

MINUTES OF 12TH MEETING OF THE EXECUTIVE COMMITTEE OF NBFI & MODARABA ASSOCIATION OF PAKISTAN HELD ON 4TH OCTOBER, 2011 AT 3.30 P.M. AT THE AUDITORIUM OF NBFI & MODARABA ASSOCIATION OF PAKISTAN, KARACHI.

Present:-

1. Mr. Basheer A. Chowdry, Chairman
2. Mr. Murtaza Ahmed Ali, Vice Chairman
3. Mr. Zulfiqar Ali, Member
4. Mrs. Arjumand A. Qazi, Member
5. Mr. Abdus Samad Khan, Member
6. Mr. Abdul Ghaffar Umer, Member
7. Mr. Muhammad Adil Ghaffar, Member
8. Mr. Muhammad Samiullah, Secretary General

Leave of absence granted:

1. Mr. Farrukh S. Ansari, Member
2. Mr. Khaqan Hasnain Ibrahim, Member
3. Mr. Arjumand A. Minai, Member
4. Mr. Amjad Iqbal, Member

The Secretary General confirmed that the quorum being complete the requirements to convene the meeting were duly met. Mr. Basheer A. Chowdry took the chair and called the meeting in order. The meeting started with the recitation of Holy Quran by Mr. Abdul Ghaffar Umer.

Mr. Chowdry welcomed the Members in the 12th Executive Committee meeting of the Association.

The meeting followed the agenda:

Agenda Item No.1: Confirmation of minutes of 11th EC Meeting held on Aug. 24, 2011

Mr. Basheer Chowdry invited the members to offer their comments on the minutes of the last meeting.

Mr. Abdus Samad Khan pointed out the following:

- The minutes do not contain page numbers.

- The website is not fully developed as such inviting members to visit the website and send their input on it is not appropriate. First get the website completed and then advise the members to visit and comment on it.

The Secretary General noted the same for future compliance. Since there were no more comments, the minutes were approved unanimously by the members of the Executive Committee.

Agenda Item No.2: Matters arising out of the proceedings of last meeting:

SINDH SALES TAX ON SERVICES

In the last meeting it was conveyed to the members that our Tax Advisor has informed that rulings for Modaraba sector would be issued before 25th August, 2011. The Sindh Revenue Board issued the said rulings through Notification No.SRB-STM-3-4/414/2011 dated 24TH August, 2011, according to which following exemptions for modaraba sector were allowed:

- Services provided or rendered by Modarabas in respect of Musharaka and Modaraba financing as exempted in Notification S.R.B. Leg(1)/2011 dated 1st July, 2011
- Lease installments and lease rentals to the extent of principal sum and mark up /interest (as per Rule 30(4) of the Sindh Sales Tax on Services Rules, 2011.

Any other revenue or income earned by Modarabas in the form of fee, charge or commission including commitment fee, front end fee, commission on brokerage, safe deposit lockers, guarantee and bill discounting shall attract sales tax in terms of section 8 of Sindh Sales Tax on Services Act, 2011 read with Rule 30 of Sindh Sales Tax on Services Rules, 2011.

Mr. Adnan Mufti after issuance of the above Notification, submitted a bill for Rs.202,000/- being the professional fee for rendering services in connection with above.

On the instructions of the Chairman, the Secretary General negotiated with Mr. Adnan to reduce the professional fee which he agreed to reduce to Rs.150,000/-. The amount to be paid to the Tax Advisor will be shared by the modarabas.

On 19th September, 2011 the Association organized a half day workshop on “Sindh Sales Tax on Services” conducted by Mr. Adnan Mufti, Partner, Shekha Mufti, Chartered Accountants & Tax Advisor of the Association. 32 candidates registered their names out of which 28 attended the workshop. The workshop was arranged at the renovated Auditorium of the Association. The participants termed this workshop very useful and timely and opined that such workshops should continue in future as well so that they may be kept updated about any changes in the Sales Tax Act.

It was already approved in the previous meetings that Mr. Adnan Mufti shall be appointed as Sales Tax Advisor of NBFI & Modaraba Association of Pakistan and that he will provide all advisory services and also appear on behalf of the Association before the Sindh Revenue Board in connection with all the matters of Sindh Sales Tax. Mr. Adnan has now submitted a proposal for his appointment at a Sales Tax Advisor on retainership basis at a fee of Rs.20,000/- per month.

DRAFT SHARIAH COMPLIANCE & AUDIT REGULATIONS

A meeting with the Mr. Jawed Hussain, Registrar Modaraba and his team including Mr. Imran Hussain Minhas and Mr. Shahid Mahmood was arranged on 23rd September, 2011 at the auditorium of NBFI & Modaraba Association of Pakistan in which all the Chief Executives of Modarabas were participated. A great deal of discussion took place on Draft Shariah Compliance and Audit Regulations and almost all the participants expressed their views, concerns and observations about the implementation of the Shariah Compliance and Audit Regulations.

Finally it was decided that the concerns and observations of the participants of the meeting will be duly considered by SECP before finalizing the framework. It was also agreed that the Registrar Modaraba will hold a meeting with the Executive Committee Members of the Association to fine tune further aspects and modus of implementation of the framework.

Minutes of the said meeting along with a letter containing a summarized version of the proceedings of the meeting were sent to the Registrar Modaraba, copies of which were also circulated to the members of the modarabas sector for their information.

The Chairman further informed that in order to strengthen the Internal Audit Shariah Department of Modarabas, it has been proposed to hold a course of three months in collaboration with the Centre of Islamic Economics (CIE) (Darul Ulum, Karachi). In this connection the Secretary General had a meeting with Mufti Yahya Asim, Administrator of CIE for curriculum, training and certification. CIE has sent the course outlines to the Association which is under consideration. Negotiation are underway for finalization of the course. The details of which will be conveyed to the members in due course.

RENOVATION OF OFFICE PREMISES

AL-HAMDULILLAH , renovation work of the office premises have been completed with the help of the members of the Association and particularly with the interest of the Chairman, Mr. Basheer A. Chowdry and Mrs. Arjumand A. Qazi, Member Executive Committee and CEO, SME Leasing Limited. An estimated amount of Rs.1.4 million was approved for the renovation work, out of which an amount of Rs.8,75,000/- received as contribution from the members while a few members have still not sent their contribution.

The Auditorium has a capacity of about 30 to 40 persons and all the facilities are available to hold meetings / conferences / workshops.

Just after completion, the Association has arranged two events. A half day workshop on Sindh Sales Tax on Services on 19th September, 2011 and the second event was a meeting of Modarabas CEOs with the Registrar Modaraba and his team on 23rd September, 2011.

WEBSITE OF THE ASSOCIATION

The development work of the Website of the Association has been completed and down loading of data and other material is under process and will be completed within a period of fortnight.

CRITERIA FOR BEST PERFORMANCE AWARD

The Criteria for the Best Performance Award has been finalized by the Sub-Committee and is being placed before the Executive Committee for its approval.

ANNOUNCEMENT OF FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2011

So far the following members have announced their results for the year ended 30th June, 2011:

MODARABA SECTOR

1. Allied Rental Modaraba	Rs.288 million	23%D – 25% B
2. First Habib Modaraba	Rs.277 million	22% D
3. First Imrooz Modaraba	Rs.28 million	73.5% D
4. Standard Chartered Modaraba	Rs.86 million	17.25%D
5. First Habib Bank Modaraba	Rs.71 million	13%D
6. First National Bank Modaraba	Rs.30 million	10%D
7. First Prudential modaraba	Rs.33 million	3%D
8. B. F. Modaraba	Rs.17 million	15%D
9. First Al-Noor Modaraba	Rs.30 million	8%
10. KASB Modaraba	Rs.40 million	6.4%D
11. First Pak Modaraba	Rs.13 million	4%D
12. B. R. R. Guardian Modaraba	Rs.41 million	2.5%D
13. Crescent Standard Modaraba	Rs.5 million	1.20%D
14. First Elite Capital Modaraba	Rs.9 million	5.50%
15. First Constellation Modaraba	Rs.2 million	NIL
16. First Equity Modaraba	Rs.0.180 million	NIL
17. Modaraba Al- Mali	Rs.(20.155 million)	NIL

LEASING COMPANIES

1. ORIX Leasing Pakistan Limited	Rs.144 million	10%D
2. Standard Chartered Leasing Ltd.	Rs.76 million	5%D

3. Grays Leasing Limited Rs.(44.170 million) NIL

The Chairman showed his satisfaction over the results announced by the members so far. He hoped that the profit for the year would cross over one billion

Item No. 3: To update the Draft Shariah Compliance and Audit Regulations

The Chairman informed the members that the minutes of the meeting along with a letter addressed to the Registrar Modaraba containing the summarized version of the proceedings of the meeting held on 23rd September, 2011 have already been circulated to the members for their information.

Agenda Item No.4: To update Renovation of office of the Association

The Secretary General informed the members that the renovation work has been completed and the Association has organized two events on 19th September, 2011 and 23rd September, 2011. The Chairman and the Executive Committee appreciated the work done and thanked Mrs. Arjumand A. Qazi, Member EC and Mr. Muhammad Samiullah, Secretary General for undertaking and completing the job efficiently.

It was suggested by the Chairman that a statement of revenue and expenses incurred on the renovation may be prepared and submitted to the Executive Committee. The Secretary General noted the same for compliance.

On a query from the members, the Secretary General informed that the contributions solicited by the EC towards the renovation of office from the following members are still awaited: -

1. B.R.R. Guardian Modaraba
2. Capital Assets Leasing Corporation Limited
3. First Constellation Modaraba
4. First Fidelity Leasing Modaraba
5. First IBL Modaraba
6. First Prudential Modaraba
7. First Tri-Star Modaraba
8. Invest Capital Investment Bank Limited
9. KASB Modaraba
10. NBP Leasing Limited
11. Sigma Leasing Corporation Limited

It was decided to approach the members on individual basis.

Agenda Item No.5: To finalise the Criteria for Best Performance Award

Mr. Abdus Samad Khan pointed out that the performance criteria finalized by Mr. Arjumand A. Minai and circulated by the Association should be adopted as all the members were agreed on that criteria. However, further discussion took place and it was agreed that marks allocated to the Financial Evaluation may be amended as under:-

• Dividend distribution (in terms of amount) during the year under review	originally allocated	10 marks
	revised	08 marks
• Return on Assets	originally allocated	05 marks
	revised	06 marks
• Return on Equity	originally allocated	05 marks
	revised	06 marks

However, the total marks allocated to the Financial Evaluations remains the same.

Mr. Adil Ghaffar suggested to add word ARM after the word AGM under the head of Corporate Governance, as under:-

“Holding AGM/ARM within 4 months of the year end.”

With these observations, the Committee approved the Criteria for Best Performance Award and advised the Secretary General to circulate the same to all the members and get the Questionnaire Form and Evaluation Form completed by the members so that Best Performance Award may be announced at the time of Annual General Meeting.

Item No. 6: To discuss and approve the audited accounts of the Association as on June 30, 2011 along with Chairman Review.

The audited accounts of NBF1 & Modaraba Association of Pakistan were placed before the committee for approval.

It was pointed out that in the Auditors Report time period has not been mentioned. Secondly there should be a note about the voluntary winding up of the Modaraba Association of Pakistan and Leasing Association of Pakistan and that upon liquidation of both the Associations, the Net liquidated assets shall be transferred to NBF1 & Modaraba Association of Pakistan.

With this observation, the Executive Committee approved the audited accounts and authorized the Chairman, Vice Chairman and Secretary General, NBF1 & Modaraba Association of Pakistan to sign the accounts.

Item No.7: To propose appointment of Auditors of the Association for the year 2011-12 and fix their remuneration.

The Secretary General informed that the term of M/s Baker Tilly Mehmood Idrees Qamar, Chartered Accountants as auditors of NBF1 & Modaraba Association of Pakistan has expired on June 30, 2011 and they have offered themselves for re-appointment as Auditors of the Association for the year 2011-12.

The Committee unanimously resolved to recommend to General Body for appointment of M/s Baker Tilly Mehmood Idrees Qamar, Chartered Accountants as Auditors of NBF1 & Modaraba Association of Pakistan at a remuneration of Rs.40,000/- plus out of pocket expenses.

Item No. 8: To propose appointment of M/s Shekha Mufti, Chartered Accountants as Tax Advisor and to fix their remuneration

The Secretary General recommended for appointment of M/s Shekha Mufti, Chartered Accountants as Tax Advisor of NBF1 & Modaraba Association of Pakistan for the year 2011-12.

The Committee unanimously approved and appoint M/s Shekha & Mufti, Chartered Accountants as Tax Advisor of NBF1 & Modaraba Association at a remuneration of Rs.25,000/- plus out of pocket expenses.

Item No. 9: To discuss and approve the agenda for the 1st Annual General meeting of the Association.

The Committee approved the agenda of 1st Annual General Meeting of the Association scheduled to be held on 27th October, 2011 and advised the Secretary General to proceed further in the matter as per requirement. The Chairman said that he will request Mr. Muhammad Ali Chairman SECP to address the meeting and to share various initiatives being considered by the SECP for revival and re-modeling of the NBF1 sector.

The members appreciated this and requested the Chairman to proceed.

Item No. 10: Any other matter with the permission of the Chair

Mr. Adil Ghaffar discussed the matter pertains to “Impairment of Investment” of the Modarabas as per the accounting and/or financial reporting standard that are adopted by the SECP, specially with reference to the negative effect on Modaraba’s equity. He said that International Accounting Standard (IAS) are applied generally and not specifically to any home made peculiar industry until or unless the local regulator exempt it completely or its certain clauses.

IASs’ are applicable on Modarabas which requires that any impairment in the value of investments made by a Modaraba should be provided, periodically, in the books of

accounts. This provision, though a book entry only, had various implications which adversely effect the equity of Modaraba.

The Chairman suggested that a detailed paper on this matter may be prepared and sent to the Association for taking up the matter with SECP.

There being no other business to be transacted, the meeting ended with a vote of thanks to the Chair.

(Muhammad Samiullah)
Secretary General