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Vision

To be a leading Modaraba institution providing a range of diversified and Shariah 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	Majid Hasan Chairman (Non Executive Director) Ather Naqi Chief Executive Officer Shuja Malik Executive Director S.M. Nasir Raza Non-Executive Director Asad Abdullah Non-Executive Director
Company Secretary & CFO	Syed Aamir Hussain
Audit Committee	S.M. Nasir Raza Chairman Majid Hasan Member Asad Abdullah Member
Human Resource & Remuneration Committee	Asad Abdullah Chairman S.M. Nasir Raza Member Shuja Malik Member
Auditors	Avais Hyder Liaquat Nauman Chartered Accountants
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 Rohdes Sidat Hyder & Co. Chartard Accountants Progressive Plaza, Beaumont Road P.O. Box 15541, Karachi-75530.
Head Office & Registered Office	C-117/1 KDA Scheme No. 1, Tipu Sultan Road, Karachi.
Factory	E-44/45, North Western Industrial Zone, Port Qasim, Karachi
Phone	(92-21) 34315591-5
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Email	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, 2014.

Financial Results

2014
2013
(Restated)

(Rupees in thousands)

Financial results are summarized as under :

Net profit after tax for the year	68,441	43,495
Add: Unappropriated profit brought forward	29,630	47,608
Profit available for appropriation	<u>98,071</u>	<u>91,103</u>

Appropriations:

Statutory reserve	13,688	8,699
Profit distribution		
- First Interim @6.0% (2013: 10%)	15,832	26,387
- Second Interim @5% (2013:Nil)	13,193	-
- Final @10% (2013: 10%)	26,387	26,387
	<u>69,100</u>	<u>61,473</u>
Unappropriated profit carried forward	<u>28,971</u>	<u>29,630</u>
Earnings per certificate	<u>2.59</u>	<u>1.65</u>

Review of Operations:

The income of the Modaraba during FY 14, increased by 41%, mainly due to an increase in income from Investments by 350% from Rs. 16 million in FY 13 to Rs. 72 million in FY 14. There was also a 14% increase in income from Ijarah operations.

During the year pharmaceutical sales were Rs. 17.95 million.

Expenses of the Modaraba increased by 38%, mainly due to higher COGS as a result of increase in Pharma sales and also due to increase in operating and selling and distribution expenses of the pharmaceutical division.

Despite increase in expenses, the operating profit of the Modaraba increased by 57% and Net profit after tax by 57% to Rs. 68.44 million.

The main reason for increase in the overall profit is due to increase in Investment income which compensated expenses of the pharmaceutical business. The management was aware of the fact that income would drop as there would be considerable expenses in the Pharma division which at this stage is in its infancy, therefore, the management during the year took advantage of the booming stock market and made short term investments in order to realize capital gains. It also divested a part of its long term investments during the year so as to maximize profits for the certificate holders.

Financial Division

As is evident from the accounts, the Modaraba's main focus is on Ijarah financing, income from which has increased by 14% from Rs. 135 million to Rs. 155 million in FY 14. The increase in income is mainly due to net increase in Ijarah Financing and also due to increase in financing rate.

Directors' Report

The Modaraba also has a strong investment portfolio, both short and long term.

Pharmaceutical Division

Pharmaceutical sales are lower than our estimation due to the fact that our injectible range was not available in the market as renovation work was required in the Cephalosporin section of the plant. Now that the renovation work is complete, we are expecting a boost in sales and hope to perform much better in the next FY.

At present, as a percentage of sales our expenses are high reason being high cost of production and sales promotion expenses. As our sales revenue increases, the cost of production would go down and other expenses would get in line with sales.

Overall, the management is satisfied with the performance of the Modaraba.

Profit Distribution

The Modaraba had distributed two interim dividends, first interim dividend of 6% and second of 5% in the month of Feb' 2014 and in April'2014 respectively. The Board has now approved final dividend of 10% amounting to Rs. 26,386,589/- making the total for the year to 21%.

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.
- 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:

Audit Committee of the Board has been re-constituted as follows;

- | | | |
|----|------------------|----------|
| 1) | S.M. Nasir Raza | Chairman |
| 2) | Mr. Majid Hassan | Member |
| 3) | Mr. Asad Abdulla | Member |

The Chief Financial Officer and Internal Auditor also attended the meetings as per requirement of the Code of Corporate Governance.

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)	Mr. Ather Naqi	4	4	-
2)	Mr. Majid Hasan	4	2*	-
3)	S.M. Nasir Raza	4	4	-
4)	Mr. Shuja Malik	4	4	-
5)	Mr. Asad Abdulla	4	2**	2

* Mr. Majid Hasan has joined the Board in the month of December 2014.

** The Board granted the leave of absence to Mr. Asad Abdulla.

Pattern of Certificate holding:

A Statement showing Pattern of Certificate Holding of the Modaraba and additional information as at June 30, 2014 is included in this report.

Statement of Compliance with best practices:

The Board feels pleasure in stating that provisions of the Code relevant for the year ended June 30, 2014, 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)

Staff Benefit Scheme:

The Modaraba has a provident fund scheme for the staff.

Auditors

The present auditors M/s Avais Hyder Liaquat Nauman & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Modaraba for the financial year ending June 30, 2015.

Acknowledgement:

The Board 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 certificate-holders 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: 10th September'2014.

Six Years Financial Summary

Balance Sheet Summary

Year Ended June 30, 2014	(Rs. in million)					
	2009	2010	2011	2012	Restated 2013	2014
EQUITY						
Issued, subscribed & paid up capital	263.87	263.87	263.87	263.87	263.87	263.87
Satutory Reserve	146.31	161.53	183.42	193.33	201.64	215.33
Revenue Reserve and unappropriate profit	40.15	49.27	47.37	47.49	87.90	98.69
Total Equity	450.33	475.16	494.66	504.69	553.41	577.89
LIABILITIES						
Customer Security Deposit	20.21	18.8	24.53	60.72	97.33	60.84
Other Deferred Liabilities	104.95	105.17	105.47	105.82	104.02	104.01
Current Liabilities						
Current maturity of Long term Security Deposit	7.25	7.01	9.52	10.83	6.86	50.20
Other Current Liabilities	31.22	34.15	25.74	33.87	34.57	35.80
Total Liabilities	163.63	165.13	165.26	211.24	242.77	250.85
Total Equity & Liabilities	613.96	640.29	659.92	715.93	796.18	828.74
ASSETS						
Assets Leased Out	107.01	93.51	141.98	283.23	324.97	273.71
Assets in own use - Tangible	0.28	2.7	7.89	7.07	180.71	190.56
Assets in own use - Intangible	-	-	-	1.50	2.50	2.69
Long Term Investment	72.64	87.19	43.12	69.48	131.69	136.78
Other Long Term Assets	0.07	0.07	0.07	0.07	8.56	0.14
	180.00	183.47	193.06	361.35	648.43	603.88
Current Assets						
Stock	-	-	-	-	2.97	10.40
Musharika	330.66	327.69	157.62	140.35	13.12	8.75
Short Term Investments	9.91	16.85	41	12.38	24.89	48.50
Other Current Assets	33.64	50.94	17.39	29.39	10.92	34.33
Cash & Bank Balances	59.74	61.34	250.85	172.46	95.85	122.88
Total Current Assets	433.95	456.82	466.86	354.58	147.75	224.86
Total Assets	613.95	640.29	659.92	715.93	796.18	828.74

Income Statement Highlights

	(Rs. in million)					
Year Ended June 30, 2014	2009	2010	2011	2012	Restated 2013	2014
Lease	42.51	54.25	58.13	114.89	135.47	154.94
Musharika	26.71	44.09	47.87	18.35	13.89	3.45
Capital Gain on Investment	0.43	0.44	33.16	3.926	16.05	72.35
Sales - Pharma	-	-	-	-	1.50	17.95
Other	20.52	7.18	7.25	18.042	15.00	8.08
Total Income	90.17	105.96	146.41	155.208	181.91	256.77
EXPENSES						
Operating	14.71	15.44	19.92	19.71	33.61	40.53
Cost of goods sold - Pharma	-	-	-	-	11.71	31.98
Selling & distribution	-	-	-	-	-	13.72
Financial	-	-	-	0.03	0.04	0.03
Amortization, Depreciation	31.54	53.1	43.07	94.92	106.35	123.03
Provision for Diminution in value of Investment	15.42	-	-	-	-	-
Impairment loss on investment	6.79	-	-	-	-	-
Total Expenses	68.46	68.54	62.99	114.66	151.71	209.29
Share of Profit from Associates	19.51	16.94	1.89	11.6	16.07	24.47
Unrealized gain on investments	-	2.06	(3.71)	2.87	4.29	7.05
Profit / (Loss) before Management Fee	41.22	54.36	81.6	55.02	50.56	79.00
Less:- Management Fee & Other	4.12	5.64	8.16	5.50	7.07	10.56
Profit before Taxation	37.1	48.72	73.44	49.52	43.49	68.44
Less:- Taxation	-	-	0.48	-	-	-
Net Profit	37.1	48.72	73.44	49.5162	43.493	68.44
APPROPRIATIONS						
Final Dividend	26.39	32.98	46.17	39.58	52.77	55.41
Statutory Reserve	18.55	15.23	21.65	9.9	8.69	13.68
Break-up value per Certificates (Rs.)	17.07	18.00	18.75	19.12	20.97	21.90
Market Price on 30th June (Rs.)	3.51	5.90	7.25	7.40	10.00	18.78
Dividend per Certificate (Rs.)	1.00	1.25	1.75	1.50	2.00	2.10
Earning Per Certificate (Rs.)	1.41	1.92	2.77	1.88	1.65	2.59
Current Ratio (X)	11.28	11.12	13.30	8.04	3.57	2.60
Net Profit margin (%)	41.14	47.91	49.83	31.90	23.91	26.65
Return on Equity (%)	8.24	10.68	14.75	9.81	7.85	11.84
Return on Investment (%)	6.04	19.20	35.39	22.48	23.25	56.06
Dividend Payout (%)	71.14	64.97	63.29	79.79	121.45	80.96

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

<u>CATEGORY</u>	<u>NAMES</u>
Independent Director	Mr. Majid Hasan
Non Executive Directors	Mr. Asad Abdulla Mr. Syed Nasir Raza
Executive Directors	Mr. Ather Naqi Mr. Shuja Malik

- 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) There was no casual vacancy occurred during the period.
- 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. However, one executive director has completed required Directors Training Programme from recognized institute.
- 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 Certificate holdings.
- 14) The Modaraba has compiled with all the corporate and financial reporting requirement of the CCG.
- 15) The Board has formed an Audit Committee comprising 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 two Non Executives and one 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 compiled with.

Ather Naqi
Chief Executive Officer
Date: 10th Sep, 2014

**REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **First UDL Modaraba Management (Private) Limited** (Modaraba Management Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange Limited and chapter XI of Lahore Stock Exchange Limited where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the 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 Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Adnan

Chartered Accountants
Karachi
Dated: 10th September, 2014

Engagement Partner: Adnan Zaman

Avais Hyder Liaquat Nauman is a provisional member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST UDL MODARABA (The Modaraba)** as at June 30, 2014 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, 2014 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.

Adnan

Chartered Accountants
Karachi.
Dated: 10th September, 2014

Engagement Partner: Adnan Zaman

Avais Hyder Liaquat Nauman is a provisional member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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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-6-14-2

Date: 10-09-14

Shari'ah Review Report **First UDL Modaraba (FUDLM)** For the year ended June 30, 2014

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, 2014 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:

- i. 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;
- ii. 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. Three directors and two key staff members has attended the extensive training on Islamic Banking & Islamic Insurance conducted by the NBF & Modaraba Association of Pakistan and the Centre of Islamic Economics. And the Chief Executive has also attended two full days workshop on Islamic Financial Tools organized by SECP.

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

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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: FLUDLM-6-14-2

Date: 10-09-14

Charity:

An amount of Rs. 0.19 million was collected on account of non-timely payments by customers and an amount of Rs. 0.025 million was paid on account of charity with the approval of concern shari'ah advisors so far.

Observations:

I have inquired and checked the systems and business transactions of Modaraba and found them in line with the guidelines issued vide SECP Circular No. 8 of 2012 dated 03-02-2012, whereby Shariah Compliance and Audit Mechanism (SCSAM) was introduced.

1. It is confirmed that First UDL Modaraba has no non-Shariah Compliant shares in its portfolio.
2. It has been noticed that all the surplus funds in the Modaraba are always and invariably placed with Islamic Banking institutions except one "Current Account" which is maintained with Faysal Bank for clearing of previous declared dividends.
3. As regards insurance coverage facility, it has been noticed that the Modaraba has already availed 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.
4. As regards, Musharakah & 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.

Recommendations:

- 1) It is highly recommended and desirable for the Modaraba to convert their insurance coverage facility arrangements fully from conventional insurance companies to Takaful Companies.
- 2) The management should continue its endeavor to comply with the rulings of Shariah in its business operations and future transactions.
- 3) 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.

Signature



Mufti Abdul Qadir
Shariah Advisor

Dated: September 10th, 2014.



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Balance Sheet

as at June 30, 2014

	Note	2014	2013
		Rupees	
ASSETS			
Non-current assets			
Fixed assets - tangible	7	464,269,014	505,677,477
Fixed assets - intangibles	8	2,689,000	2,500,000
Long term investments	9	136,779,933	131,692,030
Diminishing musharaka financing	10	-	7,653,335
Long term deposits		142,100	911,101
Total non-current assets		603,880,047	648,433,943
Current assets			
Ijarah rental receivables	11	865,619	551,490
Stocks	12	10,396,336	2,968,310
Trade debts- unsecured but considered good		9,319,845	-
Current portion of diminishing musharaka financing	10	8,746,672	13,120,000
Investments	13	48,503,923	24,892,684
Advances	14	18,888,641	7,389,130
Prepayments and other receivables	15	5,270,004	2,975,967
Bank balances	16	122,877,035	95,850,777
Total current assets		224,868,075	147,748,358
Total assets		828,748,122	796,182,301
EQUITY AND LIABILITIES			
Certificate holders' equity			
Certificate capital	17	263,865,890	263,865,890
Statutory reserves	18	215,716,434	201,638,380
Unrealized gain on re-measurement of available for sale investments		69,336,704	57,884,421
Unappropriated profit		28,971,745	30,020,354
Total equity		577,890,773	553,409,045
Non-current Liabilities			
Long term security deposits	19	60,838,348	97,325,609
Deferred liabilities	20	104,016,279	104,016,279
Total non-current liabilities		164,854,627	201,341,888
Current Liabilities			
Current maturity of security deposits	19	50,208,508	6,862,017
Payable to management company	21	5,149,586	2,432,709
Accrued and other liabilities	22	30,644,628	32,136,642
Total current liabilities		86,002,722	41,431,368
Total liabilities and equity		828,748,122	796,182,301
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes from 1 to 45 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, 2014

	Note	2014	2013
		Rupees	
Income from:			
- Ijarah operations	24	154,942,591	135,472,730
- Musharaka finance		3,451,551	13,891,953
- Investments	25	72,346,824	16,046,688
- Pharma business	26	17,951,506	1,502,200
- Other sources	27	8,080,271	14,997,576
		<u>256,772,743</u>	<u>181,911,147</u>
Expenses			
Cost of goods sold- pharma	28	31,983,670	11,711,292
Selling & distribution	29	13,715,860	-
Operating	30	40,531,446	33,610,327
Depreciation on assets leased out under Ijarah	7	123,025,553	106,346,050
Financial charges	31	30,732	37,822
		<u>209,287,261</u>	<u>151,705,491</u>
Operating profit		<u>47,485,482</u>	<u>30,205,656</u>
Unrealized gain on re-measurement of investments at fair value through profit or loss		7,051,189	4,291,869
Share of profit from associates (unrealized)		<u>24,465,640</u>	<u>16,072,199</u>
		79,002,311	50,569,724
Less:			
Modaraba management company's remuneration		(7,900,231)	(4,862,074)
Services sales tax on management company's remuneration			
- Current		(1,264,037)	(777,932)
- Prior		-	(586,876)
		<u>69,838,043</u>	<u>44,342,843</u>
Less:			
Workers Welfare Fund		(1,396,761)	(847,877)
Profit before tax		<u>68,441,282</u>	<u>43,494,966</u>
Provision for taxation	32	-	-
Profit after taxation		<u>68,441,282</u>	<u>43,494,966</u>
Earnings per certificate - basic and diluted	33	<u>2.59</u>	<u>1.65</u>

The annexed notes from 1 to 45 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, 2014

	2014	Restated 2013
		Rupees
Profit after taxation	68,441,282	43,494,966
Other comprehensive income		
Items that will be reclassified to profit and loss account on disposal		
Unrealized gain on re-measurement of available for sale investment	11,452,283	57,999,202
Other comprehensive income	11,452,283	57,999,202
Total comprehensive income	<u>79,893,565</u>	<u>101,494,168</u>

The annexed notes from 1 to 45 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, 2014

	Note	2014	Restated 2013
		← Rupees →	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		68,441,282	41,545,977
Adjustment of non cash items:			
Depreciation on own assets	7	17,852,716	4,432,522
Amortization of Intangible asset	8	300,000	300,000
Unrealized (gain) on re-measurement of investments at fair value through profit or loss		(7,051,189)	(4,291,869)
Amortization of assets leased out under Ijarah	7	123,025,553	106,346,050
(Gain) on sale of investments	25	(70,520,609)	(15,299,221)
Share of profit from associates		(24,465,640)	(16,072,199)
(Gain) / loss on sale of fixed assets			
- own assets	26	(570,575)	(1,669,468)
- assets leased out under Ijarah	24	1,131,848	2,133,774
Provision for staff gratuity		-	2,291,471
Dividend income	25	(1,826,215)	(747,466)
Financial charges	28	30,732	37,822
Operating profit before working capital changes		106,347,903	119,007,393
Changes in working capital:			
(Increase) / decrease in current assets			
Ijarah rental receivables		(314,130)	471,758
Stock-in-trade		(7,428,027)	(2,968,310)
Trade debts		(9,319,845)	-
Musharaka receivables		12,026,663	119,582,342
Advances		(11,499,511)	11,423,981
Prepayments & other receivables		(2,294,037)	6,560,636
		(18,828,887)	135,070,407
Increase / (Decrease) in current liabilities			
Management fee payable		2,716,877	(2,951,400)
Accrued and other liabilities		(2,681,032)	3,664,800
		35,845	
Gratuity paid		(1,808,967)	713,400
Financial charges paid		(30,732)	(2,291,471)
		(37,822)	(37,822)
Net cash generated from operating activities		85,715,162	252,461,906

Cash Flow Statement

for the year ended June 30, 2014

	Note	2014	Restated 2013
		← Rupees →	
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets			
- own assets		(28,677,073)	(179,671,418)
- intangible asset		(489,000)	(1,300,000)
- assets leased out under Ijarah		(99,701,502)	(161,515,164)
Investments		(78,985,493)	(15,284,839)
Proceeds from sale of investments		163,776,075	29,768,427
Proceeds from sale of fixed assets			
- own assets		1,550,000	3,270,000
- assets leased out under Ijarah		26,797,494	11,297,359
Receipt / (payment) of long term deposit		769,001	(837,000)
Dividends received		1,826,215	747,466
Net cash used in investing activities		(13,134,283)	(313,525,168)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(52,413,852)	(48,179,641)
Long-term security deposits		6,859,230	32,627,272
Net cash used in financing activities		(45,554,622)	(15,552,369)
Net increase in cash and cash equivalents		27,026,258	(76,615,631)
Cash and cash equivalents at the beginning of the year		95,850,777	172,466,408
Cash and cash equivalents at the end of the year	16	122,877,035	95,850,777

The annexed notes from 1 to 45 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, 2014

	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, 2012	263,865,890	193,329,185	(114,781)	47,607,761	504,688,055
Total comprehensive income for the year ended June 30, 2013 - restated	-	-	57,999,202	43,494,966	101,494,168
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%	-	8,698,993	-	8,698,993	-
Balance as at June 30, 2013 - restated	<u>263,865,890</u>	<u>202,028,178</u>	<u>57,884,421</u>	<u>29,630,556</u>	<u>553,409,045</u>
Other comprehensive income for the year ended June 30, 2014	-	-	11,452,283	68,441,282	79,893,565
Profit distribution - 30 June 2013 at 10%	-	-	-	(26,386,589)	(26,386,589)
First Interim Profit distribution at 6%	-	-	-	(15,831,955)	(15,831,955)
Second Interim Profit distribution at 5%	-	-	-	(13,193,293)	(13,193,293)
Transfer to statutory reserve at 20%	-	13,688,256	-	(13,688,256)	-
Balance as at June 30, 2014	<u>263,865,890</u>	<u>215,716,434</u>	<u>69,336,704</u>	<u>28,971,745</u>	<u>577,890,773</u>

* 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 45 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, 2014

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 engaged in providing finance under 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 Standards, amendments or interpretations which became effective during the year

During the year, certain amendments to Standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the modaraba.

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 date	(annual periods beginning on or after)
IFRS 9 Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporating existing derecognition requirements.	January 01, 2015
IFRS 9 Financial Instruments- Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosure	January 01, 2015
IAS 32 Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36 Impairment of Assets - Amendments arising from Recoverable Amount Disclosures for Non Financial Assets	January 01, 2014
IAS 39 Financial Instruments; Recognition and Measurements - Amendments arising for the novations of derivatives	January 01, 2014

Notes to the Financial Statements

for the year ended June 30, 2014

Standards or interpretation not yet effective

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:

IFRS 10 Consolidated Financial statements	January 1, 2015
IFRS 11 Joint arrangements	January 1, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 Fair Value Measurement	January 1, 2015
IAS 28 Investment in Associates and Joint Ventures	January 1, 2015

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.

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	5.10
Staff retirement benefits - gratuity	5.11
Provision against Ijarah and Musharaka receivables	5.8
Impairment of assets	5.20

Notes to the Financial Statements

for the year ended June 30, 2014

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 7.

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.

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.

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 Management Company has significant influence but not control, are carried using equity method.

Notes to the Financial Statements

for the year ended June 30, 2014

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.

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
- 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.

Notes to the Financial Statements

for the year ended June 30, 2014

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.

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 Stocks

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.

Notes to the Financial Statements

for the year ended June 30, 2014

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.

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 Modarabas 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.

5.10 Taxation

5.10.1 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.

5.10.2 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 it is no longer probable that the related tax benefit will be realized.

Notes to the Financial Statements

for the year ended June 30, 2014

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.

5.11 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 transferred to current liability.

5.12 Staff provident fund

The modaraba operates a recognize provident funds for all eligible employees and contributions to the provident fund are made the rate of 10% of the basic salary of employees.

5.13 Borrowings 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.

5.14 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.

5.15 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.

5.16 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.

5.17 Functional and presentation currency

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

5.18 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.

5.19 Transactions with related parties

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

Notes to the Financial Statements

for the year ended June 30, 2014

5.20 Profit distribution to certificates holders

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

5.21 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.

5.22 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' and 'Manufacturing' 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.

5.23 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.

6. PRIOR YEAR RESTATEMENT

Investment in associated company

- 6.1 In the prior year, investment in United Distributions Pakistan Limited, an associated company was classified at fair value through profit or loss. Instead of equity method of investment as per IAS-28. The comparative figures of the current financial statements have been restated to correct this error. The effect of the restatement on those financial statements is summarized below. There is no effect in 2014.

	Effect on 2013 Rupees
Impact on Balance Sheet	
Increase in long term investment - associated companies	3,534,427
(Decrease) in investment - at fair value through profit or loss - associated companies	(1,585,440)
Increase in equity	<u>1,948,987</u>
Impact on Profit and loss account	
(Decrease) in unrealized gain on re-measurement of investments at fair value through profit or loss	(1,204,560)
Increase in share of profit from associates	3,126,620
Increase in income from investment - gain on sale of securities	26,927
Increase in profit	<u>1,948,987</u>

Notes to the Financial Statements

for the year ended June 30, 2014

	Effect on 2013 Rupees
Impact on cash flow statement	
(Decrease) in unrealized gain on re-measurement of investments at fair value through profit or loss	(1,204,560)
Increase in income from investment- gain on sale of securities	26,927
Increase in share of profit from associates	3,126,620
(Decrease) in investment	(1,948,987)
Net change in cash and cash equivalents	<u>-</u>

6.2 Statutory Reserves

Profit after tax for the year ended June 30, 2013 was restated and 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 therefore the comparative figures of the current financial statements have been restated to comply with the requirement. The effect of the restatement on those financial statements is summarized below. There is no effect in 2014.

	Effect on 2013 Rupees
Impact on balance sheet	
Increase in statutory reserves	389,798
(Decrease) in unappropriated profit	<u>(389,798)</u>
No change in total equity	<u>-</u>
Impact on statement of changes in equity- transfer to statutory reserve at 20%	
Increase in statutory reserves	389,798
(Decrease) in unappropriated profit	<u>(389,798)</u>
No change in total equity	<u>-</u>

Notes to the Financial Statements

for the year ended June 30, 2014

7. FIXED ASSETS - tangible

2014	Cost			ACCUMULATED DEPRECIATION			Depreciation rate per annum %		
	As at July 1, 2013	Additions	(Deletions)	As at June 30, 2014	As at July 1, 2013	Charge for the year		As at June 30, 2014	Book value As at June 30, 2014
	Rupees								
Assets own use									
Lease hold land	10,000,000	450,350	-	10,450,350	-	-	-	10,450,350	-
Building on lease hold land	87,387,020	6,695,869	-	94,082,889	364,113	4,592,081	4,956,194	89,126,695	5
Plant & Machinery	64,148,500	5,448,797	-	69,597,297	561,225	6,796,499	7,357,724	62,239,573	10
Furniture and fittings	6,442,809	140,637	-	6,583,446	3,086,823	398,899	3,485,722	3,097,724	10
Books	47,000	-	-	47,000	4,700	9,397	14,097	32,903	20
Vehicles	17,445,432	12,388,185	(1,679,000)	28,154,617	3,694,059	4,787,461	(699,575)	20,372,672	20
Computer equipment	3,717,987	292,284	-	4,010,271	2,448,521	335,953	-	1,225,797	20
Office equipment and appliances	2,692,026	3,260,951	-	5,952,977	1,010,567	932,427	-	4,009,983	20
Sub total	191,880,774	28,677,073	(1,679,000)	218,878,847	11,170,008	17,852,716	(699,575)	190,555,697	
Assets leased out under Ijarah									
Machinery and equipments	193,127,703	-	(1,305,000)	191,822,703	80,581,396	42,316,667	(1,109,250)	70,033,890	25-33
Vehicles	341,977,200	99,701,502	(74,987,500)	366,691,202	129,556,797	80,708,886	(47,253,908)	203,679,427	25-33
Sub total	535,104,903	99,701,502	(76,292,500)	558,513,905	210,138,193	123,025,553	(48,363,158)	273,713,317	
Total	726,985,677	128,378,575	(77,971,500)	777,392,752	221,308,201	140,878,269	(49,062,733)	464,269,014	

7.1 The depreciation expense has been allocated as follows:

	Note	2014	2013
Cost of goods sold	28	11,388,580	1,932,004
Administrative expense	30	6,464,136	2,500,518
		<u>17,852,716</u>	<u>4,432,522</u>

Notes to the Financial Statements

for the year ended June 30, 2014

7.2 The following assets were disposed off during the year

Description	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Mode of Disposal	Particulars of Purchaser
Toyota Corolla GLI	1,679,000	699,575	979,425	1,550,000	Negotiation	UDL Modaraba Management

FIXED ASSETS - tangible

2013	Cost		(Deletions)	As at June 30, 2013	As at July 1, 2012	Charge for the year	Disposal / adjustments	As at June 30, 2013	Book value As at June 30, 2013	Depreciation rate per annum %
	As at July 1, 2012	Additions								
Assets own use										
Lease hold land	-	10,000,000	-	10,000,000	-	-	-	-	10,000,000	
Building on lease hold land	-	87,387,020	-	87,387,020	-	364,113	-	364,113	87,022,907	5
Plant & Machinery	-	64,148,500	-	64,148,500	-	561,225	-	561,225	63,587,275	10
Books	-	47,000	-	47,000	-	4,700	-	4,700	42,300	20
Furniture and fittings	4,335,440	2,107,369	-	6,442,809	2,768,397	318,426	-	3,086,823	3,355,986	10
Vehicles	8,980,932	12,956,500	(4,492,000)	17,445,432	3,889,576	2,695,951	(2,891,468)	3,694,059	13,751,373	20
Computer equipment	2,536,587	1,181,400	-	3,717,987	2,236,743	211,778	-	2,448,521	1,269,466	20
Office equipment and appliances	848,397	1,843,629	-	2,692,026	734,238	276,329	-	1,010,567	1,681,459	20
Sub total	16,701,356	179,671,418	(4,492,000)	191,880,774	9,628,954	4,432,522	(2,891,468)	11,170,808	180,710,767	
Assets leased out under Ijarah										
Machinery and equipments	161,094,204	45,288,164	(13,254,665)	193,127,703	52,750,676	39,759,919	(11,929,199)	80,581,396	112,546,307	25-33
Vehicles	267,070,110	116,227,000	(41,319,910)	341,977,200	92,184,909	66,586,131	(29,214,243)	129,556,797	212,420,403	25-33
Sub total	428,164,314	161,515,164	(54,574,575)	535,104,903	144,935,585	106,346,050	(41,143,442)	210,138,193	324,966,710	
Total	444,865,670	341,186,582	(59,066,575)	726,985,677	154,564,539	110,778,572	(44,034,910)	221,308,201	505,677,477	

8. FIXED ASSETS - intangible

	Cost		As at June 30, 2014	As at July 1, 2013	Charge for the year	Book value As at June 30, 2013	Amortization rate per annum %	Useful life of the asset
	As at July 1, 2013	Additions						
Computer Software	1,500,000		1,500,000	300,000	300,000	900,000	20	Finite
Products Name	1,300,000	489,000	1,789,000	-	-	1,789,000	-	Infinite
Total - 30th June' 2014	2,800,000	489,000	3,289,000	300,000	300,000	2,689,000		
Total - 30th June' 2013	1,500,000	1,300,000	2,800,000	300,000	300,000	2,500,000		

Notes to the Financial Statements

for the year ended June 30, 2014

	Note	2014	Restated 2013
		Rupees	
9. LONG TERM INVESTMENTS			
Associated companies	9.1	54,123,479	58,748,373
Available for sale Listed companies	9.2	<u>82,656,454</u> <u>136,779,933</u>	<u>72,943,656</u> <u>131,692,030</u>

9.1 Associated companies

	2014	The Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited	Total
	Rupees					
Opening balance		40,218,420	12,500,159	2,952,057	3,077,737	58,748,373
Purchase (Sold) during the year		(26,040,865)	1,600,376	125,654	(3,077,737)	(27,392,572)
Share of profit from associates*		19,049,194	5,350,166	66,280	-	24,465,640
Dividend income		(1,628,902)	-	(69,060)	-	(1,697,962)
		<u>31,597,847</u>	<u>19,450,701</u>	<u>3,074,931</u>	<u>-</u>	<u>54,123,479</u>
	2013	The Searle Company Limited	Restated United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited	Restated Total
	Rupees					
Opening balance		37,984,107	7,561,783	3,141,208	5,363,440	54,050,538
Transfer / (Sold) during the year		(9,407,050)	1,612,367	-	(2,157,865)	(9,952,549)
Share of profit from associates		12,480,972	3,326,009	(189,151)	454,370	16,072,199
Dividend income		(839,608)	-	-	(582,207)	(1,421,815)
		<u>40,218,420</u>	<u>12,500,159</u>	<u>2,952,057</u>	<u>3,077,737</u>	<u>58,748,373</u>

* The share of profit from The Searle Company Limited includes an amount of Rs. 1,546,897 which is a difference of profit between unconsolidated and consolidated financial statement in prior years. Share of profit was erroneously take from unconsolidated financial statement, as the amount is not material, therefore financial statements have not been restated on this issue.

9.1.1 Basis of significant influence

Name of Associates

The 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, 2014

9.1.2 Summarized financial statements of associates as follows:

2014	The Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited
	← Rupees →			
Share capital - ordinary shares of Rs. 10 each	613,148,000	183,678,000	108,000,000	-
Total assets	6,833,667,000	677,062,000	436,460,893	-
Total liabilities	3,188,736,000	169,212,000	362,559,041	-
Net assets	3,644,931,000	507,850,000	73,901,852	-
Revenue	5,507,270,000	296,770,000	1,142,406,838	-
Profit for the year - after tax	717,477,000	(2,181,000)	11,153,456	-
Number of shares held as at June 30, 2014	595,000	788,563	71,060	-
Ownership interest	0.97%	4.29%	0.65%	-
Fair value per share as at June 30, 2014	174.54	21.11	87.00	-
Fair value of shares as at June 30, 2014	103,851,300	16,646,565	6,182,220	-
Financial results are based on latest the information available as on	March 31, 2014	March 31, 2014	March 31, 2014	
2013	The 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	5,468,086,000	583,187,000	270,753,226	607,182,000
Total liabilities	(2,432,841,000)	(290,856,000)	(196,345,863)	(264,444,000)
Net assets	3,035,245,000	292,331,000	74,407,363	342,738,000
Revenue	4,440,448,000	249,334,000	1,085,061,043	665,789,000
Profit for the year - after tax	444,871,000	157,624,000	16,480,367	70,746,000
Number of shares held	940,451	391,500	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

** This represents results of summarized consolidated financial statements of The Searle Company Limited. In previous published financial statements these were erroneously taken from unconsolidated financial statements.

Notes to the Financial Statements

for the year ended June 30, 2014

9.2 Listed companies

	Note	2014 Number of shares	2013 Number of shares	2014 Rupees	2013 Rupees
Food and Personal Care Products					
Gillette Pakistan Limited		175,285	174,285	77,125,400	67,953,722
Chemicals					
Nimir Industrial Chemicals Limited		75,000	150,000	1,880,250	621,000
Leasing Company					
Security Leasing Corporation Limited	9.2.1	-	858,935	-	2,671,288
Textile Composite					
International Knitwear Limited		255,301	240,801	<u>3,650,804</u>	<u>1,697,647</u>
				<u>82,656,454</u>	<u>72,943,656</u>

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

9.2.1 These shares had been classified as non shariah based investment as per the last report of the shariah advisor and therefore all the shares have been disposed off during the year.

	Note	2014 Rupees	2013 Rupees
10. DIMINISHING MUSHARAKA FINANCING			
Secured:			
Consider Good			
Diminishing musharaka financing	10.1	8,746,672	20,773,335
Less: Current portion shown in current assets		<u>(8,746,672)</u>	<u>(13,120,000)</u>
		-	7,653,335
Consider doubtful			
Diminishing musharaka financing		10,667,667	11,620,015
Less: Provision for non performing musharaka finance		<u>(10,667,667)</u>	<u>(11,620,015)</u>
		-	-

10.1 This represents diminishing musharaka finance for a term of 1 to 3 years.

	2014 Rupees	2013 Rupees
11. IJARAH RENTAL RECEIVABLES		
Ijarah rental receivables	3,584,906	6,239,204
Income suspended	<u>(2,719,287)</u>	<u>(5,687,714)</u>
	<u>865,619</u>	<u>551,490</u>
Ijarah future rental receivables		
Not later than one year	88,948,216	149,922,431
Later than one year but not later than five years	117,474,736	144,923,953
	<u>206,422,952</u>	<u>294,846,384</u>

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, 2014

	Note	2014	2013
		Rupees	
14. ADVANCES			
- To staff - considered good		1,199,720	5,216,030
- Advance against purchase of property	14.1	15,000,000	-
- Others		2,688,921	2,173,100
		<u>18,888,641</u>	<u>7,389,130</u>

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

	2014	2013
	Rupees	
15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES		
Prepayments	3,940,149	2,589,867
Security deposits	13,000	11,000
Profit receivable on musharaka	123,011	-
Others	1,193,844	375,100
	<u>5,270,004</u>	<u>2,975,967</u>

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

	Note	2014	2013
		Rupees	
16. BANK BALANCES			
- in current accounts		10,235,400	8,681,256
- in deposit accounts	16.1	112,641,635	87,169,521
		<u>122,877,035</u>	<u>95,850,777</u>

16.1 These accounts carry profit rate ranging from 5 % to 8.5 % (2013: 5 % to 9 %)

17. CERTIFICATE CAPITAL

2014	2013		2014	2013
Number of certificates	Number of certificates		Rupees	
<u>50,000,000</u>	<u>50,000,000</u>	Authorised certificate capital Modaraba certificates of Rupees 10 each	<u>500,000,000</u>	<u>500,000,000</u>
		Issued, subscribed and paid-up capital		
17,668,885	17,668,885	Modaraba certificates of Rupees 10 each fully paid-up in cash	176,688,850	176,688,850
8,717,704	8,717,704	Modaraba certificates issued as fully paid-up bonus certificates	87,177,040	87,177,040
<u>26,386,589</u>	<u>26,386,589</u>		<u>263,865,890</u>	<u>263,865,890</u>

Notes to the Financial Statements

for the year ended June 30, 2014

	2014	2013
	Rupees	
18. STATUTORY RESERVE		
Balance at the beginning of the year	202,028,178	193,329,185
Transferred from profit and loss account	13,688,256	8,309,195
	<u>215,716,434</u>	<u>201,638,380</u>

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.

20% of the revised profit in 2013 was transferred from profit & loss account to statutory reserve to comply with the requirement prudential regulations for modarabas.

	Note	2014	2013
		Rupees	
19. LONG TERM SECURITY DEPOSITS			
Long term security deposits		111,046,856	104,187,626
Less: current maturity		(50,208,508)	6,862,017
		<u>60,838,348</u>	<u>97,325,609</u>

20. DEFERRED LIABILITIES

Accrued profit on IFC income notes	20.1	<u>104,016,279</u>	<u>104,016,279</u>
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20.1 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.

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.

	2014	Restated 2013
	Rupees	
22. ACCRUED AND OTHER LIABILITIES		
Accrued expenses	1,118,594	255,000
Other liabilities		
- Provision for taxation	4,388,382	4,675,760
- Unclaimed profit distributions	17,636,635	14,638,650
- Worker's Welfare Fund - provision	5,694,382	4,297,621
- Gratuity payable	-	1,808,967
- Others	1,806,635	6,460,644
	<u>30,644,628</u>	<u>32,136,642</u>

Notes to the Financial Statements

for the year ended June 30, 2014

23. CONTINGENCIES AND COMMITMENTS

Contingencies

There are no contingencies as at the balance sheet date.

Commitments

The Modaraba has entered into the agreement with M/s Maymar Housing Services (Pvt.) Limited on October 01, 2013 for the acquisition of property for office measuring 4500 sq ft. Total purchase consideration agreed is PKR 33,750,000 out of which PKR 15,000,000 was paid as advance during the current accounting year, PKR 18,750,000 will be paid at the time of possession of the said property. The date of possession is expected before December 31, 2014 . (June 30, 2013: Nil)

	2014	2013
	Rupees	
24. INCOME FROM IJARAH OPERATIONS		
Ijarah rentals	155,828,931	137,472,892
Documentation fee	245,508	133,612
Loss on disposal of Ijarah assets	<u>(1,131,848)</u>	<u>(2,133,774)</u>
	<u>154,942,591</u>	<u>135,472,730</u>
25. INCOME FROM INVESTMENTS		
Dividend income	1,826,215	747,467
Gain on sale of securities	<u>70,520,609</u>	<u>15,299,221</u>
	<u>72,346,824</u>	<u>16,046,688</u>
26. SALES - PHARMA		
- Local		
Regular Line	17,410,054	1,502,200
Oncology	<u>1,079,160</u>	<u>-</u>
	<u>18,489,214</u>	<u>1,502,200</u>
- Less:		
Sales return	<u>108,498</u>	<u>-</u>
Sales discount	<u>429,210</u>	<u>-</u>
	<u>537,708</u>	<u>-</u>
Net Sales	<u>17,951,506</u>	<u>1,502,200</u>
27. INCOME FROM OTHER SOURCES		
Gain on disposal of fixed assets	570,575	1,669,468
Profit on deposits with banks	6,100,078	7,834,721
Miscellaneous	<u>1,409,618</u>	<u>5,493,387</u>
	<u>8,080,271</u>	<u>14,997,576</u>

Notes to the Financial Statements

for the year ended June 30, 2014

	Note	2014	2013
		Rupees	
28. COST OF GOODS SOLD			
- Raw material			
Opening stock		1,907,459	-
Add: Purchases during the year		11,732,456	4,581,948
		<u>13,639,915</u>	<u>4,581,948</u>
Less: Closing stock		(2,507,495)	(1,907,459)
Raw material consumed		<u>11,132,420</u>	<u>2,674,489</u>
Stores, spares & supplies		1,295,011	318,549
Salaries, wages & other benefits		7,396,263	6,625,289
Fuel & power		3,345,824	887,495
Insurance		314,616	43,992
Repair & maintenance		1,447,083	678,972
Depreciation	7.1	11,388,580	1,432,004
Entertainment		557,839	-
Travel & conveyance		448,680	-
Postage & stationary		22,853	73,676
Miscellaneous		32,530	37,678
		<u>37,381,699</u>	<u>12,772,144</u>
-Finished Goods			
Opening stock		1,060,852	-
Closing stock		(6,458,881)	(1,060,852)
		<u>31,983,670</u>	<u>11,711,292</u>
29. SELLING & DISTRIBUTION			
Salaries, wages & other benefits		4,389,472	-
Insurance		4,760	-
Conveyance		3,786,842	-
Marketing		5,408,014	-
Transportation		126,772	-
		<u>13,715,860</u>	<u>-</u>
30. OPERATING EXPENSES			
Salaries and other staff benefits	30.1	19,353,714	10,186,282
Travelling and conveyance		3,482,525	1,925,412
Vehicles running and maintenance		239,298	270,741
Communication		963,837	2,226,314
Printing and stationery		1,264,656	1,098,606
Rent, rates and taxes		3,014,418	1,835,010
Repair and maintenance		365,156	679,540
Legal and professional charges		896,969	772,254
Share transaction charges		310,860	10,000
Insurance		1,089,873	416,085
Entertainment		195,360	483,236
Consultancy fee		957,040	845,446
Fee and subscription		515,444	458,785
Auditors' remuneration	30.2	337,000	304,000
Advertisement		221,421	244,686
Depreciation	7.1	6,464,136	2,500,518
Amortization		300,000	300,000
Bad debt expense		-	5,810,008
Provision for gratuity		-	2,291,471
Donation	30.3	25,000	202,781
Other expenses		534,739	749,152
		<u>40,531,446</u>	<u>33,610,327</u>

Notes to the Financial Statements

for the year ended June 30, 2014

30.1 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:

	2014			2013		
	Officers	Employees	Total	Officers	Employees	Total
	← Rupees →					
Salaries & allowances	15,879,527	1,984,729	17,864,256	5,669,915	3,585,314	9,255,229
Provident fund	746,352	116,723	863,075	397,187	51,298	448,485
Bonus	-	-	-	191,226	43,826	235,052
Medical expenses	433,781	192,602	626,383	138,475	109,041	247,516
	<u>17,059,660</u>	<u>2,294,054</u>	<u>19,353,714</u>	<u>6,396,803</u>	<u>3,789,479</u>	<u>10,186,282</u>
Number of persons	<u>28</u>	<u>40</u>	<u>68</u>	<u>12</u>	<u>20</u>	<u>32</u>

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

30.2 Auditors' remuneration

Audit fee	270,000	240,000
Half yearly review fee	25,000	25,000
Certification fee	15,000	15,000
Out-of-pocket expenses	27,000	24,000
	<u>337,000</u>	<u>304,000</u>

30.3 The Directors of the Modaraba Management Company do not have any interest in donations made during the year.

31. FINANCIAL CHARGES

Bank charges	<u>30,732</u>	<u>37,822</u>
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32. 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. The modaraba is also exempt from minimum tax under section 113 as per clause IIA Part IV of the second schedule of the company ordinance, 1984.

33. EARNINGS PER CERTIFICATE - basic and diluted

	2014	Restated 2013
	Rupees	
Profit for the year	<u>68,441,282</u>	<u>43,494,966</u>
	Number of certificates	Number of certificates
Weighted average number of ordinary certificates outstanding during the year	<u>26,386,589</u>	<u>26,386,589</u>
Earnings per certificate - basic	<u>2.59</u>	<u>1.65</u>

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, 2014

	2014	2013
	Rupees	
34. CASH AND CASH EQUIVALENTS		
Bank balances	<u>122,877,035</u>	<u>95,850,777</u>

35. 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:

		2014	2013
		Rupees	
Transactions	Relationship		
Management fee	Management company	<u>7,900,231</u>	<u>4,862,074</u>
Dividend received	Associates	<u>1,697,962</u>	<u>1,421,815</u>
Disposal of vehicle	Management company	<u>1,550,000</u>	<u>-</u>
Dividend paid to Management Company	Management company	<u>10,581,858</u>	<u>10,026,904</u>
Balance as at the year end Payable to Modaraba Management Company		<u>5,149,586</u>	<u>2,432,709</u>
Deferred liability - Gratuity payable		<u>-</u>	<u>1,808,967</u>

36. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

36.1 Financial risk management

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 Ijarah (lease) assets, diminishing musharaka and diversified portfolio of listed securities. Such investment 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

36.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The management understands that the Modaraba is not exposed to any major concentration of credit risk.

Notes to the Financial Statements

for the year ended June 30, 2014

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2014 is the carrying amount of the financial assets as set out below:

	Note	2014	2013
		Rupees	
Business			
Diminishing Musharaka Finance		8,746,672	20,773,335
Trade debtors (Pharma)		9,319,845	-
Investments		185,283,856	154,635,727
Ijarah receivables		865,619	551,490
Deposits		142,100	911,100
Advances and other receivables		18,888,641	7,389,130
Bank balances		122,877,035	95,850,777
		<u>346,123,768</u>	<u>280,111,559</u>
The aging of Ijarah receivable at the reporting date			
Past due 1-30 days	11	865,619	551,491
Past due over 30-90 days	11	2,719,287	5,687,713
Less: Provision for non-performing assets	11	(2,719,287)	(5,687,713)
		<u>865,619</u>	<u>551,491</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	2014		2013	
	Rupees	%	Rupees	%
Modaraba	1,297,823	0.63%	2,669,520	0.84%
Cargo, Trading & distribution	23,353,361	11.31%	33,692,996	10.57%
Investment companies, firms & bank	1,161,115	0.56%	3,337,914	1.05%
Textile, Chemical & Pharmaceuticals	19,483,948	9.44%	31,763,267	9.96%
Food & Beverages	16,110,345	7.80%	44,024,065	13.81%
Individual	25,905,869	12.55%	35,529,670	11.14%
Miscellaneous	119,110,491	57.70%	167,848,614	52.64%
	<u>206,422,952</u>	<u>100.00%</u>	<u>318,866,046</u>	<u>100.00%</u>

36.2.1 Modaraba's operations are restricted to Pakistan only

36.3 Liquidity risk

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

Notes to the Financial Statements

for the year ended June 30, 2014

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.

	2014			
	Upto one year	One year to five years	Over five years	Total
	← Rupees →			
Financial assets				
Long term investments	-	82,656,454	-	82,656,454
Long term advances and deposits	-	-	142,100	142,100
Ijarah rental receivables	865,619	-	-	865,619
Musharaka receivables	8,746,672	-	-	8,746,672
Trade receivables (Pharma division)	9,319,845	-	-	9,319,845
Financial assets	48,503,923	-	-	48,503,923
Other receivables	1,193,844	-	-	1,193,844
Profit due on musharaka receivables	-	-	-	-
Bank balances	122,877,035	-	-	122,877,035
(a)	<u>191,506,939</u>	<u>82,656,454</u>	<u>142,100</u>	<u>274,305,493</u>
Financial liabilities				
Security deposits	50,208,508	60,838,348	-	111,046,856
Deferred liabilities	-	104,016,279	-	104,016,279
Payable to management company	5,149,586	-	-	5,149,586
Accrued and other liabilities	30,644,628	-	-	30,644,628
(b)	<u>86,002,722</u>	<u>164,854,627</u>	<u>-</u>	<u>250,857,349</u>
On-balance sheet gap	(a) - (b)	<u>105,504,217</u>	<u>(82,198,173)</u>	<u>142,100</u>
		<u>23,448,144</u>		

	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>219,099,144</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>(23,680,776)</u>		

Notes to the Financial Statements

for the year ended June 30, 2014

36.4 Market 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.

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 segments, 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, 2014, the fair value of equity exposed to price risk was as follows:

	Average Cost 2014	Fair Value	Average Cost 2013	Fair Value
	← Rupees →			
Particulars:				
Equity securities	<u>99,787,036</u>	<u>185,723,720</u>	<u>37,245,499</u>	<u>97,836,339</u>

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

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, 2014, the profit of the Modaraba's variable value financial instruments were as follows:

	2014	2013
	Rupees	
Variable rate instruments		
Diminishing musharaka financing	<u>8,746,672</u>	<u>20,773,335</u>

Notes to the Financial Statements

for the year ended June 30, 2014

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)	
		2014	2013
		Rupees	
Diminishing musharaka financing		<u>874,667</u>	<u>2,077,334</u>

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

37. 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.

	2014	2013
	Rupees	
37.1 Financial instruments by category		
Loans and receivables		
Long term advances and deposits	142,100	911,100
Ijarah rental receivables	865,619	551,490
Musharaka receivables	-	20,773,335
Trade receivables (Pharma division)	9,319,845	-
Advances	18,888,641	7,389,130
Other receivables	1,193,844	386,100
Bank balances	122,877,035	95,850,777
Financial assets at fair value through profit or loss		
Short term investments - investments at fair value through profit or loss	48,503,923	27,682,684
Available-for-sale financial assets		
Long term investments	82,656,454	72,943,656
	(a)	(a)
Financial liabilities	<u>284,447,462</u>	<u>226,488,272</u>
Financial liabilities at amortised cost		
Security deposits	111,046,856	104,187,626
Accrued profit on IFC income notes	104,016,275	104,016,275
Payable to management company	5,149,586	2,439,373
Accrued and other liabilities	30,644,628	32,136,642
	(b)	(b)
	<u>250,857,345</u>	<u>242,779,916</u>
	(a)-(b)	(a)-(b)
	<u>33,590,117</u>	<u>(16,291,644)</u>
37.2 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.

Notes to the Financial Statements

for the year ended June 30, 2014

38. 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:

2014	Effective yield / Profit risk %	Yield / Profit bearing maturing			Non yield / Profit bearing maturing			Total
		Within one year	After one year	Sub total	Within one year	After one year	Sub total	
		Rupees						
Financial assets								
Long term investments	-	-	-	-	82,656,454	82,656,454	82,656,454	82,656,454
Long term advances and deposits	-	-	-	-	142,100	142,100	142,100	142,100
Ijarah rental receivables	-	865,619	-	865,619	-	-	-	865,619
Musharaka receivables - secured	-	8,746,672	-	8,746,672	-	-	-	8,746,672
Trade debts (Pharma)	-	-	-	-	9,319,845	9,319,845	9,319,845	9,319,845
Financial assets	-	-	-	-	48,503,923	48,503,923	48,503,923	48,503,923
Advances	-	-	-	-	18,888,641	18,888,641	18,888,641	18,888,641
Profit due on Musharaka receivables	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	1,298,652	1,298,652	1,298,652	1,298,652
Bank balances	5% to 9% (A)	112,641,635	-	112,641,635	10,235,400	10,235,400	10,235,400	122,877,035
		<u>122,253,926</u>		<u>122,253,926</u>	<u>88,246,461</u>	<u>82,798,554</u>	<u>171,045,015</u>	<u>293,298,941</u>
Financial liabilities								
Long term security deposits	-	-	-	-	50,208,508	50,208,508	110,994,906	110,994,906
Deferred liabilities	-	-	-	-	104,016,279	104,016,279	104,016,279	104,016,279
Payable to management company	-	-	-	-	5,149,586	5,149,586	5,149,586	5,149,586
Accrued and other liabilities	- (B)	-	-	-	30,644,628	30,644,628	30,644,628	30,644,628
					<u>190,019,001</u>	<u>60,786,398</u>	<u>250,805,398</u>	<u>250,805,398</u>
On-balance sheet gap	(A)-(B)	<u>122,253,926</u>	-	<u>122,253,926</u>	<u>(101,772,540)</u>	<u>22,012,156</u>	<u>(79,760,384)</u>	<u>42,493,543</u>
Non-financial assets								<u>609,648,978</u>
Non-financial liabilities								<u>51,950</u>
Total net assets								<u>652,194,471</u>

Notes to the Financial Statements

for the year ended June 30, 2014

2013	Effective yield / Profit risk		Yield / Profit bearing maturing			Non yield / Profit bearing maturing			Total
		%	Within one year	After one year	Sub total	Within one year	After one year	Sub total	
			Rupees						
Financial assets									
Long term investments	-		-	-	-	-	72,943,656	72,943,656	72,943,656
Long term advances and deposits	-		-	-	-	-	911,100	911,100	911,100
Ijarah rental receivables	17% to 19%		551,490	-	551,490	-	-	-	551,490
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	27,682,684
Advances	-		-	-	-	7,389,130	-	7,389,130	7,389,130
Profit due on Musharaka receivables	-		-	-	-	-	-	-	-
Other receivables	-		-	-	-	386,100	-	386,100	386,100
Bank balances	5% to 9%		87,169,521	-	87,169,521	8,681,256	-	8,681,256	95,850,777
	(A)		100,841,011	7,653,335	108,494,346	44,139,170	73,854,756	117,993,926	226,488,272
Financial liabilities									
Long term security deposits	-		-	-	-	6,862,017	97,325,609	104,187,626	104,187,626
Deferred liabilities	-		-	-	-	104,016,279	-	104,016,279	104,016,279
Payable to management company	-		-	-	-	2,432,708	-	2,432,708	2,432,708
Accrued and other liabilities	-		-	-	-	32,136,642	-	32,136,642	32,136,642
	(B)		-	-	-	145,447,646	97,325,609	242,773,255	242,773,255
On-balance sheet gap	(A)-(B)		100,841,011	7,653,335	108,494,346	(101,308,476)	(23,470,853)	(124,779,329)	(16,284,983)
Non-financial assets									56,911
Non-financial liabilities									(56,911)
Total net assets									551,516,967

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.

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39. 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;

40. INFORMATION ABOUT BUSINESS SEGMENTS

	2014					Consolidated
	Musharaka	Investments	Ijarah operations	Manufacturing Pharma	Others	
	← Rupees →					
Segment Revenues	3,451,551	72,346,824	154,942,591	17,951,506	8,080,271	256,772,743
Segment Results						
Segment income and Sales	3,451,551	72,346,824	154,942,591	17,951,506	-	248,692,471
Other income	-	-	-	-	8,080,271	8,080,271
Operating expenses	-	-	(123,025,553)	(22,201,381)	-	(145,226,934)
Manufacturing expenses	-	-	-	(45,699,530)	-	(45,699,530)
Unallocated operating expenses	-	-	-	-	(19,757,558)	(19,757,558)
Modaraba company's management fee	-	-	-	-	(9,164,268)	(9,164,268)
Unrealized gain	-	7,051,189	-	-	-	7,051,189
Share of profit from associates	-	24,465,640	-	-	-	24,465,640
Profit for the year	3,451,551	103,863,652	31,917,038	(49,949,405)	(20,841,555)	68,441,282
Other information						
Capital expenditure	-	-	99,701,502	25,887,048	2,790,025	128,378,575
Depreciation	-	-	123,025,553	15,447,891	2,404,825	140,878,269
Assets and liabilities						
Segment assets	8,746,672	185,283,856	274,578,936	201,320,508	-	669,929,972
Unallocated assets	-	-	-	-	158,818,150	158,818,150
Consolidated total assets	-	-	-	-	-	828,748,122
Segment liabilities	-	-	111,046,856	-	-	111,046,856
Unallocated liabilities	-	-	-	-	139,810,493	139,810,493
Consolidated total liabilities	-	-	-	-	-	250,857,349

Notes to the Financial Statements

for the year ended June 30, 2014

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

	2013 (RESTATED)					Consolidated
	Musharaka	Investments	Ijarah operations	Manufacturing Pharma	Others	
	← Rupees →					
Segment Revenues	<u>13,891,953</u>	<u>16,046,688</u>	<u>135,472,730</u>	<u>1,502,200</u>	<u>14,997,576</u>	<u>181,911,147</u>
Segment Results						
Segment income and Sales	13,891,953	16,046,688	135,472,730	1,502,200	-	166,913,571
Other income	-	-	-	-	14,997,576	14,997,576
Operating expenses	-	-	(106,346,050)	(33,610,327)	-	(139,956,377)
Manufacturing expenses	-	-	-	(11,711,292)	-	(11,711,292)
Unallocated operating expenses	-	-	-	-	(885,699)	(885,699)
Modaraba company's management fee	-	-	-	-	(6,226,882)	(6,226,882)
Unrealized gain	-	4,291,869	-	-	-	4,291,869
Share of profit from associates	-	16,072,199	-	-	-	16,072,199
Profit for the year	<u>13,891,953</u>	<u>36,410,756</u>	<u>29,126,680</u>	<u>(43,819,419)</u>	<u>7,884,996</u>	<u>43,494,966</u>
Other information						
Capital expenditure	-	-	161,515,164	179,671,418	-	341,186,582
Depreciation	-	-	106,346,050	4,432,522	-	110,778,572
Assets and liabilities						
Segment assets	13,120,000	154,635,727	324,966,710	179,671,418	-	672,393,855
Unallocated assets	-	-	-	-	121,829,457	121,829,457
Consolidated total assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>794,223,312</u>
Segment liabilities	-	-	104,187,626	-	-	104,187,626
Unallocated liabilities	-	-	-	-	138,585,630	138,585,630
Consolidated total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,773,256</u>

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

Notes to the Financial Statements

for the year ended June 30, 2014

- | | 2014 | 2013 |
|--|--------------------------------|-------------|
| 41. NUMBER OF EMPLOYEES | | |
| As at year end | 68 | 38 |
| 42. DATE OF AUTHORIZATION FOR ISSUE | | |
| The financial statements were approved by the board of directors of the Modaraba Company and authorized for issue on September 10, 2014. | | |
| 43. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE | | |
| The Board of Directors have proposed dividend for the year ended June 30, 2014 of Rs.1/- per certificate (2013: Re. 1/- per certificate), amounting to Rs. 26,386,589 (2013: Rs. 26,386,589) at their meeting held on September 10, 2014. The financial statements for the year ended June 30, 2014 do not include the effect of September 10, 2014 the above which will be accounted for in the period in which it is declared. | | |
| 44. 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" |
| Operating expenses | Cost of goods sold | 11,711,292 |
| | | 11,711,292 |
| 45. 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 June 30, 2014

Number of Certificate	Certificate Holdings		Total Certificate Held
	From	To	
850	1	to 100	37,300
805	101	to 500	215,619
554	501	to 1000	444,693
708	1001	to 5000	1,569,542
126	5001	to 10000	985,546
40	10001	to 15000	519,719
47	15001	to 20000	829,946
28	20001	to 25000	657,127
16	25001	to 30000	451,319
4	30001	to 35000	134,592
5	35001	to 40000	191,590
7	40001	to 45000	292,540
8	45001	to 50000	398,633
3	50001	to 55000	156,601
5	55001	to 60000	291,036
4	60001	to 65000	252,055
3	70001	to 75000	219,520
1	80001	to 85000	85,000
3	95001	to 100000	300,000
1	100001	to 105000	100,985
1	110001	to 115000	111,000
1	115001	to 120000	119,500
1	120001	to 125000	125,000
1	125001	to 130000	130,000
1	140001	to 145000	143,991
1	145001	to 150000	148,000
1	155001	to 160000	156,758
2	165001	to 170000	333,400
2	195001	to 200000	400,000
1	200001	to 205000	202,000
1	220001	to 225000	222,707
1	245001	to 250000	247,000
1	265001	to 270000	269,500
1	330001	to 335000	331,386
1	390001	to 395000	394,000
1	610001	to 615000	610,908
2	745001	to 750000	1,500,000
1	835001	to 840000	836,964
1	890001	to 895000	891,125
2	1495001	to 1500000	3,000,000
1	3875001	to 3880000	3,877,971
1	4200001	to 4205000	4,202,016
<u>3244</u>			<u>26,386,589</u>

Categories of Certificate Holders

As at June 30, 2014

Categories of Certificateholders	Certificateholder	Certificate Held	Percentage (%)
Directors and their spouse(s) and minor children			
Ather Naqi	1	3,617	0.01
Majid Hasan	1	2,983	0.01
S.M. Nasir Raza	1	26,508	0.10
Shuja Malik	1	1,500,000	5.68
	<u>4</u>	<u>1,533,108</u>	<u>5.81</u>
Associated Companies, undertakings and related parties			
UDL Modaraba Management (Private) Limited	2	5,038,980	19.10
International Brands (Pvt.) Ltd.	2	4,378	0.02
	<u>4</u>	<u>5,043,358</u>	<u>19.11</u>
Executives			
	-	-	-
	-	-	-
Public Sector Companies and Corporations			
	6	439,503	1.67
	<u>6</u>	<u>439,503</u>	<u>1.67</u>
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
	14	363,089	1.38
	<u>14</u>	<u>363,089</u>	<u>1.38</u>
Mutual Funds			
Golden Arrow Selected Stocks Fund Ltd.	1	3,000	0.01
CDC - Trustee National Investment (Unit) Trust	1	891,125	3.38
	<u>2</u>	<u>894,125</u>	<u>3.39</u>
General Public			
a. Local	3178	17,875,778	67.75
b. Foreign	1	1,580	0.01
	<u>3179</u>	<u>17,877,358</u>	<u>67.75</u>
Foreign Companies			
Others	1	2,152	0.01
	33	233,896	0.89
	<u>34</u>	<u>236,048</u>	<u>0.89</u>
Totals	<u>3244</u>	<u>26,386,589</u>	<u>100.00</u>

Share holders holding 5% or more	Shares Held	Percentage
UDL Modaraba Management (Private) Limited	5,038,980	19.10
Khalid Malik	4,488,879	17.01
Shuja Malik	1,500,000	5.68
Shahida Malik	1,502,400	5.69

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 22nd, 2014 at 10.00 a.m. at NBF1 & 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, 2014.

The certificate-holders whose names appear on the register of certificate-Holders of FUDLM on the close of business as on October 15th, 2014 will be eligible to attend the Annual Review Meeting.

By order of the board

Syed Aamir Hussain
Company Secretary

Karachi: October 1st, 2014