

Annual Report **2015**
Diverse Capabilities



First UDL Modaraba



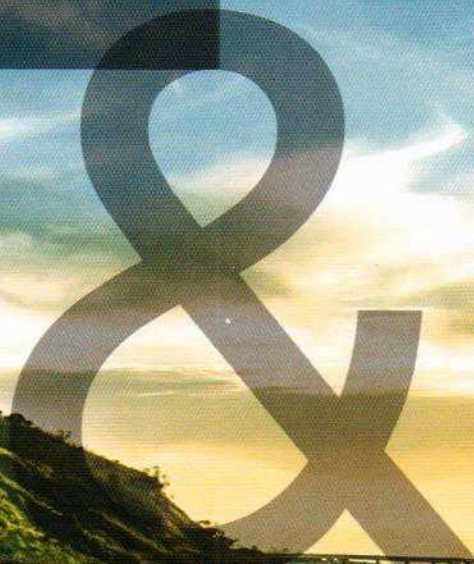
UDL Pharmaceuticals
(A division of First UDL Modaraba)

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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 stakeholders 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

Board of Directors

UDL Modaraba Management (Private) Limited

Majid Hasan	Chairman (Non Executive Director)
Ather Naqi	Chief Executive Officer
Shuja Malik	Executive Director
S.M. Nasir Raza	Non-Executive Director
Abdul Rahim Suriya	Non-Executive Director

Company Secretary & CFO

Syed Aamir Hussain

Audit Committee

S.M. Nasir Raza	Chairman
Majid Hasan	Member
Abdul Rahim Suriya	Member

Human Resource & Remuneration Committee

Abdul Rahim Suriya	Chairman
S.M. Nasir Raza	Member
Shuja Malik	Member

Auditors

Avais Hyder Liaquat Nauman & Co.
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.
Chartered 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

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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, 2015.

Financial Results

2015 2014
(Rupees in thousands)

Financial results are summarized as under :

Net profit after tax for the year	149,741	68,441
Add: Unappropriated profit brought forward	2,584	3,243
Profit available for appropriation	<u>152,325</u>	<u>71,684</u>

Appropriations:

Statutory reserve	29,948	13,688
Profit distribution		
- First Interim @20% (2014: 6%)	52,773	15,832
- Second Interim @0% (2014:5%)	-	13,193
- Final @25% (2014: 10%)	65,966	26,387
	<u>148,687</u>	<u>69,100</u>

Unappropriated profit carried forward	<u>3,638</u>	<u>2,584</u>
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Earnings per certificate	<u>5.67</u>	<u>2.59</u>
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Review of Operations:

The income of the Modaraba during the year is Rs. 229 million, a decline of 10.8% from previous FY. The main reason was a 16% decline in Ijarah income because of a sizeable maturity of the portfolio during the year and also due to 15% lower income from investments.

The lower income and high operating costs of the pharmaceutical business has resulted in an operating loss of Rs. 0.3 million as compared to an operating profit of Rs. 47 million in FY 14.

Despite the above the Modaraba had a net profit of Rs. 149.7 million in FY 15 as compared to Rs. 68.4 million in FY 14, which is an increase of 119%. The main reason being an extraordinary item of Rs. 155 million which has been recorded due to transfer of long term associated company shares to non-associated at the current market price in order to meet the condition of IAS-28. Subsequently, a part of reclassified shares have been disposed off.

EPS for the current year is Rs. 5.67 compared with Rs. 2.59 in FY 14.

Financial Division

During the year there was a sizeable maturity in the Ijarah portfolio, due to which income from the operations decreased. Efforts are being made to re plough funds into quality assets which would offset the shortfall in income.

The Modaraba also has a strong investment portfolio, both short and long term which had historically contributed significantly towards maintaining the income of the Modaraba.

Directors' Report

Pharmaceutical Division

During the year pharmaceutical sales were Rs. 22.65 million (2014: Rs. 17.95 m) depicting a growth of 26%. The management is currently negotiating with potential clients for toll business which would help in increasing income. New product registrations (already applied) are expected to be approved by the Drug regulatory Authority of Pakistan (DRAP) in the second quarter of 2015-2016. An increase in the portfolio size, would lead to increase in sales. The Tolling business along with new products induction would improve the overall bottom line of the Pharma activities.

Profit Distribution

The Modaraba had distributed an interim dividend @ 20% in the month of Feb' 2015. The Board has now approved final dividend of 25% amounting to Rs. 65,966,473/- making the total for the year to 45%.

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:

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

1)	Syed Nasir Raza	Chairman
2)	Mr. Majid Hassan	Member
3)	Mr. A. Rahim Suriya	Member
4)	Mr. Iqbal Ahmed	Secretary

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	3*	-
3)	Syed Nasir Raza	4	4	-
4)	Mr. Shuja Malik	4	4	-
5)	Mr. A. Rahim Suriya	4	2**	-

* The Board granted the leave of absence to Mr. Majid Hasan.

** Mr. A. Rahim Suriya has joined the Board in the month of December 2014.

Pattern of Certificate holding:

A Statement showing Pattern of Certificate Holding of the Modaraba and additional information as at June 30, 2015 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, 2015, 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

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 scheme for the staff.

Auditors

The present auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants are due for retirement and are not eligible for re-appointment for having remained auditors for five consecutive years. The Audit Committee propose M/s Munif Ziauddin Junaidi & Co. to be appointed as auditors of the Modaraba for the year 2015-16, to which Board agrees. (Subject to approval by the Registrar Modarabas).

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.

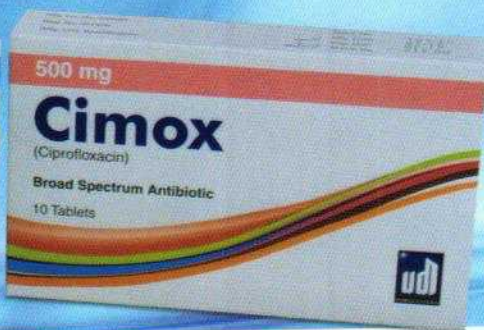
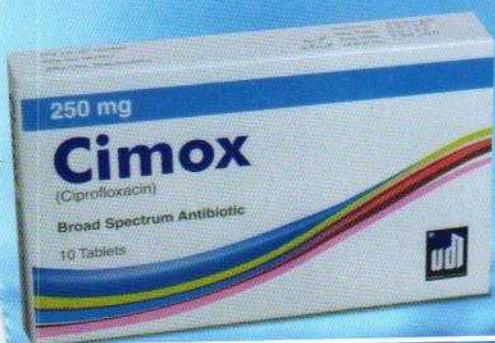
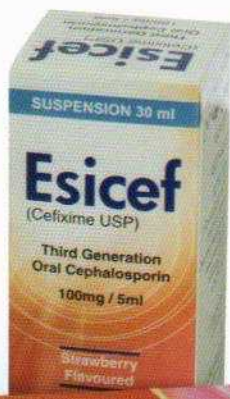
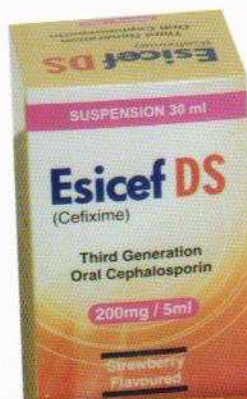
The Board would also like to thank valued customers and certificate-holders for reposing trust and confidence in the Modaraba, and to the members of Management and Staff for their commitment and dedication.

For and on Behalf of the Board

-Sd-

Ather Naqi
Chief Executive
Date: 30th September'2015.







Six Years Financials

Balance Sheet Summary

(Rs. in million)

Year Ended June 30, 2015

2010 2011 2012 2013 2014 2015

EQUITY

Issued, subscribed & paid up capital	263.87	263.87	263.87	263.87	263.87	263.87
Satutory Reserve	161.53	183.42	193.33	201.64	215.33	245.66
Revenue Reserve and unappropriate profit	49.27	47.37	47.49	87.90	98.69	121.20
Total Equity	475.16	494.66	504.69	553.41	577.89	630.73

LIABILITIES

Customer Security Deposit	18.8	24.53	60.72	97.33	60.84	42.31
Other Deferred Liabilities	105.17	105.47	105.82	104.02	104.01	104.01

Current Liabilities

Current maturity of Long term Security Deposit	7.01	9.52	10.83	6.86	50.20	36.47
Other Current Liabilities	34.15	25.74	33.87	34.57	35.80	53.931

Total Liabilities

	165.13	165.26	211.24	242.77	250.85	236.721
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Total Equity & Liabilities

	640.29	659.92	715.93	796.18	828.74	867.458
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ASSETS

Assets Leased Out	93.51	141.98	283.23	324.97	273.71	207.94
Assets in own use - Tangible	2.7	7.89	7.07	180.71	190.56	184.795
Assets in own use - Intangible	-	-	1.50	2.50	2.69	2.38
Long Term Investment	87.19	43.12	69.48	131.69	136.78	233.63
Other Long Term Assets	0.07	0.07	0.07	8.56	0.14	0.14
	183.47	193.06	361.35	648.43	603.88	628.258

Current Assets

Stock	-	-	-	2.97	10.40	18.952
Musharika	327.69	157.62	140.35	13.12	8.75	0.500
Short Term Investments	16.85	41	12.38	24.89	48.50	40.245
Other Current Assets	50.94	17.39	29.39	10.92	34.33	86.112
Cash & Bank Balances	61.34	250.85	172.46	95.85	122.88	93.391

Total Current Assets

	456.82	466.86	354.58	147.75	224.86	239.200
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Total Assets

	640.29	659.92	715.93	796.18	828.74	867.458
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Income Statement Highlights

(Rs. in million)

Year Ended June 30, 2015	2010	2011	2012	2013	2014	2015
Lease	54.25	58.13	114.89	135.47	154.94	130.16
Musharika	44.09	47.87	18.35	13.89	3.45	3.93
Capital Gain on Investment	0.44	33.16	3.926	16.05	72.35	61.77
Sales - Pharma	-	-	-	1.50	17.95	22.64
Other	7.18	7.25	18.042	15.00	8.08	10.48
Total Income	105.96	146.41	155.208	181.91	256.77	228.99
EXPENSES						
Operating	15.44	19.92	19.71	33.61	40.53	48.622
Cost of goods sold - Pharma	-	-	-	11.71	31.98	45.15
Selling & distribution	-	-	-	-	13.72	31.76
Financial	-	-	0.03	0.04	0.03	0.10
Amortization, Depreciation	53.1	43.07	94.92	106.35	123.03	103.66
Provision for Diminution in value of Investment	-	-	-	-	-	-
Impairment loss on investment	-	-	-	-	-	-
Total Expenses	68.54	62.99	114.66	151.71	209.29	229.32
Share of Profit from Associates	16.94	1.89	11.6	16.07	24.47	12.60
Unrealized gain on investments	2.06	(3.71)	2.87	4.29	7.05	1.84
Profit / (Loss) before Management Fee	54.36	81.6	55.02	50.56	79.00	169.77
Less:- Management Fee & Other	5.64	8.16	5.50	7.07	10.56	20.03
Profit before Taxation	48.72	73.44	49.52	43.49	68.44	149.74
Less:- Taxation	-	0.48	-	-	-	-
Net Profit	48.72	73.44	49.5162	43.493	68.44	149.74
APPROPRIATIONS						
Final Dividend	32.98	46.17	39.58	52.77	55.41	65.96
Statutory Reserve	15.23	21.65	9.9	8.69	13.68	29.94
Break-up value per Certificates (Rs.)	18.00	18.75	19.12	20.97	21.90	23.90
Market Price on 30th June (Rs.)	5.90	7.25	7.40	10.00	18.78	24.78
Dividend per Certificate (Rs.)	1.25	1.75	1.50	2.00	2.10	4.50
Earning Per Certificate (Rs.)	1.92	2.77	1.88	1.65	2.59	5.67
Current Ratio (X)	11.12	13.30	8.04	3.57	2.60	2.64
Net Profit margin (%)	47.91	49.83	31.90	23.91	26.65	65.39
Return on Equity (%)	10.68	14.75	9.81	7.85	11.84	23.74
Return on Investment (%)	19.20	35.39	22.48	23.25	56.06	84.66
Dividend Payout (%)	64.97	63.29	79.79	121.45	80.96	79.36

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. Abdul Rahim Suriya 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 NBFI 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 Certificate of the Modaraba other than that disclosed in the pattern of Certificate holdings.
- 14) The Modaraba has complied with all the corporate and financial reporting requirement of the CCG.
- 15) The Board has formed an Audit Committee comprising 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 Certificate 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) Subsequent to the year end the Modaraba ensure that all key appointments and designations are made after having taken into account the recommendations of HR Committee.
- 24) We confirm that all other material principles enshrined in the CCG have been complied with.

-Sd-

Ather Naqi
Chief Executive Officer
Date: 30th Sep, 2015

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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, 2015 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, 2015.

-Sd-
Chartered Accountants
Karachi
Dated: 30th September, 2015

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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Quetta : +92 (81) 282 9809



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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, 2015 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;

RSM Awaiz Hyder Liaquat Nauman is a 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.

Other Offices at:
Lahore : 92 (42) 3587 2731-3
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Rawalpindi : 92 (51) 5193135
Faisalabad : 92 (41) 854 1165/854 1965
Peshawar : 92 (91) 527 8310/527 7205
Quetta : 92 (81) 282 9809
Kabul : 93 (799) 058155



- (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, 2015 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.
- (e) Without qualifying our opinion, we draw attention to the note 8.1.4 of the financial statements disclose the fact that during the year, the management company of Modaraba identified 52,582 and 11,816 shares of The Searle Company and IBL Healthcare Limited respectively, held physically, that were erroneously not recorded in the books of accounts. The Modaraba has recorded these investments in current year as disclosed in the note stated above.

-Sd-



Chartered Accountants
Karachi.

Dated: 30th September, 2015

Engagement Partner: Adnan Zaman

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 - 03

Date: 30-09-15

Annual Shari'ah Review Report of **First UDL Modaraba** For the year ended June 30, 2015

In the name of Allah, The Most Beneficent, The Most Merciful,
All praise is due to Allah, and Allah's Peace and Blessings be upon His Final Messenger, his pure family, his noble Companions, and all those who follow them with righteousness until the Day of Judgment.

I have conducted the Shari'ah review of First UDL Modaraba managed by UDL Modaraba Management (Private) Limited, the Modaraba Management Company for the year ended June 30, 2015 in accordance with the requirements of the Shari'ah 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 Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;

ii. Following were the major developments that took place during the year:

Training and Development: The key staff of FUDLM is fully equipped with Islamic finance tools and industry requirements through training. Two key staff members have attended Workshop on Credit Analysis arranged by NBF & Modaraba Association of Pakistan.

iii. The agreements entered into by the Modaraba are Shar'iah 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.

iv. 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 Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.

v. The earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts. The charity amount is ideally distributed within three months of its transfer to charity account as prescribed in the SECP Circular # 08 of 2012.

Charity:

An amount of Rs. 572,637 was collected on account of non-timely payments of which an amount of Rs. 55,000 was paid on account of charity with the approval of concern Shari'ah Advisor.



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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: FLDLM - 03

Date: 30-09-15

Observations:

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

1. 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.

2. 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.

Recommendations

1) It is highly desirable for the Modaraba to convert their insurance coverage facility arrangements fully from conventional insurance companies to Takaful Companies.

2) It is recommended that the charity amount should be fully distributed to the approved charitable organizations within the specific time period as specified in SCSAM for Modarabas..

3) The management should continue its endeavor to comply with the rulings of Shari'ah in its business operations and future transactions.

4) The Modaraba should focus on new innovations and explore the possibility of entering into more specialized Shari'ah compliant financing modes.

Conclusion:

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

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

Signature



Abdul Qadir

Shari'ah Advisor

Dated: September 30th, 2015.



Balance Sheet

as at June 30, 2015

	Note	2015	2014
		Rupees	
ASSETS			
Non-current assets			
Fixed assets - tangible	6	392,090,538	464,269,014
Fixed assets - intangibles	7	2,389,000	2,689,000
Long term investments	8	233,636,405	136,779,933
Diminishing musharaka financing	9	-	-
Long term deposits		142,100	142,100
Total non-current assets		628,258,043	603,880,047
Current assets			
Ijarah rental receivables	10	2,377,055	865,619
Stocks	11	18,952,325	10,396,336
Trade debts- unsecured but considered good		4,661,140	9,319,845
Current portion of diminishing musharaka financing	9	500,000	8,746,672
Investments	12	40,245,073	48,503,923
Advances	13	42,370,648	3,888,641
Prepayments and other receivables	14	36,702,212	20,270,004
Bank balances	15	93,391,827	122,877,035
Total current assets		239,200,280	224,868,075
Total assets		867,458,323	828,748,122
EQUITY AND LIABILITIES			
Certificate holders' equity			
Certificate capital	16	263,865,890	263,865,890
Statutory reserves	17	245,664,578	215,716,434
Unrealized gain on re-measurement of available for sale investments		51,594,955	69,336,704
Unappropriated profit		69,604,554	28,971,745
Total equity		630,729,977	577,890,773
Non-current Liabilities			
Long term security deposits	18	42,310,765	60,838,348
Deferred liabilities	19	104,016,279	104,016,279
Total non-current liabilities		146,327,044	164,854,627
Current Liabilities			
Current maturity of security deposits	18	36,471,660	50,208,508
Payable to management company	20	13,726,992	5,149,586
Accrued and other liabilities	21	40,202,651	30,644,628
Total current liabilities		90,401,302	86,002,722
Total liabilities and equity		867,458,323	828,748,122

CONTINGENCIES AND COMMITMENTS

22

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

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

-Sd-
Chief Executive
Ather Naqi

-Sd-
Director
Shuja Malik

-Sd-
Director
Syed Nasir Raza

Profit & Loss Account

for the year ended June 30, 2015

	Note	2015	2014
		← Rupees →	
Income from:			
- Ijarah operations	23	130,159,381	154,942,591
- Musharaka finance		3,933,689	3,451,551
- Investments	24	61,770,320	72,346,824
- Pharma business	25	22,645,205	17,951,506
- Other sources	26	10,482,817	8,080,271
		<u>228,991,412</u>	<u>256,772,743</u>
Expenses			
Cost of goods sold- pharma	27	45,157,894	31,983,670
Selling & distribution	28	31,769,268	13,715,860
Operating	29	48,622,097	40,531,446
Depreciation on assets leased out under Ijarah	6	103,666,594	123,025,553
Financial charges	30	106,568	30,732
		<u>229,322,422</u>	<u>209,287,261</u>
Operating (loss) / profit		<u>(331,010)</u>	<u>47,485,482</u>
Net unrealized gain on re-measurement of investments at fair value through profit or loss		1,840,510	7,051,189
Extra ordinary Item		155,661,599	-
Share of profit from associates (unrealized)		12,602,960	24,465,640
		<u>169,774,059</u>	<u>79,002,311</u>
Less:			
Modaraba management company's remuneration		(16,977,406)	(7,900,231)
Services sales tax on management company's remuneration	31	-	(1,264,037)
		<u>152,796,653</u>	<u>69,838,043</u>
Less:			
Workers Welfare Fund		(3,055,933)	(1,396,761)
Profit before tax		<u>149,740,720</u>	<u>68,441,282</u>
Provision for taxation	32	-	-
Profit after taxation		<u>149,740,720</u>	<u>68,441,282</u>
Earnings per certificate - basic and diluted	33	<u>5.67</u>	<u>2.59</u>

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

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

-Sd-
Chief Executive
Ather Naqi

-Sd-
Director
Shuja Malik

-Sd-
Director
Syed Nasir Raza

Statement of Comprehensive Income

for the year ended June 30, 2015

	← 2015	2014 →
	Rupees	
Profit after taxation	149,740,720	68,441,282
Other comprehensive income		
Items that will be reclassified to profit and loss account on disposal		
Unrealized (loss) / gain on re-measurement of available for sale investment	(17,741,749)	11,452,283
Other comprehensive (loss) / income	(17,741,749)	11,452,283
Total comprehensive income	<u>131,998,971</u>	<u>79,893,565</u>

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

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

-Sd-
Chief Executive
Ather Naqi

-Sd-
Director
Shuja Malik

-Sd-
Director
Syed Nasir Raza

Cash Flow Statement

for the year ended June 30, 2015

Note 2015 2014
 ← Rupees →

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation

149,740,720 68,441,282

Adjustment of non cash items:

Depreciation on own assets

6 20,107,701 17,852,716

Amortization of Intangible asset

7 300,000 300,000

Unrealized (gain) on re-measurement of
 investments at fair value through profit or loss

(1,840,510) (7,051,189)

Extra ordinary Item

(155,661,599) -

Amortization of assets leased out under Ijarah

6 103,666,594 123,025,553

(Gain) on sale of investments

(61,110,195) (70,520,609)

Share of profit from associates

(12,602,960) (24,465,640)

(Gain) / loss on sale of fixed assets

45,227 (570,575)

- own assets

(790,211) 1,131,848

- assets leased out under Ijarah

24 (660,125) (1,826,215)

Dividend income

30 106,568 30,732

Financial charges

41,301,210 106,347,903

Operating profit before working capital changes

Changes in working capital:

(Increase) / decrease in current assets

Ijarah rental receivables

(1,511,435) (314,130)

Stock-in-trade

(8,555,989) (7,428,027)

Trade debts

4,658,705 (9,319,845)

Musharaka receivables

8,246,672 12,026,663

Advances

(23,482,007) (11,499,511)

Prepayments & other receivables

(31,432,207) (2,294,037)

(52,076,261) (18,828,887)

Increase / (decrease) in current liabilities

Management fee payable

8,577,406 2,716,877

Accrued and other liabilities

9,558,024 (2,681,032)

18,135,429 35,845

Gratuity paid

- (1,808,967)

Financial charges paid

(106,568) (30,732)

7,253,810 85,715,162

Net cash generated from operating activities

Cash Flow Statement

for the year ended June 30, 2015

	Note	2015	2014
		← Rupees →	
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets			
- own assets		(14,416,912)	(28,677,073)
- intangible asset		-	(489,000)
- assets leased out under Ijarah		(89,801,200)	(99,701,502)
Investments		(158,700,034)	(78,985,493)
		283,575,926	(78,985,493)
Proceeds from sale of fixed assets			163,776,075
- own assets		23,999	1,550,000
- assets leased out under Ijarah		53,343,277	26,797,494
Receipt of long term deposit		-	769,001
Dividends received		660,125	1,826,215
Net cash generated from / (used in) investing activities		74,685,181	(92,119,776)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(79,159,767)	(52,413,852)
Long-term security deposits		(32,264,431)	6,859,230
Net cash used in financing activities		(111,424,198)	(45,554,622)
Net (decrease) / increase in cash and cash equivalents		(29,485,208)	27,026,258
Cash and cash equivalents at the beginning of the year		122,877,035	95,850,777
Cash and cash equivalents at the end of the year	15	93,391,827	122,877,035

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

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

-Sd-
Chief Executive
Ather Naqi

-Sd-
Director
Shuja Malik

-Sd-
Director
Syed Nasir Raza

Statement of Changes in Equity

for the year ended June 30, 2015

	Certificate Capital	*Statutory Reserve	Unrealized gain /(loss) on re-measurement of available for sale investment	Unapp- ropriated Profit	Total Certificate Holders' Equity
	← Rupees →				
Balance as at June 30, 2013 - restated	263,865,890	202,028,178	57,884,421	29,630,556	553,409,045
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>
Other comprehensive income for the year ended June 30, 2015	-	-	(17,741,749)	149,740,720	131,998,971
Profit distribution - 30 June 2014 at 10%	-	-	-	(26,386,589)	(26,386,589)
Interim Profit distribution at 20%	-	-	-	(52,773,178)	(52,773,178)
Transfer to statutory reserve at 20%	-	29,948,144	-	(29,948,144)	-
Balance as at June 30, 2015	<u>263,865,890</u>	<u>245,664,578</u>	<u>51,594,955</u>	<u>69,604,554</u>	<u>630,729,977</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)

-Sd-
Chief Executive
Ather Naqi

-Sd-
Director
Shuja Malik

-Sd-
Director
Syed Nasir Raza

Notes to the Financial Statements

for the year ended June 30, 2015

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

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.

3. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR AN INTERPRETATION TO EXISTING STANDARDS

a) Standards that became effective but not relevant to the company or do not have material effect

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company.

- IAS 19 - Employee Benefits (Amendment) - Defined benefit plans: Employee contributions
- IAS 32 - Financial Instruments - Presentation - (Amendment)
Offsetting financial assets and financial liabilities"
- IAS 36 - Impairment of Assets - (Amendment)
Recovery Amount Disclosures for Non-Financial Assets"
- IAS 36 - Impairment of Assets - (Amendment)
Recovery Amount Disclosures for Non-Financial Assets"
- IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment)
Novation of Derivative and Continuation of hedge Accounting"
- IFRIC 21 - Levies

b) Improvements to Accounting Standards Issued by the IASB

- IFRS 2 Share-based Payment - Definitions of vesting conditions
- IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination
- IFRS 3 Business Combinations - Scope exceptions for joint ventures
- IFRS 8 Operating Segments - Aggregation of operating segments
- IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortisation
- IAS 24 Related party Disclosures - Key management personnel
- IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above improvements to accounting standards and interpretations did not have any material effect on the financial statements.

Notes to the Financial Statements

for the year ended June 30, 2015

c) Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

Description	Effective for periods beginning on or after
IFRS 10 Consolidated Financial Statements IFRS 10, 12 & Investment Entities (Amendment) IAS 27	January 01, 2015 January 01, 2015
IFRS 10, 12 & Investment Entities: Applying the Consolidation Exception IAS 27 (Amendment)	January 01, 2016
IFRS 10 & Sale or Contribution of Assets between an Investor and its IAS 28 Associate or Joint Venture (Amendment)	January 01, 2016
IFRS 11 Joint Arrangements IFRS 11 Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2015 January 01, 2016
IFRS 12 Disclosure of interests in Other Entities IFRS 13 Fair Value Measurement IAS 1 Disclosure Initiative (Amendment) IAS 16 & 38 Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)	January 01, 2015 January 01, 2015 January 01, 2016 January 01, 2016
IAS 16 & 41 Agriculture Bearer Plants (Amendment) IAS 27 Equity Method in Separate Financial Statements (Amendment)	January 01, 2016 January 01, 2016

Standards issued by IASB but not yet notified by SECP

IFRS 9 Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2018

Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- IFRS 13 'Fair Value Measurement'

3.1 Islamic Financial Accounting Standard - 1

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

Notes to the Financial Statements

for the year ended June 30, 2015

3.2 Islamic Financial Accounting Standard - 2

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

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

4. 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.

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	5.21

Notes to the Financial Statements

for the year ended June 30, 2015

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, 2015

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.

Held-to-maturity investments

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

Notes to the Financial Statements

for the year ended June 30, 2015

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.

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.

Notes to the Financial Statements

for the year ended June 30, 2015

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

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

Notes to the Financial Statements

for the year ended June 30, 2015

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 was paid during the year.

5.12 Staff provident fund

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

5.13 Borrowings and their costs

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

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.

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.

Notes to the Financial Statements

for the year ended June 30, 2015

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.

for the year ended June 30, 2015

6. **FIXED ASSETS - tangible**

2015	Cost		ACCUMULATED DEPRECIATION				Book value As at June 30, 2015	Depreciation rate per annum %		
	As at July 1, 2014	Additions	(Deletions)	As at June 30, 2015	As at July 1, 2014	Charge for the year			Disposal / adjustments	As at June 30, 2015
Assets own use										
Lease hold land	10,450,350	-	-	10,450,350	-	-	-	-	10,450,350	
Building on lease hold land	94,082,889	2,127,164	-	96,210,053	4,956,194	4,725,696	-	9,681,890	86,528,163	
Plant & Machinery	69,597,297	2,818,230	-	72,415,527	7,357,724	7,118,696	-	14,476,420	57,939,107	
Furniture and fittings	6,583,446	196,800	-	6,780,246	3,485,722	407,044	-	3,892,766	2,887,480	
Books	47,000	-	-	47,000	14,097	9,400	-	23,497	23,503	
Vehicles	28,154,617	8,256,870	-	36,411,487	7,781,945	6,377,701	-	14,159,646	22,251,841	
Computer equipment	4,010,271	573,450	(219,200)	4,364,521	2,784,474	395,505	(149,973)	3,030,006	1,334,515	
Office equipment and appliances	5,952,977	444,398	-	6,397,375	1,942,994	1,073,659	-	3,016,653	3,380,722	
Sub total	218,878,847	14,416,912	(219,200)	233,076,559	28,323,150	20,107,701	(149,974)	48,280,878	184,795,681	
Assets leased out under Ijarah										
Machinery and equipments	191,822,703	-	(71,019,589)	120,803,114	121,788,813	25,860,688	(55,612,059)	92,037,442	28,765,672	
Vehicles	366,691,202	89,801,200	(149,421,437)	307,070,965	163,011,775	77,805,905	(112,275,901)	128,541,779	178,529,186	
Sub total	558,513,905	89,801,200	(220,441,026)	427,874,079	284,800,588	103,666,594	(167,887,960)	220,579,222	207,294,857	
Total	777,392,752	104,218,112	(220,660,226)	660,950,638	313,123,738	123,774,295	(168,037,934)	268,860,100	392,090,538	

Notes to the Financial Statements

for the year ended June 30, 2015

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	Disposal / adjustments	As at June 30, 2014	
	Rupees								
Assets own use									
Lease hold land	10,000,000	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	5
Plant & Machinery	64,148,500	5,448,797	-	69,597,297	561,225	6,796,499	-	7,357,724	10
Furniture and fittings	6,442,809	140,637	-	6,583,446	3,086,823	398,899	-	3,485,722	10
Books	47,000	-	-	47,000	4,700	9,397	-	14,097	20
Vehicles	17,445,432	12,388,185	(1,679,000)	28,154,617	3,694,059	4,787,461	(699,575)	7,781,945	20
Computer equipment	3,717,987	292,284	-	4,010,271	2,448,521	335,953	-	2,784,474	20
Office equipment and appliances	2,692,026	3,260,951	-	5,952,977	1,010,567	932,427	-	1,942,994	20
Sub total	191,880,774	28,677,073	(1,679,000)	218,878,847	11,170,008	17,852,717	(699,575)	28,323,150	
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)	121,788,813	25-33
Vehicles	341,977,200	99,701,502	(74,987,500)	366,691,202	129,556,797	80,708,886	(47,253,908)	163,011,775	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)	284,800,588	
Total	726,985,677	128,378,575	(77,971,500)	777,392,752	221,308,201	140,878,270	(49,062,733)	313,123,738	

6.1 The depreciation expense has been allocated as follows;

	Note	2015	2014
		Rupees	
Cost of goods sold	27	11,844,392	11,388,580
Operating expense	29	8,263,309	6,464,136
		<u>20,107,701</u>	<u>17,852,716</u>

Notes to the Financial Statements

for the year ended June 30, 2015

7. FIXED ASSETS - intangible

	Cost		ACCUMULATED DEPRECIATION			Useful life of the asset
	As at July 1, 2014	Additions	As at June 30, 2015	Charge for the year	As at June 30, 2015	
				Rupees		
Computer Software	1,500,000		1,500,000	600,000	900,000	20 Finite
Products Name	1,789,000	-	1,789,000	-	-	- Infinite
Total - 30th June' 2015	3,289,000	-	3,289,000	300,000	900,000	
Total - 30th June' 2014	2,800,000	489,000	3,289,000	300,000	600,000	

FIXED ASSETS - intangible

	Cost		ACCUMULATED DEPRECIATION			Useful life of the asset
	As at July 1, 2013	Additions	As at June 30, 2014	Charge for the year	As at June 30, 2014	
				Rupees		
Computer Software	1,500,000		1,500,000	300,000	600,000	20 Finite
Products Name	1,300,000	489,000	1,789,000	-	-	- Infinite
Total - 30th June' 2014	2,800,000	489,000	3,289,000	300,000	600,000	
Total - 30th June' 2013	1,500,000	1,300,000	2,800,000	300,000	300,000	

Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015	2014
		Rupees	
8. LONG TERM INVESTMENTS			
Associated companies	8.1	-	54,123,479
Available for sale			
Listed companies	8.2	<u>233,636,405</u>	<u>82,656,454</u>
		<u>233,636,405</u>	<u>136,779,933</u>

8.1 Associated companies

		June 2015				
2015	Note	The Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited	Total
Share capital						
- ordinary shares		61,554,800	18,367,800	10,800,000	23,000,000	113,722,600
No. of shares held	8.1.4	597,400	875,063	71,560	147,500	1,691,523
Ownership interest		0.97%	4.76%	0.66%	0.64%	
Rupees						
Opening balance		31,597,847	19,450,701	3,074,931	-	54,123,479
Share of profit from associates	8.1.4	4,778,153	4,945,000	49,069	456,000	10,228,222
(Sold) / purchased during the period		(10,504,000)	2,001,000	47,000	22,048,000	13,592,000
Transfer to long term investment - Available for sale	8.1.5	(25,872,000)	(26,396,701)	(3,171,000)	(22,504,000)	(77,943,701)
		-	-	-	-	-
June 2014						
2014		The Searle Company Limited	United Distributors Pakistan Limited	United Brands Limited	IBL Healthcare Limited	Total
Share capital						
- ordinary shares		61,314,800	18,367,800	10,800,000	-	90,482,600
No. of shares held		595,000	788,563	71,060	-	1,454,623
Ownership interest		0.97%	4.29%	0.66%	0.00%	
Rupees						
Opening balance		40,218,420	12,500,159	2,952,057	3,077,737	58,748,373
(Sold) / transfer 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)
		31,597,847	19,450,701	3,074,931	-	54,123,479

Notes to the Financial Statements

for the year ended June 30, 2015

- 8.1.1 The latest available financial results of associate as of September 30, 2014 have been used for the purpose of application of equity method
- 8.1.2 The ownership interest is based on associates' shares held by Modaraba as at December 22, 2014.
- 8.1.3 The bonus shares of The Searle Company received by the modaraba have been included in the ownership interest.
- 8.1.4 During the year, the management company of Modaraba identified certain shares of associated companies, that were erroneously not recorded in the books of accounts as these shares were held physically and accumulated through bonus issue of the associated company.

The Modaraba has recorded these 52,582 and 11,816 shares of The Searle Company and IBL Healthcare Limited respectively, in current year and has not restated the previous financial statements because the overall cumulative impact of these investment Rs. 1,799,373/- which was to be incorporated in share of profit from associates in the prior years. The Modaraba has incorporated the impact of the above in the current year.

The dividend accrued on these shares amounting to Rs. 295,1161/- has also been accounted for in these financial statements.

- 8.1.5 During the year, the investments in above associated companies (in note 9.1) has been transferred to long term investments - Available for sale and a gain of Rs. 155.367 million, on such transfer, has been recognised in profit and loss account as "Extra ordinary item" in accordance with the requirements of International Accounting Standard IAS-28: "Investment in Associates and Joint Ventures". This is due to the fact that the common directorship between the UDL Modaraba Management Company (Private) Limited with the companies mentioned in note 8.1 no more exists.

8.2 Listed companies

	Note	2015 Number of shares	2014 Number of shares	2015 Rupees	2014 Rupees
Pharma & Bio Tech					
IBL HealthCare Limited		168,268	-	19,182,552	-
Searle Company Limited	8.2.2	334,192	-	107,172,032	-
Food and Personal Care Products					
Gillette Pakistan Limited		193,385	175,285	59,949,350	77,125,400
Chemicals					
Nimir Industrial Chemicals Limited		-	75,000	-	1,880,250
United Distributors (Pakistan) limited		875,063	-	25,674,348	-
Textile Composite					
International Knitwear Limited		510,602	255,301	5,361,321	3,650,804
United Brands Limited		71,560	-	6,192,802	-
Power Generation & distribution					
K-Electric Ltd		1,200,000	-	10,104,000	-
		<u>3,353,070</u>	<u>505,586</u>	<u>233,636,405</u>	<u>82,656,454</u>

- 8.2.1 The values of all shares are of the nominal value of Rs. 10 each.

- 8.2.2 It includes 12,000 bonus shares of The Searle Company valued at Rs. 3,848,280 which have been withheld by the company in lieu of withholding income tax on bonus shares. Refer note 21.1 for the further details.

Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015	2014
		Rupees	
9. DIMINISHING MUSHARAKA FINANCING			
Secured:			
Consider good			
Diminishing musharaka financing	9.1	500,000	8,746,672
Less: Current portion shown in current assets		(500,000)	(8,746,672)
		-	-
Consider doubtful			
Diminishing musharaka financing		7,677,676	10,667,667
Less: Provision for non performing musharaka finance		(7,677,676)	(10,667,667)
		-	-

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

	2015	2014
	Rupees	
10. IJARAH RENTAL RECEIVABLES		
Ijarah rental receivables	5,867,476	3,584,906
Income suspended	(3,490,421)	(2,719,287)
	<u>2,377,055</u>	<u>865,619</u>
Ijarah future rental receivables		
Not later than one year	95,900,466	88,948,216
Later than one year but not later than five years	90,707,966	117,474,736
	<u>186,608,432</u>	<u>206,422,952</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.

	Note	2015	2014
		Rupees	
11. STOCKS			
Raw material		4,509,925	1,207,500
Packing material		3,098,633	1,299,995
Promotion & Printing material		627,877	1,429,960
Finished goods			
- Regular line		10,363,200	5,632,481
- Oncology		352,690	826,400
		<u>18,952,325</u>	<u>10,396,336</u>
12. INVESTMENTS			
- at fair value through profit or loss			
Listed companies and modaraba	12.1	<u>40,245,073</u>	<u>48,503,923</u>

Notes to the Financial Statements

for the year ended June 30, 2015

12.1 Listed companies and modaraba

	2015 No. of Shares	2014	2015 Rupees	2014
Oil & Gas				
Pakistan State Oil Company Limited	-	3,000	-	1,166,550
Shell Pakistan Limited	-	2,500	-	690,700
Pakistan Petroleum Limited	-	25,000	-	5,608,500
Attock Refinery Limited	-	45,000	-	9,553,050
Hascol Petroleum	64,000	-	7,328,640	-
Sui Northern Gas Pipelines Limited	713	-	18,994	-
Personal goods				
Gillette Pakistan Limited	3,000	3,000	930,000	1,320,000
Pharma & Bio Tech				
Ferozsons (Lab)	3,800	-	2,430,252	-
Glaxo Smithkline Limited	-	11,000	-	1,826,330
Highnoon (Lab)	740	-	189,566	-
Financial Services				
First Fidelity Leasing Modaraba	20,630	20,630	61,477	63,128
Fertilizer				
Engro Corporation Limited	27	-	8,014	-
Modaraba				
Unicap Modaraba	36,500	36,500	51,100	80,300
First Equity Modaraba	167,000	-	718,100	-
Chemical				
Arif Habib Corporation Limited	-	121,000	-	3,368,640
Nimir Industrial Chemical Limited	-	17,500	-	438,725
ICI Pakistan Ltd	1,000	-	428,870	-
Construction and Material				
Lafarge Pakistan Cement Limited	500,000	1,500,000	9,730,000	23,970,000
Fauji Cement	310,000	-	10,809,700	-
Fixed Line Telecommunication				
WorldCall Telecom Limited	200,000	200,000	410,000	418,000
Miscellaneous				
Gammon Pakistan	108,500	-	1,384,460	-
Pakistan International Bulk terminal	160,500	-	5,745,900	-
			<u>40,245,073</u>	<u>48,503,923</u>

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

	2015 Rupees	2014
13. ADVANCES		
- To staff - considered good	1,337,159	1,199,720
- Advance against purchase of shares	8,677,000	-
- Advance against purchase of ijarah assets	19,546,500	-
- Advance against letter of credits	3,011,282	-
- Others	9,798,707	2,688,921
	<u>42,370,648</u>	<u>3,888,641</u>

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

Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015	2014
		Rupees	
14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES			
Prepayments		1,651,695	3,940,149
Security deposits		13,000	13,000
Profit receivable on musharaka		15,486	123,011
Receivable from brokers		23,483,400	921,252
Other receivable	14.2	10,750,000	15,000,000
Others		788,631	272,592
		<u>36,702,212</u>	<u>20,270,004</u>

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

14.2 The Modaraba had entered into an 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 was PKR 33,750,000 out of which PKR 15,000,000 was paid as advance during the year 2014.

However the Modaraba was informed by the developer that due to unforeseen circumstances the project is on hold and they have committed to payback the entire amount of Rs. 15,000,000 by October 31, 2015 out of which Rs. 4,250,000 has already been received by the Modaraba during the year.

	Note	2015	2014
		Rupees	
15. CASH AND BANK BALANCES			
- cash and cash equivalents		93,795	-
- in current accounts		14,567,212	10,235,400
- in deposit accounts	15.1	<u>78,730,820</u>	<u>112,641,635</u>
		<u>93,391,827</u>	<u>122,877,035</u>

15.1 These accounts carry profit rate ranging from 5 % to 8.5 % (2014: 5 % to 8.5 %)

16. CERTIFICATE CAPITAL

2015	2014		2015	2014
Number of	Number of		Rupees	
certificates	certificates			
<u>50,000,000</u>	<u>50,000,000</u>	Authorised certificate capital	<u>500,000,000</u>	<u>500,000,000</u>
		Modaraba certificates of		
		Rupees 10 each		
		Issued, subscribed and		
		paid-up capital		
17,668,885	17,668,885	Modaraba certificates of	176,688,850	176,688,850
		Rupees 10 each fully		
		paid-up in cash		
8,717,704	8,717,704	Modaraba certificates issued	87,177,040	87,177,040
		as fully paid-up bonus certificates		
<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, 2015

	2015	2014
	Rupees	
17. STATUTORY RESERVE		
Balance at the beginning of the year	215,716,434	202,028,178
Transferred from profit and loss account	29,948,144	13,688,256
	<u>245,664,578</u>	<u>215,716,434</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.

	Note	2015	2014
		Rupees	
18. LONG TERM SECURITY DEPOSITS			
Long term security deposits		78,782,425	111,046,856
Less: current maturity		(36,471,660)	(50,208,508)
		<u>42,310,765</u>	<u>60,838,348</u>

19. DEFERRED LIABILITIES

Accrued profit on IFC income notes	19.1	<u>104,016,279</u>	<u>104,016,279</u>
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19.1 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 instalments commencing 90 days from the day the loan proceeds against IFCs local currency guarantee is received from the IFC.

20. 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.

	Note	2015	2014
		Rupees	
21. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		1,698,640	1,118,594
Other liabilities			
- Provision for taxation		3,678,250	4,388,382
- Unclaimed profit distributions		21,840,950	17,636,635
- Worker's Welfare Fund - provision	21.1	8,750,315	5,694,382
- Others		4,234,496	1,806,635
		<u>40,202,651</u>	<u>30,644,628</u>

Notes to the Financial Statements

for the year ended June 30, 2015

- 21.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers' Welfare Fund (WWF) is payable @ 2% of the profit before taxation as per the financial statements or taxable income which ever is higher.

During the year 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

The Management Company as a matter of abundant caution, has made the provision for WWF amounting to Rs.3,055,933/- in these financial statements.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

During the year the Modaraba had received from The Searle Company 240,000 bonus shares out of which 12,000 shares were withheld by the company to meet the withholding tax liability on the bonus shares under section 236 (M) of the Income Tax Ordinance, 2001. The Modaraba filed a suit against the company for the release of these shares, as the management is of the view that the income of Modaraba has exemption and withholding tax under section 236 (M) is not applicable. The Honourable High Court of Sindh vide its order dated September 08, 2015, has dismissed the suit filed by the Modaraba. The management of the Modaraba is in the process of filing an appeal before a larger bench of the Honourable High Court of Sindh. The Management and its legal advisor are confident that the appeal will result in relief of the Modaraba.

22.2 Commitments

There are no commitments as at the balance sheet.

	2015	2014
	Rupees	
23. INCOME FROM IJARAH OPERATIONS		
Ijarah rentals	129,149,193	155,828,931
Documentation fee	219,977	245,508
Gain / (loss) on disposal of Ijarah assets	790,211	(1,131,848)
	<u>130,159,381</u>	<u>154,942,591</u>
24. INCOME FROM INVESTMENTS		
Dividend income	660,125	1,826,215
Gain on sale of securities	61,110,195	70,520,609
	<u>61,770,320</u>	<u>72,346,824</u>
25. SALES - PHARMA		
- Local		
Regular Line	34,598,070	17,410,054
Oncology	967,500	1,079,160
	<u>35,565,570</u>	<u>18,489,214</u>
- Less:		
Sales return	1,762,801	108,498
Sales discount	11,157,564	429,210
	<u>12,920,365</u>	<u>537,708</u>
Net Sales	<u>22,645,205</u>	<u>17,951,506</u>

Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015	2014
		Rupees	
26. INCOME FROM OTHER SOURCES			
(Loss) / Gain on disposal of fixed assets		(45,227)	570,575
Profit on deposits with banks		10,525,828	6,100,078
Miscellaneous		2,216	1,409,618
		<u>10,482,817</u>	<u>8,080,271</u>
27. COST OF GOODS SOLD			
-Raw material and packing material			
Opening stock		2,507,495	1,907,459
Add: Purchases during the year		20,214,595	9,634,211
		<u>22,722,090</u>	<u>11,541,670</u>
Less: Closing stock		(7,608,559)	(2,507,495)
Raw material and packing material consumed		<u>15,113,531</u>	<u>9,034,175</u>
Stores, spares & supplies		1,186,385	1,295,011
Salaries, wages & other benefits		11,458,346	7,396,263
Fuel & power		4,427,633	3,345,824
Insurance		693,468	314,616
Repair & maintenance		1,578,149	1,447,083
Depreciation	7.1	11,844,392	11,388,580
Entertainment		1,084,290	557,839
Travel & conveyance		974,342	448,680
Postage & stationary		16,369	22,853
Miscellaneous		361,911	32,530
		<u>48,738,816</u>	<u>35,283,454</u>
-Finished Goods			
Opening stock		6,458,881	1,060,852
Add: Purchases during the year		676,087	2,098,245
		<u>7,134,968</u>	<u>3,159,097</u>
Less: Closing stock		(10,715,890)	(6,458,881)
		<u>45,157,894</u>	<u>31,983,670</u>
28. SELLING & DISTRIBUTION			
Salaries, wages & other benefits		13,088,412	4,389,472
Insurance		1,971	4,760
Conveyance		11,762,724	3,786,842
Marketing		5,854,341	5,408,014
Transportation		1,061,820	126,772
		<u>31,769,268</u>	<u>13,715,860</u>

Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015	2014
		Rupees	
29. OPERATING EXPENSES			
Salaries and other staff benefits	29.1	22,067,445	19,353,714
Travelling and conveyance		2,140,949	3,482,525
Vehicles running and maintenance		820,214	239,298
Communication		2,283,438	963,837
Printing and stationery		1,029,230	1,264,656
Rent, rates and taxes		2,267,496	3,014,418
Repair and maintenance		740,090	365,156
Legal and professional charges		2,350,586	896,969
Share transaction charges		672,951	310,860
Insurance		262,213	1,089,873
Entertainment		467,087	195,360
Consultancy fee		208,334	957,040
Fee and subscription		630,659	515,444
Auditors' remuneration	29.2	337,000	337,000
Advertisement		131,980	221,421
Depreciation	6.1	8,263,309	6,464,136
Amortization		300,000	300,000
Donation	29.3	55,000	25,000
Other expenses		3,594,116	534,739
		<u>48,622,097</u>	<u>40,531,446</u>

29.1 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:

	2015			2014		
	Officers	Employees	Total	Officers	Employees	Total
	Rupees					
Salaries & allowances	6,279,979	12,993,062	19,273,041	15,879,527	1,984,729	17,864,256
Provident fund	507,131	1,049,236	1,556,367	746,352	116,723	863,075
Medical expenses	403,405	834,632	1,238,037	433,781	192,602	626,383
	<u>7,190,515</u>	<u>14,876,930</u>	<u>22,067,445</u>	<u>17,059,660</u>	<u>2,294,054</u>	<u>19,353,714</u>
Number of persons	29	60	89	28	40	68

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

29.2 Auditors' remuneration

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

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

Notes to the Financial Statements

for the year ended June 30, 2015

	2015	2014
	Rupees	
30. FINANCIAL CHARGES		
Bank charges	<u>106,568</u>	<u>30,732</u>

31. SERVICES SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Modaraba has not made provision for sales tax on Management Company's remuneration because the case has been set aside by the Honourable Appellate Tribunal, Sindh Revenue Board. Since the management fee is in the nature of sharing of profit and not the charge against rendering of services.

32. PROVISION FOR TAXATION

The income of the Modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. Due to losses incurred in the current year, the profit has not been distributed. The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance, 2001.

	2015	2014
	Rupees	
33. EARNINGS PER CERTIFICATE - basic and diluted		
Profit for the year	<u>149,740,720</u>	<u>68,441,282</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>5.67</u>	<u>2.59</u>

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

	2015	2014
	Rupees	
34. CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>93,391,827</u>	<u>122,877,035</u>

Notes to the Financial Statements

for the year ended June 30, 2015

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:

Transactions	Relationship	2015	2014
		Rupees	
Management fee	Management company	<u>16,977,406</u>	<u>7,900,231</u>
Dividend received	Associates	<u>-</u>	<u>1,697,962</u>
Disposal of vehicle	Management company	<u>-</u>	<u>1,550,000</u>
Dividend paid to Management Company	Management company	<u>8,890,164</u>	<u>10,581,858</u>
Balance as at the year end Payable to Modaraba Management Company		<u>13,726,992</u>	<u>5,149,586</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 investments 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, 2015

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2015 is the carrying amount of the financial assets as set out below:

	Note	2015	2014
		Rupees	
Business			
Diminishing Musharaka Finance		500,000	8,746,672
Trade debtors (Pharma)		4,661,140	9,319,845
Investments		40,245,073	185,283,856
Ijarah receivables		2,377,055	865,619
Deposits		142,100	142,100
Advances and other receivables		42,370,648	18,888,641
Bank balances		93,391,827	122,877,035
		<u>183,687,843</u>	<u>346,123,768</u>

The aging of Ijarah receivable at the reporting date

Past due 1-30 days	10	2,377,055	551,491
Past due over 30-90 days	10	3,490,421	5,687,713
Less: Provision for non-performing assets	10	<u>(3,490,421)</u>	<u>(5,687,713)</u>
		<u>2,377,055</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;

	2015		2014	
	Rupees	%	Rupees	%
Segment by class of business of major Ijarah assets				
Modaraba	1,328,094	0.71%	1,297,823	0.63%
Cargo, Trading & distribution	35,113,512	18.82%	23,353,361	11.31%
Investment companies, firms & bank	1,527,627	0.82%	1,161,115	0.56%
Textile, Chemical & Pharmaceuticals	27,847,035	14.92%	19,483,948	9.44%
Food & Beverages	1,582,283	0.85%	16,110,345	7.80%
Individual	34,227,447	18.34%	25,905,869	12.55%
Miscellaneous	84,982,434	45.54%	119,110,491	57.70%
	<u>186,608,432</u>	<u>100.00%</u>	<u>206,422,952</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, 2015

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.

2015				
	Upto one year	One year to five years	Over five years	Total
Rupees				
Financial assets				
Long term investments	-	233,636,406	-	233,636,406
Long term advances and deposits	-	-	-	-
Ijarah rental receivables	2,377,055	-	-	2,377,055
Musharaka receivables	500,000	-	-	500,000
Trade receivables (Pharma division)	4,661,140	-	-	4,661,140
Financial assets	40,245,073	-	-	40,245,073
Other receivables	499,515	-	-	499,515
Bank balances	93,391,827	-	-	93,391,827
(a)	<u>141,674,609</u>	<u>233,636,406</u>	<u>-</u>	<u>375,311,015</u>
Financial liabilities				
Security deposits	36,471,660	42,310,765	-	78,782,425
Deferred liabilities	-	104,016,279	-	104,016,279
Payable to management company	13,726,992	-	-	13,726,992
Accrued and other liabilities	40,202,651	-	-	40,202,651
(b)	<u>90,401,303</u>	<u>146,327,044</u>	<u>-</u>	<u>236,728,347</u>
On-balance sheet gap	(a) - (b)	<u>51,273,306</u>	<u>87,309,362</u>	<u>138,582,669</u>

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
Bank balances	122,877,035	-	-	122,877,035
(a)	<u>191,506,938</u>	<u>82,656,454</u>	<u>142,100</u>	<u>274,305,492</u>
Financial liabilities				
Long term 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>105,504,216</u>	<u>142,100</u>	<u>23,448,144</u>

Notes to the Financial Statements

for the year ended June 30, 2015

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 unfavourable changes in fair values of investments as a result of changes in prices of securities.

As at June 30, 2015, the fair value of equity exposed to price risk was as follows:

	Average Cost 2015	Fair Value	Average Cost	Fair Value 2014
	← Rupees →			
Particulars:				
Equity securities	<u>52,181,454</u>	<u>273,881,478</u>	<u>99,787,036</u>	<u>185,283,856</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, 2015, the profit of the Modaraba's variable value financial instruments were as follows:

	2015	2014
	Rupees	
Variable rate instruments		
Diminishing musharaka financing	<u>500,000</u>	<u>8,746,672</u>

Notes to the Financial Statements

for the year ended June 30, 2015

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)	
		2015	2014
		Rupees	
Diminishing musharaka financing		50,000	874,667

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.

	2015	2014
	Rupees	
37.1 Financial instruments by category		
Loans and receivables		
Long term advances and deposits	-	142,100
Ijarah rental receivables	2,377,055	865,619
Trade receivables (Pharma division)	4,661,140	9,319,845
Advances	42,370,648	18,888,641
Other receivables	499,515	1,193,844
Bank balances	93,391,827	122,877,035
Financial assets at fair value through profit or loss		
Short term investments - investments at fair value through profit or loss	48,503,923	48,503,923
Available-for-sale financial assets		
Long term investments	233,636,405	82,656,454
	(a) <u>425,440,514</u>	<u>284,447,462</u>
Financial liabilities		
Financial liabilities at amortised cost		
Security deposits	78,782,425	111,046,856
Accrued profit on IFC income notes	104,016,275	104,016,275
Payable to management company	13,726,992	5,149,586
Accrued and other liabilities	40,202,651	30,644,628
	(b) <u>236,728,343</u>	<u>250,857,345</u>
	(a)-(b) <u>188,712,171</u>	<u>33,590,117</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, 2015

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:

2015	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			Rupees			
Financial assets								
Long term investments	-	-	-	-	-	216,545,695	216,545,695	216,545,695
Ijarah rental receivables	-	2,377,055	-	2,377,055	-	-	-	2,377,055
Musharakah receivables - secured	-	500,000	-	500,000	-	-	-	500,000
Trade debts (Pharma)	-	-	-	-	4,661,140	-	4,661,140	4,661,140
Financial assets	-	-	-	-	40,245,073	-	40,245,073	40,245,073
Advances	-	-	-	-	42,370,648	-	42,370,648	42,370,648
Other receivables	-	-	-	-	499,515	-	499,515	499,515
Bank balances	5% to 9%	78,730,820	-	78,730,820	14,567,212	-	14,567,212	93,298,032
	(A)	81,607,874	-	81,607,874	102,343,588	216,545,695	318,889,283	400,497,158
Financial liabilities								
Long term security deposits	-	-	-	-	36,471,660	42,310,765	78,782,425	78,782,425
Deferred liabilities	-	-	-	-	104,016,279	-	104,016,279	104,016,279
Payable to management company	-	-	-	-	13,726,992	-	13,726,992	13,726,992
Accrued and other liabilities	-	-	-	-	40,202,651	-	40,202,651	40,202,651
	(B)	-	-	-	194,417,582	42,310,765	236,728,347	236,728,347
On-balance sheet gap								
Non-financial assets	(A)-(B)	81,607,874	-	81,607,874	(92,073,994)	174,234,930	82,160,937	163,768,811
Non-financial liabilities								
Total net assets								616,600,974
								780,369,785

Notes to the Financial Statements

for the year ended June 30, 2015

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
Long term advances and deposits	-	-	-	-	-	142,100	142,100	142,100
Ijarah rental receivables	17% to 19%	865,619	-	865,619	-	-	-	865,619
Musharaka receivables - secured	15% to 17%	8,746,672	-	8,746,672	-	-	-	8,746,672
Trade debts (Pharma)	-	-	-	-	-	-	-	9,319,845
Financial assets	-	-	-	-	9,319,845	-	9,319,845	9,319,845
Advances	-	-	-	-	48,503,923	-	48,503,923	48,503,923
Other receivables	-	-	-	-	18,888,641	-	18,888,641	18,888,641
Bank balances	5% to 9%	112,641,635	-	112,641,635	1,298,652	-	1,298,652	1,298,652
	(A)	122,253,926	-	122,253,926	10,235,400	-	10,235,400	122,877,035
Financial liabilities					88,246,461	82,798,554	171,045,015	293,298,941
Long term security deposits	-	-	-	-	50,208,508	60,786,398	110,994,906	110,994,906
Deferred liabilities	-	-	-	-	104,016,279	-	104,016,279	104,016,279
Payable to management company	-	-	-	-	5,149,586	-	5,149,586	5,149,586
Accrued and other liabilities	-	-	-	-	30,644,628	-	30,644,628	30,644,628
	(B)	-	-	-	190,019,001	60,786,398	250,805,399	250,805,399
On-balance sheet gap	(A)-(B)	122,253,926	-	122,253,926	(101,772,540)	22,012,156	(79,760,384)	42,493,543
Non-financial assets								609,648,978
Non-financial liabilities								51,950
Total net assets								652,194,471

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

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

Notes to the Financial Statements

for the year ended June 30, 2015

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 behaviour. Operational risks arise from all of the Modaraba's activities.

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

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

40. INFORMATION ABOUT BUSINESS SEGMENTS

	2015				
	Musharaka	Investments	Ijarah operations	Manufacturing Pharma	Others Consolidated
	Rupees				
Segment Revenues	3,933,689	61,770,320	130,159,381	22,645,205	10,482,817 228,991,413
Segment Results					
Segment income and Sales	3,933,689	61,770,320	130,159,381	22,645,205	- 218,508,595
Other income	-	-	-	-	10,482,817 10,482,817
Operating expenses	-	-	(103,666,594)	(54,880,839)	- (158,547,433)
Manufacturing expenses	-	-	-	(45,157,894)	- (45,157,894)
Unallocated operating expenses	-	-	-	-	(28,673,029) (28,673,029)
Modaraba company's management fee	-	-	-	-	(16,977,406) (16,977,406)
Unrealized gain	-	1,840,510	-	-	- 1,840,510
Extra ordinary item	-	155,661,599	-	-	- 155,661,599
Share of profit from associates	-	12,602,960	-	-	- 12,602,960
Profit for the year	3,933,689	231,875,389	26,492,787	(77,393,527)	(35,167,617) 149,740,721
Other information					
Capital expenditure	-	-	89,801,200	15,072,318	1,017,848 105,891,366
Depreciation	-	-	103,666,594	18,222,093	1,885,607 123,774,294
Assets and liabilities					
Segment assets	500,000	268,867,394	209,671,912	205,624,882	- 684,664,189
Unallocated assets	-	-	-	-	182,794,135 182,794,135
Consolidated total assets	500,000	268,867,394	209,671,912	205,624,882	182,794,135 867,458,323
Segment liabilities	-	-	78,782,425	-	- 78,782,425
Unallocated liabilities	-	-	-	-	157,945,921 157,945,921
Consolidated total liabilities	-	-	78,782,425	-	157,945,921 236,728,346

Notes to the Financial Statements

for the year ended June 30, 2015

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

	2014					
	Musharaka	Investments	Ijarah operations	Manufacturing Pharma	Others	Consolidated
	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	103,863,653	31,917,038	(49,949,406)	(20,841,555)	68,441,282
Other information						
Capital expenditure	-	-	89,801,200	12,972,514	1,444,398	104,218,112
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	-	-	-	-	158,676,050	158,676,050
Consolidated total assets	8,746,672	185,283,856	274,578,936	201,320,508	158,676,050	828,606,022
Segment liabilities	-	-	111,046,856	-	-	111,046,856
Unallocated liabilities	-	-	-	-	139,810,493	139,810,493
Consolidated total liabilities	-	-	111,046,856	-	139,810,493	250,857,349

Notes to the Financial Statements

for the year ended June 30, 2015

	2015	2014
41. NUMBER OF EMPLOYEES		
As at year end	<u>89</u>	<u>68</u>

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 30, 2015.

43. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2015 of Rs. 2.50 per certificate (2014: Re. 1/- per certificate), amounting to Rs. 65,966,473 (2014: Rs. 26,386,589) at their meeting held on September 30, 2015. The financial statements for the year ended June 30, 2015 do not include the effect of 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:

45. GENERAL

45.1 The figures have been rounded off to the nearest rupees.

45.2 The corresponding figures, wherever necessary, have been re-arranged for purpose of better comparison. The major reclassification is as follows

<u>Reclassified from</u>	<u>Reclassified to</u>	<u>in "Rupees"</u>
Advances	Prepayments, deposits and other receivables	
Advance against purchase of property	Other receivable	15,000,000

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

-Sd-
Chief Executive
Ather Naqi

-Sd-
Director
Shuja Malik

-Sd-
Director
Syed Nasir Raza

Pattern of Certificate Holding

Held by the Certificate Holders as at June 30, 2015

Number of Certificate	Certificate Holdings			Total Certificate Held
	From		To	
832	1	to	100	36,767
836	101	to	500	230,270
575	501	to	1000	468,122
720	1001	to	5000	1,629,919
132	5001	to	10000	1,035,965
49	10001	to	15000	639,890
52	15001	to	20000	933,649
25	20001	to	25000	577,687
14	25001	to	30000	403,261
8	30001	to	35000	267,258
5	35001	to	40000	194,090
5	40001	to	45000	209,540
7	45001	to	50000	350,000
5	50001	to	55000	260,500
4	55001	to	60000	229,536
5	60001	to	65000	321,600
3	65001	to	70000	210,000
2	70001	to	75000	146,520
1	75001	to	80000	78,000
3	80001	to	85000	247,757
2	85001	to	90000	178,000
4	95001	to	100000	396,455
2	100001	to	105000	203,485
1	115001	to	120000	119,500
2	120001	to	125000	248,000
1	125001	to	130000	126,000
2	140001	to	145000	288,991
1	145001	to	150000	150,000
1	155001	to	160000	156,758
2	165001	to	170000	333,400
1	195001	to	200000	200,000
1	200001	to	205000	202,000
1	220001	to	225000	222,707
1	235001	to	240000	237,500
1	245001	to	250000	247,000
1	330001	to	335000	331,386
1	545001	to	550000	550,000
1	735001	to	740000	736,964
2	745001	to	750000	1,500,000
1	805001	to	810000	808,125
2	1495001	to	1500000	3,000,000
1	3475001	to	3480000	3,477,971
1	4200001	to	4205000	4,202,016
<u>3316</u>				<u>26,386,589</u>

Categories of Certificate Holders

As at June 30, 2015

Categories of Certificateholders	Certificateholder	Certificate Held	Percentage (%)
Directors and their spouse(s) and minor children			
Ather Naqi	2	3,617	0.01
Majid Hasan	1	2,983	0.01
Syed Mohammad Nasir Raza Rizvi	1	16,508	0.06
Shuja Malik	1	1,500,000	5.68
Associated Companies, undertakings and related parties			
UDL Modaraba Management (Private) Limited	2	4,938,980	18.72
International Brands (Pvt.) Ltd.	2	4,378	0.02
Executives	-	-	-
Public Sector Companies and Corporations	6	439,503	1.67
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	15	374,089	1.42
Mutual Funds			
Golden Arrow Selected Stocks Fund Ltd.	1	3,000	0.01
CDC - Trustee National Investment (Unit) Trust	1	808,125	3.06
General Public			
a. Local	3243	17,304,861	65.58
b. Foreign	1	1,580	0.01
Foreign Companies	1	2,152	0.01
Others	39	986,813	3.74
Totals	<u>3316</u>	<u>26,386,589</u>	<u>100.00</u>

Certificate holders holding 5% or more

UDL Modaraba Management (Private) Limited
Khalid Malik
Shuja Malik
Shahida Malik

Shares Held	Percentage
4,202,016	15.92
3,477,971	13.18
1,500,000	5.68
1,500,000	5.68

Notice of Annual Review Meeting

Notice is hereby given that the Annual Review Meeting of the certificate holders of the **FIRST UDL MODARABA, Manage by UDL Modaraba Management (Private) Limited** held on Monday, October 26, 2015 at 10:30 a.m. at 6th Floor, Office No # 602, Progressive Centre, 30-A, Block-6, PECHS, Karachi to consider the following;

AGENDA

1. To receive, consider and adopt the audited accounts together with Auditors' Report and Director's Report of First UDL Modaraba for the year ended June 30, 2015.
2. To appoint and fix the statutory auditors remuneration. The present auditors M/s Avais Hyder Liaquat Nauman & Co. Chartered Accountants, retire and being not eligible for re-appointment due to the completion of consecutive five years. Therefore, M/s Munif Ziauddin & Co, Chartered Accountants offered themselves for the appointment. The Board of Directors endorses recommendation of the Audit Committee for their appointment as auditors of the Modaraba for the financial year ending June 30, 2016.
3. To transact any other business with the permission of the chair.

By order of the board

-Sd-

Syed Aamir Hussain
Company Secretary

Karachi: October 5th, 2015

NOTES:

1. A certificate holder entitled to attend and speak at the Annual Review Meeting and may appoint another member as his/her proxy to attend and speak on his/her behalf.
2. Proxies must be received by the Company not less than 48 hours before the Annual Review Meeting.
3. Members are requested to notify the Company promptly of any change in their addresses.



First UDL Modaraba

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Web: www.udl.com.pk

