



FIRST

PAK

MODARABA

**20TH ANNUAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2011**

Managed by:

Royal Management Services (Pvt.) Limited

BOOK - POST
Printed Matter

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Abdul Hameed Khan (Chairman) Mr. Muhammad Akhtar I. Pathan (Director) Mr. Mohammad Musharraf Khan (Director)
AUDIT COMMITTEE	Mr. Muhammad Akhtar I. Pathan (Chairman) Mr. Abdul Hameed Khan (Member) Mr. Mohammad Musharraf Khan (Member)
COMPANY SECRETARY	Mr. Mohammad Musharraf Khan
BANKERS	Summit Bank Ltd. Askari Bank Limited Faysal Bank Limited MCB Bank Limited Bank Al-Fallah Limited Albaraka Bank (Pakistan) Ltd. Bank of Khyber
AUDITORS	M. Yousuf Adil Saleem & Co. Chartered Accountants
LEGAL ADVISOR	Syed Mazharul Haque Advocate Ghulam Ali & Co.
MANAGEMENT COMPANY	M/s Royal Management Services (Pvt.) Limited
REGISTERED OFFICE	Office No. 54, Ground Floor, Beverley Centre, 56-G, Blue Area, Islamabad
SHARE REGISTRAR	Shares & Corporate Services (Pvt.) Limited, Mehersons Estate, 1st Floor, Block-E, Talpur Road, Karachi- 74000 Tel: 32429632-4 , Fax 32420015

**CHAIRMAN'S REVIEW**

The Board of Directors of Royal Management Services (Pvt) Limited, Managers First Pak Modaraba are pleased to present herewith the Yearly Review of First Pak Modaraba together with Audited Accounts and Auditors' Report thereon for the year ended 30th June 2011.

KEY OPERATING / FINANCIAL HIGHLIGHTS	(Rs. in million)	
	2011	2010
Total Income from Operations	8.853	9.328
Operating Expenses	4.832	4.646
Profit from Operation	4.021	4.682
Unrealized Gain / (Loss) on Re-measurement of Investment	0.189	(3.076)
Reversal of provision against doubtful Receivables	11.116	5.556
Net Profit / (Loss)	13.454	6.896
Earning per Certificate	1.07	0.55
Dividend declared	0.40	0.30

REVIEW OF OPERATIONS:

The Board of Directors is pleased to announce a cash dividend @ 4 percent Re.0.40 per certificate) for the year ended 30-06-2011, to the certificate holders of the First Pak Modaraba.

During the year ended on 30th June 2011, the Overall operating performance of the First Pak Modaraba reflects that Operating Income decreased to Rs.8.853 Million as against Rs.9.328 Million during the last year. Modaraba has earned Rs.2.211 Million capital gain on sale of investment. Operating expenses has slightly increased to Rs.4.832 Million from Rs.4.646 Million as compared to last year FY 2009-10. Further, it recorded unrealized loss on re-measurement of Investment of Rs.0.189 Million as against a loss of Rs.3.076 Million in FY 2009-10. The Net Profit of the Modaraba stands to Rs.13.454 Million as against a profit of Rs.6.897 Million last year. The Earning per Certificate stands to Rs.1.07 during the year as against Re.0.55 during last year.

The period under review saw the continuation in the economic pressures and adverse security environment being one of the most difficult periods for the country due to prevailing situation. Our economic wizards failed to keep the inflationary pressures under control which has resulted in the considerable rise in the cost of production and eventually recession in the economic growth. During the year under review, the much required foreign direct investment kept at the low side in view of the uncertainty and ongoing army operations in the tribal belt. In the absence of any positive economic development and lack of incentives for business growth the capital markets too remained under pressure through out the year.

Financial Year 2011 started with an upheaval for the economy of Pakistan as the nation suffered the worst natural disaster (floods) in the entire history which resulted in relentless short and long-term consequences for our economy. The devastating July 2010 floods swept across the length and breadth of the country.

The total investment has declined, gross fixed investments has decreased during last year. On the other hand, national savings notched up above total investments for the first time in the last five years.



Apart from above, in the month of October 2010, the Registrar Modaraba on the basis of Show Cause Notice, the legality of which was challenged by your Modaraba, issued an order for change of the Management Company of the Modaraba. Since Board of Directors of Modaraba strongly felt that this order was legally invalid and that the sweeping powers under Section 20 of the Modaraba Ordinance vested in the Registrar Modaraba were against the Constitution of Pakistan which guarantees a "fair trial" and "due process", we challenged the order in the Sindh High Court who was kind to issue a Stay Order for the implementation of Registrar Modaraba Order handing over the Management to another Management Company. These Constitution Petitions are pending with the Sindh High Court. Meanwhile your Modaraba has filed another Constitution Petition in Islamabad High Court challenging Section 20 of the Modaraba Ordinance which, in our opinion, is against the Constitution of Pakistan and therefore void to that extent. This action of Registrar Modaraba / Securities & Exchange Commission of Pakistan has caused reduction in income as well as panic in staff.

In view of the order for change of Management of Modaraba by Registrar Modaraba, activities of your Modaraba presently are almost at a stand-still. We understand that this is damaging the interest of certificate holders but we have very little in our hands to counter the situation. Let us pray together that the situation of the country changes as soon as possible.

Despite all that, your Modaraba has performed well and managed to post a net profit of Rs. 13.454 million as against a profit of Rs. 6.892 million during the last year. Keeping in view the adverse economic indicators, your management adopted strict credit policies and conservative approach for fresh disbursement. Similarly, trading in the stock market was done on a very calculated manner, thus earning a net income of Rs. 2.211 million in 2011 as against an income of Rs.4.588 million in the year 2010. Your Modaraba has also earned Rs. 4.737 million on deposit accounts maintained with different banks and Islamic Financial Institutions. Your management has recovered Rs. 10.62 million during the year from the non-performing portfolio.

The Accumulated Losses have continuously been decreasing for the last 11 years except of 2009, having been reduced from Rs.65.5 million in 2002 to Rs.44.19 million in 2008. The reserves of the Modaraba during the same period have increased from Rs.8.94 million to Rs.18.50 million, which illustrates the profitability of the Modaraba. It was only in 2009 that the losses of the Modaraba increased because of the worldwide financial crises, almost all financial institutions, including those in Pakistan suffered huge losses. However in 2010 and 2011 the accumulated losses of the Modaraba once again decreased by over Rs.11.0 million compared to figures in 2009 and Reserves also increased to Rs.23.948 million.

Observations of External Auditors:

1. The amount under the head "Advances, prepayments and other receivables" include balance amounting to Rs.10.476 million against sale proceeds of various equity investments and Rs.1.00 million against cash margin deposit due from Prudential Securities Limited (PSL). The Modaraba besides lodgment of claim against their aggregate receivables amounting to Rs.11.476 Million from PSL with Karachi Stock Exchange (Guarantee) Limited on April 29, 2010 on call of claim due to suspension of operation of PSL at Karachi Stock Exchange (Guarantee) Limited. To cover this outstanding we have also signed an agreement with PSL to purchase offered land at Narowal, the original title documents are in custody of the Modaraba.

2. The amount under the head "investment" includes an amount of 1.838 million in Prudential Securities Limited (PSL) an unlisted public company. We have asked PSL to provide us the latest Audited Financial Statements to determine fair value of our investment. The operation of PSL has been ceased at Stock Exchange and we are trying to call back our invested amount as PSL has sufficient assets to set off our invested amount.

CORPORATE GOVERNANCE

The Board has adopted code of corporate governance for listed companies issued by the Securities and Exchange Commission of Pakistan and implemented in wherever applicable during the year.



STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- I. 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 equity.
- II. Proper books of account of the Modaraba have been maintained.
- III. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- IV. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- V. The system of internal control is sound in design and has been effectively implemented and monitored.
- VI. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- VII. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- VIII. Key operating and financial data of last six years in a summarized form is annexed.
- IX. During the year 9 meetings of Board of Directors were held. Attendance by each director was as follows:

Name of Director	Number of meeting Attended
Mr. Abdul Hameed Khan	9
Mr. Muhammad Akhtar I. Pathan	7
Mr. Muhammad Musharraf Khan	9

X. The Statement of pattern of certificate holding of the Modaraba as at 30th June 2011 as per code of corporate governance is annexed.

FUTURE OUTLOOK

The financial year 2011-12 is not expected to bring any respite from the already adverse economic situation in the country. The last year effect of floods will be more visible in the future. The management is keeping a vigilant eye on the economic front but at the same time exploring opportunities to do sound and secure business based on principles of good credit. The management is cautiously monitoring its investment portfolio to maximize the returns while adopting the timely decision making techniques to minimize the risks associated with the capital markets.

Recoveries of the outstanding amounts will remain a high priority for the management during the current financial year. With the self sufficient in funds and better liquidity, we are looking forward to explore more profitable avenues for employment of funds.

During the year under report, we have taken a number of strategic measures primarily directed to consolidate and strengthen the operating and financial position of the Modaraba. Owing to significant positive developments such as higher amount of recoveries, the overall liquidity position of the Modaraba has significantly improved. With the self sufficiency in funds and better liquidity, we are looking forward to explore more profitable avenues for deployment of funds.



The Management is cautiously monitoring its investment portfolio to maximize the returns and minimize the risks associated with stock market.

By the grace of Almighty Allah the operating results of the Modaraba during the year under report, have showed a satisfactory growth. We are fully geared to maintain this upward trend and Inshah Allah foresee to achieve better result and to regularly pay progressive rate of return to the certificate holders of the Modaraba.

Acknowledgement:

The Board of Directors express is thankful to its Certificate Holder for reposing their confidence in the Management of the Modaraba and also appreciates the hard work and dedication of the staff of the Modaraba.

For & on behalf of the Board of Directors of
Royal Management Services (Pvt) Limited,
Managers First Pak Modaraba

Karachi.
21-09-2011

Chairman



VISION STATEMENT

“To participate prominently in the economic and social development of the Country and increase prosperity of stakeholders through a well established and competitive Islamic financial system managed by motivated and efficient human resources”

MISSION STATEMENT

“We are in business to generate year to year increase in profit to reward our stake holders and the wider business environment. This will be achieved by making First Pak Modaraba a profitable and growing entity through exploiting the opportunities and avoiding threats in the environment”



STATEMENT OF COMPLIANCE WITH BEST PRACTISES OF THE CODE OF CORPORATE GOVERNANCE As per clause (xlv)

Name of Company **FIRST PAK MODARABA**
Year Ended **June 30, 2011**

This statement is being presented to comply with the Code of Corporate Governance(the code) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

The Royal Management Services (Private) Limited (the Modaraba Management Company), Manager of First Pak Modaraba, (the Modaraba) has applied the principles contained in the Code in the following manner:

1. The Modaraba Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board consists of three directors. All of the directors are non executive directors.
2. The directors of the Management Company have confirmed that none of them are serving as directors in ten or more listed companies including the Modaraba Management Company.
3. All the Directors of the Modaraba Management Company are registered as tax payer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy has occurred in the Board of the Modaraba Management Company. A casual vacancy of Chief Executive Officer occurred in the year 2008 have not been filled yet.
5. The Modaraba Management Company has prepared a “Statement of Ethics and Business Practice” for Modaraba which has been approved by the Board of Directors and is signed by all the Directors of the Modaraba Management Company and employees of the Modaraba.
6. The Board has adopted a mission and vision statements, overall corporate strategy and significant policies of the Modaraba.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, terms and conditions of employment and roles and responsibilities of the Chief Executive Officer (CEO), have been taken by the Board. However the office of CEO is vacant since October 2008 and application filed of the CEO of the Company has been refused by the Securities and Exchange Commission of Pakistan (SECP). Further fresh application made on June 28, 2011 for the appointment made is pending with the SECP.
8. The related party transactions are made on terms equivalent to those that prevail in the arm’s length transactions and have been discussed in the Audit Committee and approved by the Board.



9. The Meetings of the Board of Directors were presided over by the Chairman elected by the Board of Directors for this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. No orientation courses were arranged for the directors during the year. However, the Board encourages the participation of its Directors and Executives in the orientation courses to apprise them of their duties and responsibilities. The directors of the Board of the Company are individuals with vast diversified experience of the financial and corporate affairs. They are also directors in other companies and are well conversant with their duties and responsibilities. Copies of Memorandum of Association, Article of Association and Prudential Regulations for Modaraba have been provided to them.

11. There was no new appointment of Chief Financial Officer and Company Secretary during the year. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer and Company Secretary have been approved by the Board of Directors.

12. The directors' report of the Modaraba for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. As the Modaraba Management Company has no Chief Executive Officer (CEO), the financial statements of the Modaraba were duly endorsed by a Director and by the Chief Financial Officer before approval of the Board.

14. The directors, Chief Financial Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.

15. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive Directors including the Chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has established an internal audit function which currently comprise of one person only, who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba and report to audit committee on quarterly basis.



19. The statutory auditors of the Modaraba have confirmed that i) they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, ii) they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and iii) 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.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

Karachi
Date: 21-09-2011

For and on behalf of the Board

CHAIRMAN

DIRECTOR



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Royal Management Services (Private) Limited (the Modaraba Management Company)** representing **First Pak Modaraba [The Modaraba]**, for the year ended June 30, 2011, to comply with the relevant Listing Regulations of the respective Stock Exchange where the Modaraba is listed.

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

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

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

We report that

1. Clause (vi) of the Code of Corporate Governance requires that any casual vacancy is to be filled within 30 days. The position of Chief Executive Officer is vacant since October 2008. After the rejection of proposed appointment by the Securities and Exchange Commission of Pakistan (SECP) on October 29, 2010, the Modaraba has applied again on June 28, 2011 for the approval of appointment of a chief executive officer to SECP, which is pending. Further, Clause (xxiv) of the Code of Corporate Governance requires the financial statements of the Modaraba to be presented for Board's approval under signature of Chief Executive Officer and Chief Financial Officer. Further Clause (ix) of the Code requires Board of Directors to clearly define the respective roles and responsibilities of the Chairman and Chief Executive Officer. Due to non appointment of Chief Executive Officer these requirements have not been met.



2. Sub-clause (b) of Clause (viii) of the Code of Corporate Governance requires the Modaraba Management Company to maintain a complete record of particulars of the significant policies, as may be determined, along with the dates on which they were approved or amended by the Board of Directors. The Modaraba Management Company has not kept such record of significant policies. However the draft investment and credit policies have been prepared and are in process of Board approval.

3. Clause (xxxv) of the Code of Corporate Governance requires the Modaraba Management Company to establish an internal audit function. The internal audit function of the Modaraba is carried out by only one person and needs to be strengthened to make it more effective.

4. Clause (xviii) of the Code of Corporate Governance requires that the Chief Financial Officer & Company Secretary of the Modaraba shall attend meetings of Board of Directors. However Chief Financial Officer of the Modaraba attended only four meetings out of nine.

Except for the matters stated above, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2011.

Chartered Accountants

Karachi
Dated: 21-09-2011



AUDITORS' REPORT TO THE CERTIFICATE HOLDRES

We have audited the annexed balance sheet of **First Pak Modaraba** (the Modaraba) as at June 30, 2011 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 Management Company's [Royal Management Services (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 Management 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) "Advances, prepayments and other receivables" include a long outstanding balance of Rs.10.476 million receivable from Prudential Securities Limited (PSL). This balance has been outstanding on account of stock market transactions. The Modaraba made efforts to obtain collateral from PSL against this balance which could not be materialized. In our opinion, the said balance is doubtful of recovery for which no provision has been made in these financial statements. Further, a deposit of Rs.1 million also included in "Advances, prepayments and other receivables" on account of security paid to PSL against trading in shares. Operations of PSL have been suspended by Karachi and Lahore Stock Exchanges and the recoverability of this amount is also doubtful for which no provision has been made. However, the Modaraba has filed claim with Karachi Stock Exchange for the recovery of these amounts.



b) Investments include investment in Prudential Securities Limited (PSL) - an unlisted public company; classified as available for sale of Rs. 4.875 million (487,500 shares of Rs.10/- each) carried at Rs. 1.838 million against which an unrealized loss on revaluation of Rs. 3.037 million is reflected in reserves. We are not provided with the latest audited financial statements of PSL to determine the fair value of this investment. Further, the operations of the investee company have been ceased which indicates a significant and prolonged decline in the fair value of this investment below its carrying value resulting in an objective evidence of impairment; therefore, in our opinion this investment should be fully impaired. However, no impairment has been made in respect of carrying amount of Rs.1.838 million, and unrealized loss on revaluation of Rs. 3.037 million has not been reclassified from equity to profit and loss account, which is in contravention to the requirements of the International accounting standards.

In respect of matters stated in paragraphs (a) and (b), had the provision been made "advances, prepayments and other receivables" would have been reduced by Rs 11.476 million, investments by Rs 1.838 million, unrealized loss on 'Available for sale investment' by Rs. 3.037 million and profit for the year would have convert into loss amounting to Rs 1.004 million.

c) in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of First Pak 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;

d) in our opinion:

a. the balance sheet and the related 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 account and are further in agreement with accounting policies consistently;

b. the expenditure incurred during the year was for the purpose of the Modaraba's business; and

c. except for the investment in the non shariah equity securities and deposits in commercial banks which are in contravention of the objects of the Modaraba, business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



e) in our opinion, except for the effects of the matters stated in paragraphs (a) and (b) 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, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

f) 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.

g) We draw attention to the matter that the position of chief executive officer is vacant since October, 2008. After rejection of the proposed appointment by the SECP on October 29, 2010, the Modaraba has applied again on June 28, 2011 for approval of appointment of a chief executive officer to Registrar Modaraba, which is pending. Our opinion is not qualified in respect of this matter.

The financial statements for the year ended June 30, 2010 were audited by another firm of Chartered Accountants whose report dated October 08, 2010 contained a qualified opinion based on the matters already covered in our report. Moreover, the retiring auditors also included emphasis of matter paragraph on the going concern assumption of the Modaraba under section 23(1) (ii) (b) of Modaraba ordinance, 1980. However, as the Modaraba has no long term exposure, have earned profit during the year, have declared dividend, its current ratio is favorable and have sufficient liquid assets to carry on business, and as the procedure notified in section 23(1) (ii) (b) has not been initiated, we have not considered it appropriate to include a similar paragraph in our report to certificate holders.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Dated: 21-09-2011



BALANCE SHEET AS AT JUNE 30, 2011

ASSETS	Note	2011 Rupees	2010 Rupees
Current Assets			
Cash and bank balances	5	49,292,322	37,758,680
Investments	6	13,369,403	13,844,794
Musharika and morabaha finance	7	-	-
Ijarah rentals receivable	8	-	13,020
Advances, prepayments and other receivables	9	12,439,224	13,789,529
Accrued profit	10	597,720	485,928
Tax refundable - considered good		4,272,055	4,076,489
Total Current Assets		79,970,724	69,968,440
Non - Current Assets			
Property, plant and equipment -Ijarah	11	1,691,018	1,474,691
Property and equipment - owned	12	135,154	197,094
Advance to staff	13	85,000	-
Long term deposits		45,000	45,000
Total Non - Current Assets		1,956,172	1,716,785
TOTAL ASSETS		81,926,896	71,685,225
LIABILITIES			
Current Liabilities			
Current portion of ijarah deposits		366,990	331,850
Accrued and other liabilities	14	2,072,928	2,017,106
Unclaimed profit distribution		3,038,396	2,589,590
Total Current Liabilities		5,478,314	4,938,546
Non - Current liabilities			
Long term ijarah deposits	15	465,400	433,990
TOTAL LIABILITIES		5,943,714	5,372,536
NET ASSETS		75,983,182	66,312,689
REPRESENTED BY			
Certificate Capital			
12,540,000 Modaraba Certificates of Rupees 10/- each	16	125,400,000	125,400,000
Statutory reserve		23,948,076	21,261,577
Accumulated loss		(70,327,769)	(77,311,763)
Unrealized loss on available for sale investment		(3,037,125)	(3,037,125)
		75,983,182	66,312,689
Contingencies and commitments	17		

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

These financial statements have been signed by three directors instead of chief executive officer and two directors as approval of appointment of chief executive officer is pending with the Securities and Exchange Commission of Pakistan.

DIRECTOR

DIRECTOR

DIRECTOR



PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
INCOME			
Return on term deposit receipts and PLS accounts		4,737,227	2,441,948
Gain on sale of investments		2,210,735	4,587,975
Ijarah rentals		766,840	1,004,040
Dividend income		1,080,969	1,136,599
Other income	18	35,396	157,685
		<u>8,831,167</u>	<u>9,328,247</u>
Unrealized loss remeasurement of held for trading investments		(189,012)	(3,076,073)
Reversal against doubtful receivables-net	19	11,116,377	5,556,448
		<u>19,758,532</u>	<u>11,808,622</u>
EXPENDITURE			
Amortization on ijarah assets		(520,823)	(702,011)
Administrative expenses	20	(3,986,535)	(3,801,202)
Workers welfare fund		(269,580)	(143,243)
		<u>(4,776,938)</u>	<u>(4,646,456)</u>
Profit for the year		14,981,594	7,162,166
Modaraba company's management fee		(1,498,159)	(766,295)
Profit before taxation		13,483,435	6,395,871
Provision for taxation	21	(50,942)	500,784
Profit after taxation		<u>13,432,493</u>	<u>6,896,655</u>
Other Comprehensive income			
Surplus on revaluation of available for sale investment		-	-
Total comprehensive income for the year		<u>13,432,493</u>	<u>6,896,655</u>
Earnings per certificate	22	<u>1.07</u>	<u>0.55</u>

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

These financial statements have been signed by three directors instead of chief executive officer and two directors as approval of appointment of chief executive officer is pending with the Securities and Exchange Commission of Pakistan.

DIRECTOR

DIRECTOR

DIRECTOR



CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	13,432,493	6,395,871
Adjustments for non-cash changes and other items:		
Gain on sale of investments	(2,210,735)	(4,587,975)
Dividend income	(1,080,969)	(1,136,599)
Gain on disposal-ijarah assets	-	(124,090)
Unrealized loss on remeasurement of held for trading investments	189,012	3,076,073
Reversal against doubtful receivables-net	(11,116,377)	(5,556,448)
Amortization on ijarah assets	520,823	702,011
Depreciation-owned	61,940	34,210
	<u>(13,636,306)</u>	<u>(7,592,818)</u>
	(203,813)	(1,196,947)
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Musharika and morabaha finance	10,640,000	22,192,902
Ijarah rentals receivable	13,020	(13,020)
Advances, prepayments and other receivables	1,842,031	(2,047,125)
Accrued profit	(111,792)	(481,974)
	<u>12,383,259</u>	<u>19,650,783</u>
(Decrease) / increase in operating liabilities		
Long term ijarah deposits	66,550	(549,300)
Accrued and other liabilities	55,822	1,139,596
	<u>122,372</u>	<u>590,296</u>
Cash generated from operations	12,301,818	19,044,132
Income tax paid	(304,665)	(195,566)
Net cash generated from operating activities	<u>11,997,153</u>	<u>18,848,566</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,089,719	1,256,599
Investments encashed -net	2,497,114	15,023,126
Long term deposit paid	-	(7,500)
Purchase of own assets	-	(107,500)
Purchase of ijarah assets	(958,000)	-
Proceeds from disposal-ijarah assets	220,850	1,214,905
Net cash generated from investing activities	<u>2,849,683</u>	<u>17,379,630</u>



	2011 Rupees	2010 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	<u>(3,313,194)</u>	(2,006)
Net cash used in financing activities	<u>(3,313,194)</u>	(2,006)
Net increase in cash and cash equivalents	11,533,642	36,226,190
Cash and cash equivalents at beginning of the year	37,758,680	1,532,490
Cash and cash equivalents at end of the year	<u>49,292,322</u>	<u>37,758,680</u>

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

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DIRECTOR

DIRECTOR

DIRECTOR



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	Reserves			Total	
	Capital Statutory Reserve*	Unrealized loss on available for sale investments	Revenue Accumulated Loss		Sub Total
Balance at July 1, 2009	125,400,000	18,502,915	(3,037,125)	(81,449,756) (84,486,881)	59,416,034
Profit for the year ended June 30, 2010	-	-	-	6,896,655	6,896,655
Other comprehensive income for the year ended June 30, 2010	-	-	-	-	-
Transfer to statutory reserve	-	2,758,662	-	(2,758,662)	-
Balance at June 30, 2010	125,400,000	21,261,577	(3,037,125)	(77,311,763) (80,348,888)	66,312,689
Profit for the year ended June 30, 2011	-	-	-	13,432,493	13,432,493
Other comprehensive income for the year ended June 30, 2011	-	-	-	-	-
Transfer to statutory reserve	-	2,686,499	-	(2,686,499)	-
Distribution @ 3 % declared for the year ended June 30, 2010	-	-	-	(3,762,000)	(3,762,000)
Balance at June 30, 2011	<u>125,400,000</u>	<u>23,948,076</u>	<u>(3,037,125)</u>	<u>(70,327,769)</u>	<u>(73,364,894)</u>
				(75,983,182)	

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

During the current year, the Modaraba has transferred an amount of Rs 2,686,499/- which represents 20% of the profit after tax.

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

These financial statements have been signed by three directors instead of chief executive officer and two directors as approval of appointment of chief executive officer is pending with the Securities and Exchange Commission of Pakistan.

DIRECTOR

DIRECTOR

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 First Pak Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and is managed by Royal Management Services (Private) Limited, a company incorporated in Pakistan under the Companies Ordinance 1984. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in musharika, morabaha, investment in securities. Registered office of the Modaraba is situated at Beverly Centre, 56-G, Blue Area, Islamabad.

1.2 The financial statements is presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan (SECP) [the Modaraba Regulations] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under 'the Modaraba Regulations'. Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

2.2 Adoption of new International Financial Reporting Standards

In the current period, the Modaraba has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Moradaba's accounting period beginning on July 01, 2010.

**Effective for
accounting period beginning on or after**

Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
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The IASB clarified (as part of Improvements to IFRSs (2009)) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations. Had there been any such assets classified under IFRS 5, the adoption of this amendment would only have affected the disclosures and would have no impact on earnings per share.



Amendments to IAS 7 - Statement of Cash Flows January 01, 2010

The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the statement of cash flows. Consequently, any cash flows in respect of items that do not qualify for recognition as an asset (and, therefore, are recognised in profit or loss as incurred) would be reclassified from investing to operating activities in the statement of cash flows and prior year amounts restated for consistent presentation. There is no such classification in financial statements of Modaraba for the year ended June 30, 2011.

Following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 2 - Share based Payment January 01, 2010

Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations January 01, 2010

Amendments to IAS 7 - Statement of Cash Flows January 01, 2010

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments July 01, 2010

New accounting standards and IFRS interpretatons that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them

Amendments to IAS 24 - Related Party Disclosures January 01, 2011

The amendments modify the definition of a related party and simplify related party disclosures for government related entities. The directors anticipate that these amendments will be adopted in the modaraba's financial statements for the period beginning 1 January 2010. The modaraba is not government-related, therefore the disclosure exemptions will not affect its financial statements. However, some disclosures may be affected by the changes in the detailed definition of a related party. This may result in amendments to the relevant related party disclosures in the financial statements.

IAS 27 (Revised) – Separate Financial Statements January 01, 2013

IAS 28 – Investment in Associates and Joint Ventures January 01, 2013

Amendments to IAS 12 – Income Taxes January 01, 2012

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for certain investments which have been measured at fair value / equity method.



4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

(i) Ijarah and amortisation

Ijarah assets are stated at cost less accumulated amortisation and impairment loss (if any). Amortisation is charged to income applying the straight line method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, amortisation is charged proportionately to the period of lease.

(ii) In own use and depreciation

Operating assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

Profit or loss on disposal of assets is recognised as income or expense.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred.

4.2 Investments

All purchases and sales of investments are recognised using trade date accounting. Trade date is the date that the Modaraba commits to purchase or sell the investment.

i) Held for trading "at fair value through profit or loss"

These investments are initially recognised at fair value and subsequently measured at fair value. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investment held for trading is to be included in profit and loss account.

ii) Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised in profit and loss as other comprehensive income.

iii) Held to maturity

These are investments with fixed or determinable payments and fixed maturity, and which, the Modaraba has positive intent and ability to hold till maturity. Held to maturity investments are initially recognised at fair value plus transaction cost and are subsequently measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

iv) Derecognition

All investments are de-recognised 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.



4.3 Ijarah rentals receivable, ijarah, morabaha and musharika finances

Receivables considered doubtful are provided for in accordance with the requirement of the Prudential Regulations for Modarabas. Specific provision is also made for receivables considered doubtful.

4.4 Staff retirement benefits

Defined contribution plan

The modaraba operates a defined contribution provident fund for all employees. Equal monthly contributions are made both by the modaraba and the employees to the fund at the rate of 8.33% of basic salary.

4.5 Provisions

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

4.6 Impairment

Financial Assets

Impairment is recognised by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

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. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Available-for-sale financial investments

For available-for-sale financial investments, the modaraba assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account - is removed from equity and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.



An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The modaraba assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property 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 recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

4.7 Revenue recognition

4.7.1 Ijarah rentals

Income from ijarah is recognised as and when lease rentals become due on a systematic basis over the lease and ijarah period.

4.7.2 Hire purchase transactions

For hire purchase transactions, the unearned finance income is deferred and taken to income over the period of hire purchase, applying the annuity method to produce a constant rate of return on the net investment.

4.7.3 Morabaha and musharika transactions

Profit from musharika transactions is recognised on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from morabaha finance is accounted for on culmination of morabaha transaction. However, the profit on that portion of morabaha finance not due for payment is deferred by accounting for "Deferred Morabaha Income" with a corresponding credit to "Unearned Morabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.

4.7.4 Dividend income

Dividend is recognised as income when the right of receipt is established.

4.8 Taxation

Current

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

The income of non-trading modaraba is exempt from taxation under clause 100 of Part 1 of the Second schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income excluding realized and unrealized capital gains for the period is distributed amongst the certificate holders.



Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is generally recognised for all taxable temporary differences. Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.9 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Foreign currency transactions are converted into Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income currently.

4.10 Financial assets

Financial assets comprise of ijarah rentals receivable, investments, musharika and morabaha finances, deposits, other receivables, excluding taxation. Ijarah rentals receivable, musharaka, morabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

4.11 Financial liabilities

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities includes ijarah deposits and accrued and other liabilities.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba as a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off-set.

4.14 Profit distribution

Profit distribution to the Modaraba's Certificate Holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the board of Modaraba Company.

**4.15 Significant accounting estimates and judgment**

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

- i) classification of investments (Note 6)
- ii) provision for doubtful receivables (Note 19)
- iii) depreciation/amortisation on property, plant and equipment (Note 12 & 13)

5. CASH AND BANK BALANCES	Note	2011 Rupees	2010 Rupees
Cash in hand		146	4,230
Cash at banks			
Current accounts		10,647,346	19,446
Saving accounts	5.1	8,644,830	4,735,004
Term deposits	5.2	30,000,000	33,000,000
		<u>49,292,176</u>	<u>37,754,450</u>
		<u>49,292,322</u>	<u>37,758,680</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 4% to 11.50 % (June 2010 : 3% to 11.50%) per annum.

5.2 Effective mark-up rate in respect of term deposit accounts ranges from 12.90% to 14.25% (June 2010 : 12.75% to 14.25%) per annum.

6. INVESTMENTS

Unless stated otherwise, the holdings are in the fully paid ordinary shares/ certificates/ units of Rs 10 each.

Available for sale	6.1	1,837,875	1,837,875
Held for trading at fair value through profit or loss account	6.2	11,531,528	12,006,919
		<u>13,369,403</u>	<u>13,844,794</u>

6.1 Available for sale

2011 Number of Shares Unquoted securities	2010 Number of Shares Unquoted securities	Name of company	2011 Rupees	2010 Rupees
487,500	487,500	Prudential Securities Limited		
		Cost	4,875,000	4,875,000
		Less: Fair value adjustments	<u>(3,037,125)</u>	<u>(3,037,125)</u>
			<u>1,837,875</u>	<u>1,837,875</u>

6.1.1 The breakup value of shares of Prudential Securities Limited is Rs. 3.77 (2010: 3.77) per share based on last available audited financial statements for the year ended June 30, 2008.

**6.2 Held for trading at fair value through profit or loss account**

2011	2010	Name of Company	2011 Rupees	2010 Rupees
Number of Shares/units/certificates				
Quoted securities				
Open-end Mutual Funds				
100,809	100,809	National Investment Trust Limited (Face value of certificate Rs.100/- each)	3,240,001	2,825,677
22,471	10,171	JS Aggressive Asset Allocation Fund	506,047	433,895
Oil and gas				
-	4,000	Attock Refinery Limited	-	322,240
5,000	-	Byco Petroleum Pakistan Limited	45,350	-
-	9,500	National Refinery Limited	-	1,737,075
1,000	-	Pakistan Oilfields Limited	359,010	-
Chemicals				
6,400	6,000	Engro Corporation limited	1,044,800	1,041,481
61,900	1,160	Fauji Fertilizer Bin Qasim Limited	2,609,085	30,207
2,000	-	ICI Pakistan Limited	303,700	-
30,000	-	Lotte Pakistan PTA Limited	414,900	-
Construction and materials				
15,000	8,000	D.G. Khan Cement Company Limited	344,850	188,960
-	5,000	Fauji Cement Company Limited	-	22,750
2,000	2,500	Lucky Cement Limited	141,680	155,350
General Industrials				
-	5,130	EcoPack Limited	-	12,261
2,000	5,500	Packages Limited	220,000	651,750
Personal Goods				
44,000	14,000	Azgard Nine Limited	242,880	156,240
5,000	-	Nishat (Chunian) Limited	111,450	-
1,650	1,650	Nishat (Chunian) Limited 15% NVCCP	44,550	28,479
5,837	20,447	Nishat Mills Limited	293,835	881,674
Pharma And bio tech				
2,012	3,012	GlaxoSmithKline Pakistan Limited	177,638	244,394
Fixed Line Telecommunication				
-	5,000	Pakistan Telecommunication Company Limited	-	89,000
Electricity				
17,500	-	The Hub Power Company Limited	656,250	-
18,200	1,500	Kot Addu Power Company Limited	775,502	62,610

**FIRST PAK MODARABA**

2011	2010	Name of Company	2011 Rupees	2010 Rupees
Number of Shares/units/certificates Quoted securities				
Banks				
-	9,000	Bank AlFalaha Limited	-	85,140
-	5,000	Bank of Punjab	-	50,400
-	1,500	National Bank of Pakistan	-	96,150
-	905,318	Silkbank Limited	-	2,453,412
Non Life Insurance				
-	2,500	Pakistan Reinsurance Company Limited	-	42,800
Financial Services				
-	20,000	Jahangir Siddiqui & Company Limited	-	252,800
-	10,000	JS Investments Limited	-	74,600
Beverages				
-	5,000	Shakarganj Food Products Limited	-	5,600
Suspended / Delisted Company				
120,000	120,000	Prudential Investment Bank Limited	-	-
279,749	279,749	Pakistan Industrial & Commercial Leasing Limited	-	27,975
-	40,000	Invest Capital Investment Bank Limited	-	34,000
-	436,834	Awan Textile Mills Limited	-	-
			<u>11,531,528</u>	<u>12,006,919</u>

	Note	2011 Rupees	2010 Rupees
7. MUSHARIKA AND MORABAHA FINANCE			
Morabaha finance - Unsecured		15,319,705	15,339,705
Musharika finance - Unsecured		-	9,000,000
		15,319,705	24,339,705
Less: Provision for doubtful morabaha and musharika finance - net	7.1	(15,319,705)	(24,339,705)
		<u>-</u>	<u>-</u>

**FIRST PAK MODARABA**

	Note	2011 Rupees	2010 Rupees
7.1 Movement of provision			
Opening balance		24,339,705	30,372,530
Charge for the year		-	-
Reversal during the year	7.1.1	(9,020,000)	(6,032,825)
Closing balance		<u>15,319,705</u>	<u>24,339,705</u>

7.1.1 This includes an amount of Rs. 9 million recovered from a party in respect of fully provided Musharika finance in pursuance of settlement with the party. Under the final settlement arrangement, the Modaraba recovered principal of Rs. 9 million and markup for 1 year of Rs. 1.62 million.

8. IJARAH RENTALS RECEIVABLE

Considered good	-	13,020
Considered doubtful	230,542	230,542
	230,542	243,562
Less: Provision for doubtful receivables	(230,542)	(230,542)
	<u>-</u>	<u>13,020</u>

8.1 Future minimum ijarah rentals receivable

Within one year	751,404	518,520
After one year but not more than five years	384,008	489,780
	<u>1,135,412</u>	<u>1,008,300</u>

9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Considered good			
Advance tax		749,665	640,566
Current portion of advance to staff	12	60,000	55,000
Deposit		1,000,000	1,000,000
Prepayments		139,435	14,435
Receivables			
Against sale of shares		10,476,377	11,779,970
Others	9.1	13,747	775,935
		12,439,224	14,265,906
Less: Provision for doubtful receivables	9.2	-	(476,377)
		<u>12,439,224</u>	<u>13,789,529</u>

9.1 It includes Rs. Nil (2010: Rs. 705,066/-) receivable from the Management Company against various expenses paid on their behalf.



	Note	2011 Rupees	2010 Rupees
9.2 Movement of provision			
Opening balance		476,377	89,729
Charged during the year		-	476,377
Written off during the year		-	(89,729)
Reversal during the year		(476,377)	-
Closing balance		-	476,377
10. ACCRUED PROFIT			
Considered good			
Term deposit receipts		597,720	485,928
Considered doubtful			
Musharika and morabaha finance		4,028,913	13,598,917
		4,626,633	14,084,845
Less: Provision for doubtful receivables	10.1	(4,028,913)	(13,598,917)
		597,720	485,928
10.1 Movement of provision			
Opening Balance		13,598,917	13,598,917
Written off during the year		(7,950,004)	-
Reversal during the year	7.1.1	(1,620,000)	-
Closing Balance		4,028,913	13,598,917



11. PROPERTY, PLANT AND EQUIPMENT -JARAH	Cost		Accumulated		Amortisation		Rate%
	at July 1, 2010	Additions/ (Disposals) at June 30, 2011	at July 1, 2010	For the year / (on disposals) June 30, 2011	Accumulated at June 30, 2010	For the year / (on disposals) June 30, 2011	
			Rupees.....	Rupees.....	Rupees.....	Rupees.....	
Plant and machinery	1,700,000	(1,700,000)	1,530,000	- (1,530,000)	-	-	33.33
Vehicles	2,815,715	958,000 (339,000)	1,511,024	520,823 (288,150)	1,743,697	1,691,018	20-33.33
	4,515,715	958,000 (2,039,000)	3,041,024	520,823 (1,818,150)	1,743,697	1,691,018	
- For comparative period							
	at July 1, 2009	Additions/ (Disposals) at June 30, 2010	at July 1, 2009	For the year / (on disposals) June 30, 2010	Accumulated at June 30, 2010	For the year / (on disposals) June 30, 2010	Carrying value at June 30, 2010
			Rupees.....	Rupees.....	Rupees.....	Rupees.....	
Plant and machinery	1,700,000	-	1,530,000	-	1,530,000	170,000	33.33
Vehicles	5,766,715	(2,951,000)	2,669,198	702,011 (1,860,185)	1,511,024	1,304,691	20-33.33
	7,466,715	(2,951,000)	4,199,198	702,011 (1,860,185)	3,041,024	1,474,691	



FIRST PAK MODARABA

	Cost		Depreciation		Rate%
	at July 1, 2010	at June 30, 2011	Accumulated at July 1, 2010	For the year / (on disposals) at June 30, 2011	
Office equipment	360,794	360,794	260,628	35,830	33.33
Furniture and fixtures	96,295	96,295	57,657	9,630	10
Motor vehicles	82,400	82,400	24,110	16,480	20
	539,489	539,489	342,395	61,940	
- For comparative period					
	at July 1, 2009	at June 30, 2010	Accumulated at July 1, 2009	For the year / (on disposals) at June 30, 2010	Rate%
Office equipment	253,294	360,794	252,528	8,100	33.33
Furniture and fixtures	96,295	96,295	48,027	9,630	10
Motor vehicles	82,400	82,400	7,630	16,480	20
	431,989	539,489	308,185	34,210	



FIRST PAK MODARABA

	Note	2011 Rupees	2010 Rupees		
13. ADVANCE TO STAFF					
Considered good		145,000	55,000		
Current portion		(60,000)	(55,000)		
		<u>85,000</u>	<u>-</u>		
14. ACCRUED AND OTHER LIABILITIES					
Related parties					
Management fees payable		210,217	766,295		
Others					
Workers welfare fund		412,823	143,243		
Auditors' remuneration		340,000	232,500		
Charity fund payable		367,523	367,523		
Provision for taxation		50,942	-		
Other payables		691,423	507,545		
		<u>2,072,928</u>	<u>2,017,106</u>		
15. LONG TERM IJARAH DEPOSITS					
Ijarah deposits		832,390	765,840		
Current portion		(366,990)	(331,850)		
		<u>465,400</u>	<u>433,990</u>		
16. CERTIFICATE CAPITAL					
	2011	2010	2011 Rupees	2010 Rupees	
	Number of Certificates				
	Authorised				
	<u>15,000,000</u>	<u>15,000,000</u>	Modaraba certificates of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
	10,000,000	10,000,000	Issued, subscribed and paid-up Modaraba certificates of Rs.10/- each fully paid in cash	100,000,000	100,000,000
	2,540,000	2,540,000	Modaraba certificates of Rs.10/- each fully paid bonus certificates	25,400,000	25,400,000
	<u>12,540,000</u>	<u>12,540,000</u>		<u>125,400,000</u>	<u>125,400,000</u>

As at June 30, 2011, the Royal Management Services (Private) Limited (the Management Company) held 1,254,000 (2010: 1,254,000) certificates of Rs. 10 each.

17. CONTINGENCIES AND COMMITMENTS

No contingencies and commitments exist at the year end.



	Note	2011 Rupees	2010 Rupees
18. OTHER INCOME			
Gain on disposal of property and equipment- Ijarah		-	124,090
Others		35,396	33,595
		<u>35,396</u>	<u>157,685</u>
19. REVERSAL/ (PROVISION) AGAINST DOUBTFUL RECEIVABLES			
Musharika and morabaha finance		10,640,000	6,032,825
Reversal /(impairment) of other receivable		476,377	(476,377)
		<u>11,116,377</u>	<u>5,556,448</u>
20. ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	20.1	836,959	767,901
Fees and subscription		518,092	603,628
Telephone and postage		420,065	219,407
Legal and professional		215,000	668,000
Registrar services		360,000	270,000
Auditors' remuneration	20.2	392,500	315,058
Travelling and conveyance		214,964	72,812
Printing and stationery		164,582	123,268
Transaction cost on investment		161,818	225,986
Repairs and maintenance		130,387	156,462
Security services		103,000	96,000
Rent, rate and taxes		112,079	2,375
Electricity, water and gas		64,069	136,855
Entertainment		67,857	56,883
Advertisement		66,026	16,100
Depreciation-owned assets		61,940	34,210
Miscellaneous		97,197	36,257
		<u>3,986,535</u>	<u>3,801,202</u>

20.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2011			2010		
	Officers	Other	Total	Officers	Other	Total
Rupees.....		Rupees.....		
Remuneration	480,000	295,039	775,039	431,000	259,710	690,710
Provident fund	22,572	8,388	30,960	20,235	8,388	28,623
Medical expenses	22,572	8,388	30,960	20,235	18,333	38,568
Others	-	-	-	10,000	-	10,000
	<u>525,144</u>	<u>311,815</u>	<u>836,959</u>	<u>481,470</u>	<u>286,431</u>	<u>767,901</u>
No. of persons	2	3		2	3	



	2011 Rupees	2010 Rupees
20.2 AUDITORS' REMUNERATION		
Statutory audit fee	250,000	187,500
Half year review fee	75,000	50,000
Review of code of corporate governance	25,000	20,000
CDC certification	10,000	10,000
Out of pocket expenses	32,500	47,558
	<u>392,500</u>	<u>315,058</u>

21. PROVISION FOR TAXATION

The income of the Modaraba is exempt from tax, provided not less than 90% of its profits are distributed to the certificate holders. However, as reflected in the note 27 to these financial statements the management has proposed dividend @ 4% which is less than 90% of its profits for the year, therefore current year income is charged to tax at the rates applicable to respective sources of income.

Deferred tax asset of Rs. 6,113,885 has not been accounted for as the management intends to avail tax exemption in future by distributing 90% of its accounting profits.

22. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit for the year (Rupees)	13,432,493	6,896,655
Weighted average number of ordinary certificates	<u>12,540,000</u>	<u>12,540,000</u>
Earnings per certificate (Rupees per certificate)	<u>1.07</u>	<u>0.55</u>

23. RELATED PARTY TRANSACTIONS

The related parties comprise of associated undertakings, directors of the Modaraba Management Company. The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows: -

Relations with the Company	Nature of transaction	2011 Rupees	2010 Rupees
Modaraba Company	Management fee	1,498,159	766,295
Modaraba Company	Expenses paid on behalf of the Modaraba Company	582,876	705,066
Modaraba Company	Expenses reimbursed by the Modaraba Company	1,287,942	-
Modaraba Company	Dividend paid	376,200	-
Provident Fund	Contribution made	30,960	28,623
Director	Honorarium expense	120,000	-

**24. FINANCIAL RISK MANAGEMENT**

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit rate risk and price risk), credit risk and liquidity risk. The board of directors' of the management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the modaraba's financial performance.

The Modaraba's principal financial liabilities comprise ijarah deposits, creditor accrued and other liabilities and unclaimed profit distribution. The Modaraba's principal financial assets comprises of ijarah rentals receivable, musharika and morabaha finances, advance, prepayments, deposits and other receivables and cash and bank balances that arrive directly from its operations. The Modaraba also holds held for trading and available-for-sale investments.

24.1 Liquidity risk management

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

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

2011	Total	More than		
		Upto three months Rupees	three months and upto one year	More than one year
Accrued and other liabilities	2,072,928	2,072,928	-	-
Unclaimed profit distribution	3,038,396	3,038,396	-	-
Ijarah deposits	832,390	111,000	255,990	465,400
	5,943,714	5,222,324	255,990	465,400
2010				
Accrued and other liabilities	2,017,106	2,017,106	-	-
Unclaimed profit distribution	2,589,590	2,589,590	-	-
Ijarah deposits	765,840	111,000	220,850	433,990
	5,372,536	4,717,696	220,850	433,990

24.2 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 control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (morabaha and musharika finance , ijarah rental receivables), deposits with bank and financial institutions and other receivables.



The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Modaraba's maximum exposure to credit risk related to financial instruments at June 30, 2011 and June 30, 2010 is the carrying amounts of following financial assets

	2011	2010
Ijarah rentals receivable	-	13,020
Musharika and morabaha finance	-	-
Advances, prepayments and other receivables	12,439,224	13,789,529
Balances with banks and financial institutions	49,292,176	37,754,450
	<u>61,731,400</u>	<u>51,556,999</u>

The analysis below summarises the quality rating of the major Banks in which the Modaraba deals:

Bank balances	Rating Agency	Short Term	Long Term	2011	2010
Faysal Bank Limited	PACRA	A1+	AA	11,183,654	537,158
Bank of Khyber	PACRA	A2	A-	25,000,000	-
Invest Capital Investment Bank Limited	JCR-VIS	A-2	A-	5,000,000	13,000,000
Summit Bank (Formerly Atlas Bank Limited)	JCR-VIS	A-2	A	7,524,912	3,364,792

An analysis of the financial assets that are individually impaired as per the accounting policy is as under:

	As at June 30, 2011				
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	230,542	230,542
Musharika and morabaha finance	-	-	-	15,319,705	15,319,705
	As at June 30, 2010				
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	230,542	230,542
Musharika and morabaha finance	-	-	-	24,339,705	24,339,705

Total impairment against these assets as at June 30, 2011 is Rs.15,550,247/- (June 2010: Rs.24,570,247/)

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments.

Detail of the industrial sector analysis of Ijarah(Cost), morabaha and musharika (original Principal amount) portfolio are as under.



Sector	2011		2010	
	Rupees	%	Rupees	%
Fuel & Energy	717,681	3.83%	737,681	2.56%
Auto & Allied Engg.	958,000	5.11%	9,000,000	31.19%
Dairy, Poultry and Fish farming	6,102,024	32.54%	6,102,024	21.15%
Health Care	2,500,000	13.33%	4,200,000	14.56%
Printing and Packaging	600,000	3.20%	600,000	2.08%
Trading	6,000,000	31.99%	6,000,000	20.79%
Plastic	616,715	3.29%	616,715	2.14%
Miscellaneous	1,260,000	6.72%	1,599,000	5.54%
	18,754,420	100.00%	28,855,420	100.00%

24.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Modaraba is exposed to profit rate and currency risks.

24.3.1 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the profit rate exposure arises from short term deposits with banks, ijarah finance and musharika and morabaha finance. At the balance sheet date the profit rate risk profile of the modaraba's profit bearing financial instruments is:



June 30, 2011

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over one year to five years	Not exposed to yield / profit risk	Over five years	Not exposed to yield / profit risk
Cash and bank balances	4-14.25	49,292,322	24,281,346	25,000,000	-	10,976	-	10,976
Investments	-	13,369,402	-	-	-	13,369,402	-	13,369,402
Musharika and morabaha finance	-	-	-	-	-	-	-	-
Ijarah rentals receivable	-	-	-	-	-	-	-	-
Advances, prepayments and other receivables	-	13,527,165	-	-	-	13,527,165	-	13,527,165
Accrued profit	-	597,720	185,391	412,329	-	-	-	-
Advance to staff	-	85,000	-	-	85,000	-	-	-
Long term deposits	-	45,000	-	-	45,000	-	-	-
Total Financial assets as at June 30, 2011		76,916,609	24,466,737	25,412,329	130,000	26,907,543	-	26,907,543
Accrued and other liabilities	-	2,072,928	-	-	-	2,072,928	-	2,072,928
Unclaimed profit distribution	-	3,038,396	-	-	-	3,038,396	-	3,038,396
Ijarah deposit	-	832,390	-	-	-	832,390	-	832,390
Total Financial liabilities as at June 30, 2011		5,943,714	-	-	-	5,943,714	-	5,943,714
Total yield / profit risk sensitivity gap		24,466,737	25,412,329	130,000	32,851,257	-	-	32,851,257
Cumulative yield / profit risk sensitivity gap		24,466,737	49,879,066	50,009,066	82,860,323	82,860,323	115,711,580	115,711,580



June 30, 2010

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over one year to five years	Not exposed to yield / profit risk	Over five years	Not exposed to yield / profit risk
Cash and bank balances	3-14.25	37,768,680	17,743,620	20,000,000	-	15,060	-	15,060
Investments		13,844,794	-	-	-	13,844,794	-	13,844,794
Musharika and morabaha finance		-	-	-	-	-	-	-
Ijarah rentals receivable		13,020	13,020	-	-	-	-	-
Advances, prepayments and other receivables		13,789,529	-	-	-	13,789,529	-	13,789,529
Accrued profit		485,928	485,928	-	-	-	-	-
Long term deposits		45,000	-	-	-	45,000	-	45,000
Total Financial assets as at June 30, 2010		65,936,951	18,242,568	20,000,000	-	27,694,383	-	27,694,383
Accrued and other liabilities		2,017,106	-	-	-	2,017,106	-	2,017,106
Unclaimed profit distribution		2,589,590	-	-	-	2,589,590	-	2,589,590
Ijarah deposit		765,840	-	-	-	765,840	-	765,840
Total Financial liabilities as at June 30, 2010		5,372,536	-	-	-	5,372,536	-	5,372,536
Total yield / profit risk sensitivity gap		18,242,568	20,000,000	-	-	33,066,919	-	33,066,919
Cumulative yield / profit risk sensitivity gap		18,242,568	38,242,568	38,242,568	71,309,487	71,309,487	104,376,406	104,376,406

**24.3.2 Equity price risk**

The Modaraba's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Modaraba manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the modaraba's senior management on a regular basis. The Board of Directors of Management Company reviews and approves all equity investment decisions.

The carrying amount of investment in equity securities carried at fair value as shown in note 6 is as follows:

	2011	2010
Investment	13,369,403	13,844,794

Sensitivity analysis

The table below summarises the impact of increase/decrease in Karachi Stock Exchange index on the modaraba's profit after tax and on equity. The analysis is based on the assumption that the equity index had increased/decreased by 5% with all other variables held constant and all modaraba's equity instruments moved on perfect correlation with the index.

Index	Impact on profit after tax and equity	
KSE 100(5% increase)	668,470	692,240
KSE 100(5% decrease)	(668,470)	(692,240)

24.3.3 Currency risk

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

24.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values.

24.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investments	11,531,528	-	-	11,531,528
Available-for-sale financial assets				
Unlisted entities	1,837,875	-	-	1,837,875

24.5 Financial instrument by category

	As at June 30, 2011		
	Loan and receivables	Assets at fair value through profit & lossRupees.....	Total
ASSETS			
Cash and bank balances	49,292,322		49,292,322
Investments		13,369,403	13,369,403
Musharika and morabaha finance	-		-
Ijarah rentals receivable	-		-
Advances, prepayments and other receivables	12,439,224		12,439,224
Accrued profit	597,720		597,720
Advance to staff	85,000		85,000
Long term deposits	45,000		45,000
	<u>62,459,266</u>	<u>13,369,403</u>	<u>75,828,669</u>

LIABILITIES

Ijarah deposits	832,390		832,390
Accrued and other liabilities	2,072,928		2,072,928
Unclaimed profit distribution	3,038,396		3,038,396
	<u>5,943,714</u>	<u>-</u>	<u>5,943,714</u>

	As at June 30, 2010		
	Loan and receivables	Assets at fair value through profit & loss	Total
ASSETS			
Cash and bank balances	37,758,680		37,758,680
Investments		13,844,794	13,844,794
Musharika and morabaha finance	-		-
Ijarah rentals receivable	13,020		13,020
Advances, prepayments and other receivables	13,789,529		13,789,529
Accrued profit	485,928		485,928
Advance to staff	-		-
Long term deposits	45,000		45,000
	<u>52,092,157</u>	<u>13,844,794</u>	<u>65,936,951</u>
LIABILITIES			
Ijarah deposits	765,840		765,840
Accrued and other liabilities	2,017,106		2,017,106
Unclaimed profit distribution	2,589,590		2,589,590
	<u>5,372,536</u>	<u>-</u>	<u>5,372,536</u>

**25. CAPITAL RISK MANAGEMENT**

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During the current year, the Modaraba's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio to zero.

26. SEGMENT INFORMATION

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

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

The internal reporting provided to the Board of Directors of the Management Company for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

27. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have approved profit distribution of Rs. 5,016,000 at the rate of 4 % (Rs 0.4 per certificate of Rs 10) for the year ended June 30, 2011. These financial statements do not reflect this distribution.

28. DATE OF AUTHORISATION OF ISSUE

These financial statements have been authorised for issue on 21-09-2011 by the Board of Directors of the Royal Management Services (Private) Limited.

29. FIGURES

Figures have been rounded off to the nearest Rupee.

These financial statements have been signed by three directors instead of chief executive officer and two directors as approval of appointment of chief executive officer is pending with the Securities and Exchange Commission of Pakistan.

DIRECTOR

DIRECTOR

DIRECTOR



**Summary of key Operating and Financial data of the
Modaraba for last six years.
Year ended June 30**

.....Rupees in million.....

Year	2011	2010	2009	2008	2007	2006
Paid up Capital	125.400	125.400	125.400	125.400	125.400	125.400
Statutory Reserve	23.948	21.262	18.503	18.503	16.813	14.226
Certificate Holders' Equity	75.983	66.312	59.416	96.919	97.551	91.374
Certificate	12.540	12.540	12.540	12.540	12.540	12.540
Current Liabilities	5.478	4.939	4.174	3.932	4.836	4.015
Non-Current Assets	1.956	1.717	3.429	5.570	4.833	3.417
Current Assets	79.971	69.968	60.771	96.590	98.369	92.503
Profit/(Loss) before taxation	13.483	6.396	(33.498)	5.721	6.469	(1.773)
Taxation	0.051	(0.501)	-	0.090	-	-
Earning/(Loss) per Certificate (Rs.)	1.07	0.55	(2.67)	0.45	0.52	(0.14)



PATTERN OF SHARE HOLDINGS AS AT 30.06.2011

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS	TOTAL SHARES HELD
907	1 - 100	45,940
1,351	101 - 500	261,287
1,159	501 - 1000	746,848
568	1001 - 5000	1,130,889
80	5001 - 10000	566,766
37	10001 - 15000	499,366
11	15001 - 20000	193,548
8	20001 - 25000	186,545
6	25001 - 30000	156,950
5	30001 - 35000	160,301
1	35001 - 40000	36,206
3	40001 - 45000	122,994
5	45001 - 50000	242,119
1	55001 - 60000	57,251
1	60001 - 65000	62,700
2	65001 - 70000	131,220
1	95001 - 100000	100,000
1	105001 - 110000	109,725
1	110001 - 115000	111,860
1	120001 - 125000	124,600
2	125001 - 130000	250,892
1	145001 - 150000	149,790
1	160001 - 165000	160,500
1	195001 - 200000	195,931
2	245001 - 250000	500,000
1	285001 - 290000	290,000
1	295001 - 300000	300,000
1	335001 - 340000	337,919
1	495001 - 500000	500,000
1	540001 - 545000	544,568
1	865001 - 870000	868,500
1	1035001 - 1040000	1,036,296
1	1100001 - 1105000	1,104,489
1	1250001 - 1255000	1,254,000
<u>4,165</u>		<u>12,540,000</u>



CATEGORIES OF CERTIFICATE HOLDING AS ON 30-06-2011

	No of Certificate holders	No of Certificate Held	Total No of Certificate	Percentage
ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES	1		1,254,000	10.00
ROYAL MANAGEMENT SERVICES (PVT) LIMITED		1,254,000		
NIT AND ICP	1		3,500	0.03
INVESTMENT CORPORATION OF PAKISTAN		3,500		
DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN	1		25	0.00
MR. MOHAMMAD MUSHARRAF KHAN		25		
EXECUTIVE	-----	-----	-----	-----
PUBLIC SECTOR COMPANIES AND CORPORATIONS.	1		109,725	0.88
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD		109,725		
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABA AND MUTUAL FUNDS	5		4,744	0.04
THE BANKOF KHYBER		1,526		
NATIONAL DEVELOPMENT LEASING CORPORATION LTD.		350		
NEW JUBILEE INSURANCE COMPANY LTD.		500		
L.T.V. CAPITAL MODARABA		1,345		
FIRST PRUDENTIAL MODARABA		100		
MODARABA AL MALL		923		
CERTIFICATEHOLDING TEN PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY	----	----	----	----
INDIVIDUALS	4119		9,533,446	76.02
OTHER CORPORATE CERTIFICATEHOLDERS	44		1,634,560	13.03
TOTAL				
			<u>4165</u>	<u>100.00</u>
			<u>12,540,000</u>	



NOTICE OF THE ANNUAL REVIEW MEETING

Notice is hereby given that the 12th Annual Review Meeting of the Modaraba's Certificate Holders of First Pak Modaraba will be held on October 29, 2011 at 11.00 a.m. at Office No. 54, Ground Floor, 56 – G, Beverly Centre Blue Area, Islamabad to review the performance of Modaraba for the year ended June 30, 2011 in terms of clause 20 of the Prudential Regulation for Modaraba issued vide Circular No. 5/2000 by Registrar Modaraba.

By Order of the Board

Karachi
September 21, 2011

Muhammad Musharraf Khan
Company Secretary

Notes:-

1. The Modaraba Certificates transfer Book shall remain closed from October 22, 2011 to October 29, 2011 (both days inclusive) to determine the name of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the registrar Office of the Modaraba (whose address is given below) upto the close of business hours on October 21, 2011 will be treated in time.

2. The Certificate Holders are advised to notify to the Registrar of First Pak Modaraba of any change in their addresses to ensure prompt delivery of mails, Further, any Certificate for transfer etc. should be lodged with the Registrar Shares & Corporate Services (Pvt.) Limited, Mehersons Estate, First Floor, Block E, Talpur Road, Near. NBP Head Office, Karachi.

3. Accounts Holders holding Book entry securities of the Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in additions, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.