890	193,329,185	(114,781)	47,607,761	504,688,055
Other comprehensive income for the year ended June 30, 2013	-	-	57,999,202	41,545,977	99,545,179
Profit distribution - 30 June 2012 at 10%	-	-	-	(26,386,589)	(26,386,589)
Interim Profit distribution at 10%	-	-	-	(26,386,589)	(26,386,589)
Transfer to statutory reserve at 20%	-	8,309,195	-	(8,309,195)	-
Balance as at June 30, 2013	263,865,890	201,638,380	57,884,421	28,071,365	551,460,056

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

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

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

Chief Executive

Director

Director

Notes to the Financial Statements

for the year ended June 30, 2013

1 LEGAL STATUS AND NATURE OF THE BUSINESS

First UDL Modaraba (the Modaraba) was formed in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under, having its registered office at C-117/1, KDA Scheme No. 1, Tipu Sultan Road, Karachi and is managed by UDL Modaraba Management (Private) Limited, a company incorporated in Pakistan. It is a perpetual, multipurpose and multidimensional Modaraba and is engaged in providing finance on Murabaha and Musharaka arrangements, Ijarah, commodity trading, manufacturing and trading of Pharmaceutical products and trading in listed and non-interest bearing securities. The Modaraba is listed on Karachi, Islamabad and Lahore Stock Exchanges.

2 STATEMENT OF COMPLIANCE

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

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Company

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

	Effective for periods beginning on or after
IFRS1 - First time adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7 - Financial Instruments: Disclosures	July 01, 2011
IAS 24 - Related Party Disclosure	
IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction January 01, 2013	January 01, 2011
IAS 12 - Income Taxes - Limited scope amendment	January 01, 2012
IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented to revise the way other comprehensive income is presented	January 01, 2012

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

IAS 1 First time adoption of International Financial Reporting Standards	July 01, 2012
IFRS 7 Financial Instruments: Disclosure	January 01, 2011
IAS 1 Presentation of Financial Statements	January 01, 2011
IAS 34 Interim Financial Reporting	January 01, 2011
IFRIC 13 Customer Loyalty Programs	January 01, 2011

Notes to the Financial Statements

for the year ended June 30, 2013

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates as mentioned below against the respective standard or interpretation:

	Effective for periods beginning on or after
IFRS 1 First time Adoption of International Financial Reporting Standards- Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 1, 2013
IFRS 7 Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures.	January 1, 2013
IFRS 9 Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporating existing derecognition requirements.	January 1, 2015
IFRS 9 Financial Instruments- Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosure	January 1, 2015
IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented.	July 1, 2012 January 1, 2013
IAS 1 Presentation of Financial Statements - Amendments resulting from annual improvements 2009-2011 Cycle (comparative information).	January 1, 2013
IFRS 7 Financial Instruments Disclosures	January 1, 2013
IAS 16 Property, Plant and Equipment - Amendments resulting from annual improvements 2009-2011 Cycle (servicing equipment)	January 1, 2013
IAS 19 Employee Benefits- Amendments standard resulting from the post employment benefits projects	January 1, 2013
IFRIC 13 Customer Loyalty Programs (Fair value of award credits)	January 1, 2013
IAS 32 Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 1, 2014
IAS 32 Financial Instruments: Presentation - Amendments relating from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 1, 2013
IAS 34 Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting segment assets)	January 1, 2013
IAS 36 Impairment of Assets - Amendments arising from Recoverable Amount Disclosures for Non Financial Assets	January 1, 2014
IAS 39 Financial Instruments: Recognition and Measurements - Amendments arising for the novations of derivatives	January 1, 2014

Standards or interpretation not yet effective

Notes to the Financial Statements

for the year ended June 30, 2013

The following International Financial Reporting Standards or Interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective for periods beginning on or after
IFRS 10 Consolidated Financial statements	January 01, 2011
IFRS 11 Joint arrangements	
IFRS 12 Disclosure of Interests in Other Entities	
IFRS 13 Fair Value Measurement	
IAS 27 Separate Financial Statements	
IAS 28 Investment in Associates and Joint Ventures	
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	

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

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 BASIS OF PREPARATION

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

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

4.2 USE OF ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modarabas accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

	Note
Useful lives of depreciable assets	5.1
Useful lives of intangible assets	5.2
Provision for income taxes	6
Staff retirement benefits - gratuity	6.2
Provision against Ijarah and Musharaka receivables	5.8
Impairment of assets	6.11

Notes to the Financial Statements

for the year ended June 30, 2013

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Fixed assets - tangible

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

5.1.1 Assets in own use and depreciation

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

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

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

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

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

5.1.2 Assets leased out under Ijarah and depreciation

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

5.2 Fixed assets - intangible

Intangible assets acquired having finite useful life are capitalized at cost and stated at cost less amortization. The rate of amortization is 20% applying straight line method.

Intangibles having infinite life are capitalized at cost and are carried at cost less impairment, if any.

5.3 Capital work in progress

Capital work in progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets start operation.

5.4 Investment in associates

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

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

Notes to the Financial Statements

for the year ended June 30, 2013

5.5 Financial instruments

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

Initial recognition

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

Subsequent measurement

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

5.5.1 Financial assets

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices are classified as 'at fair value through profit or loss' or held for trading.

Financial assets in this category are measured at fair value with gains or losses recognized in profit and loss account. These investments are marked to market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the profit and loss account for the year.

Held-to-maturity investments

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

Notes to the Financial Statements

for the year ended June 30, 2013

Available for sale

Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity investments (c) financial assets at fair value through profit or loss. Subsequent to initial recognition these investments are marked to market using the closing market rate and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to other comprehensive income.

Derecognition of financial assets

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

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

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

5.5.2 Financial liabilities

The Modaraba's financial liabilities include:

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

Off-setting of financial assets and liabilities

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

5.6 Stock-in-trade

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

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

5.7 Stores and spares

All stores, spares and loose tools either imported or purchased locally are charged to income when consumed and are valued at cost, which is determined on a first-in-first-out basis. Spares-in-transit are valued at cost accumulated to the balance sheet date. A provision is made for any excess of book value over net realizable value.

The Modaraba reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spares and loose tools.

Notes to the Financial Statements

for the year ended June 30, 2013

5.8 Musharaka and Ijarah finance

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

5.9 Revenue recognition

Sales are recorded on dispatch of goods and in case of export when the goods are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

Toll manufacturing income is recognized when services are rendered.

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

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

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

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

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

6 Taxation

6.1.1 Current

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

6.1.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

6.2 Staff retirement benefits - Gratuity

The Modaraba operated an unfunded gratuity scheme covering all its permanent employees with one or more years of service with the Modaraba.

Modaraba has discontinued the scheme since December 31, 2012. Therefore provision for gratuity has been made to cover obligation under the scheme in respect of employees who have completed the minimum qualifying period up to the said period and the amount of liability is transfer to current liability.

Notes to the Financial Statements

for the year ended June 30, 2013

6.3 Borrowings and their costs

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

6.4 Provisions

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

6.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash at bank and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

6.6 Accrued and other payables

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

6.7 Functional and presentation currency

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

6.8 Foreign currency translation

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

6.9 Transactions with related parties

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

6.10 Profit distribution to certificates holders

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

6.11 Impairment of non financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Notes to the Financial Statements

for the year ended June 30, 2013

6.12 Segment reporting

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

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

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

6.13 Capital risk management

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

The Modaraba's manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust capital structure, the Modaraba may adjust the amount of dividend paid to certificate holders or issue new certificates.

Notes to the Financial Statements

for the year ended June 30, 2013

2013	Cost			Depreciation		Depreciation rate per annum %
	As at July 1, 2012	As at June 30, 2013	As at July 1, 2012	As at June 30, 2013	As at June 30, 2013	
Rupees						
Assets own use						
Lease hold land	-	10,000,000	-	-	-	10,000,000
Building on lease hold land	-	87,387,020	-	364,113	364,113	87,022,907
Plant & Machinery	-	64,148,500	-	561,225	561,225	63,587,275
Furniture and fittings	4,335,440	2,107,369	6,442,809	318,426	3,086,823	3,355,986
Books	-	47,000	-	4,700	4,700	42,300
Vehicles	8,980,932	12,956,500	17,445,432	2,695,951	3,694,059	13,751,373
		(4,492,000)		(2,891,468)		
Computer equipment	2,536,587	1,181,400	3,717,987	2,236,743	2,448,521	1,269,466
Office equipment and appliances	848,397	1,843,629	2,692,026	734,238	1,010,567	1,681,459
Sub total	16,701,356	179,671,418	191,880,774	4,432,522	11,170,008	180,710,767
		(4,492,000)		(2,891,468)		
Assets leased out under Ijarah						
Machinery and equipments	161,094,204	45,288,164	193,127,703	52,750,676	39,759,919	80,581,369
		(13,254,665)		(11,929,199)		
Vehicles	267,070,110	116,227,000	341,977,200	92,184,909	66,586,131	129,556,797
		(41,319,910)		(29,214,243)		
Sub total	428,164,314	161,515,164	535,104,903	144,935,585	210,138,193	324,966,710
		(54,574,575)		(41,143,442)		
Total	444,865,670	341,186,582	726,985,677	154,564,539	110,778,571	221,308,200
		(59,066,575)		(44,034,910)		

Notes to the Financial Statements

for the year ended June 30, 2013

2012	Cost			Depreciation		Depreciation rate per annum %
	As at July 1, 2011	As at June 30, 2012	As at July 1, 2011	As at June 30, 2012	As at June 30, 2012	
Rupees						
Assets own use						
Furniture and fittings	4,301,990	33450	4,335,440	2,589,525	178,872	2,768,397
Vehicles	8,732,200	2,448,732	8,980,932	3,078,567	1,434,348	3,889,576
		(2,200,000)		(623,339)		
Computer equipment	2,476,087	60,500	2,536,587	2,062,277	174,466	2,236,743
Office equipment and appliances	820,897	27,500	848,397	708,126	26,112	734,238
Sub total	16,331,174	2,570,182	16,701,356	8,438,495	1,813,798	9,628,954
		(2,200,000)		(623,339)		
Assets leased out under Ijarah						
Machinery and equipments	98,457,563	78,489,539	161,094,204	35,140,778	31,877,506	52,750,676
		(15,852,898)		(14,267,608)		
Vehicles	142,305,410	165,089,200	267,070,110	63,639,717	57,241,808	92,184,909
		(40,324,500)		(28,696,616)		
Sub total	240,762,973	243,578,739	428,164,314	98,780,495	89,119,314	144,935,585
		(56,177,398)		(42,964,224)		
Total	257,094,147	246,148,921	444,865,670	107,218,990	90,933,112	154,564,539
		(58,377,398)		(43,587,563)		

Notes to the Financial Statements

for the year ended June 30, 2013

7.1 The following assets were disposed off during the year

Description	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Mode of Disposal	Particulars of Purchaser
	Rupees					
Mercedes Benz	2,800,000	1,203,668	1,596,332	2,350,000	Ijarah Lease	Mandviwala Entertainment (Pvt.) Ltd.
Suzuki Cultus	600,000	600,000	-	300,000	Sold	Mr. Asif Sheikh
Suzuki Cultus	600,000	600,000	-	300,000	Sold	Mr. Asif Ikram
Suzuki Cultus	450,000	450,000	-	300,000	Sold	Mr. Muhammad Zia
Unique Motor Cycle	42,000	37,800	4,200	20,000	Sold	Mr. Naveed Siddiqui
	<u>4,492,200</u>	<u>2,891,468</u>	<u>1,600,532</u>	<u>3,270,000</u>		

8 FIXED ASSETS - intangible

	Cost		Amortization				Book value As at June 30, 2013	Amortization rate per annum %
	As at July 1, 2012	Addition	As at June 30, 2013	As at July 1, 2012	Charge for the year	As at June 30, 2013		
Computer Software	1,500,000	-	1,500,000	-	300,000	300,000	1,200,000	20
Products Name	-	1,300,000	1,300,000	-	-	-	1,300,000	-
Total - 30th June' 2013	<u>1,500,000</u>	<u>1,300,000</u>	<u>2,800,000</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>2,500,000</u>	
Total - 30th June' 2012	-	1,500,000	1,500,000	-	-	-	1,500,000	

Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	
9 LONG TERM INVESTMENTS			
Associated companies	9.1	54,009,387	54,050,538
Available for sale			
Listed companies	9.2	<u>72,943,656</u>	<u>15,242,021</u>
		<u>126,953,043</u>	<u>69,474,559</u>

9.1 Associated companies

	2013	Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited	Total
	Rupees					
Opening balance	37,984,107	7,561,783	3,141,208	5,363,440	54,050,538	
Sold during the year	(9,407,050)	-	-	(2,157,865)	(11,564,916)	
Share of profit from associates	12,480,972	199,389	(189,151)	454,370	12,945,579	
Dividend income	(839,608)	-	-	(582,207)	(1,421,814)	
	<u>40,218,421</u>	<u>7,761,172</u>	<u>2,952,057</u>	<u>3,077,737</u>	<u>54,009,387</u>	
	2012	Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited	Total
Opening balance	21,183,138	6,548,585	257,611	11,504,584	39,493,918	
Transfer / (Sold) during the year	8,580,459	464,403	2,243,765	(6,589,428)	4,699,199	
Share of profit from associates	9,365,430	548,795	639,832	1,048,284	11,602,341	
Dividend income	(1,144,920)	-	-	(600,000)	(1,744,920)	
	<u>37,984,107</u>	<u>7,561,783</u>	<u>3,141,208</u>	<u>5,363,440</u>	<u>54,050,538</u>	

9.1.1 Basis of significant influence

Name of Associates
Searle Company Limited
United Distributors Pakistan Limited
United Brands Limited
IBL Healthcare Limited

Basis of significant influence
Common directorship
Common directorship
Common directorship
Common directorship

Notes to the Financial Statements

for the year ended June 30, 2013

9.1.2 Summarized financial statements of associates as follows:

2013	Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited
	Rupees			
Share capital - ordinary shares of Rs. 10 each	471,652,450	91,839,000	12,000,000	200,000,000
Total assets	4,900,319,000	583,187,000	270,753,226	607,182,000
Total liabilities	2,412,206,000	2,908,560,000	196,345,863	264,444,000
Net assets	2,488,113,000	292,331,000	74,407,363	342,738,000
Revenue	3,784,659,000	249,334,000	1,085,061,043	665,789,000
Profit for the year - after tax	374,125,000	157,624,000	16,480,367	70,746,000
Number of shares held	940,451	211,500	69,060	142,883
Ownership interest	1.99%	2.30%	5.76%	0.71%
Fair value per share as at June 30, 2013	78.98	15.50	28.35	39.25
Fair value of shares as at June 30, 2013	74,276,820	3,278,250	1,957,851	5,608,158
Financial results are based on latest the information available as on	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013
2012	Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited
	Rupees			
Share capital - ordinary shares of Rs. 10 each	336,894,610	91,839,000	12,000,000	200,000,000
Total assets	3,453,021,000	607,023,000	206,100,237	456,272,000
Total liabilities	1,466,227,000	513,170,000	239,055,788	147,119,000
Net assets	1,986,794,000	93,853,000	(32,955,551)	309,153,000
Revenue	3,385,652,000	366,068,000	949,715,365	534,714,000
Profit for the year - after tax	215,626,000	20,464,000	12,513,006	65,518,000
Number of shares held	839,608	211,500	69,060	24,000
Ownership interest	2.50%	2.30%	5.76%	1.20%
Fair value per share as at June 30, 2012	47.59	9.38	31.80	21.15
Fair value of shares as at June 30, 2012	39,956,945	1,983,870	2,196,108	5,076,000
Financial results are based on latest the information available as on	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012

Notes to the Financial Statements

for the year ended June 30, 2013

9.2 Listed companies

Note	2013 Number of shares	2012 Number of shares	2013 Rupees	2012 Rupees
Food and Personal Care Products				
	174,285	192,285	67,953,722	12,012,044
Chemicals				
	150,000	150,000	621,000	516,000
Leasing Company				
9.2.1	858,935	858,935	2,671,288	1,717,870
Textile Composite				
	240,801	168,301	1,697,646	1,178,107
			72,943,656	15,424,021

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

9.2.1 These shares have been classified as non shariah based investment as per the half yearly report of the shariah advisor and therefore all the shares have been disposed off subsequent to the balance sheet date.

Note	2013 Rupees	2012 Rupees
10 MUSHARAKA FINANCING		
Secured		
Diminishing musharaka financing	20,773,335	140,355,677
Less: Current portion shown in current assets	(13,120,000)	(140,355,677)
	7,653,335	-
10.1 This represents diminishing musharaka finance for a term of 1 to 3 years.		
11 IJARAH RENTAL RECEIVABLES		
Ijarah rental receivables	6,239,204	9,490,053
Income suspended	(5,687,714)	(8,466,805)
	551,490	1,023,248
Ijarah future rental receivables		
Not later than one year	149,922,431	125,665,399
Later than one year but not later than five years	144,923,953	160,324,410
	294,846,384	285,989,809

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

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

Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	
12 STOCK IN TRADE			
Raw and packing material	12.1	1,907,458	-
Work in progress		-	-
Finished goods		1,060,852	-
		<u>2,968,310</u>	<u>-</u>

12.1 Stock amounting Rs. 1.03 million was expired and written off during the year.

13 INVESTMENTS - at fair value through profit or loss

	Note	2013	2012
		Rupees	
Associated companies	13.1	2,790,000	-
Listed companies	13.2	24,892,683	12,384,768
		<u>27,682,683</u>	<u>12,384,768</u>

13.1 Associated Companies

	2013 Number of shares	2012 Number of shares	2013	2012
			Rupees	
Chemicals				
United Distributors Pakistan Limited	180,000	-	2,790,000	-
			<u>2,790,000</u>	<u>-</u>

Notes to the Financial Statements

for the year ended June 30, 2013

	2013 Number of shares	2012 Number of shares	2013 (Market Value)	2012 (Market Value)
			Rupees	
13.2 Listed companies				
Leasing Company				
Al-Zamin Investment Bank Limited	-	321	-	642
Oil & Gas				
Pakistan State Oils Limited	25,000	-	8,009,500	-
Shell Pakistan Limited	10,000	-	1,431,700	-
Pakistan Petroleum Limited	26,250	5,000	5,553,975	941,450
Real Estate Investment & Services				
Pace (Pakistan) Limited	-	200,000	-	408,000
Electricity				
Nishat Power Limited	-	213,566	-	3,139,420
Pharma & Bio Tech				
Abbot Laboratories Pakistan Limited	3,000	-	984,270	-
Modaraba				
Unicap Modaraba	36,500	36,500	4,745	4,745
Fidelity Leasing Modaraba	20,630	20,630	69,111	53,638
Chemical				
Arif Habib Corporation Limited	121,000	110,000	2,681,360	3,402,300
Lotte Pakistan PTA Limited	-	200,000	-	1,406,000
Construction and Material				
Maple leaf Cement Company	50,000	200,000	1,096,500	926,000
Attock Cement Company	20,000	20,000	2,639,800	1,628,800
Lafarge Pakistan Cement Limited	200,000	-	1,698,000	-
Industrial Metals & Mining				
Crescent Steel & Allied Products Limited	2,750	2,750	123,722	63,773
Fixed Line Telecommunication				
WorldCall Telecom Limited	200,000	200,000	600,000	410,000
			<u>24,892,683</u>	<u>12,384,768</u>

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

	2013	2012
	Rupees	
14 ADVANCES		
- To staff - considered good	5,216,030	448,611
- Advance against purchases - considered good	2,173,100	18,364,500
	<u>7,389,130</u>	<u>18,813,111</u>

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

Notes to the Financial Statements

for the year ended June 30, 2013

	2013	2012
15 PREPAYMENTS AND OTHER RECEIVABLES		
Prepayments	2,589,867	809,599
Profit due on:		
Musharaka receivable	-	8,371,823
Others	386,100	355,181
	2,975,967	9,536,603

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

	2013	2012
16 BANK BALANCES		
Current accounts	8,681,256	2,481,570
PLS accounts	87,169,521	169,984,838
	95,850,777	172,466,408

16.1 These account carry profit rate ranging from 5 % to 9 % (2012: 9 % to 11 %)

17 CERTIFICATE CAPITAL

2013 Numbers of certificates	2012 Numbers of certificates	2013 Rupees	2012 Rupees
50,000,000	50,000,000	500,000,000	500,000,000
17,668,885	17,668,885	176,688,850	176,688,850
8,717,704	8,717,704	87,177,040	87,177,040
26,386,589	26,386,589	263,865,890	263,865,890

18 STATUTORY RESERVE

	2013	2012
Balance at the beginning of the year	193,329,185	183,425,646
Transferred from profit and loss account	8,309,195	9,903,539
	201,638,380	193,329,185

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

Notes to the Financial Statements

for the year ended June 30, 2013

	2013	2012
19 LONG TERM SECURITY DEPOSITS		
Long term security deposits	104,187,626	71,560,354
Less: current maturity	6,862,017	10,832,207
	97,325,609	60,728,147

20 DEFERRED LIABILITIES

	2013	2012
Staff gratuity	-	1,808,967
Accrued profit on IFC income notes	104,016,279	104,016,279
	104,016,279	105,825,246

20.1 Employees benefits - staff gratuity

	2013	2012
Movement in liability recognised in the balance sheet		
Balance sheet liability as at June 30,	1,808,967	1,451,117
Expense recognised during the year	2,291,471	357,850
Paid during the year	(2,291,471)	-
Less: Transfer to current liabilities	(1,808,967)	-
Balance sheet liability as at June 30,	-	1,808,967

Charge to profit & loss account for the year

	2013	2012
Current service cost	-	118,557
Interest cost	-	234,290
Actuarial loss	-	5,003
Total amount chargeable to profit and loss account	-	357,850

Balance sheet liability as at the year end

	2013	2012
Present value of defined benefit obligation	-	2,175,577
Net actuarial (loss) not recognized	-	(366,610)
	-	1,808,967

Key actuarial assumptions:

	2013	2012
Valuation discount rate	-	14.00%
Salary increase rate	-	13.00%

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

20.3 The staff gratuity has discontinued since December 2012, therefore no valuation is carried out by valuer and the amount is transferred to short term.

21 PAYABLE TO MANAGEMENT COMPANY

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

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

Notes to the Financial Statements

for the year ended June 30, 2013

	2013	2012
	Rupees	
22 ACCRUED AND OTHER LIABILITIES		
Accrued expenses	255,000	2,046,338
Other liabilities		
- Provision for taxation	4,675,760	4,675,760
- Unclaimed profit distributions	14,638,650	10,045,113
- Worker's Welfare Fund - provision	4,297,621	3,449,745
- Gratuity payable	1,808,967	-
- Others	6,460,644	8,254,885
	<u>32,136,642</u>	<u>28,471,841</u>
23 CONTINGENCIES AND COMMITMENTS		
Contingencies		
There are no contingencies as at the balance sheet date.		
Commitments		
There are no commitments as at the balance sheet date.		
24 INCOME FROM IJARAH OPERATIONS		
Ijarah rentals	137,472,892	114,957,735
Documentation fee	133,612	315,784
(Loss) on disposal of Ijarah assets	(2,133,774)	(381,641)
	<u>135,472,730</u>	<u>114,891,878</u>
25 INCOME FROM INVESTMENTS		
Dividend income	747,467	533,708
Gain on sale of securities	15,272,294	3,018,707
	<u>16,019,760</u>	<u>3,552,415</u>
26 INCOME FROM OTHER SOURCES		
Gain on disposal of fixed assets	1,669,468	373,339
Profit on deposits with banks	7,834,721	18,036,700
Miscellaneous	5,493,387	3,203
	<u>14,997,576</u>	<u>18,413,242</u>

Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	
27 OPERATING EXPENSES			
Salaries and other staff benefits	27.1	16,811,571	8,812,544
Traveling and conveyance		2,812,907	1,772,485
Vehicles running and maintenance		270,741	420,000
Communication		2,226,314	380,201
Printing and stationery		1,172,282	523,603
Rent, rates and taxes		1,835,010	313,470
Repair and maintenance		1,358,512	397,355
Legal and professional charges		772,254	438,225
Share custody charges		10,000	26,600
Insurance		460,077	190,529
Entertainment		483,236	13,124
Consultancy fee		845,446	1,872,000
Fee and subscription		458,785	679,265
Auditors' remuneration	27.2	304,000	306,500
Advertisement		244,686	244,798
Depreciation	7	4,432,522	1,813,798
Amortization	8	300,000	-
Bad debt expense		5,810,008	5,810,008
Provision for gratuity		2,291,471	357,850
Donation	27.3	202,781	-
Other expenses		2,219,017	157,481
		<u>45,321,619</u>	<u>24,529,836</u>

27.1 Remuneration to officers and employees

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

	2013			2012		
	Officers	Employees	Total	Officers	Employees	Total
	Rupees					
Salaries & allowances	12,295,204	3,585,314	15,880,518	5,511,860	1,408,466	6,920,326
Provident fund	397,187	51,298	448,485	215,185	65,339	280,524
Bonus	191,226	43,826	235,052	898,065	44,387	942,452
Medical expenses	138,475	109,041	247,516	637,975	31,267	669,242
	<u>13,022,092</u>	<u>3,789,479</u>	<u>16,811,571</u>	<u>7,263,085</u>	<u>1,549,459</u>	<u>8,812,544</u>
Number of persons	18	20	38	5	5	10

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

Notes to the Financial Statements

for the year ended June 30, 2013

	2013	2012
	Rupees	
27.2 Auditors' remuneration		
Audit fee	240,000	240,000
Half yearly review fee	25,000	25,000
Certification fee	15,000	15,000
Out-of-pocket expenses	24,000	26,500
	<u>304,000</u>	<u>306,500</u>

27.3 The Directors of the Modaraba Mangement Company do not have any interest in ant donees' fund to which donations were made.

28 FINANCIAL CHARGES

Bank charges	37,822	23,150
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29 PROVISION FOR TAXATION

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

	2013	2012
	Rupees	
30 EARNINGS PER CERTIFICATE - basic and diluted		
Profit for the year	41,545,977	49,517,696
	Number of certificates	Number of certificates
Weighted average number of ordinary certificates outstanding during the year	26,386,589	26,386,589
Earnings per certificate - basic	1.57	1.88

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

Notes to the Financial Statements

for the year ended June 30, 2013

31 TRANSACTION WITH RELATED PARTIES

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

Transactions	Relationship	2013	2012
		Rupees	
Management fee	Management company	4,868,739	5,501,966
Dividend received	Associates	1,421,815	1,744,920
Dividend paid to Management Company	Management company	10,026,904	7,559,758
Balance as at the year end			
Payable to Modaraba Management Company		2,432,708	5,384,109
Deferred liability - Gratuity payable		-	1,808,967

32 FINANCIAL INSTRUMENTS

32.1 Risk management policies

The Modaraba's objective in managing risks is the creation and protection of Certificate holder's value. Risk is inherent in the Modaraba activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk(which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Modaraba primarily invests in Ijaraha (lease) assets, diminishing musharaka and diversified portfolio of listed securities. Such investemnts are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit risk
- Liquidity risk
- Market risk

32.2 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 attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The management understands that the Modaraba is not exposed to any major concentration of credit risk.

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2013 is the carrying amount of the financial assets as set out below:

Business	2013	2012
		Rupees
Diminishing Musharaka Finance	20,773,335	140,355,677
Investments	154,635,727	81,859,327
Ijaraha receivables	551,491	1,023,248
Deposits	911,100	74,100
Advances and other receivables	7,389,130	18,813,111
Bank balances	95,850,777	172,466,408
	<u>280,111,560</u>	<u>414,591,872</u>

Notes to the Financial Statements

for the year ended June 30, 2013

2013 2012
Rupees

The aging of Ijarah receivables at the reporting date is:

Past due 1-30 days	551,491	1,023,248
Past due over 30-90 days	5,687,713	8,466,805
Less: Provision for non performing assets	(5,687,713)	(8,466,805)
	<u>551,491</u>	<u>1,023,248</u>

Concentration of credit risk

Concentration is the relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic, political and other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Modaraba's concentration of credit risk by industrial distribution are as follows:

Segment by class of business of major Ijarah assets

	2013		2012	
	Rupees	%	Rupees	%
Modaraba	2,669,520	0.84%	48,462,142	11.23%
Cargo, Trading & distribution	33,692,996	10.57%	37,273,792	8.63%
Investment companies, firms & bank	3,337,914	1.05%	21,146,059	4.90%
Textile, Chemical & Pharmaceuticals	31,763,267	9.96%	92,706,331	21.47%
Food & Beverages	44,024,065	13.81%	36,780,764	8.52%
Individual	35,529,670	11.14%	67,042,245	15.53%
Miscellaneous	167,848,614	52.64%	128,315,519	29.72%
	<u>318,866,046</u>	<u>100.00%</u>	<u>431,726,852</u>	<u>100.00%</u>

32.2.1 Modaraba's operations are restricted to Pakistan only.

32.3 Liquidity risk

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

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

Notes to the Financial Statements

for the year ended June 30, 2013

2013

Upto one year One year to five years Over five years Total
Rupees

Financial assets

Long term investments	-	72,943,656	-	72,943,656
Long term advances and deposits	-	-	911,100	911,100
Ijarah rental receivables	551,492	-	-	551,492
Musharaka receivables	13,120,000	7,653,335	-	20,773,335
Financial assets	27,682,684	-	-	27,682,684
Other receivables	386,100	-	-	386,100
Profit due on musharaka receivables	-	-	-	-
Bank balances	95,850,777	-	-	95,850,777
(a)	<u>137,591,053</u>	<u>80,596,991</u>	<u>911,100</u>	<u>219,099,145</u>

Financial liabilities

Long term security deposits	6,862,017	97,325,609	-	104,187,626
Deferred liabilities	-	104,016,279	-	104,016,279
Payable to management company	2,439,373	-	-	2,439,373
Accrued and other liabilities	32,136,642	-	-	32,136,642
(b)	<u>41,438,032</u>	<u>201,341,888</u>	<u>-</u>	<u>242,779,920</u>

On-balance sheet gap

(a) - (b)	<u>96,153,021</u>	<u>(120,744,897)</u>	<u>911,100</u>	<u>(23,680,775)</u>
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2012

Upto one year One year to five years Over five years Total
Rupees

Financial assets

Long term investments	-	15,424,021	-	15,424,021
Long term advances and deposits	-	-	74,100	74,100
Ijarah rental receivables	1,023,248	-	-	1,023,248
Musharaka receivables	140,355,677	-	-	140,355,677
Financial assets	12,384,768	-	-	12,384,768
Other receivables	355,181	-	-	355,181
Profit due on musharaka receivables	8,371,823	-	-	8,371,823
Bank balances	172,466,408	-	-	172,466,408
(a)	<u>334,957,106</u>	<u>15,424,021</u>	<u>74,100</u>	<u>350,455,227</u>

Financial liabilities

Long term security deposits	10,832,207	60,728,147	-	71,560,354
Deferred liabilities	-	105,825,246	-	105,825,246
Payable to management company	5,384,109	-	-	5,384,109
Accrued and other liabilities	28,471,841	-	-	28,471,841
(b)	<u>44,688,157</u>	<u>166,553,393</u>	<u>-</u>	<u>211,241,550</u>

On-balance sheet gap

(a) - (b)	<u>290,268,948</u>	<u>(151,129,372)</u>	<u>74,100</u>	<u>139,213,676</u>
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Notes to the Financial Statements

for the year ended June 30, 2013

32.4 Market risk

a Market price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Exposure:

The Modaraba is exposed to unfavorable changes in fair values of investments as a result of changes in prices of securities.

As at June 30, 2013, the fair value of equity exposed to price risk was as follows:

Particulars:	Average Cost	Fair Value	Average Cost	Fair Value
	2013	Rupees	2012	
Equity securities	37,245,499	97,836,339	22,736,620	27,808,789

Risk management

The Modaraba's policy is to manage price risk through diversified and selection of securities and other financial instruments within specified limits set by Investment Committee.

The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by stock exchange at which is set as per the trading trend and volumes in the security.

a Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.

Risk exposure

The Modaraba has Ijarah portfolio. The majority of Ijarah portfolio is linked with KIBOR rate as a benchmark. The Modaraba reviews KIBOR on Ijarah portfolio on quarterly/six monthly basis.

As at June 30, 2013, the profit of the Modaraba's variable value financial instruments were as follows:

	2013	2012
	Rupees	
Variable rate instruments		
Diminishing musharaka financing	20,773,335	140,355,677

Fair value sensitivity analysis for variable rate instruments

An increase of 10% in interest rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in interest rates by 10% would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Asset / liability class

(Having variable interest rates)	(Increase / Decrease)	Changes in profit / (loss)	
	(+/-)	2013	
		2012	
		Rupees	
Diminishing musharaka financing		2,077,334	14,035,568

Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

Notes to the Financial Statements

for the year ended June 30, 2013

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2013	2012
	Rupees	
33.1 Financial instruments by category		
Loans and receivables		
Long term advances and deposits	911,100	74,100
Ijarah rental receivables	551,492	1,023,248
Musharaka receivables	20,773,335	140,355,677
Advances	7,389,130	18,813,111
Other receivables	386,100	355,181
Profit due on musharaka receivables	-	8,371,823
Bank balances	95,850,777	172,466,408
Financial assets at fair value through profit or loss		
Short term investments - investments at fair value through profit or loss	27,682,684	12,384,768
Available-for-sale financial assets		
Long term investments	72,943,656	15,424,021
(a) 226,488,274	369,268,337	
Financial liabilities		
Financial liabilities at amortised cost		
Long term security deposits	104,187,626	71,560,354
Accrued profit on IFC income notes	104,016,275	104,016,275
Payable to management company	2,439,373	5,384,109
Accrued and other liabilities	32,136,642	28,471,841
(b) 242,779,916	209,432,579	
(a) - (b) (16,291,642)	159,835,758	
33.2 Fair value sensitivity analysis for fixed rate instruments		
The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.		

34 YIELD / PROFIT RATE RISK EXPOSURE

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

2013	Yield / Profit bearing maturing			Non yield / Profit bearing maturing			Total
	Effective yield / Profit risk %	Within one year	After one year	Sub total	Within one year	After one year	
Financial assets							
Long term investments	-	-	-	-	72,943,656	-	72,943,656
Long term advances and deposits	-	-	-	-	911,100	-	911,100
Jarah rental receivables	17% to 19%	551,491	-	551,491	-	-	551,491
Musharaka receivables - secured	15% to 17%	13,120,000	7,653,335	20,773,335	-	-	20,773,335
Financial assets	-	-	-	-	27,682,684	-	27,682,684
Advances	-	-	-	-	7,389,130	-	7,389,130
Profit due on Musharaka receivables	-	-	-	-	-	-	-
Other receivables	-	-	-	-	386,100	-	386,100
Bank balances	5% to 9%	87,169,521	-	87,169,521	8,681,256	-	95,850,777
	(a)	100,841,012	7,653,335	108,494,347	44,139,170	73,854,756	117,993,926
Financial liabilities							
Long term security deposits	-	-	-	-	6,862,017	97,325,609	104,187,626
Deferred liabilities	-	-	-	-	104,016,279	-	104,016,279
Payable to management company	-	-	-	-	2,432,708	-	2,432,708
Accrued and other liabilities	-	-	-	-	32,136,642	-	32,136,642
	(b)	-	-	-	145,447,646	97,325,609	242,773,256
On-balance sheet gap	(a)-(b)	100,841,012	7,653,335	108,494,347	(101,308,476)	(23,470,853)	(16,284,982)
Non-financial assets							
Non-financial liabilities							567,745,039
Total net assets							551,516,968

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

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

Notes to the Financial Statements

for the year ended June 30, 2013

YIELD / PROFIT RATE RISK EXPOSURE

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

2012	Yield / Profit bearing maturing			Non yield / Profit bearing maturing			Total
	Effective yield / Profit risk %	Within one year	After one year	Sub total	Within one year	After one year	
Financial assets							
Long term investments	-	-	-	-	15,424,021	-	15,424,021
Long term advances and deposits	-	-	-	-	74,100	-	74,100
Jarah rental receivables	17% to 19%	1,023,248	-	1,023,248	-	-	1,023,248
Musharaka receivables - secured	11.25% to 20%	140,355,677	-	140,355,677	-	-	140,355,677
Financial assets	-	-	-	-	12,384,768	-	12,384,768
Advances	-	-	-	-	18,813,111	-	18,813,111
Profit due on Musharaka receivables	-	-	-	-	8,371,823	-	8,371,823
Other receivables	-	-	-	-	355,181	-	355,181
Bank balances	7% to 11%	169,984,838	-	169,984,838	2,481,570	-	172,466,408
	(a)	311,363,764	-	311,363,764	42,406,453	15,498,121	30,095,785
Financial liabilities							
Long term security deposits	-	-	-	-	10,832,207	60,728,147	71,560,354
Deferred liabilities	-	-	-	-	105,825,246	-	105,825,246
Payable to management company	-	-	-	-	5,384,109	-	5,384,109
Accrued and other liabilities	-	-	-	-	28,471,841	-	28,471,841
	(b)	-	-	-	150,513,403	60,728,147	211,241,550
On-balance sheet gap	(a)-(b)	311,363,764	-	311,363,764	(108,106,950)	(45,230,026)	(181,145,765)
Non-financial assets							
Non-financial liabilities							346,661,268
Total net assets							504,688,055

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

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

Notes to the Financial Statements

for the year ended June 30, 2013

35 Operational Risk

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

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

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

36 INFORMATION ABOUT BUSINESS SEGMENTS

	2013				
	Musharaka	Investments	Ijarah operations	Manufacturing Pharma	Consolidated
	Rupees				
SEGMENT REVENUES	13,891,953	16,019,760	135,472,730	1,502,200	166,886,643
SEGMENT RESULT					
Segment income and Sales	13,891,953	16,019,760	135,472,730	1,502,200	166,886,643
Other income	-	-	-	-	14,997,576
Operating expenses	-	-	(106,346,051)	(9,242,115)	(115,588,166)
Manufacturing expenses	-	-	-	(6,547,695)	(6,547,695)
Unallocated operating expenses	-	-	-	-	(36,117,326)
Modaraba company's management fee	-	-	-	-	6,226,882
Share of profit from associates	-	12,945,579	-	-	12,945,579
Profit for the year					<u>42,803,492</u>
OTHER INFORMATION					
Capital expenditure	-	-	161,515,164	179,671,418	341,186,582
Depreciation	-	-	106,346,050	4,432,522	110,778,571
ASSETS AND LIABILITIES					
Segment assets	13,120,000	154,635,727	324,966,710	179,671,418	672,393,855
Unallocated assets	-	-	-	-	212,839,452
Consolidated total assets					<u>794,233,311</u>
Segment liabilities	-	-	104,187,626	-	104,187,626
Unallocated liabilities	-	-	-	-	138,585,630
Consolidated total liabilities					<u>242,773,256</u>

Notes to the Financial Statements

for the year ended June 30, 2013

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

INFORMATION ABOUT BUSINESS SEGMENTS

	2012			
	Musharaka	Investments	Ijarah operations	Consolidated
	Rupees			
SEGMENT REVENUES	18,350,986	3,552,415	114,891,878	136,795,279
SEGMENT RESULT				
Segment income	18,350,986	3,552,415	114,891,878	136,795,279
Other income	-	-	-	18,413,242
Operating expenses	-	-	(89,119,314)	(89,119,314)
Unallocated operating expenses	-	-	-	(25,543,340)
Modaraba company's management fee	-	-	-	(5,501,966)
Share of profit from associates	-	11,602,341	-	11,602,341
Profit for the year				<u>49,517,696</u>
OTHER INFORMATION				
Capital expenditure	-	243,578,739	243,578,739	243,578,739
Depreciation	-	89,119,314	89,119,314	89,119,314
ASSETS AND LIABILITIES				
Segment assets	140,355,677	81,859,327	283,228,729	505,443,733
Unallocated assets	-	-	-	210,485,872
Consolidated total assets				715,929,605
Segment liabilities	-	-	71,560,354	71,560,354
Unallocated liabilities	-	-	-	139,681,196
Consolidated total liabilities				211,241,550

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

Notes to the Financial Statements

for the year ended June 30, 2013

	2013	2012
37 NUMBER OF EMPLOYEES		
As at year end	<u>38</u>	<u>10</u>

38 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors of the Modaraba Company and authorized for issue on 23 September 2013.

39 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2013 of Rs. 1/- per certificate (2012: Re. 1/- per certificate), amounting to Rs. 26,386,589 (2012: Rs. 26,386,589) at their meeting held on 23 September 2013. The financial statements for the year ended June 30, 2013 do not include the effect of the above which will be accounted for in the period in which it is declared.

40 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However no significant reclassification has been made except the following:

Reclassification from components	Reclassification to components	in "Rupees"
Other operating expenses	Workers Welfare Fund	990,354
Income from investments	Income from other sources	373,339
		373,339

41 GENERAL

The figures have been rounded off to the nearest rupees.

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

Chief Executive

Director

Director

Pattern of Certificate Holding

Held by the Certificate Holders as at June30, 2013

Number of Certificate	Certificate Holdings		Total Certificate Held
	From	To	
836	1	to 100	37,339
820	101	to 500	217,542
549	501	to 1000	436,198
692	1001	to 5000	1,474,904
108	5001	to 10000	825,891
30	10001	to 15000	387,821
39	15001	to 20000	686,668
17	20001	to 25000	385,409
10	25001	to 30000	285,254
2	30001	to 35000	66,992
5	35001	to 40000	185,038
6	40001	to 45000	250,142
2	45001	to 50000	99,500
2	50001	to 55000	106,000
3	55001	to 60000	173,000
3	60001	to 65000	189,055
1	65001	to 70000	68,500
4	70001	to 75000	290,900
2	90001	to 95000	180,129
1	95001	to 100000	95,950
2	100001	to 105000	204,267
1	105001	to 110000	110,000
1	120001	to 125000	123,260
1	130001	to 135000	130,298
1	140001	to 145000	142,991
1	155001	to 160000	156,758
2	165001	to 170000	333,400
1	195001	to 200000	195,688
1	200001	to 205000	202,000
1	220001	to 225000	222,707
1	230001	to 235000	232,000
1	245001	to 250000	247,000
1	330001	to 335000	331,386
1	490001	to 495000	493,000
1	585001	to 590000	586,530
1	610001	to 615000	610,908
1	725001	to 730000	728,588
1	835001	to 840000	836,964
1	1475001	to 1480000	1,476,625
1	4200001	to 4205000	4,202,016
1	8375001	to 8380000	8,377,971
3155			26,386,589

Categories of Certificate Holders

As at June 30, 2013

Categories of Certificateholders	Certificateholder	Certificate Held	Percentage (%)
Directors and their spouse(s) and minor children			
Syed Mohammad Nasir Raza Rizvi	1	26,508	0.10
	1	26,508	0.10
Associated Companies, Undertakings & Related Parties			
International Brands (Pvt.) Limited	2	4,378	0.02
UDL Modaraba Management (Private) Limited	2	5,038,980	19.10
	4	5,043,358	19.12
Executives			
	-	-	-
	-	-	-
Public Sector Companies and Corporations			
	6	439,503	1.67
	6	439,503	1.67
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
	15	363,189	1.38
	15	363,189	1.38
Mutual Funds			
Golden Arrow Selected Stocks Fund Ltd.	1	3,000	0.01
National Bank Of Pakistan-Trustee Department NI(U)T Fund	1	1,476,625	5.60
	2	1,479,625	5.61
General Public			
a. Local	3094	18,872,370	71.52
b. Foreign	1	1,580	0.01
	3095	18,873,950	71.53
Foreign Companies			
Other	1	2,152	0.01
	31	158,304	0.60
	32	160,456	0.61
TOTAL	3155	26,386,589	100

SHARE HOLDERS HOLDING 5% OR MORE

UDL MODARABA MANAGEMENT (PRIVATE) LIMITED	5,038,980	19.10
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1,476,625	5.60
ZEENAT BANO	65,040	0.25
KHALID MALIK	8,988,879	34.07

Notice Of Annual Review Meeting

Notice is hereby given that Annual Review Meeting of Certificate-Holders of First UDL Modaraba will be held on October 28th, 2013 at 10.00 a.m. at NBF & Modaraba Association of Pakistan, Office No # 602, Progressive Centre, 30-A, Block-6, PECHS, Shakra-e-Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2013.

The certificate-holders whose names appear on the register of certificate-Holders of FUDLM on the close of business as on October 20th, 2013 will be eligible to attend the Annual Review Meeting.

By order of the board

Syed Aamir Hussain
Company Secretary
Karachi:

October 8th, 2013