



B. F. MODARABA 21TH ANNUAL REPORT 2009

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COMPANY PROFILE

BOARD OF DIRECTORS DIRECTORS OF MODARABA COMPANY

Mr. Ahmed Ali Mohammad Amin Bawany - Chairman
Mr. Omar Amin Bawany - Chief Executive
Mr. Abdul Ghani Samad
Mr. Abdul Wahid Jaliawala

AUDIT COMMITTEE
Mr. Omar Amin Bawany - Chairman
Mr. Abdul Ghani Samad - Member
Mr. Abdul Wahid Jaliawala - Member

COMPANY SECRETARY
Muhammad Ayub

MODARABA AUDITORS
Rehman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS
AI-Baraka Islamic Investment Bank
Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Islamic Bank Limited
Dawood Bank Limited

REGISTERED OFFICE
4th Floor, Bank House No. I,
Habib Square, M. A. Jinnah Road,
Karachi-74000, Pakistan.
Phone : (92-21) 111 786 878, 2413240
Fax : (92-21) 2421010
E-mail: info@bfmodaraba.com.pk
URL : bfmodaraba.com.pk

SHARES REGISTER
C & K Management Associates (Pvt.) Ltd,
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel,
Karachi-75530
Tel : (92-21) 5687839 & 5685930



**21st ANNUAL REPORT OF THE DIRECTORS
OF THE MODARABA COMPANY
FOR THE YEAR ENDED JUNE 30, 2009**

Dear Certificate Holders.

Assalam-o-Aalikum,

The Board of Directors of E.A. Management (Pvt) Limited, the management company of B.F. Modaraba, presents 21st annual report of your Modaraba together with audited financial statements for the year ended June 30, 2009.

FINANCIAL RESULTS	2009 Rupees	2008 Rupees
Revenue	<u>14,473,483</u>	<u>11,014,117</u>
Profit before charging management fee	8,111,021	8,473,631
Management fee	<u>(811,102)</u>	<u>(847,363)</u>
Profit before taxation	7,299,919	7,626,268
Provision for Workers Welfare Fund	<u>(236,181)</u>	<u>-</u>
Profit before taxation	7,063,738	7,626,268
Taxation		
For the year	<u>(3,200,000)</u>	<u>(780,000)</u>
Prior year	<u>(184,751)</u>	<u>-</u>
	<u>(3,384,751)</u>	<u>(780,000)</u>
Profit after taxation	3,678,987	6,846,268
Add: Unappropriated profit brought forward	<u>3,952,059</u>	<u>3,926,157</u>
	7,631,046	10,774,425
Appropriations:		
Transferred to statutory reserve @ 30% of profit (2008: 30%)	<u>(1,103,695)</u>	<u>(2,053,880)</u>
Reserve for issue of Bonus Certificates	<u>-</u>	<u>(4,766,486)</u>
	<u>(1,103,695)</u>	<u>(6,820,366)</u>
	<u>6,527,351</u>	<u>3,952,059</u>
Earnings per certificate	<u>0.54</u>	<u>1.00</u>



REVIEW OF OPERATIONS

Gross revenue during the year were Rs.14.473 million vis-à-vis Rs. 11.014 million for the corresponding period of 2008, showing healthy growth of 31.4% mainly due to increase in trading income which increased by 221%. However, domestic bourses remained significant volatile due to multiple negative factors like political instability, international economic turmoil, erosion in rupees value, increased in current account deficit etc. These factors have badly affected the profitability of your Modaraba from equity market. The year 2008-09 was the worst year in the history of Pakistan Stock Exchange where it dropped by 58%. Impairment in marketable securities amounting to Rs.4.03 million was charged to profit loss account in accordance with SRO 150 (1)/2009, dated 13th February 2009. Thus, After tax Profit stood at Rs. 3.678 million against After tax Profit of Rs.6.846 million for the corresponding period of 2007-08. The unrealized gain in the value of investment in marketable securities was Rs.0.556 million, which has been reflected in the equity.

PROFIT DISTRIBUTION

The Board in its meeting held on October 5, 2009 has not approved any dividend due to low income of the Modaraba mainly due to impairment loss on investments.

FUTURE OUTLOOK

The equity market displayed volatile behavior during last couple of months. We still believe that stock market is at very attractive level at present. The KSE-100 Index has crossed 9000 points. Although the valuation is attractive, the overall sentiments are depressed. Keeping in view current market condition, we are applying conservative approach while trading in equity market. However, we expect the equities to bounce back once law and order situation further improve. We have mostly invested in high dividend yielding blue chip stock, which show resilience under such market conditions.

We expect positive contribution from trading activities in commodities as we have already made some commitments and will earn profit in beginning of next year.

CORPORATE GOVERNANCE

As required by the code of Corporate Governance, your Directors are pleased to report that:

- A. The financial statements prepared by the management of the Modaraba present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- B. Proper books of accounts of the Modaraba have been maintained.
- C. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- D. International Accounting Standards, as applicable in Pakistan have been followed in the preparation of financial statements.
- E. The system of internal control is sound and has been effectively implemented and monitored.
- F. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- G. There is no material departure from best practices of corporate governance as detailed in the listing regulations of stock exchanges.



COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

A statement setting out the status of the compliance with the best practices of corporate governance is annexed to the Annual Report.

BOARD MEETINGS

During the year under review four meetings of the Board of Directors were held. A statement showing number of meetings each of the Directors attended is annexed to the Annual Report.

PATTERN OF CERTIFICATE HOLDERS

A statement showing the pattern of holding of the certificates as at June 30, 2009 is annexed to the Annual report.

TRADING OF CERTIFICATE

During the year there was no trading in certificates of Modaraba by CEO, Directors, Company Secretary and their spouses and minor children.

KEY OPERATING & FINANCIAL DATA

A statement summarizing key operating and financial data for the last six years is annexed to the Annual Report.

APPOINTMENT OF AUDITORS

The present Auditors M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENT

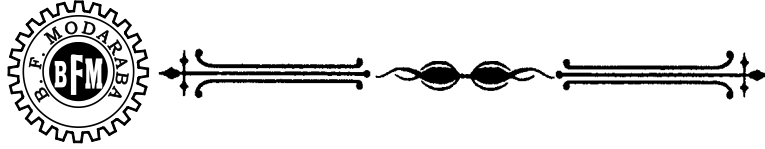
The Board would like to thank all the stakeholders and the management for their valuable support and untiring efforts.

We bow to Allah and pray for His blessing and guidance

On behalf of the Board

Omar Amin Bawany
Chief Executive

Karachi.
Dated: October 5, 2009



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **B.F. Modaraba** as at **June 30, 2009** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of accounts have been kept by the Modaraba company in respect of **B.F. Modaraba** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and Modaraba Companies and Modaraba Rules, 1981;
- b. in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2009** and of the profit, its cash flows and changes in equity for the year then ended; and.
- d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
Engagement Partner: **Muhammad Rafiq Dosani**

Karachi.
Dated: October 05, 2009



**B.F. MODARABA
BALANCE SHEET
AS AT JUNE 30,2009**

	<i>Note</i>	<i>2009 Rupees</i>	<i>2008 Rupees</i>
ASSETS			
Current Assets			
Cash and bank balances	3	15,490,527	25,109,181
Investments	4	38,216,733	37,324,315
Advances, deposits, prepayments and other receivables	5	8,020,413	26,553,239
Trade debts - unsecured - considered good		-	6,021,000
Stock in trade		37,333,536	-
		99,061,209	95,007,735
Non Current Assets			
Long term deposits	6	40,019	40,019
Fixed assets	7	1,201,943	1,542,845
		1,241,962	1,582,864
Total Assets		100,303,171	96,590,599
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued and other liabilities	8	3,451,618	501,706
Due to management company		811,102	847,363
Unclaimed dividend		278,583	278,583
Provision for taxation		3,980,000	1,530,000
		8,521,303	3,157,652
Non-Current Liabilities			
Staff gratuity		82,300	35,920
Lease deposits	9	84,600	84,600
		166,900	120,520
		8,688,203	3,278,172
Contingencies and Commitments	12	-	-
Certificate Holders' equity			
Certificate	10	68,319,625	63,553,140
Reserves	11	22,738,833	23,826,331
Unrealized (deficits)/ gain in investment available for sale		556,510	5,932,956
		91,614,968	93,312,427
Total Liabilities and Equity		100,303,171	96,590,599

The investments in equity securities held as Available for Sale are valued at prices quoted on the stock exchange as of 30 June 2009 and the resulting decline in market value below cost is reported in the 'Surplus/Deficit on revaluation of available for sale securities' in equity. (See note 4.3).

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

Chief Executive
E.A. Management (Pvt.) Limited

Director
E.A. Management (Pvt.) Limited

Director
E.A. Management (Pvt.) Limited



**B.F. MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE, 30 2009**

	<i>Note</i>	<i>2009 Rupees</i>	<i>2008 Rupees</i>
Revenue			
Lease rentals		219,168	844,784
Gain on sale of investments		-	2,967,012
Trading profit	13	9,097,344	2,832,700
Dividend - net of zakat	14	1,709,569	2,675,826
Profit on bank deposits accounts		1,738,523	1,693,795
Others Income	15	1,708,879	-
		14,473,483	11,014,117
Expenditure			
Operating expenses	16	2,201,361	1,844,562
Amortisation of leased assets		128,622	695,924
		2,329,983	2,540,486
Profit before impairment loss		12,143,500	8,473,631
Impairment loss on investment available for sale		(4,032,479)	-
Profit before charging management fee		8,111,021	8,473,631
Provision for management fee		(811,102)	(847,363)
		7,299,919	7,626,268
Provision fro workers welfare fund		(236,181)	-
Profit before Taxation		7,063,738	7,626,268
Taxation			
- For the year	17	(3,200,000)	(780,000)
- Prior year		(184,751)	-
		(3,384,751)	(780,000)
Profit after taxation		3,678,987	6,846,268
Earnings per certificate - basic and diluted	18	0.54	1.00

The annexed notes form an integral part of these financial statements

Chief Executive
E.A. Management (Pvt.) Limited

Director
E.A. Management (Pvt.) Limited

Director
E.A. Management (Pvt.) Limited



**B.F. MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE, 30 2009**

	<i>2009</i>	<i>2008</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,063,738	7,626,268
Adjustments for		
Depreciation on owned assets	160,709	193,931
Amortisation of leased assets	128,622	695,924
Provision for gratuity	46,380	26,405
Provision for Management Fee	811,102	847,363
Provision for WWF	236,181	-
Gain on sale of investments	-	(2,967,012)
Impairment loss on investment	4,032,479	-
Gain on sale of vehicle	(228,879)	-
Dividend income	(1,709,569)	(2,675,826)
	3,477,025	(3,879,215)
Operating profit before changes in working capital	10,540,763	3,747,053
(Increase)/decrease in current assets		
Stock in trade	(37,333,536)	-
Trade Debts	6,021,000	1,147,000
Lease rentals receivable	-	141,384
Advances, deposits, prepayments and other receivables	18,863,587	6,616,676
	(12,448,950)	7,905,060
Increase / (decrease) in current liabilities		
Accured and other liabilities	2,713,733	191,396
Management fee paid	(847,363)	(773,064)
	1,866,369	(581,668)
Net increase / (decrease) in working capital	(10,582,580)	11,070,445
Gratuity paid	-	(128,777)
Taxes paid	(1,265,512)	(414,679)
Net cash from operating activities	(1,307,329)	10,526,989
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets own use	(4,550)	(50,385)
Investments	-	(18,626,302)
Purchase of investment	(10,301,344)	-
Sale proceeds from disposal of vehicle	285,000	-
Proceeds from sale of investments	-	22,500,041
Dividend received	1,709,569	2,524,245
Net cash (used in) / generated from investing activities	(8,311,325)	6,347,599
Net increase / (decrease) in cash and cash equivalents	(9,618,654)	16,874,588
Cash and bank balances at the beginning of the year	25,109,181	8,234,594
Cash and bank balances at the end of the year	15,490,527	25,109,181

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

<u>Chief Executive</u>	<u>Director</u>	<u>Director</u>
E.A. Management (Pvt.) Limited	E.A. Management (Pvt.) Limited	E.A. Management (Pvt.) Limited



B.F. MODARABA
STATEMENT OF GHANGES IN EQUITY
FOR THE YEAR ENDED JUNE, 30 2009

	Share Capital	Reserve for issue of bonus certificate	Statutory Reserve	Unappropriated Profit / (Loss)	Unrealized appreciation in investment available for sale	Total
	←----- Rupees ----->					
Balance as at June 30, 2007	59,119,200	-	13,053,906	8,360,097	10,267,308	90,800,511
Profit for the year ended June 30, 2008	-	-	-	6,846,268	-	6,846,268
Unrealised gain on revaluation of investments	-	-	-	-	(2,028,808)	(2,028,808)
Realized gain on sale of investments transferred to profit and loss account	-	-	-	-	(2,305,544)	(2,305,544)
Total recognised income and expense for the year	-	-	-	6,846,268	(4,334,352)	2,511,916
Transfer to statutory reserve	-	-	2,053,880	(2,053,880)	-	-
Issue of bonus certificates	4,433,940	-	-	(4,433,940)	-	-
Balance as at June 30, 2008	63,553,140	-	15,107,786	8,718,545	5,932,956	93,312,427
Profit for the year ended June 30, 2009	-	-	-	3,678,987	-	3,678,987
Unrealised gain/(loss) on revaluation of investments	-	-	-	-	(9,408,925)	(9,408,925)
Impairment loss transferred to profit and loss account	-	-	-	-	4,032,479	4,032,479
Total recognised income and expense for the year	-	-	-	3,678,987	(5,376,446)	(1,697,459)
Transfer to statutory reserve	-	-	1,103,696	(1,103,696)	-	-
Issue of bonus certificates	4,766,485	-	-	(4,766,485)	-	-
Balance as at June 30, 2009	68,319,625	-	16,211,482	6,527,351	556,510	91,614,968

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

Chief Executive
E.A. Management (Pvt.) Limited

Director
E.A. Management (Pvt.) Limited

Director
E.A. Management (Pvt.) Limited



**B.F. MODARABA
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED JUNE, 30 2009**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 B. F. Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder, and is managed by E. A. Management (Pvt.) Limited. The registered office of the Modaraba is situated at Habib Square, M. A. Jinnah Road, Karachi. The Modaraba is listed on all Stock Exchanges in Pakistan.
- 1.2 It is a perpetual multi-purpose Modaraba and is primarily engaged in leasing, investments, trading, musharika and morabaha transactions.
- 1.3 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities & Exchange Commission of Pakistan (SECP) (the Modaraba Regulations). Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modaraba's under the Modaraba Regulations. Wherever the requirements of the Modaraba Regulations differ with the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.2 Basis of Preparation

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets which are stated at fair value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods are as under:



Provision against non-performing loans and advances

The Modaraba reviews its portfolio to assess amount of non-performing contracts and provision required there against on a quarterly basis. The provision is made in accordance with the prudential regulations issued by SECP.

Investments stated at fair value

Management has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, markup rates etc.) and therefore cannot be determined with precision.

2.3 New accounting standard and interpretations that are not yet effective

Initial application

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.
- Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.



- Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company’s financial statements.
- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard will not effect the Company’s separate financial statements.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Company’s financial statements.
- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them. Currently, the Company presents segment information in respect of its business and geographical segments.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange



differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items.
- IFRS 5 (Amendment) - Non-current assets held-for-sale and discontinued operations.
- IAS 23 (Amendment) - Borrowing costs - definition of borrowing costs and use of effective interest method. has been amended.
- IAS 36 (Amendment) - Impairment of assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.
- IAS 38 (Amendment) - Intangible assets. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 19 (Amendment) - Employee benefits. The amendment among other things clarifies treatments in case of plan amendments and modifies definition of return on plan assets.
- IAS 28 (Amendment) - Investments in associates (and consequential amendments to IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial instruments: Disclosures).
- IAS 31 (Amendment) - Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7).
- IAS 40 (Amendment) - Investment property (and consequential amendments to IAS 16).
- IAS 41 (Amendment) - Agriculture.
- Amendment to IFRS 7 - Improving disclosures about financial instruments.
- IFRIC Interpretation 17 – Distribution of non-cash assets to owners.



2.4 Staff retirement benefits

Current

The Modaraba operates an unfunded gratuity scheme for its employees eligible under the scheme. Provision is made annually based on the last drawn salary to cover the obligation under the scheme.

2.5 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.6 Accrued and other liabilities

Accrued and other liabilities are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

2.7 Provisions

Provisions are recognized when the Company 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.

2.8 Taxation

Current

The charge for current taxation is based on taxable income as per Schedule II para 2 clause 18 @ 25% of Income Tax Ordinance 2001.

The income of a modaraba from non-trading activities is exempt from tax provided that not less than 90 % of its profits, as reduced by the amount transferred to a mandatory reserve, are distributed to the certificate-holders.

Deferred

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



2.9 Fixed Assets

Fixed Assets in own use

Fixed assets held for own use are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note No. 8. Depreciation is charged from the month of acquisition of the respective assets upto the month of disposal. Maintenance and normal repairs are charged to the income as and when incurred. Major renewals and replacement are capitalized and assets so replaced, if any, are retired.

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

Gain or loss on disposal of assets is accounted for in the year in which it arises.

Fixed Assets leased out

Assets leased out are stated at cost less accumulated amortization. Amortization is charged to income applying the annuity method whereby the depreciable values of assets are amortized over the lease period. In respect of additions and transfers during the year, amortization is charged proportionately to the period of lease.

2.10 Impairment of assets

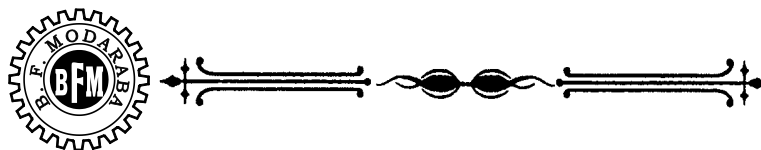
The company assess at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in 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 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 recognized as income.

2.11 Stock in trade

Stock in trade is valued at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost is determined on weighted average method.



2.12 Trade debts and other receivables

The Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.13 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorized as follows:

- **At fair value through profit and loss**

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investment at fair value through profit and loss.

These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity are determined on the basis of prevailing market prices.

- **Held to maturity**

Investments with fixed or determinable payments and fixed maturity, which the company has the positive intent and ability to hold to maturity, are classified as held to maturity, are carried at amortized cost, using the effective yield method less impairment losses, if so determined.

- **Available for sale**

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost. Realized and unrealized gains and losses arising from changes in fair value is taken to equity of the company.

Derecognition

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



2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.15 Financial instruments

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

Financial assets

Financial assets comprise of investments, morabahas, advances, deposits and other receivables and cash and bank balances. Morabahas are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount. Investments are stated at fair value, while other financial assets are stated at amounts which approximate their fair values.

Financial liabilities

Financial liabilities are classified accordingly to the substance of contractual arrangements entered into. Financial liabilities comprise of deposits on lease contracts and accrued and other liabilities.

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 Company has 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.

2.16 Provision for doubtful recoveries

Provision for doubtful debts are made after review of outstanding lease rental and morabaha receivables on the basis of Prudential Regulations for Modaraba issued by Securities and Exchange Commission of Pakistan. Other doubtful debts are provided for on the basis of their possible realization.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business as depicted below:

- i. Lease rental income is recognised on a systematic basis over the lease period.
- ii. Dividend income is recognised when right to receive dividend is established.
- iii. Capital gain or loss is accounted for in the year in which it arises.
- iv. Income from trading activities is recognized on issuance of invoice.



		2009 Rupees	2008 Rupees
3. CASH AND BANK BALANCES			
- Cash		165,651	25,703
- Banks			
In current accounts		325,907	344,527
In saving accounts	3.1	14,998,969	24,738,951
		15,324,876	25,083,478
		15,490,527	25,109,181

		2009 Rate of profit / Mark up	2008 Rate of profit / Mark up
3.1	Effective rate of profit for PLS saving account	5.03% - 15.0%	3% - 11%

		2009 Rupees	2008 Rupees
4. INVESTMENTS			
- Available for sale			
Investment in shares and close end units	4.1	17,219,029	26,599,343
Investment in open end units	4.2	20,997,704	10,724,972
		38,216,733	37,324,315

4.1 Investment Available for sale

The holdings are in ordinary shares/certificates of Rs. 10/- each except for Habib ADM Ltd. which are of Rs.5/- each.

Numbers of Shares / June 2008	Certificates* June 2009	Name of Company / Institution	June 2009 Rupees	June 2008 Rupees
<i>MUTUAL FUND</i>				
164,000	164,000	Pakistan Premier Fund	672,400	2,192,680
<i>MODARABAS</i>				
117,636	117,636	Standard Chartered Modaraba	1,099,987	1,411,632
100,000	100,000	First Habib Bank Modaraba	391,000	783,000
72,900	72,900	First Punjab Modaraba	123,930	532,170
19,360	19,360	First Tri Star Modaraba	79,182	116,934
13,000	13,000	First UDL Modaraba	45,630	62,010
322,896	322,896	Total	1,739,639	2,905,746
<i>INVESTMENT COMPANIES / BANKS</i>				
73,186	73,186	Trust Investment Bank Ltd.	727,469	2,229,246
40,898	40,898	Security Investment Bank Ltd.	122,285	351,723
2,000	6,875	Jahangir Siddique & Company	159,431	1,060,300
116,084	120,959	Total	1,009,185	3,641,269



Numbers of Shares / Certificates* June 2008	June 2009	Name of Company / Institution	June 2009 Rupees	June 2008 Rupees
TEXTILES WEAVING				
200	200	Service Fabrics Ltd.	68	198
9,000	9,000	Reliance Weaving Mills Ltd.	31,500	113,760
9,200	9,200	Total	31,568	113,958
SUGAR AND ALLIED				
2,507	2,507	Bawany Sugar Mills Ltd.	5,014	19,128
5,000	5,000	Habib ADM Ltd. (Share of Rs. 5/- each)	80,250	57,400
7,507	7,507	Total	85,264	76,528
CEMENT				
531	531	Maple Leaf Cement Factory Ltd.	2,262	5,793
5,300	5,300	Cherat Cement	71,709	143,577
5,831	5,831	Total	73,971	149,370
FUEL & ENERGY				
100,000	100,000	Hub Power Company Ltd.	2,709,000	2,860,000
11,000	11,000	Sui Northern Gas Pipe Line Ltd.	351,450	479,270
16,500	18,510	Pak Petroleum Ltd.	3,440,151	4,058,835
10,000	10,000	Oil & Gas Development Company Limited	786,400	1,243,600
137,500	139,510	Total	7,287,001	8,641,705
AUTO AND ALLIED				
4,455	4,455	Pak Suzuki Motor Company Ltd.	302,495	533,664
55	68	Millat Tractors Ltd.	18,988	14,630
500	500	Indus Motors Ltd.	53,860	100,026
-	20	Agriauto Industries Ltd.	653	-
5,010	5,043	Total	375,996	648,320
CHEMICALS AND PHARMACEUTICALS				
22,764	22,764	Bawany Air Products Ltd.	80,812	352,614
304	304	Fauji Fertilizer Bin Qasim Company Ltd.	5,378	10,935
42,331	55,913	Fauji Fertilizer Company Ltd.	4,861,635	5,601,238
65,399	78,981	Total	4,947,825	5,964,787
TECHNOLOGY AND COMMUNICATION				
57,000	57,000	Pakistan Telecommunication Company Limited	982,680	2,202,480
10,000	10,000	TRG Pakistan Ltd.	13,500	62,500
67,000	67,000	Total	996,180	2,264,980
900,427	920,927	Grand Total	17,219,029	26,599,343



Numbers of Shares / Certificates*		Name of Company / Institution	June 2009 Rupees	June 2008 Rupees
June 2008	June 2009			
4.2 MUTUAL FUNDS-OPEN ENDED				
-	497,480	NAFA Islamic Income Fund	4,679,740	-
-	103,995	Meezan Islamic Income Fund	5,398,366	-
98,785	104,450	United Islamic Income Fund	10,479,503	10,162,996
51,557	53,024	Pakistan Capital Market Fund	440,095	561,976
<u>150,342</u>	<u>758,949</u>	Total	<u>20,997,704</u>	<u>10,724,972</u>

4.3 International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to profit and loss account.

Furthermore, SECP vide SRO 150(1)/2009 dated 13 February 2009 has allowed that the impairment loss, if any, recognised as on 31 December 2008 due to valuation of listed equity investments held as “Available for Sale” to quoted market prices may be shown under the equity. As per that circular the amount taken to equity on 31 December 2008, after any adjustment/effect for price movements shall be taken to profit and loss account on quarterly basis during the calendar year ending on 31 December 2009.

The Company in accordance with the above mentioned SECP circular has transferred to profit and loss account Rs 4.03 million after market price adjustment of as at 30 June 2009 on account of impairment in investment available for sale on 31 December 2008.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have the following effect on these financial statements:

	Rupees
Increase in ‘Impairment Loss’ in profit and loss account	7,177,721
Increase in loss for the period	7,177,721
Increase in loss per share - basic and diluted	1.051
Decrease in deficit on remeasurement of investments	7,177,721
Decrease in unappropriated profit	7,177,721

4.4 The ratio of investment to equity of the modaraba slightly exceeded limit of 5% laid down in regulation 7(1) and 20% in 7(8) of Part II of Prudential Regulation partly due to rise in their market rates and receipt of bonus shares. The registrar modaraba vide there letter No. SC/M/RW/B.F/2006-150 has relaxed the said regulation for the modaraba.



	<i>2009</i>	<i>2008</i>
	<i>Rupees</i>	<i>Rupees</i>
5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances		
To associated concern	-	23,778,500
Income tax	1,659,301	1,328,540
	<u>1,659,301</u>	<u>25,107,040</u>
Prepayments	40,750	55,121
Other receivables		
Profit on bank deposits	1,033,373	1,047,170
Loan to staff	36,000	-
Dividend receivable	260,526	343,908
Others	4,990,464	-
	<u>6,320,363</u>	<u>1,391,078</u>
	<u>8,020,413</u>	<u>26,553,239</u>
6. LONG TERM DEPOSITS		
Central depository company	25,000	25,000
Pakistan Telecommunication company limited	5,000	5,000
State Bank of Pakistan	10,019	10,019
	<u>40,019</u>	<u>40,019</u>
7. FIXED ASSETS		
For own use	7.1 595,574	807,854
Leased out	7.3 606,369	734,991
	<u>1,201,943</u>	<u>1,542,845</u>



7.2 Disposal of vehicles

PARTICULARS	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain / (Loss)	Mode of disposal	Particulars of buyers
Honda Integra 1600cc	980,000	923,879	56,121	285,000	228,879	Negotiation	Syed Shahid Iqbal
Rupees - 2009	980,000	923,879	56,121	285,000	228,879		
Rupees - 2008	-	-	-	-	-		

7.3 Leased out

PARTICULARS	2009						Written Down value as at June 30, 2009
	COST		AMORTISATION				
	As at July 1, 2008	Additions / (Deletion)	As at June 30, 2009	Rate %	For the year / (Adjustment)	As at June 30, 2009	
Vehicles	846,000	-	846,000	*	128,622	239,631	606,369
Rupees - 2009	846,000	-	846,000		128,622	239,631	606,369

PARTICULARS	2008						Written Down value as at June 30, 2008
	COST		AMORTISATION				
	As at July 1, 2007	Additions / (Deletion)	As at June 30, 2008	Rate %	For the year / (Adjustment)	As at June 30, 2008	
Vehicles	3,022,166	(2,176,166)	846,000	*	622,684	111,009	734,991
Generator	500,000	(500,000)	-	*	(1,676,166)	-	-
Rupees - 2008	3,522,166	(2,676,166)	846,000		(1,926,166)	111,009	734,991

* Assets leased out are amortized over the period of lease.



2009 **2008**
Rupees **Rupees**

8. ACCRUED AND OTHER LIABILITIES

Due to related party	78,751	-
Audit fee payable	270,000	335,000
Salaries payable	92,753	73,598
Sales tax payable	739,328	-
Advance from customer	2,000,000	-
Workers welfare fund	236,181	-
Others	34,605	93,108
	3,451,618	501,706

9. LONG TERM LEASE DEPOSITS

These represent interest free security deposits received against lease from lessees and are refundable / adjustable at the expiry of the lease contracts.

10. CERTIFICATE CAPITAL

	2009	2008		2009	2008
	<i>No. of Certificates</i>			<i>Rupees</i>	
	<i>Authorized Certificate Capital</i>				
	10,000,000	10,000,000	Modaraba certificates of Rs. 10/- each	100,000,000	100,000,000
Issued, subscribed and paid-up-capital					
3,000,000	3,000,000	3,000,000	Modaraba certificates of Rs.10/- each issued for cash	30,000,000	30,000,000
3,831,962	3,355,314	3,355,314	Modaraba certificates of Rs. 10.- each issued as bonus certificates	38,319,625	33,553,140
	6,831,962	6,355,314		68,319,625	63,553,140

11. RESERVES

Statutory reserve	11.1	16,211,482	15,107,786
Unappropriated profit		6,527,351	8,718,544
		22,738,833	23,826,331

11.1 Statutory reserve represents profit set aside in compliance with the requirements of Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

12. CONTINGENCIES AND COMMITMENTS

There are no known contingencies and commitments as at June 30, 2009 (2008 : Nil).



		<i>2009</i>	<i>2008</i>
		<i>Rupees</i>	<i>Rupees</i>
13. TRADING PROFIT			
Sales-Net	13.1	48,419,480	65,891,200
Cost of sales			
Opening stock		-	-
Purchases	13.2	76,655,672	63,058,500
Closing stock		(37,333,536)	-
		<u>39,322,136</u>	<u>63,058,500</u>
		<u>9,097,344</u>	<u>2,832,700</u>
13.1 Sales-Net			
Sales - Gross			
- Sugar		39,935,100	76,122,700
- Viscose fiber		13,338,357	-
		<u>53,273,457</u>	<u>76,122,700</u>
Less: commission on viscose fibre sale		(50,361)	-
Less: Sales tax on Sugar		(4,803,616)	(10,231,500)
		<u>(4,853,977)</u>	<u>(10,231,500)</u>
		<u>48,419,480</u>	<u>65,891,200</u>
13.2 Purchases			
Sugar		61,727,048	63,058,500
Viscose fibre		14,928,624	-
		<u>76,655,672</u>	<u>-</u>
14. DIVIDEND			
Dividend income		1,763,596	2,733,997
Less: Zakat deducted at source		(54,027)	(58,171)
		<u>1,709,569</u>	<u>2,675,826</u>
15. OTHER INCOME			
Gain on disposal of vehicle	7.2	228,879	-
Deposit forfeited	15.1	1,441,000	-
Other		39,000	-
		<u>1,708,879</u>	<u>-</u>

15.1 These represent advance deposits forfeited by modaraba of various customer against sale of 860 tons of sugar.



	<i>2009</i> <i>Rupees</i>	<i>2008</i> <i>Rupees</i>
16. OPERATING EXPENSES		
Salaries and other benefits	1,316,348	997,705
Fee and subscription	279,866	230,458
Newspapers and periodicals	4,668	3,582
Printing and stationery	25,311	57,276
Repairs and maintenance	6,100	13,142
Traveling and conveyance	3,411	1,712
Postage and telephone	24,367	35,600
Auditors' remuneration	16.1 210,000	185,000
Vehicles running and maintenance	62,591	55,679
Insurance	62,702	31,080
Depreciation	160,709	193,931
Advertisement	24,750	16,200
Bank charges	3,948	5,198
Miscellaneous	16,590	17,999
	<u>2,201,361</u>	<u>1,844,562</u>
16.1 Auditors' remuneration		
Audit fee (including reviews)	175,000	150,000
Other services	35,000	35,000
	<u>210,000</u>	<u>185,000</u>

17. TAXATION

Income tax assessment for Modaraba has been finalized upto tax year 2008, assessments are deemed to have been finalized under section 120 of Income Tax Ordinance, 2001.

18. EARNING PER CERTIFICATE

Basic

Profit for the year	3,678,987	6,846,268
Average number of certificates outstanding	6,831,962	6,831,962
Earnings per certificate	0.54	1.00

Diluted

There is no dilutive effect on the basic earning per certificate of the Modaraba.



19. **TRANSACTIONS WITH RELATED PARTIES**

Related parties include Modaraba's management company and its directors, family members of directors, entities under common directorship, key management personnel and employees. Transactions with related parties are as follows:

Insurance expenses - associated company	<u>62,702</u>	<u>31,080</u>
Purchases - associated company	<u>61,727,048</u>	<u>57,563,000</u>
Management - to the management company	<u>811,102</u>	<u>847,363</u>

The balance due to or from related parties are disclosed in the respective note (refer note 5,13 & 8).

20. **CAPITAL MARKET RISK**

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

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

21. **CREDIT RISK**

Credit risk is the risk that one party to 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 the counter parties. The carrying amounts of the financial assets against which the company did not hold any collateral are represent the maximum credit exposure, as specified below:

	2009		2008	
	Balance Sheet	Maximum Exposure	Balance Sheet	Maximum Exposure
Bank Balance	15,324,876	15,324,876	25,083,478	25,083,478
Advances	-	-	23,778,500	23,778,500
Other Receivable	6,320,363	6,320,363	1,391,078	1,391,078
Short term Investment	<u>38,216,733</u>	<u>38,216,733</u>	<u>37,324,315</u>	<u>37,324,315</u>
	<u>59,861,971</u>	<u>59,861,971</u>	<u>87,577,371</u>	<u>87,577,371</u>

Geographically all credit exposure is in Pakistan.



The maximum exposure to credit risk for the advance and other receivable at the balance sheet date by type of customer is as follows:

	2009	2008
Brokers	-	-
Suppliers	-	23,778,500
Others	6,320,363	1,391,078
	<u>6,320,363</u>	<u>25,169,578</u>

Impairment losses

The aging of trade debtors at balance sheet date was :

	2009		2008	
	Gross	Impairment	Gross	Impairment
Not past due	-	-	6,021,000	-
Past due 1-60 days	-	-	-	-
	<u>-</u>	<u>-</u>	<u>6,021,000</u>	<u>-</u>

22. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Modaraba matches availability of liquid funds before committing for liabilities. An analysis of liquid funds with maturities of liabilities due is also performed on regular basis. The following are the contractual maturities of financial liabilities.

	2009			
	Carrying Amount	Contractual cash flow	Twelve months or less	Two to Five years
Non-Derivative Financial liabilities				
Lease Deposits	84,600	84,600	-	84,600
Staff Gratuity	82,300	82,300	-	82,300
Accured and other liabilities	3,451,618	3,621,098	3,621,098	-
Due to Management Company	811,102	811,102	811,102	-
Unclaimed Dividend	278,583	278,583	278,583	-
	<u>4,708,203</u>	<u>4,877,683</u>	<u>4,710,783</u>	<u>166,900</u>

	2008			
	Carrying Amount	Contractual cash flow	Twelve months or less	Two to Five years
Non-Derivative Financial liabilities				
Lease Deposits	84,600	84,600	-	84,600
Staff Gratuity	35,920	35,920	-	35,920
Accured and other liabilities	501,706	501,706	501,706	-
Due to Management Company	847,363	847,363	847,363	-
Unclaimed Dividend	278,583	278,583	278,583	-
	<u>1,663,572</u>	<u>1,748,172</u>	<u>1,627,652</u>	<u>120,520</u>



23. MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The Modaraba manages this risk through continuous monitoring of the market prices, market mark-up/profit rates and its mark-up/profit rates sensitivity position.

23.1 Exposure to currency risk

The Modaraba has no exposure to foreign currency risk at balance sheet date.

23.2 Mark-up/profit rate risk exposure

	Mark up / profit bearing One month to one year	Non-mark-up/ profit bearing	Total 2009	Total 2008
	<----- Rupees ----->			
FINANCIAL ASSETS				
Cash and bank balances	14,998,969	491,558	15,490,527	25,109,181
Investments	-	38,216,733	38,216,733	37,324,315
Advances, deposits and other receivables	-	1,370,649	1,370,649	25,224,699
Lease rentals	-	-	-	-
	<u>14,998,969</u>	<u>40,078,939</u>	<u>55,077,908</u>	<u>87,658,195</u>
Contingent Assets	-	-	-	-
FINANCIAL LIABILITIES				
Unclaimed Dividend	-	278,583	278,583	278,583
Accrued and other liabilities	-	3,451,618	3,451,618	501,706
Due to management company	-	811,102	811,102	847,363
Lease deposits	-	84,600	84,600	84,600
	-	<u>4,625,903</u>	<u>4,625,903</u>	<u>1,712,252</u>
Contingent Liabilities	-	-	-	-
On Balance Sheet gap	<u>14,998,969</u>	<u>35,453,036</u>	<u>50,452,005</u>	<u>85,945,943</u>
Cumulative gap	<u>14,998,969</u>	<u>35,453,036</u>	<u>50,452,005</u>	<u>85,945,943</u>

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities is estimated to approximate their carrying amount.



25. SEGMENT ANALYSIS

24.1 Geographical Segment

The Modaraba's assets are employed and its income is derived in Pakistan.

24.2 Segment by class of business for assets leased out

	2009		2008	
	Rupees	% of Total	Rupees	% of Total
Sugar	606,369	100%	734,991	100%
Other	-	-	-	-
	<u>606,369</u>	<u>100%</u>	<u>734,991</u>	<u>100%</u>

The above balances represent written down value of assets leased out.

25. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 05, 2009, by the Board of Directors of the Modaraba Management Company.

26. GENERAL

Corresponding figures have been re-arranged and/or re-classified, wherever necessary, for the purposes of compliance, comparison and better presentation. Major changes made during the year are as follows:

Re-classified from	Re-classified to	Amount (Rupees)	
		From	To
Advance, deposits, prepayment and other recivable	Long term deposits	40,019	40,019

Chief Executive
 E.A. Management (Pvt.) Limited

Director
 E.A. Management (Pvt.) Limited

Director
 E.A. Management (Pvt.) Limited



***PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30, 2009***

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING			TOTAL CERTIFICATES HELD
208	1	-	100	8,440
268	101	-	500	67,442
102	501	-	1000	72,812
226	1001	-	5000	455,821
37	5001	-	10000	248,346
12	10001	-	15000	148,754
10	15001	-	20000	175,531
6	20001	-	25000	130,185
2	25001	-	30000	55,070
1	30001	-	35000	34,158
1	35001	-	40000	38,672
1	55001	-	60000	59,946
1	65001	-	70000	65,550
2	80001	-	85000	162,754
1	100001	-	105000	102,614
1	105001	-	110000	105,204
1	110001	-	115000	113,041
2	115001	-	120000	236,030
1	140001	-	145000	140,731
1	150001	-	155000	154,691
1	170001	-	175000	170,798
1	180001	-	185000	184,194
1	310001	-	315000	313,029
1	415001	-	420000	416,709
1	425001	-	430000	429,241
2	850001	-	855000	1,707,990
1	1030001	-	1035000	1,034,209
892	TOTAL			6,831,962



**CATEGORIES OF CERTIFICATE HOLDINGS
AS AT JUNE 30, 2009**

	Number of Certificate Holders	Total Certificates Held	Percentage %
DIRECTORS CEO and their spouses & minor children			
Mr. Omar Amin Bawany - Chief Executive		26738	0.3914
Mrs. Rukhsana		184194	2.6961
Miss. Rabeeah		38941	0.5700
Mr. Ahmed Ali Bawany - Chairman		28332	0.4147
Mrs. Ambreen		313029	4.5818
Miss. Alveena		5315	0.0778
Mr. Muhammad Altamash		9301	0.1361
	7	605850	8.8679
Associated Companies, undertakings and related parties			
E. A Management (Pvt) Ltd.		853995	12.5000
Faran Sugar Mills Ltd.		853995	12.5000
Reliance Insurance Co. Ltd.		105204	1.5399
	3	1813194	26.5399
NIT and ICP			
National Bank of Pakistan, Trustee Dept.		416746	6.0999
ICP		6247	0.0914
IDBP (ICP Unit)		2423	0.0355
	3	425416	6.2268
Share Holding Ten percent or more or more voting interest in the Company			
Sind Particle Board Mills Ltd.	1	1034209	15.1378
Individuals	845	2172780	31.87
Investment Companies	5	99862	1.46
Insurance Companies	1	170798	2.5
Joint Stock Companies	15	8688	0.12
Financial Institutions	4	443635	6.5
Others	7	41591	0.61
Charitable Trust	1	15939	0.23
TOTAL	892	6831962	100



July 2008-June 2009	
NUMBER OF BOARD MEETINGS	
Name of Director	Number of Meeting Attended
1. Mr. Omar Amin Bawany	4
2. Mr. Ahmed Ali Mohammad Amin Bawany	4
3. Mr. Abdul Ghani Samad	4
4. Mr. Abdul Wahid Jaliawala	4

KEY OPERATING AND FINANCIAL DATA		Rs. 000's				
Year	2009	2008	2007	2006	2005	2004
Paid-up Capital	68,319	63,553	59,119	51,408	51,408	51,408
Equity	91,614	93,312	90,800	82,369	70,573	61,812
Operating Revenue	14,473	11,014	10,253	19,868	14,482	9,488
Net Profit After Tax	3,679	6,846	6,154	12,775	8,665	6,679
Bonus	-	7.5%	7.5%	15%	-	-
Earning Per Certificate (Rs.)	0.54	1.08	1.04	2.16	1.69	1.30



**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2009**

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the Best Practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner :

1. The Modaraba Company through a private limited company, encourages representation of independent non-executive directors on its Board. At present the Board has two non-executive Directors out of a total of four Directors;
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company;
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFT or NBFBI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange;
4. No causal vacancy in the Board occurred during the year.
5. The management company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Modaraba Company and employees of the Modaraba;
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained;



7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the CEO and other executive directors, have been taken by the Board;
8. The meetings of the Board were presided over by the Chief Executive as chairman and, the Board meets 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;
9. The directors are aware of their fiduciary responsibilities. However, whenever necessary the board arrange orientations courses for its directors in this respect;
10. The Board has approved appointment of CFO, company secretary and Head of internal audit, including their remuneration and terms and conditions of employment as determined by CEO.
11. The directors report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed;
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board;
13. The directors, CEO and executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of shareholding;
14. The Modaraba has compiled with all the corporate and financial reporting requirement of the code;
15. The Board has formed an audit committee. It comprises 3 members, of whom two are non-executive directors;
16. The meeting of the audit committee was held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed, and advised to the committee for compliance;



17. The Board has set-up an effective internal audit function;
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan ;
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
20. We confirm that all other material principles contained in the code have been compiled with.

For and on behalf of Board

Dated: October 5, 2009
Karachi

Omar Amin Bawany
Chief Executive

Statement of Compliance

with the Best Practices of Transfer Pricing

The company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges.

For and on behalf of Board

Dated: October 5, 2009
Karachi

Omar Amin Bawany
Chief Executive



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 **BF Modaraba** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of the 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 Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 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 the 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 the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **June 30, 2009**.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

Engagement Partner: **Muhammad Rafiq Dosani**

Karachi

Dated: October 5, 2009



NOTICE OF ANNUAL REVIEW MEETING

The 10th Annual Review meeting of the Certificate Holders of B.F. Modaraba will be held on Friday October 30, 2009 at 5:00 p.m. at the Registered Office of Modaraba at 4th Floor Bank House No. I, Habib Square, M.A. Jinnah, Road, Karachi.

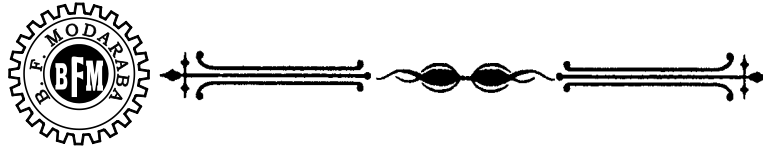
The Certificate Transfer Books of the Modaraba will remain closed from October 23, 2009 to October 30, 2009 (both days inclusive).

Dated: October 5, 2009

Muhammad Ayub
Company Secretary

NOTE

At the time of attending the meeting individual CDC account holders shall produce their original National Identity Cards and corporate entities shall produce the Board's Resolution/Power of Attorney with Specimen Signature of the nominees.



VISION

To provide financial products translating and services within the spirit of Islamic Shariah and in accordance with the law to contribute in the promotion of the law and to contribute towards fulfilling our responsibilities in building a progressive society.

MISSION

To engage effectively, responsibly and profitability in providing financial products and services consistently seeking high standard of performance to maintain a long term success position in the competitive environment. This will be achieved by:

- * Introducing a just and equitable financial system by being a good multipurpose financial institution;
- * Providing a range of specialized services working on Shariah principles to sustain continuous earning growth through effective management of its existing resources and through selective investment and financing.
- * Providing for reasonable and just profit, prudent growth and pursuit of better efficiency.
- * Focusing on serving our clients and customers building relationship with them based on trust and mutual benefit; and
- * Fulfilling our responsibilities to satisfy the certificate holders, clients and the employees.