

# Annual Report 2011

Ijarah

Murabaha

Musharaka

Equities

Trading



**TRUST**  
MODARABA

Managed by Al-Zāmin Modaraba Management (Private) Limited

# Book Post



**TRUST**  
MODARABA

301-320, 3<sup>rd</sup> Floor, Garden Heights, 8-Aibak Block,  
New Garden Town, Lahore  
Tel: (042) -35941957-8 Fax: (042) 35866513  
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## Mission Statement

Trust Modaraba aims to evolve and practice exemplary standards of integrity and proficiency by achieving balanced growth, building quality investment portfolio, maintaining high standards of efficiency and providing good returns to its certificateholders. Trust Modaraba shall endeavor to maintain a competitive edge in the industry and contribute effectively in promotion of Islamic financial regime. It shall adopt a management culture based on participation, motivation and accountability to achieve professional and personal excellence and growth of human resource. Trust Modaraba shall achieve a balanced texture of being a prudent and progressive organization with a sound image in the market place.

## CORPORATE INFORMATION

### Modaraba Company

Al-Zamin Modaraba Management (Private) Limited

### Board of Directors

Mr. Zafar Iqbal	Chairman
Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Manzoor Hussain Shah Kazmi	Director
Mr. Shaikh Arshad Farooq	Director
Mr. Mohammad Imranul Haque	Director
Mr. Sohail Ansar	Director
Dr. Namooos Baquar	Director

### Management

Mr. Basheer Ahmed Chowdry	Chief Executive
Ms. Hamida Aqeel	Chief Operating Officer/Company Secretary
Mr. Ijaz Ahmed Khan	Chief Financial Officer/Regional Head
Ms. Roomana Nasir	HR Head

### Audit Committee

Mr. Manzoor Hussain Shah Kazmi	Chairman
Mr. Shaikh Arshad Farooq	Member
Mr. Sohail Ansar	Member
Ms. Hamida Aqeel	Member/Secretary-Audit Committee

### Head of Internal Audit

Ms. Roomana Nasir

### Auditors of the Modaraba

Ernst & Young Ford Rhodes Sidat Hyder

### Bankers

The Bank of Punjab  
 Bank Alfalah Limited – Islamic Banking  
 Meezan Bank Limited

### Legal Advisors

Irfan & Irfan, Attorneys at Law

### Registered Office/Principal Place of Business

104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600  
 Telephone: 021-35876651, 35876652, 35371725, 35873373, 35867102, 35374474, 111-111-303  
 Fax : 021-35870408, 35838304, 35837586 Web: www.alzamin.com.pk

### Regional Office

301-320, 3<sup>rd</sup> Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore  
 Tel: (042) -35941957-8 Fax: (042) 35866513 Web: www.trustmodaraba.com

### Registrars

Hameed Majeed Associates (Private) Limited  
 1<sup>st</sup> Floor, H.M. House, 7-Bank Square, Lahore Telephone: (042) 37235081-2 Fax: (042) 37358817



## NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of Trust Modaraba to review the performance of Modaraba for the year ended June 30, 2011 will be held on Friday October 28, 2011 at 09:00 AM at Institute of Chartered Accountants of Pakistan, chartered accountants avenue, Clifton, Karachi.

The certificate transfer books of the Modaraba will remain closed from October 22, 2011 to October 28, 2011 (both days inclusive).

Karachi  
October 7, 2011

**Hamida Aqeel**  
Company Secretary

## DIRECTORS' REPORT

The Board of Directors' take pleasure in presenting annual audited accounts of Trust Modaraba for the year ending 30<sup>th</sup> June, 2011.

### **Economic Review.**

Pakistan's economy, burdened with the economic global and local crises, witnessed serious challenges during the fiscal year 2010-2011. Security concerns emanating from the nations' role in war on terror created great instability and led to decline in foreign direct investment. The unprecedented floods caused heavy damage to agriculture and infrastructure and exasperated the economic issues for already fragile economy of Pakistan. Acute energy crises aggravated economic depression for the economy across the board. The government missed its' target of GDP growth of 4.5% for the year 2010-2011. Consequently, the year under review remained very challenging for the country as well the banking and non banking sector.

Despite all these odds, Pakistan's economy showed resilience driven primarily by all time high foreign exchange reserves and sustained flow of remittances from the expatriates. One can only hope that the worst is over and the economy is poised for recovery. Recent European Union approval for special trade concessions for Pakistan is expected to have favorable impact in due course.

### **Performance:**

Trust Modaraba even under the most challenging circumstances, performed satisfactorily and during the year generated net income of Rs. 23.3 before allocations. The strategy evolved by the management focused on three factors (a) aggressive efforts to recover the stuck up receivables, (b) keeping operating expenses at minimum possible level and (c) build fresh business portfolio with extreme caution and prudence. The aforementioned factors remained primary drivers of the profitability. During the year three cases of past stuck up dues were resolved which resulted in reversal of provisioning to the extent of Rs.7.2 million. It may be reported that though the actual recovery somewhat fell short of projected target due to lengthy and cumbersome court process, every effort is being made to recoup the shortfall during the current year as the cases projected to be finalized during the current year under review are at final stages of settlement. Operating expenses increased due to inflationary impact and the infrastructure built at Karachi to cater to the future business requirements. Asset base and equity of the Modaraba also showed modest increase which under the circumstances is a sign of sound portfolio and risk management. The Modaraba has a very favorable asset profile and liquidity position.

### **Future Outlook:**

As mentioned in the report, the macro economic factors still continue to be under pressure and the year 2011-12 also appears to be a tough year ahead. Therefore, the core principle of business operations would continue to be extreme caution and prudence with emphasis on intense recovery of cases under litigation. Effective monitoring of performing business portfolio will be maintained to minimize chances of delinquencies and all out efforts made to recover classified accounts. This strategy would result in consolidation of the operations and further strengthen the financial resource base of the Modaraba for improving asset value per certificate. Now that the

operations of the Modaraba have been consolidated on sound footings under the present management, it is planned to obtain credit rating for the Modaraba which would open doors for resource mobilization and consequently, achieve growth in business volume.

#### **Dividend distribution:**

The Board is pleased to announce that based on the profits earned by the Modaraba during the year ended 30<sup>th</sup> June, 2011 a cash dividend of 5% i.e Rs. 0.50 per certificate had been declared. The book closure to determine the entitlements of dividend will be announced in due course.

#### **Compliance under Code of Corporate Governance:**

- The financial statements prepared by the management of Trust Modaraba present fairly its' state of affairs, the result of its' operations, cash flows and changes in equity.
- Proper books of accounts of Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements of Modaraba and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable to Modaraba have been followed in preparation of financial statements and any departure there from has been duly disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about Modaraba's ability to continue as a going concern.
- There has been no material departure from best practices and corporate governance as detailed in the listing regulations.

#### **Board Meetings:**

Four meetings of the Board of Directors were held during the year, which were attended as follows:

		No. of meetings attended
Mr. Zafar Iqbal	Chairman	2
Mr. Basheer A. Chowdry	Chief Executive	4
Mr. S. Manzoor Husain Shah Kazmi	Director	3
Mr. Sohail Ansar	Director	2
Mr. Shaikh Arshad Farooq	Director	4
Mr. Imranul Haque	Director	2
Ms. Dr. Namoos Baquar	Director	4

#### **Auditors:**

The present auditors M/s Earnest & Young Ford Rhodes Sidat Hyder, Chartered Accountants have completed five years term of engagement with Trust Modaraba. The Board places on record its' appreciation for the professional capabilities and the diligence with which the firm conducted audit of the Modaraba. As per the suggestion of the Audit Committee, the Board has approved



appointment of M/s Yousuf Adil Saleem & Company, as statutory auditors of the Modaraba for the financial year ending 2012. The appointment is subject to the approval of the Registrar Modarabas.

**Pattern of Certificate holding:**

Pattern of Certificate holding as at 30<sup>th</sup> June, 2011 is attached. No trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

**Value of the Fund Investment:**

The Modaraba operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by Modaraba and the employees to the fund @ 10% of basic salary. Based on latest accounts of the fund, the value of its' investments as at 30<sup>th</sup> June, 2011 works out to be Rs.1,149,311.

**Acknowledgements:**

The Board wishes to place on record its' appreciation for the support and guidance provided by the Registrar Modarabas and Securities and Exchange Commission of Pakistan. The Board also acknowledges the hard work and commitment of the executives and staff members.

**For and on behalf of the Board of Directors**



**Basheer A. Chowdry**

Chief Executive.

Karachi

Date: October 7, 2011



## KEY OPERATING & FINANCIAL DATA FOR THE LAST SIX YEARS

(Rupees in thousand)

Particulars	2011	2010	2009	2008	2007	2006
Paid-up capital	<b>298,000</b>	298,000	298,000	273,000	273,000	273,000
Reserves	<b>(14,611)</b>	(18,418)	(40,971)	(29,437)	(18,315)	86,251
Net equity	<b>283,389</b>	279,581	257,028	243,562	254,685	359,251
Morabaha financing	<b>143,282</b>	157,215	138,459	168,929	228,026	261,238
Fixed assets	<b>14,062</b>	14,120	13,236	11,555	12,064	14,864
Assets given on lease (Ijarah)	<b>309,023</b>	285,320	190,803	126,445	132,589	129,329
Total assets	<b>377,213</b>	371,133	300,052	271,567	319,706	389,047

### Income Statement

Income	<b>73,690</b>	59,304	47,497	22,082	29,775	38,954
Financial charges	-	-	-	1,586	7,165	6,205
Operating expenses	<b>50,336</b>	36,580	80,585	22,427	84,549	19,520
Profit/(loss) before taxation	<b>23,354</b>	22,724	(33,087)	(1,932)	(61,938)	21,576
Profit/(loss) after taxation	<b>21,019</b>	23,396	(33,087)	(1,671)	(64,925)	18,576
Earning/(loss) per certificate	<b>0.71</b>	0.79	(1.11)	(0.06)	(2.38)	0.57

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2011

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

Al-Zamin Modaraba Management (Private) Limited (Modaraba Company) is not listed, however, Trust Modaraba (the Modaraba) is listed at Karachi, Lahore and Islamabad Stock Exchanges. The Board of directors of the Modaraba Company is responsible for management of affairs of the Modaraba.

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

1. The Modaraba Company has 7 directors which include 6 non-executive directors.
2. All the directors of the Modaraba Company have confirmed that they are not serving as a director in more than ten listed companies.
3. All the resident directors of the Modaraba Company have confirmed that they are registered as taxpayers and have not defaulted in payment of any loan to a banking company, a Modaraba, Development Financial Institution or a Non Banking Financial Institution, neither they are member of any stock exchange in Pakistan.
4. No casual vacancy occurred in the Board during the year.
5. The Modaraba 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 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 in the form of minutes of meetings of the board and internal circulars. The overall corporate strategy of the Modaraba is discussed from time to time in the Board meetings and documented in the minutes.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including changes in remuneration of the Chief Executive Officer and other executive director.
8. The Board has met once in every quarter. All meetings of the Board were presided over by the Chairman. 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. A detailed presentation by Messrs Shekha & Mufti Chartered Accountants was given on April 27, 2011 to the Board of Directors on the 'Code of Corporate Governance' with specific reference to the role of Board in strategy formulation and responsibilities of the Directors.
10. Appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit was approved by the Board.

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 Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Chief Executive Officer, directors and other executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Modaraba.
15. The Board has formed an Audit Committee. It comprises of three members and secretary to the Audit Committee. The members are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held once in every quarter after takeover of Modaraba as required by the Code prior to approval of interim and final results of the Modaraba. The terms of reference of the Committee have been framed and advised to the Committee for compliance.
17. The Board has set-up an Internal Audit function on a full time basis. Arrangements are being made to Reinforce the department to make it more effective.
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 regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All related party transactions of the Modaraba are executed in accordance with the policy of the Modaraba. The related party transactions have been place before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Stock Exchanges.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi  
Date: October 7, 2011



**Basheer A. Chowdry**  
Chief Executive

## REVIEW REPORT TO THE CERTIFICATE HOLDERS 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 Al-Zamin Modaraba Management (Private) Limited (the Modaraba Company) in respect of Trust Modaraba (the Modaraba) to comply with the Listing Regulations No. 37 of the Karachi, Lahore and Islamabad Stock Exchanges, 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 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 Management Company 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 are not required to consider whether the Board's statement on internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the modaraba's corporate governance procedures and risks.

Further, sub-regulation (xiii) of Listing Regulation No. 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Modaraba to place before the Board of Directors of the Modaraba Company 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 justifications for using such alternate pricing mechanism. Further, all such transactions 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 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 30 June 2011.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Lahore:

Date: October 7, 2011

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **Trust Modaraba** as at **30 June 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 Management Company's [Al-Zamin Modaraba Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Trust Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change as stated in note 2.3 of these financial statement, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation

and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at **30 June 2011** and of the profit, its cash flows and changes in equity for the year then ended; and

- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980. (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of the Ordinance.

Without qualifying our opinion, we draw attention to the matter stated in note 17.2.1 to these financial statements the ultimate outcome of which cannot presently be determined and, hence, no loss that may result there from has been recorded in these financial statements.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

**Engagement Partner: Naseem Akbar**

Lahore:  
October 7, 2011

## BALANCE SHEET

AS AT 30 JUNE 2011

ASSETS	Note	2011 Rupees	2010 Rupees
<b>Current assets</b>			
Cash and bank balances	5	16,776,927	8,313,978
Short term investments	6	2,316,755	7,498,486
Advances, deposits, prepayments and other receivables	7	7,619,320	2,038,898
Short term murabaha finances	8	92,965,736	106,978,848
Current portion of long term murabaha finances	9	44,081,352	39,103,032
Ijarah rental receivables	10	12,729,251	15,987,807
Short term diminishing musharakah finances	11	5,000,000	-
Accrued profit	12	1,827,015	1,079,856
Tax refunds due from Government		652,352	263,446
Trade debts		-	2,804,055
Stock in trade	13	6,100,000	990,439
<b>Total current assets</b>		190,068,708	185,058,845
<b>Assets classified as held for sale</b>	14	1,890,526	-
<b>Non-current assets</b>			
Long term murabaha finances	9	6,234,440	11,133,400
Long term deposits	15	573,862	394,862
Long term investments	16	11,523,268	11,359,267
Fixed assets	17	166,923,076	163,187,531
<b>Total non-current assets</b>		185,254,646	186,075,060
<b>Total Assets</b>		377,213,880	371,133,905
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current portion of customers' security deposits	18	2,995,604	8,968,580
Creditors, accrued and other liabilities	19	24,629,226	24,636,422
<b>Total current liabilities</b>		27,624,830	33,605,002
<b>Non-current liabilities</b>			
Customers' security deposits	18	66,200,049	57,947,078
<b>Total liabilities</b>		93,824,879	91,552,080
<b>NET ASSETS</b>		283,389,001	279,581,825
<b>REPRESENTED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Certificate capital	20	298,000,000	298,000,000
Reserves	21	(14,610,999)	(18,418,175)
		283,389,001	279,581,825
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
(CHIEF EXECUTIVE OFFICER)

  
(DIRECTOR)

  
(DIRECTOR)



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
Income from leasing (Ijarah) operations	23	57,220,077	38,499,478
Profit on murabaha finances	24	12,204,147	11,361,885
Profit on musharakah finances		164,057	-
Dividend income on equity investments		376,211	884,840
Profit on long term investment - available-for-sale		1,358,205	1,372,101
Profit on short term investment		253,737	1,443,620
Profit on sale of short term investments - held-for-trading		540,304	915,620
Profit on sale of long term investments - available-for-sale		201,781	2,419,700
Trading income	25	233,544	701,282
Other income	26	1,138,307	1,706,327
		<u>73,690,370</u>	<u>59,304,853</u>
Reversal of provision against non performing murabaha finances-net	27	7,215,544	2,994,210
Impairment on available-for-sale investments		-	393,325
		<u>80,905,914</u>	<u>61,905,738</u>
Depreciation on fixed assets given on lease/ijarah	17	43,723,274	28,800,260
Administrative expenses	28	13,702,848	8,949,909
Other charges	29	124,838	1,431,357
		<u>(57,550,960)</u>	<u>(39,181,526)</u>
		23,354,954	22,724,212
Modaraba management company's fee		<u>(2,335,495)</u>	<u>(2,272,421)</u>
Profit before taxation		21,019,459	20,451,791
Taxation	30	-	2,945,133
Profit after taxation		<u>21,019,459</u>	<u>23,396,924</u>
Earnings per certificate - basic and diluted	31	<u>0.71</u>	<u>0.79</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



(CHIEF EXECUTIVE OFFICER)



(DIRECTOR)



(DIRECTOR)



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
Profit for the year	21,019,459	23,396,924
<b>Other comprehensive Income</b>		
Net unrealized loss on available-for-sale investments	(2,312,284)	(843,650)
<b>Total comprehensive income for the year</b>	<b>18,707,175</b>	<b>22,553,274</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

(CHIEF EXECUTIVE OFFICER)

(DIRECTOR)

(DIRECTOR)

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	21,019,459	20,451,791
Add / (less) adjustment for :		
Depreciation	44,313,473	29,186,829
Reversal against non performing murabaha finances - net	(7,215,544)	(2,994,210)
Impairment of investments	-	393,325
Loss on disposal of fixed assets	(4,499,366)	167,888
Dividend income	(376,211)	(884,840)
	<u>32,222,352</u>	<u>25,868,992</u>
Cash from operating activities before changes in working capital	53,241,811	46,320,783
Changes in working capital		
(Increase) / decrease in current assets:		
Short term investments	4,180,835	21,284,968
Advances, deposits, prepayments and other receivables	(5,580,422)	(862,692)
Short term murabaha finance	14,013,112	1,817,229
Long term murabaha finance	7,136,184	(17,579,241)
Ijarah rental receivables	3,258,556	(5,168,226)
Short term diminishing musharakah finances	(5,000,000)	-
Trade debts	2,804,055	(2,804,055)
Stock in trade	(5,109,561)	(990,439)
	<u>15,702,759</u>	<u>(4,302,456)</u>
Increase / (decrease) in current liabilities:		
Creditors, accrued and other liabilities	(7,196)	15,467,073
Customers' security deposits	2,279,995	36,006,158
	<u>2,272,799</u>	<u>51,473,231</u>
Cash from operating activities	71,217,369	93,491,558
Taxes paid	(388,906)	(263,446)
Profit received on short term investments	253,737	924,626
Dividend paid	(14,900,000)	-
<b>Net cash from operating activities</b>	<u>56,182,200</u>	<u>94,152,738</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure (including assets given on ijarah)	(81,762,537)	(119,207,477)
Sale proceeds of fixed assets (including assets given on ijarah)	36,322,360	16,462,523
(Purchase)/sale of Investments - net	(2,476,285)	7,731,899
Long term deposits paid during the year	(179,000)	(210,000)
Dividend received	376,211	1,223,180
<b>Net cash used in investing activities</b>	<u>(47,719,251)</u>	<u>(93,999,875)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
<b>Net increase in the cash and cash equivalents</b>	8,462,949	152,863
<b>Cash and cash equivalents at the beginning of year</b>	8,313,978	8,161,115
<b>Cash and cash equivalents at the end of year</b>	<u>16,776,927</u>	<u>8,313,978</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



(CHIEF EXECUTIVE OFFICER)



(DIRECTOR)



(DIRECTOR)

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

	Certificate capital	Capital Reserve		Revenue Reserves		Total Reserves	Total Equity
		Statutory reserve	Unrealized gain/(loss) on revaluation of investments	Accumulated loss			
Balance as at 01 July 2009	298,000,000	42,832,697	524,100	(84,328,246)	(40,971,449)	257,028,551	
Total comprehensive income for the year	-	-	(843,650)	23,396,924	22,553,274	22,553,274	
Transfer to statutory reserve at 30%	-	7,019,077	-	(7,019,077)	-	-	
Balance as at 30 June 2010	298,000,000	49,851,774	(319,550)	(67,950,399)	(18,418,175)	279,581,825	
Dividend paid	-	-	-	(14,900,000)	(14,900,000)	(14,900,000)	
Total comprehensive income for the year	-	-	(2,312,284)	21,019,459	18,707,176	18,707,176	
Transfer to statutory reserve at 25%	-	5,254,865	-	(5,254,865)	-	-	
Balance as at 30 June 2011	298,000,000	55,106,639	(2,631,834)	(67,085,805)	(14,610,999)	283,389,001	

-----Rupees-----

The annexed notes from 1 to 40 form an integral part of these financial statements.



(CHIEF EXECUTIVE OFFICER)



(DIRECTOR)



(DIRECTOR)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Trust Modaraba was formed in Pakistan under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and had been managed by Trust Management Services (Private) Limited (TMSL). The registration of the Management Company was cancelled by the Registrar Modaraba vide order dated 20 August 2007 and consequently, an Administrator had been appointed to protect the interest of the certificate holders till new management is decided upon. During 2009, vide SECP Order dated 30 January 2009, the Administrator ceased to hold his office with effect from 23 February 2009 and Al-Zamin Modaraba Management (Private) Limited (AMML) took over the control of the Modaraba along with all assets, liabilities and contingencies and commitments. Under the terms of this take over arrangement, AMML injected Rs. 25 million as certificate deposit money into the fund of the Modaraba against which Modaraba certificates were issued to AMML on 04 June 2009.
- 1.2. The Modaraba is perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabahas, Musharakahs, leasing (ijarah), investment in marketable securities and other permissible businesses. The Modaraba commenced its business operations from 12 November 1991. The principal place of business and registered located at 104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi - 75600 while regional office is located at 301-302, 3rd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore. It is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

### 2. STATEMENT OF COMPLIANCE

- 2.1 These Financial Statements have been prepared in accordance with approved accounting standards as applicable in Pakistan except for International Accounting Standard (IAS) 17 "Leases", and the requirements of the Companies Ordinance, 1984, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the approved accounting standards differ with the requirement of Companies Ordinance, 1984, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP), the requirements of later take precedence.

#### 2.2 Standards not complied in preparation of the financial statements by the Modaraba

SECP vide its circular No. 10 of 2004 dated 13 February 2004 has deferred, till further orders, the applicability of IAS 17 on Modarabas with effect from 01 July 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of the said IAS to the Modarabas.

#### 2.3 Standards, interpretations and amendments to published approved accounting standards those are effective in current year

The Modaraba has adopted the following amended IFRS and IFRIC interpretation which became effective during the year:

IFRS 2 – Group Cash-settled Share-based Payment Arrangements  
 IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)  
 IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

*Improvements to various standards issued by IASB Issued in 2009*

IFRS 5 – Non- Current Assets Held for Sale and Discontinued Operation  
 IFRS 8 – Operating Segments  
 IAS 1 – Presentation of Financial Statements  
 IAS 7 – Statement of Cash flows Presentation of Financial Statements  
 IAS 17 – Leases  
 IAS 36 – Impairment of Assets  
 IAS 39 – Financial Instruments : Recognition and Measurement

*Issued in April 2010*

IFRS 3 – Business Combinations  
 IAS 27 – Consolidated and Separate Financial Statements

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements.

#### **2.4 Standards, interpretations and amendments to published approved accounting standards those are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	01 July 2012
IFRS 7 – Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	01 July 2011
IAS 12 – Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IAS 24 – Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

Modaraba expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Modaraba's financial statements in the period of initial application.

In addition to the above, improvements to various accounting standards have also been issued by

the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 – Financial Instruments	01 January 2013
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

### **3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except certain financial instruments which are measured at fair value.

### **4. SIGNIFICANT ACCOUNTING POLICIE**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.3.

#### **4.1 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

##### **4.1.1 Useful lives, pattern of flow of economic benefits and impairment**

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of the assets for possible impairments on an annual basis and any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment established.

##### **4.1.2 Provisions against non performing financings**

The Modaraba reviews its overdue leases at each reporting date to assess whether provision should be recorded in the profit and loss account, in addition to the mandatory provisions required in accordance with the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

## **4.2 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash at bank and other short-term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **4.3 Investments**

### **4.3.1 Available-for-sale**

These are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value. For listed securities, fair value is determined on the basis of period end bid prices obtained from stock exchange quotations, while for unquoted securities, fair value is determined considering break up value of securities.

All purchases and sales of investments are recognized on the trade date which is the date when Modaraba commits to purchase or sell the investment. Cost of purchase includes transaction cost.

Changes in carrying value are recognized in equity until the investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year.

### **4.3.2 Held-for-trading**

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. These are initially measured at cost and at subsequent reporting dates, these investments are re-measured at fair value. Realized and unrealized gains and losses arising from changes in fair value are included in profit and loss account for the year in which they arise.

The fair value of publicly traded securities is based on market prices quoted on the Karachi Stock Exchange at the balance sheet date. The investment for which a quoted market price is not available, are measured at cost as it is not practical to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the Modaraba commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each balance sheet date, the Modaraba reviews the carrying amounts of the



investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial assets previously recognized in profit and loss account is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

#### **4.3.3 Held-to-maturity**

Investments with fixed or determinable payments and fixed maturity and where the Modaraba has positive intent and ability to hold to maturity are classified as held to maturity. These are initially recognized at cost inclusive of transaction costs, less impairment loss, if any recognized to reflect irrecoverable amount and are subsequently carried at amortized cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount. Gains and losses are recognized in the profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

#### **Murabaha**

Murabaha to the purchase orderer is sale transaction wherein the first party (the Modaraba) sells to the client / customer sharia compliant asset / goods for cost plus a pre-agreed profit. In principal on the basis of undertaking (promise-to-purchase) from the client (the purchase ordered), The Modaraba purchases the assets/goods subject of the Murabaha from third party and takes possession thereof, however, the Murabaha can appoint the client as its agent to purchase the assets/goods on behalf. Thereafter, its sells it to the client at cost plus the profit agreed upon in the promise. Murabaha financing is recorded at the invoiced amount and profit is recognized. Profit on that portion of sale revenue not due for payment is deferred and recognized as liability. Goods purchased by the Modaraba but remained unsold, if any with the Modaraba at balance sheet date constitute inventories.

#### **4.5 Leases (Ijarahs)**

Lease Agreements executed before 01 July 2008, Modarabas are required to enter into lease contracts in accordance with the principles of Sharia and in the form approved by Modaraba's Religious Board. The principles of Sharia prohibit the Modaraba from undertaking any interest based transactions. The application of these principles has profound implications on the accounting treatment for leases which are divergent from the accounting treatment pronounced by IAS 17, which are explained as follows:

- (i) Although all the leases entered into by the Modaraba are fully paid out leases but, in accordance with the principles of Sharia substantial risks and rewards incidental to ownership of leased assets remain with the Modaraba as a lessor and are not transferred to the lessee, and
- (ii) The method of income recognition of finance lease prescribed by IAS-17 is interest based which is against the injunctions of Sharia.

In view of the above anomalies and in accordance with the injunctions of Sharia, the leased out asset is recorded in the Modaraba's accounts as operating lease.

#### **4.6 Diminishing Musharakah Financing**

In Diminishing Musharakah based financing, the Modaraba enters into a Musharakah based on Shirkat-ul-milk for financing an agreed share of asset (e.g. house, land, plant or machinery, crops etc) with its customers and enters into periodic profit payment agreement for the utilization of the Modaraba's Musharakah share by the customer.

#### **4.7 Tangible fixed assets**

##### **4.7.1 Operating fixed assets in own use and depreciation**

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income by applying the straight-line method at the rates given in note 17.2.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain/loss on disposal of assets is charged to current year's income.

##### **4.7.2 Assets given to customers on lease and depreciation**

Leased assets are stated at cost less accumulated depreciation. Depreciation is charged to income by applying the straight line method whereby the cost of an asset less salvage value is written off over the leased period, which is considered to be the estimated useful life of the asset. Depreciation on additions and disposals during the year is charged proportionately from the date of commencement of the lease to the date of its maturity/termination.

##### **4.7.3 Assets given to customers under ijarah agreements**

Assets given to customers under ijarah arrangements on or after 01 July 2008 are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated on straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately to the period of ijarah.

##### **4.7.4 Impairment**

Services of independent valuers are used to value the assets. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss account.

#### **4.8 Non-current assets held for sale**

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Fixed assets once classified as held for sale are not depreciated.

#### **4.9 Trade debts**

Trade debts originated by the Modaraba are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

#### **4.10 Inventories**

Murabaha transaction are entered into on customer order basis, therefore, in normal circumstances there is no inventory. However, if any inventory remains unsold by the modaraba at period end will be measured at lower of cost and net realizable value. Cost is determined on the first in first out basis.

#### **4.11 Ijarah Assets**

The Modaraba recognizes ijarah payments under an Ijarah agreement as an expense in the profit and loss account on a straight line basis over the Ijarah term.

#### **4.12 Revenue recognition**

##### **4.12.1 Murabaha profit**

Profit on finances under Murabaha arrangements is recognized on a pro-rata basis taking into account the duration of placement of funds. Income on Murabaha executed on or after 1 July 2009 is accounted for on culmination of murabaha transaction. However, profit not due for payment in the current year is deferred by accounting for unearned murabaha income with corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognized as revenue on a time proportionate basis.

##### **4.12.2 Diminishing Musharakah profit**

Profit on Diminishing Musharakah financings are recognised on accrual basis.

##### **4.12.3 Lease rentals**

The Modaraba records all lease transactions as operating leases. Lease rentals are recognized as income when lease installments become due under the agreements.

##### **4.12.4 Ijarah rentals**

For ijarah agreements executed on or after July 01, 2008 ijarah rentals are recognized as income on accrual basis as and when the rental become due over the ijarah period.

#### **4.12.5 Dividend income**

Dividend income is recognized when the right to receive payment is established.

#### **4.12.6 Capital gain or loss**

Capital gain or loss on sale of investments is recognized in the period in which it arises.

### **4.13 Taxation**

#### **Current:**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account applicable tax credit, rebates and exemption available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

#### **Deferred:**

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary timing differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated based on the rates that have been enacted or substantively enacted up to the balance sheet date and are expected to apply to the period when the difference arises.

### **4.14 Financial instruments**

Financial instruments include long term deposits, trade debts, advances, deposits and other receivables, cash and bank balances, murabaha finances, ijarah rental receivables, investments, creditors, accrued and other liabilities.

Financial assets and liabilities are recognized at the time the Modaraba becomes a party to the contractual provisions of the instruments.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial asset. The Modaraba loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Modaraba surrenders those rights.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit and loss account currently.

Financial assets and liabilities are offset when the Modaraba has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

#### 4.15 Retirement and termination benefits

The Modaraba operates a defined contributory approved provident fund for all its employees. The Modaraba and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary of employees.

#### 4.16 Dividend

Dividend distribution to the Modaraba's certificate holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Modaraba Management Company.

5. CASH AND BANK BALANCES	Note	2011 Rupees	2010 Rupees
Cash in hand		8,714	3,733
Balances with bank in:			
Current accounts		16,752,583	8,294,282
Deposit accounts	(5.1)	15,630	15,963
		16,768,213	8,310,245
		16,776,927	8,313,978
5.1 These carry profit at the rate of 5% (2010: 5%) per annum.			

#### 6. SHORT TERM INVESTMENTS

##### Financial assets at fair value through profit and loss - Held-for-trading

Shares of listed companies - at cost	(6.1)	3,393,190	8,882,265
Less: Unrealized loss on revaluation of held-for-trading investments		1,076,435	1,383,779
	(6.1)	2,316,755	7,498,486

	2011		2010	
	Average cost	Market value	Average cost	Market value
-----Rupees-----				
<b>6.1 Shares of listed companies</b>				
<b>Pakistan Telecommunication Company Ltd.</b>	-	-	3,200,740	2,759,000
Nil (2010: 155,000) ordinary shares of Rupees 10 each fully paid				
<b>Pakistan Petroleum Limited</b>	-	-	401,868	368,240
Nil (2010: 2,000) ordinary shares of Rupees 10 each fully paid				
<b>Descon Oxychem Limited</b>	125,323	100,980	45,661	31,070
16,500 (2010: 6,500) ordinary shares of Rupees 10 each fully paid				
<b>Lotte Pakistan PTA Limited</b>	-	-	95,848	80,600
Nil (2010: 10,000) ordinary shares of Rupees 10 each fully paid				
<b>Azgard Nine Limited</b>	379,733	139,000	607,570	446,400
25,000 (2010: 40,000) ordinary shares of Rupees 10 each fully paid				
<b>Pakistan International Airlines</b>	315,059	222,863	315,056	282,431
102,702 (2010: 102,702) ordinary shares of Rupees 10 each fully paid				
<b>The Hub Power Company Limited</b>	-	-	499,370	479,400
Nil (2010: 15,000) ordinary shares of Rupees 10 each fully paid				
<b>Pak Suzuki Motor Company Limited</b>	-	-	165,186	158,540
Nil (2010: 2,000) ordinary shares of Rupees 10 each fully paid				
<b>Kohinoor Textile Mills Limited</b>	1,261,547	716,486	1,261,547	1,073,775
191,063 (2010: 191,063) ordinary shares of Rupees 10 each fully paid				
<b>Pakistan State Oil Company Limited</b>	313,549	266,690	627,097	520,400
1,000 (2010: 2,000) ordinary shares of Rupees 10 each fully paid				
<b>D.G.Khan Cement Company Limited</b>	-	-	1,108,634	897,560
Nil (2010: 38,000) ordinary shares of Rupees 10 each fully paid				
<b>Fauji Cement Company Limited</b>	168,120	103,750	168,120	113,750
25,000 (2010: 25,000) ordinary shares of				

	2011		2010	
	Average cost	Market value	Average cost	Market value
	-----Rupees-----			
Rupees 10 each fully paid				
<b>Engro Polymer &amp; Chemicals Limited</b>	72,290	51,850	72,290	50,200
5,000 (2010: 5,000) ordinary shares of Rupees 10 each fully paid				
<b>Engro Chemicals Ltd</b>	318,512	292,986	-	-
1,800 (2010: Nil) ordinary shares of Rupees 10 each fully paid				
<b>Mari Gas Company Ltd</b>	120,219	106,770	-	-
1,000 (2010: Nil) ordinary shares of Rupees 10 each fully paid				
<b>ICI Pakistan Limited</b>	-	-	313,278	237,120
Nil (2010: 2,000) ordinary shares of Rupees 10 each fully paid				
<b>Nishat Chunian Limited</b>	318,838	315,200	-	-
20,000 (2010: Nil) ordinary shares of Rupees 10 each fully paid				
	<b>3,393,190</b>	<b>2,316,575</b>	<b>8,882,265</b>	<b>7,498,486</b>

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2011 Rupees	2010 Rupees
Advances to employees against salary - considered good		157,000	23,339
Security deposits		4,500	14,500
Prepayments		767,008	649,735
Due from brokers against sale of shares		10,184	90,385
Receivable from Trust Management Services (Pvt) Ltd	(7.1)	7,984,319	9,366,164
Provision for doubtful receivables		(3,566,098)	(9,366,164)
		4,418,221	-
Legal suits charges receivable	(7.2)	2,449,648	2,938,534
Provision for doubtful receivables		(1,769,148)	(2,551,034)
		680,500	387,500
Late payment charges receivable		3,223,033	3,223,033
Less: Suspended income		(3,223,033)	(3,223,033)
		-	-
Sundry receivables		1,873,759	1,165,291
Provision for doubtful receivables		(291,852)	(291,852)
		1,581,907	873,439
		<b>7,619,320</b>	<b>2,038,898</b>

**7.1** This represents advance given to ex-management company against its management fee and expenses paid on behalf of ex-management company. During the year, the Modaraba has recovered an amount of Rs. 1,381,846 and Rs. 4,418,220 through settlement of dividend distributed on modaraba's certificates and modaraba certificates respectively previously held in the name of ex-management company vide court order BCL/11/2002/1833.

**7.2 Legal suits charges receivable**

Opening balance	2,938,534	2,843,844
Addition during the year	293,000	215,000
Reversal due to recovery	(781,886)	(120,310)
	<u>2,449,648</u>	<u>2,938,534</u>

**8. SHORT TERM MURABAHA FINANCES - Secured**

Considered good	47,840,026	58,515,199
Considered doubtful		
- Regular parties	68,899	68,899
- Parties under litigation	(8.2) 113,170,890	117,924,307
- Written off	(29,662,147)	-
	83,508,743	117,924,307
	83,577,642	117,993,206
Provision for classified receivables under Prudential Regulations for Modarabas	(8.3) (38,451,932)	(69,529,557)
	<u>92,965,736</u>	<u>106,978,848</u>

**8.1** The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation/pledge of stocks, shares of listed public limited companies, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.

**8.2** Rs. 109.12 million (2010: Rs. 117.924 million) is receivable from 16 (2010: 18) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 15 (2010: 16) cases for recovery of Rs.118,017,331 (2010: Rs.120,967,331), while execution petitions for these cases are pending. Settlement / compromise agreements have been made with two parties during the year ended 30 June 2011.

<b>8.3 Provision for classified receivables under Prudential Regulations</b>	<b>Note</b>	<b>2011 Rupees</b>	<b>2010 Rupees</b>
Opening balance		69,529,557	72,510,871
Provision for the year	(8.3.1)&(27)	1,325,132	-
Reversal due to recovery	(27)	(2,740,610)	(2,981,314)
Written off		(29,662,147)	-
		<u>38,451,932</u>	<u>69,529,557</u>



**8.3.1** Provision is adjusted for any amount of liquid assets, realizable without recourse to a court of law and the forced sale value of any mortgaged/pledged securities as valued by professional valuers.

**8.4** Murabaha finance includes an amount of Rs. 47,840,026 (2010: Rs. 50,159,709) which has been disbursed subsequent to 01 July 2009 and have been recognized as per requirement of Islamic Financial Accounting Standard (IFAS-1) "Murabaha". The relevant disclosure is as follows:

Murabaha receivables - net	44,584,021	45,105,214
Add: Deferred income on murabaha	3,256,005	5,054,495
	<u>47,840,026</u>	<u>50,159,709</u>

**9. LONG TERM MURABAHA FINANCES - Secured**

Considered good		18,265,160	17,935,800
Considered doubtful	(9.2)	<u>40,050,632</u>	<u>40,300,632</u>
		58,315,792	58,236,432
Current portion grouped under current assets	(9.3)	<u>(52,081,352)</u>	<u>(47,103,032)</u>
		<u>6,234,440</u>	<u>11,133,400</u>

**9.1** The Modaraba has sold goods under murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation/pledge of stocks, shares of listed public limited companies, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.

**9.2** It includes Rs. 40 million (2010: Rs. 40.250 million) receivable from 1 (2010: 2) customer under murabaha finance which is under litigation. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in these cases for recovery of Rs. 50.035 million (2010: Rs. 72.974 million).

**9.3** Current portion of long term murabaha finances

- Installments overdue		<u>40,050,632</u>	<u>40,300,632</u>
- Installments receivable within next 12 months		<u>12,030,720</u>	<u>6,802,400</u>
		52,081,352	47,103,032
Provision for classified receivables under Prudential Regulations for Modarabas	(9.3.1)	<u>(8,000,000)</u>	<u>(8,000,000)</u>
		<u>44,081,352</u>	<u>39,103,032</u>

**9.3.1** Provision is adjusted for any amount of liquid assets realizable without recourse to a court of law and the forced sale value of mortgaged/pledged securities as valued by professional valuers.

**9.4** Murabaha finance includes an amount of Rs. 20,981,266 (2010: Rs. 17,935,800) which has been disbursed subsequent to 01 July 2009 and have been recognized as per requirement of IFAS-1. The relevant disclosure is as follows:

	Note	2011 Rupees	2010 Rupees
Murabaha receivables - net		18,265,160	13,639,745
Add: Deferred income on murabaha		<u>2,716,106</u>	<u>4,296,055</u>
		<u>20,981,266</u>	<u>17,935,800</u>
<b>10. IJARAH RENTAL RECEIVABLES - secured</b>			
Ijarah rentals receivables	(10.1)	37,621,089	45,702,407
Written off		(4,332,030)	-
		33,289,059	45,702,407
Suspended ijarah income - considered doubtful	(10.2)	(17,601,625)	(22,424,387)
Provision for doubtful Ijarah rental receivables	(10.3)	(2,958,183)	(7,290,213)
		<u>12,729,251</u>	<u>15,987,807</u>
<b>10.1</b> It includes receivable from a customer amounting to Rs.7,250,040 (2010: Rs.7,250,040) against which the Modaraba has a claim due from a financial institution in respect of prorata share of the sale proceed of jointly attached two properties sold by the said financial institution under the Court orders.			
<b>10.2</b> The movement in suspense account against lease rental receivable is given below:			
Opening balance		22,424,387	22,424,387
Recovery during the year		(4,822,762)	-
		<u>17,601,625</u>	<u>22,424,387</u>
<b>10.3</b> Provision for doubtful ijarah rental receivables:			
Opening balance		7,290,213	7,307,973
Recovery during the year		-	(17,760)
Written off		(4,332,030)	-
		<u>2,958,183</u>	<u>7,290,213</u>
<b>11. SHORT TERM DIMINISHING MUSHARAKA FINANCES</b>			
This is secured against land of musharaka's participant and is considered good by the management of the Modaraba.			
<b>12. ACCRUED PROFIT</b>			
Profit receivable on long term investment		1,273,762	654,452
Profit receivable on diminishing musharakah finances		164,057	-
Profit on murabaha finances		9,524,245	9,974,303
Suspended income	(12.1)	(9,135,049)	(9,548,899)
		389,196	425,404
		<u>1,827,015</u>	<u>1,079,856</u>
<b>12.1</b> Suspended income account against murabaha profit receivable is as follows:			
Opening balance		9,548,899	9,560,596
For the year		-	135,616
Recovery during the year		(413,850)	(147,313)
		<u>9,135,049</u>	<u>9,548,899</u>

### 13. STOCK IN TRADE

This represents goods purchased for trading purpose.

### 14. ASSETS CLASSIFIED AS HELD FOR SALE

This represents property acquired in satisfaction of the Modaraba's claim through court decree. The management is intended to sale such land in near future through negotiation mode of selling.

15. LONG TERM DEPOSITS	Note	2011 Rupees	2010 Rupees
Central Depository Company		154,862	154,862
Others		240,000	240,000
		394,862	394,862

### 16. LONG TERM INVESTMENTS

#### Available for sale

Equity securities - listed	(16.1)	9,580,612	7,627,601
Certificates of Mutual Funds - listed	(16.2)	715,117	1,130,479
Sukuk certificates - listed	(16.3)	9,063,000	9,063,000
Total investment at cost		19,358,729	17,821,080
Provision for diminution in value of investments (impairment)	(16.4)	(6,471,988)	(6,142,263)
		12,886,741	11,678,817
Add : Unrealized loss on revaluation of investments		(1,363,473)	(319,550)
Net investments at fair value		11,523,268	11,359,267

	2011		2010	
	Average cost	Market value	Average cost	Market value
<b>16.1 Equity Securities - listed</b>	-----Rupees-----			
<b>Amin Spinning Mills Limited</b>	7,516	1,200	7,516	1,560
400 (2010: 400) ordinary shares of Rupees 10 each fully paid				
<b>Dewan Salman Fibres Limited</b>	400,996	30,015	400,996	22,040
14,500 (2010: 14,500) ordinary shares of Rupees 10 each fully paid				
<b>Kohinoor Textile Mills Limited</b>	573,672	64,534	573,672	96,715
17,209 (2010: 17,209) ordinary shares of Rupees 10 each fully paid				
<b>Fauji Cement Company Limited</b>	1,606,713	331,585	1,606,713	363,545
79,900 (2010: 79,000) ordinary shares of Rupees 10 each fully paid				
<b>Pakistan Telecommunication Company Limited</b>	2,652,397	1,857,700	-	-
130,000 (2010: Nil) ordinary shares of Rupees 10 each fully paid				

	2011		2010	
	Average cost	Market value	Average cost	Market value
<b>Pakistan International Airlines Corporation Limited 'A'</b>	-----Rupees-----			
107,298 (2010: 107,298) ordinary shares of Rupees 10 each fully paid	1,844,467	232,837	1,844,466	295,070
<b>Pakistan Cement Company Limited</b>	-	-	9,353	2,055
Nil (2010: 750) ordinary shares of Rupees 10 each fully paid				
<b>Descon Oxychem Limited</b>	13,737	9,180	242,686	120,840
1,500 (2010: 26,500) ordinary shares of Rupees 10 each fully paid				
<b>Engro Polymer &amp; Chemicals Limited</b>	575,150	259,250	575,150	251,000
25,000 (2010: 25,000) ordinary shares of Rupees 10 each fully paid				
<b>Lucky Cement Limited</b>	-	-	23,715	16,778
Nil (2010: 270) ordinary shares of Rupees 10 each fully paid				
<b>D.G.Khan Cement Company Limited</b>	861,864	693,504	182,630	118,100
30,100 (2010: 5,000) ordinary shares of Rupees 10 each fully paid				
<b>Mari Gas Company Limited</b>	166,396	106,770	332,800	258,760
1,000 (2010: 2,000) ordinary shares of Rupees 10 each fully paid				
<b>ICI Pakistan Limited</b>	-	-	950,200	592,800
Nil (2010: 5,000) ordinary shares of Rupees 10 each fully paid				
<b>Azgard Nine Limited</b>	877,704	166,800	877,704	334,796
30,000 (2010: 30,000) ordinary shares of Rupees 10 each fully paid				
	<u>9,582,623</u>	<u>3,753,375</u>	<u>7,629,611</u>	<u>2,474,059</u>

## 16.2 Certificates of Mutual Funds

<b>Investec Mutual Fund</b>	528,702	4,845	528,702	4,845
28,500 (2010: 28,500) certificates of Rupees 10 each				
<b>PICIC Investment Fund</b>	186,415	65,525	601,777	136,914
11,220 (2010: 36,220) certificates of Rupees 10 each				
	<u>715,117</u>	<u>70,370</u>	<u>1,130,479</u>	<u>141,759</u>

**16.3** This represents 2,000 (2010: 2,000) BRR Guardian Modaraba certificates having face value Rs. 10 million carrying profit at six months KIBOR plus 130 basis points. These will mature in 2014 and are secured against joint ownership of musharaka assets. The fair value of each certificate as on 30 June is Rs. 3,750 (2010: Rs. 4,372).

<b>16.4 Particulars of provision for diminution in value of investments (impairment)</b>	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	<b>Rupees</b>
Opening balance	6,142,263	34,690,854
Reversal of impairment on disposal of available-for-sale investments	(938,637)	(28,941,916)
Impairment for the year	-	393,325
Unrealized loss on revaluation	1,268,362	-
Closing balance	<u>6,471,988</u>	<u>6,142,263</u>

**17. FIXED ASSETS**

Operating fixed assets given on lease (ijarah) - tangible  
 Operating fixed assets in own use - tangible

Note	2011 Rupees	2010 Rupees
(17.1)	152,860,823	149,067,322
(17.2)	14,062,253	14,120,209
	<u>166,923,076</u>	<u>163,187,531</u>

**17.1 Operating fixed assets given on lease (ijarah) - tangible**

PARTICULARS	2011				2010					
	BALANCE AS AT 01 JULY 2010		FOR THE YEAR		BALANCE AS AT 30 JUNE 2011		FOR THE YEAR		BALANCE AS AT 30 JUNE 2010	
	Cost	Accumulated depreciation	Net book value	Additions	Disposal Cost / (accumulated depreciation)	Depreciation/impairment	Cost	Accumulated depreciation	Net book value	
Plant and equipments	236,131,396	123,510,198	112,621,198	19,938,320	37,000,412 (12,608,714)	24,703,835	219,069,304	135,605,319	83,463,985	
Vehicles	40,191,928	8,226,790	31,965,138	59,228,449	9,638,770 (4,257,488)	16,556,328	89,781,607	20,525,630	69,255,977	
Furniture and fixtures	8,996,759	4,515,773	4,480,986	173,000	8,996,759 (6,946,745)	2,463,111	173,000	32,139	140,861	
	285,320,083	136,252,761	149,067,322	79,339,769	55,635,941 (23,812,947)	43,723,274	309,023,911	156,163,088	152,860,823	
PARTICULARS	2010				2010					
	BALANCE AS AT 01 JULY 2009		FOR THE YEAR		BALANCE AS AT 30 JUNE 2010		FOR THE YEAR		BALANCE AS AT 30 JUNE 2010	
	Cost	Accumulated depreciation	Net book value	Additions	Disposal cost / (accumulated depreciation)	Depreciation/impairment	Cost	Accumulated depreciation	Net book value	
Plant & equipments	179,930,762	109,711,557	70,219,205	71,766,300	15,565,666 (3,203,208)	17,001,849	236,131,396	123,510,198	112,621,198	
Vehicles	10,872,200	4,529,899	6,342,301	37,173,228	7,853,500 (3,585,747)	7,282,638	40,191,928	8,226,790	31,965,138	
Furniture and fixtures	-	-	-	8,996,759	-	4,515,773	8,996,759	4,515,773	4,480,986	
	190,802,962	114,241,456	76,561,506	117,936,287	23,419,166 (6,788,955)	28,800,260	285,320,083	136,252,761	149,067,322	

17.1.1 Modaraba has filed suits for possession of leased assets valuing Rs. 73.78 million (2010: Rs. 78.6 million) against 3 clients (2010: 4 clients). The respective courts have granted decrees against these 3 (2010: 4) clients in favor of Modaraba. The Courts have decided to attach some properties of customers in addition to their assets to the Modaraba. However, execution petitions for recovery of the decretal amount are still pending.

17.2 Operating fixed assets in own use - tangible

PARTICULARS	2011									
	BALANCE AS AT 01 JULY 2010			FOR THE YEAR		BALANCE AS AT 30 JUNE 2011				
	Cost	Accumulated depreciation	Net book value	Additions	Disposal cost / (accumulated depreciation)	Depreciation	Cost	Accumulated depreciation	Net book Value	RATE %
<b>OWNED</b>										
Land	11,106,200	-	11,106,200	-	-	-	11,106,200	-	11,106,200	-
Furniture & fixtures	1,337,605	412,861	924,744	-	-	101,448	1,337,605	514,309	823,296	10
Office equipments	1,110,775	823,456	287,319	327,328	-	58,520	1,438,103	881,976	556,127	10
Vehicles	1,420,190	407,390	1,012,800	152,800	-	303,633	1,572,990	711,023	861,967	20
Lease hold improvements	392,476	6,540	385,936	14,785	-	81,432	407,261	87,972	319,289	20
Books	16,423	16,423	-	-	-	-	16,423	16,423	-	20
Electrical equipments	534,458	131,248	403,210	37,330	-	45,166	571,788	176,414	395,374	10
	15,918,127	1,797,918	14,120,209	532,243	-	590,199	16,450,370	2,388,117	14,062,253	

PARTICULARS	BALANCE AS AT 01 JULY 2009				FOR THE YEAR			BALANCE AS AT 30 JUNE 2010		
	Cost	Accumulated depreciation	Net book value	Additions	Disposal cost / (accumulated depreciation)	Depreciation	Cost	Accumulated depreciation	Net book value	RATE %
<b>OWNED</b>										
Land	11,106,200	-	11,106,200	-	-	-	11,106,200	-	11,106,200	-
Furniture & fixtures	865,205	351,446	513,759	472,400	-	61,415	1,337,605	412,861	924,744	10
Office equipments	934,761	804,090	130,671	176,014	-	19,366	1,110,775	823,456	287,319	10
Vehicles	1,385,690	136,374	1,249,316	34,500	-	271,016	1,420,190	407,390	1,012,800	20
Lease hold improvements	-	-	-	392,476	-	6,540	392,476	6,540	385,936	20
Books	16,423	16,423	-	-	-	-	16,423	16,423	-	20
Electrical equipments	385,358	149,516	235,842	195,600	46,500	28,232	534,458	131,248	403,210	10
	14,693,637	1,457,849	13,235,788	1,270,990	46,500	386,569	15,918,127	1,797,918	14,120,209	
			(46,500)		(46,500)					

**17.2.1** The present management, after taking over the control of Modaraba on 23 February 2009, prompted to verify the status of land measuring 10 kanals, costing Rs. 10,728,400 situated at Mauza Amer Sidhu, Lahore Cantt with the revenue authorities and it was known that the land was acquired by Defence Housing Authority, Lahore (DHA) many years ago. After then, contact was made with DHA and various communications were exchanged to take possession of land from DHA. DHA through its letter dated 11 June 2009 intimated that DHA is the lawful owner of the land; therefore, its possession cannot be handed over to the Modaraba. DHA officials are of the view that the said land was purchased by DHA much earlier to the alleged purchase of Modaraba, however, no documentary proof to this affect has been made available to the Modaraba so far. Meanwhile, the Modaraba has filed legal suit for possession of land in the Civil Court. The management and legal counsel of the Modaraba are confident that Modaraba has valid claim against DHA and accordingly no loss has been charged against such land.



17.3 Disposal of operating fixed assets  
17.3.1 Disposal of assets given on lease (Ijarah)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
Suzuki Alto Model 2007. (LEA-07-6759)	499,000	309,942	189,058	193,744	4,686	Term of lease agreement	Sajid Ali Raza, House No.97 A, St No.24, Naveed Park Hameed Pura Mughalpura Lahore
CNG Equipment	7,748,089	3,190,964	4,557,125	3,897,360	(659,765)	Term of lease agreement	Al-Matah CNG, Lahore Sarghoda Road, Farooqabad, Distt. Sheikhupura
Ditch Witch Horizontal Drilling Machine	19,617,193	4,276,132	15,341,061	15,519,940	178,879	Term of lease agreement	Utel Pakistan (Pvt) Ltd, 161-C, Aurangzeb Block, New Garden Town, Lahore
Honda Civic Model 2008. (AQF-483)	780,559	624,204	156,355	156,350	(5)	Term of lease agreement	Mr. Aziz ul Haq, Flat No.D Block 3, Askari-III, Cantt. Road, Karachi
Mercedes Benz-2002 (LED-07-6704)	782,867	442,870	339,997	340,000	3	Term of lease agreement	Trust Modaraba
Honda Civic 2008 LEA-08-1993	781,784	626,080	155,704	155,700	(4)	Term of lease agreement	KPMG Taseer Hadi & Co. Sheikh Sultan Trust Building No.2 Beaumont Road, Karachi
Honda Civic -2007 ( APX-784)	639,219	488,620	150,599	150,615	16	Term of lease agreement	701, Paint House C-141, Kaihiwar square, adamjee nagar karachi
Furniture & Fixture	2,302,564	1,302,560	1,000,004	1,000,000	(4)	Term of lease agreement	KPMG Taseer Hadi & Co. Sheikh Sultan Trust Building No.2 Beaumont Road, Karachi
Diesel Generator , Model MPC-25	619,130	120,385	498,745	529,446	30,701	Term of lease agreement	Enliven Solution 2nd Floor, Commercial Area, Cavalry Ground, Lahore
Furniture & Fixture	3,209,600	2,659,599	550,001	550,000	(1)	Term of lease agreement	Cantonment Lahore
Toyota Corolla GLI Model 2009 (LEC-09-8190)	1,000,000	200,003	799,997	800,000	3	Term of lease agreement	KPMG Taseer Hadi & Co. Sheikh Sultan Trust Building No.2 Beaumont Road, Karachi
Toyota Corolla XLI-2010 (LEB-10-7721)	1,269,000	296,100	972,900	1,045,411	72,511	Term of lease agreement	Abdul Hayees Khan, 104, Al-Rehman Villas Defence Road, Lahore.
Honda Civic Model 2010 (LEB-10-6191)	1,712,000	428,004	1,283,996	1,315,168	31,172	Term of lease agreement	Mohammad Jahangir, 155/9, Near Masjid Baryanwali Hafizabad
Toyota Corolla XLI 2010. (LE-11-6851)	1,289,000	236,313	1,052,687	1,071,097	18,410	Term of lease agreement	Muhammad Zubair, 152, Badar Block, Allama Iqbal Town, Lahore
Furniture & Fixture	3,484,595	2,984,586	500,009	500,000	(9)	Term of lease agreement	Mr. Naeem AkhtarHameed Pura Khurd Tehsil Kamotke, Gujranwala
Plant & Machinery	50,000,000	50,000,000	-	4,822,762	4,822,762	Court Auction	KPMG Taseer Hadi & Co. Sheikh Sultan Trust Building No.2 Beaumont Road, Karachi
Honda Civic JS.Cultus	885,341	605,352	279,989	280,000	11	Term of lease agreement	Shahk Saeed Afandi, House no. 50/1 Street no. B6, Phase V, DHA, Karachi
Embroidery Machine	9,016,000	5,021,233	3,994,767	3,994,767	-	Term of lease agreement	KPMG Taseer Hadi & Co. Sheikh Sultan Trust Building No.2 Beaumont Road, Karachi
	105,635,941	73,812,947	31,822,994	36,322,360	4,499,366		Aleeb Classics, 133-G, Liberty Plaza, Liberty Market, Gulberg, Lahore

		2011	2010
	Note	Rupees	Rupees
<b>18. CUSTOMERS' SECURITY DEPOSITS</b>			
Opening balance		66,915,658	30,909,500
Received during the year		28,068,299	44,065,388
Adjusted during the year		<u>(25,788,304)</u>	<u>(8,059,230)</u>
Closing balance		69,195,653	66,915,658
Less: Current portion shown as current liabilities		<u>2,995,604</u>	<u>8,968,580</u>
		<u>66,200,049</u>	<u>57,947,078</u>
<b>18.1</b>	These represent the customers' deposits to secure the lease finances given to customers.		
<b>19. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		361,644	350,000
Management fee payable		2,335,495	2,272,421
Deferred income on murabaha	(19.1)	5,972,111	9,350,552
Deferred income on ijarah		657,391	2,004,956
Security deposit against sale of property		2,000,000	-
Unclaimed dividends		9,093,920	8,543,125
Payable against vehicles given on Ijarah		3,972,850	1,414,000
Other liabilities		235,815	701,368
		<u>24,629,226</u>	<u>24,636,422</u>
<b>19.1 Deferred income on murabaha</b>			
Opening balance		9,350,552	-
Total income for the year		9,851,887	13,364,749
Recognized during the year		<u>(13,230,328)</u>	<u>(4,014,197)</u>
		<u>5,972,111</u>	<u>9,350,552</u>
<b>20. CERTIFICATE CAPITAL</b>			
<b>Authorized Capital</b>			
50,000,000 (2009: 50,000,000) Modaraba Certificates of Rs.10/- each		<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued, subscribed and paid-up capital</b>			
15,000,000 (2009: 15,000,000) Modaraba Certificates of Rs.10/- each fully paid-up in cash		150,000,000	150,000,000
12,300,000 (2009: 12,300,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates		123,000,000	123,000,000
2,500,000 (2009: 2,500,000) Modaraba Certificates of Rs.10/- each issued as fully paid as a result of take over	(20.2)	25,000,000	25,000,000
		<u>298,000,000</u>	<u>298,000,000</u>
<b>20.1</b>	2,761,388 (2010: 2,761,388) Modaraba certificates were held by the previous management company, namely Trust Management Services (Pvt.) Limited up till the appointment of the Administrator. Now, these certificates are kept with Central Depository Company of Pakistan Limited (CDC) under the control of new management of Al-Zamin Modaraba Management (Private) Limited.		
<b>20.2</b>	Al-Zamin Modaraba Management (Private) Limited held 2,500,000 (2010: 2,500,000) modaraba certificates as required by the SECP vide Order No. SC/M/RW/Trust/2009-43.		

21	<b>RESERVES</b>	<b>Note</b>	<b>2011 Rupees</b>	<b>2010 Rupees</b>
	Statutory reserve	(21.1)	60,361,504	49,851,774
	Revenue reserves:			
	Unrealized (loss) on revaluation of investments		(2,631,834)	(319,550)
	Accumulated loss		(72,340,670)	(67,950,399)
			(74,972,504)	(68,269,949)
			(14,611,000)	(18,418,175)
<b>21.1</b>	This represents profit set aside to comply with the Prudential Regulations for modarabas issued by the SECP. These regulations require a modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time that reserves equals to 100% of the paid up capital. Thereafter, a sum not less than 5% of its after tax profits.			
<b>22.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	There were no contingencies outstanding as at 30 June 2011. Commitments in respect of unavailed murabaha facilities as on balance sheet date were Rs. Nil (2010: Rs. Nil), while commitments in respect of ijarah facilities are as follows:			
	<b>Ijarah commitments</b>			
	The Modaraba has entered into ijarah arrangement for vehicle. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.			
	Future Ijarah payments due under these arrangements, as at 30 June are as follows:			
	Within one year		489,852	-
	After one year but not more than five years		1,714,482	-
			2,204,334	-
<b>23.</b>	<b>INCOME FROM LEASING (IJARAH) OPERATIONS</b>			
	Income from leasing and Ijarah operations		52,397,315	38,481,718
	Receipts against suspended income		4,822,762	17,760
			57,220,077	38,499,478
<b>24.</b>	<b>PROFIT ON MURABAHA FINANCES</b>			
	Profit on Murabaha finance		11,790,297	11,350,188
	Suspended income during the year		-	(135,616)
	Receipts against suspended income		413,850	147,313
		(24.1)	12,204,147	11,361,885
<b>24.1</b>	This includes an income amounting to Rs. 11,628,089 (2010: Rs. 4,014,195) on murabaha finance which have been disbursed subsequent to 1 July 2009 and have been recognized as per requirement of IFAS-1. The relevant disclosure is as follows:			
	Murabaha sale price		118,290,333	59,375,000
	Less : Purchase price		96,675,938	46,010,253
			21,614,395	13,364,747
	Add : Deferred murabaha income as on 1 July 2009		-	-
	Less : Deferred murabaha income as on 30 June 2011		5,972,111	9,350,552
	Less: Deferred income recognized in previous years		4,014,195	-
			9,986,306	9,350,552
			11,628,089	4,014,195

		2011	2010
	Note	Rupees	Rupees
<b>25. TRADING INCOME</b>			
Sale		1,252,620	6,094,725
Cost of sales		<u>(1,019,076)</u>	<u>(5,393,443)</u>
		<u>233,544</u>	<u>701,282</u>
<b>26. OTHER INCOME</b>			
Processing, documentation, other fees and charges		324,500	413,044
Miscellaneous income		<u>813,807</u>	<u>1,293,283</u>
		<u>1,138,307</u>	<u>1,706,327</u>
<b>27. REVERSAL OF PROVISION AGAINST NON PERFORMING MURABAHA FINANCES - Net</b>			
Short term Murabaha finance	(8.3)	2,740,610	2,981,314
Long term Murabaha finance		<u>4,474,934</u>	<u>12,896</u>
		<u>7,215,544</u>	<u>2,994,210</u>
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	(28.1)	6,250,602	4,425,518
Legal and professional charges		226,845	714,939
Fees and subscription		575,762	393,043
Electricity, gas and water		680,860	44,484
Telephone, postage and courier		501,455	259,009
Advertisement		36,400	22,000
Printing and stationery		416,881	295,619
Traveling and conveyance		342,388	392,288
Entertainment		225,674	76,799
Insurance		115,303	59,566
Vehicle running		1,134,504	615,646
Auditors' remuneration	(28.2)	350,000	350,000
Repairs and maintenance		1,192,124	450,042
Registrar's services		66,124	60,000
Depreciation on own assets	(17.2)	590,199	386,569
Bank charges and commission		90,755	44,560
Miscellaneous		<u>906,972</u>	<u>359,827</u>
		<u>13,702,848</u>	<u>8,949,909</u>
<b>28.1</b>	This includes salaries and allowances paid to executives as per the following details:		
Basic salary		1,527,872	1,009,200
House rent		687,544	454,140
Utilities		72,992	50,460
Other benefits	(28.1.2)	<u>306,387</u>	<u>230,520</u>
		<u>2,594,795</u>	<u>1,744,320</u>
<b>Number of persons</b>		<u>2</u>	<u>1</u>

**28.1.1** The executives have been provided with Modaraba maintained car and are also entitled for reimbursement of fuel expenses.

**28.1.2** It includes an amount of Rs. 152,787 (2010: Rs. 100,920) against the provident fund contribution.

<b>28.2 Auditors' remuneration</b>	<b>Note</b>	<b>2011 Rupees</b>	<b>2010 Rupees</b>
Annual		250,000	250,000
Half yearly		50,000	50,000
Out of pocket expenses		50,000	50,000
		<u>350,000</u>	<u>350,000</u>

**29. OTHER CHARGES**

Reversal of provision against doubtful receivables	(29.1)	(781,886)	(120,310)
Lease rental expense - vehicle		325,186	-
Loss on disposal of fixed assets		323,396	167,888
Unrealized loss on revaluation of held-for-trading investments		258,142	1,383,779
		<u>124,838</u>	<u>1,431,357</u>

**29.1** This represents provision held against legal suit charges receivable from defaulters.

**30. TAXATION**

Current:

For the year	-	-
Prior year	-	2,945,133
	-	2,945,133
Deferred tax	-	-
	<u>-</u>	<u>2,945,133</u>

**30.1** No provision with respect to current and deferred taxation has been made in these accounts on the premise that under the current tax law the income of non-trading Modarabas is exempt from income tax provided that they distribute ninety percent cash profit to certificate holders out of current year's total profit after appropriating statutory reserves.

**31. EARNINGS PER CERTIFICATE - BASIC & DILUTED**

Profit for the year	Rupees	21,019,459	23,396,924
Weighted average number of certificates	Number	29,800,000	29,800,000
Earnings per certificate	Rupees	0.71	0.79

**32. RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS**

Future minimum lease rentals receivable on the basis of lease agreements executed upto 30 June are as follows:

Receivable not later than one year	52,213,083	50,008,020
Receivable later than one year but not later than 5 years	56,526,473	57,626,971
	<u>108,739,556</u>	<u>107,634,991</u>

### 33. MATURITIES OF ASSETS AND LIABILITIES

	2011			
	Total	Upto one year	Over one to five years	Over five years
..... Rupees .....				
<b>Assets:</b>				
Cash and bank balances	16,776,927	16,776,927	-	-
Short term investments	2,316,755	2,316,755	-	-
Advances, deposits, prepayments and other receivables	7,619,320	7,619,320	-	-
Short term murabaha finances	92,965,736	92,965,736	-	-
Current portion of long term murabaha finances	44,081,352	44,081,352	-	-
Ijarah rental receivables	12,729,251	12,729,251	-	-
Short term diminishing musharakah finances	5,000,000	5,000,000	-	-
Accrued profit	1,827,015	1,827,015	-	-
Tax refunds due from Government	652,352	652,352	-	-
Stock in trade	6,100,000	6,100,000	-	-
Long term murabaha finances	6,234,440	-	6,234,440	-
Long term deposits	573,862	-	179,000	394,862
Long term investments	11,523,268	-	11,523,268	-
Assets given on Ijarah	152,860,823	84,000	150,062,215	2,714,608
Assets in own use	14,062,253	-	2,206,926	11,855,327
Assets classified as held for sale	1,890,526	1,890,526	-	-
	<b>377,213,880</b>	<b>190,152,708</b>	<b>170,205,849</b>	<b>14,964,797</b>
<b>Liabilities:</b>				
Current portion of long term liabilities	2,995,604	2,995,604	-	-
Creditors, accrued and other liabilities	24,629,226	24,629,226	-	-
Customers' security deposits	66,200,049	-	66,200,049	-
	<b>93,824,879</b>	<b>27,624,830</b>	<b>66,200,049</b>	<b>-</b>
<b>Net Balance</b>	<b>283,389,001</b>	<b>162,527,878</b>	<b>104,005,800</b>	<b>14,964,797</b>
<b>Certificate holders' equity</b>	<b>283,389,001</b>			
..... Rupees .....				
<b>2010</b>				
	Total	Upto one year	Over one to five years	Over five years
<b>Assets:</b>				
Cash and bank balances	8,313,978	8,313,978	-	-
Short term investment	7,498,486	7,498,486	-	-
Advances, deposits, prepayments and other receivables	2,038,898	2,038,898	-	-
Short term murabaha finances	106,978,848	106,978,848	-	-
Current portion of long term murabaha finances	39,103,032	39,103,032	-	-
Ijarah rental receivables	15,987,807	15,987,807	-	-
Accrued profit	1,079,856	1,079,856	-	-
Tax refunds due from Government	263,446	263,446	-	-
Trade debts	2,804,055	2,804,055	-	-
Stock in trade	990,439	990,439	-	-
Long term murabaha finances	11,133,400	-	11,133,400	-
Long term deposits	394,862	-	-	394,862
Long term investments	11,359,267	-	11,359,267	-
Assets given on Ijarah	149,067,322	9,284,014	139,783,308	-
Assets in own use	14,120,209	-	1,398,736	12,721,473
	<b>371,133,905</b>	<b>194,342,859</b>	<b>163,674,711</b>	<b>13,116,335</b>
<b>Liabilities:</b>				
Current portion of long term liabilities	8,968,580	8,968,580	-	-
Creditors, accrued and other liabilities	24,636,422	24,636,422	-	-
Customers' security deposits	57,947,078	-	57,947,078	-
	<b>91,552,080</b>	<b>33,605,002</b>	<b>57,947,078</b>	<b>-</b>
<b>Net Balance</b>	<b>279,581,825</b>	<b>160,737,857</b>	<b>105,727,633</b>	<b>13,116,335</b>
<b>Certificate holders' equity</b>	<b>279,581,825</b>			

### 34. FINANCIAL RISK MANAGEMENT

#### 34.1 Financial risk factors

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) of the management company, chief operating officer and chief financial officer. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

#### (a) Market risk

##### (i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Modaraba is not exposed to currency risk arising from currency exposure as Modaraba is not involved in foreign currency transactions.

##### (ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is exposed to equity price risk as modaraba hold available for sale and held for trading investments.

Reporting date all index points		2011		2010	
		12,496		9,721	
		Changes in KSE all Index	Effects on Profit Before Tax	Effects on Equity	
Available-for-sale investments		<b>(Rupees)</b>			
		+10%	-	1,936,074	
	2011	-10%	-	(1,936,074)	
		+10%	-	1,782,309	
	2010	-10%	-	(1,782,309)	
Held-for-trading investments		+10%	339,319	-	
	2011	-10%	(339,319)	-	
		+10%	888,227	-	
	2010	-10%	(888,227)	-	

### (iii) Profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market mark up rates.

The Modaraba has no significant long-term interest-bearing assets. The Modaraba's mark up/profit rate risk arises from long term Murabaha financing, short term Murabaha financing, short term musharika financing, investments and ijarah.

At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Fixed rate instruments</b>		
<b>Financial assets:</b>		
Short term murabaha finances	92,965,736	106,978,848
Long term murabaha finances	50,315,792	50,236,432
Ijarah rental receivables	12,729,251	15,987,807
Short term diminishing musharakah finances	5,000,000	-
<b>Floating rate instruments</b>		
<b>Financial assets:</b>		
Bank balances - deposit accounts	15,630	15,963
Long term investments - available-for-sale	9,063,000	9,063,000

#### Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Modaraba.

#### Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 81,546 lower / higher (2009: Rupees 90,789 ). This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	<b>Rupees</b>
Bank balances	16,768,213	8,310,245
Short term investments	2,316,755	7,498,486
Advances, deposits and other receivables	6,852,312	1,389,163



Short term murabaha finances	92,965,736	106,978,848
Ijarah rental receivables	12,729,251	15,987,807
Short term diminishing musharakah finances	5,000,000	-
Accrued profit	1,827,015	1,079,856
Long term murabaha finances	50,315,792	50,236,432
Long term deposits	573,862	394,862
Long term Investments	11,523,268	11,359,267
	<u>200,872,204</u>	<u>203,234,966</u>

**Geographically all credit exposure is concentrated in Pakistan.**

The maximum exposure to credit risk for receivables (murabaha financing and lease rental receivables) at the reporting date by type of customer was:

Textile Spinning	-	-
Textile Composite	15,150,002	17,589,975
Fuel and Energy	-	2,602,256
Engineering	39,374,209	5,227,068
Transport and communication	132,850	1,066,468
Chemical & Pharmaceuticals	7,390,000	9,594,896
Vanaspatic and Allied Industries	12,000,000	22,071,588
Steel	7,500,000	8,018,628
Food and Allied	44,711,600	-
Hotel	-	90,417,056
Miscellaneous	93,263,858	131,311,192
Books and publications	3,500,000	-
	<u>223,022,519</u>	<u>287,899,127</u>

The age of murabaha and lease / ijarah rental receivables and related impairment loss at the balance sheet date was:

**Aging of murabaha and lease / ijarah rental receivables**

Not past due	64,703,286	76,933,614
Past due 0 - 180 days	4,838,206	11,545,388
Past due 181 - 365 days	7,568,899	-
1 - 2 years	-	71,200
More than 2 years	146,222,001	199,348,925
	<u>223,332,392</u>	<u>287,899,127</u>

**Aging of impaired murabaha and lease / ijarah rental receivables**

Not past due	-	-
Past due 0 - 180 days	-	-
Past due 181 - 365 days	-	500
1 - 2 years	-	502,173
More than 2 years	63,661,109	116,290,383
	<u>63,661,109</u>	<u>116,793,056</u>

**Collaterals held against murabaha financing and ijarah rentals receivables**

	2011				
	Gross exposure	Collaterals			Net exposure
		Mortgage	Hypothecation	Liquid-collaterals	
	----- Rupees -----				
Long term murabaha finances	58,315,792	189,381,253	32,000,000	-	(163,065,461)
Short term murabaha finances	131,417,668	282,046,587	30,148,000	36,500,000	(217,276,919)
Ijarah / lease rental receivables	33,289,059	126,819,364	-	-	(93,530,305)
Short term diminishing musharakah finances	5,000,000	5,250,000	-	-	(250,000)

	2010				
	Gross exposure	Collaterals			Net exposure
		Mortgage	Hypothecation	Liquid-collaterals	
	----- Rupees -----				
Long term murabaha finances	58,236,432	150,788,835	54,439,409	-	(146,991,812)
Short term murabaha finances	176,508,405	217,225,166	68,550,000	24,089,000	(133,355,761)
Ijarah / lease rental receivables	43,179,987	41,450,253	-	-	1,729,734

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. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its 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 annually.

The management monitors and limits Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances and investments held with some major counterparties at the balance sheet date:

	Rating		2011	2010
	Long term	Agency	(Rupees)	
<b>Banks</b>				
Habib Metropolitan Bank Limited	AA+	PACRA	15,629	15,962
Bank Alfalah Limited	AA	PACRA	923,238	317,905
The Bank of Punjab	AA-	PACRA	680,346	534,820
Meezan Bank	AA-	JCR-VIS	15,144,679	7,432,119

State Bank of Pakistan			4,321	9,438
			<u>16,768,213</u>	<u>8,310,244</u>

#### Available for Sale Securities

##### Fully Paid Ordinary Shares

Amin Spinning Mills Limited	N/A	-	1,200	1,560
Dewan Salman Fibres Limited	N/A	-	30,015	22,040
Kohinoor Textile Mills Limited	N/A	-	64,534	96,715
Fauji Cement Company Ltd.	N/A	-	331,585	363,545
Pakistan Telecommunication Company Limited	N/A	-	1,857,700	-
Pakistan International Airlines Corporation Limited	N/A	-	232,837	295,070
Pakistan Cement Company Limited	N/A	-	-	2,055
Descon Oxychan Limited	N/A	-	9,180	120,840
Engro Polymer & Chemicals Limited	N/A	-	259,250	251,000
Lucky Cement Limited	N/A	-	-	16,778
D.G.Khan Cement Company Limited	N/A	-	693,504	118,100
Mari Gas Company Limited	N/A	-	106,770	258,760
ICI Pakistan Limited	N/A	-	-	592,800
Azgard Nine Limited	N/A	-	166,800	334,796
			<u>3,753,375</u>	<u>2,474,059</u>

#### Sukkuks

B.R.R Guardian Modaraba

Rating		2011	2010
Long term	Agency	(Rupees)	
		9,063,000	9,063,000

#### Certificates of Mutual Funds

Investec Mutual Fund	N/A	-	4,845	4,845
PICIC Investment Fund	N/A	-	65,525	136,914
			<u>70,370</u>	<u>141,759</u>

#### Held for Trading

Pakistan Telecommunication Company Ltd.	N/A	-	-	2,759,000
Pakistan Petroleum Ltd	N/A	-	-	368,240
Descon Oxychan Limited	N/A	-	100,980	31,070
Lotte Pakistan PTA Limited	N/A	-	-	80,600
Azgard Nine Limited	N/A	-	139,000	446,400
Pakistan International Airlines	N/A	-	222,863	282,431
The Hub Power Company Limited	N/A	-	-	479,400
Pak Suzuki Motor Company Limited	N/A	-	-	158,540
Kohinoor Textile Mills Limited	N/A	-	716,485	1,073,774
Pakistan State Oil Company Limited	N/A	-	266,690	520,400
D.G.Khan Cement Company Limited	N/A	-	-	897,560
Fauji Cement Company Limited	N/A	-	103,750	113,750
Engro Polymer & Chemicals Limited	N/A	-	51,850	50,200
Engro Chemicals Ltd	AA	PACRA	292,986	-
Mari Gas Company Ltd	N/A	-	106,770	-
ICI Pakistan Limited	N/A	-	-	237,120
Dawood Hercules Ltd	N/A	-	315,200	-
			<u>2,316,574</u>	<u>7,498,485</u>

Further the Modaraba's exposure to credit risk and impairment losses related to murabaha financing, Ijarah financing, investments and other receivables is disclosed in Note 6,7,8,9,10,11 and 12 respectively.

Due to the Modaraba and its other related entity's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counter parties on their obligations to the Modaraba. Accordingly, the credit risk is moderate.

### (C) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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 stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. In spite of the fact that the Modaraba is in a positive working capital position at the year end, management believes the liquidity risk to be low.

The table below analysis the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
<b>30 June 2011</b>					
	------(Rupees)-----				
Customers' security deposits	69,195,653	67,445,253	2,995,604	66,200,049	-
Creditors, accrued and other liabilities	24,629,226	24,629,226	24,629,226	-	-
	<u>93,824,879</u>	<u>92,074,479</u>	<u>27,624,830</u>	<u>66,200,049</u>	<u>-</u>
<b>30 June 2010</b>					
Customers' security deposits	66,915,658	66,915,658	8,968,580	57,947,078	-
Creditors, accrued and other liabilities	24,636,422	24,636,422	24,636,422	-	-
	<u>91,552,080</u>	<u>91,552,080</u>	<u>33,605,002</u>	<u>57,947,078</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2011. The rates of mark up have been disclosed in respective notes to the financial statements.

### 34.2 Fair values of financial assets and liabilities

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost.

The carrying values of all financial assets and liabilities reflected in financial statements

approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The basis for determining fair values is as follows:

### Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

### 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
<b>30 June 2011</b>	----- <b>(Rupees)</b> -----		
<b>Financial assets</b>			
Short term investments	2,316,755	-	-
Long term Investments	3,823,741	7,699,527	-
<b>Total financial assets</b>	6,140,496	7,699,527	-
<b>Financial liabilities</b>			
	Level 1	Level 2	Level 3
<b>30 June 2010</b>	----- <b>(Rupees)</b> -----		
<b>Financial assets</b>			
Short term investments	7,498,486	-	-
Long term Investments	2,615,817	8,743,450	-
<b>Total financial assets</b>	10,114,303	8,743,450	-
<b>Financial liabilities</b>			

### 34.3 Financial instruments by categories

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
<b>As at 30 June 2011</b>						
----- <b>(Rupees)</b> -----						
<b>Assets as per balance sheet</b>						
Cash and bank balances	16,776,927	-	-	-	-	16,776,927
Short term investments	-	-	-	-	2,316,755	2,316,755
Advances, deposits and other receivables	-	6,852,312	-	-	-	6,852,312
Short term murabaha finances	-	92,965,736	-	-	-	92,965,736
Short term diminishing musharakah finances	-	5,000,000	-	-	-	5,000,000
Ijarah rental receivables	-	12,729,251	-	-	-	12,729,251
Accrued profit	-	1,827,015	-	-	-	1,827,015
Tax refunds due from government	-	652,352	-	-	-	652,352
Stock in trade	-	6,100,000	-	-	-	6,100,000
Long term murabaha finances	-	50,315,792	-	-	-	50,315,792
Long term deposits	-	573,862	-	-	-	573,862
Long term Investments	-	-	11,523,268	-	-	11,523,268
	<u>16,776,927</u>	<u>177,016,320</u>	<u>11,523,268</u>	<u>-</u>	<u>2,316,755</u>	<u>207,633,270</u>

<b>Financial liabilities at amortized cost</b>
<b>(Rupees)</b>

<b>Liabilities as per balance sheet</b>	
Customers' security deposits	69,195,653
Creditors, accrued and other liabilities	<u>24,629,226</u>
	93,824,879

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
<b>As at 30 June 2010</b>						
----- <b>(Rupees)</b> -----						
<b>Assets as per balance sheet</b>						
Cash and bank balances	8,310,245	-	-	-	-	8,310,245
Short term investment	-	-	-	-	7,498,486	7,498,486
Advances, deposits, and other receivables	-	1,389,163	-	-	-	1,389,163
Short term murabaha finances	-	106,978,848	-	-	-	106,978,848
Ijarah rental receivables	-	15,987,807	-	-	-	15,987,807
Accrued profit	-	1,079,856	-	-	-	1,079,856
Long term murabaha finances	-	50,236,432	-	-	-	50,236,432
Long term deposits	-	394,862	-	-	-	394,862
Long term Investments	-	-	11,359,267	-	-	11,359,267
	<u>8,310,245</u>	<u>176,066,968</u>	<u>11,359,267</u>	<u>-</u>	<u>7,498,486</u>	<u>203,234,966</u>

<b>Financial liabilities at amortized cost</b>
<b>(Rupees)</b>

<b>Liabilities as per balance sheet</b>	
Customers' security deposits	66,915,658
Creditors, accrued and other liabilities	<u>24,636,422</u>
	<u>91,552,080</u>

### 34.4 Capital risk management

The modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue as a going concern in order to provide return for certificate holders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize certificate holders value. The Modaraba manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Modaraba may adjust dividend payments to the shareholders, return on capital to certificate holders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The modaraba monitors capital using gearing ratio, which is debt divided by equity plus debt. Debt represent loans, customer security deposits, creditors, accrued and other liabilities, less cash and cash equivalents of Modaraba. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The modaraba policy is to keep the gearing ratio between 5% and 25%.

The gearing ratio as at year ended 30 June 2011 and 30 June 2010 is as follows:

	Note	2011 Rupees	2010 Rupees
Customers' security deposits	(18)	69,195,653	66,915,658
Creditors, accrued and other liabilities	(19)	24,629,226	24,636,422
Less: Cash and bank balances	(5)	<u>(16,776,927)</u>	<u>(8,313,978)</u>
Net debt		77,047,952	83,238,102
Equity		<u>283,389,001</u>	<u>279,581,825</u>
Capital and net debt		<u>360,436,953</u>	<u>362,819,927</u>
Gearing ratio		<u>21.38%</u>	<u>22.94%</u>

### 35. RELATED PARTY TRANSACTIONS

Related parties of the Modaraba include the Modaraba management company [Al-Zamin Modaraba Management (Private) Limited], directors of Al-Zamin Modaraba Management (Private) Limited, employees provident fund, key management personnel and the Administrator. Transactions with related parties are given below:

Nature of Relationship	Nature of Transaction	2011 Rupees	2010 Rupees
Modaraba Management Company	Management fee	2,335,495	2,272,421
Employees' Provident Fund	Contributions paid	298,311	100,920

Transactions with key management personnel under terms of employment are excluded from related party transactions.

**36. NUMBER OF EMPLOYEES**

The total number of employees as at 30 June 2011 were 20 (2010: 9).

**37. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and restated for better presentation wherever necessary, however, no significant reclassification has been made in these financial statements.

**38. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meetings held on October 07, 2011, have approved distribution at the rate of 5 percent (2010: 5%). The financial statement of modaraba for the year ended 30 June 2011 do not include the effect of final distribution which will be accounted for in the financial statements of modaraba for the year ended 30 June 2012.

**39. DATE OF AUTHORIZATION**

These financial statements were approved for issue by the Board of Directors of the Management company in their meeting held on October 07, 2011.

**40. GENERAL**

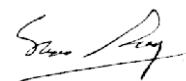
Figures have been rounded off to nearest rupee unless otherwise provided.



(CHIEF EXECUTIVE OFFICER)



(DIRECTOR)



(DIRECTOR)



## Pattern Of Certificate Holding

As On 30 June 2011

Number of Certificate Holders	Certificate Holding From	To	Total Certificate	Percentage Held
501	1	100	27,749	0.09
985	101	500	288,435	0.97
705	501	1000	614,400	2.06
358	1001	5000	836,491	2.81
76	5001	10000	577,883	1.94
24	10001	15000	302,743	1.02
9	15001	20000	160,100	0.54
7	20001	25000	159,207	0.53
3	25001	30000	86,000	0.29
3	30001	35000	95,910	0.32
2	35001	40000	78,550	0.26
2	45001	50000	92,412	0.31
3	50001	55000	158,267	0.53
2	60001	65000	127,000	0.43
3	65001	70000	207,040	0.69
1	70001	75000	75,000	0.25
1	75001	80000	78,382	0.26
1	95001	100000	99,999	0.34
1	100001	105000	101,500	0.34
1	110001	115000	115,000	0.39
1	115001	120000	118,100	0.40
1	180001	185000	181,230	0.61
1	265001	270000	265,500	0.89
1	290001	295000	291,200	0.98
1	340001	345000	344,500	1.16
1	500001	505000	502,322	1.69
1	510001	515000	513,500	1.72
1	1255001	1260000	1,258,896	4.22
1	2495001	2500000	2,500,000	8.39
1	2760001	2765000	2,761,388	9.27
1	16780001	16785000	16,781,296	56.31
<b>2,699</b>			<b>29,800,000</b>	<b>100.00</b>

## CATEGORIES OF CERTIFICATEHOLDERS

AS AT JUNE 2011

Categories of Certificateholders	Number of Certificate-Holders	Total Certificates Held	Percentage
<b>Associated companies, undertakings and related parties</b>			
Al-Zamin Modaraba Management (Private) Limited	1	2,500,000	8.39
<b>Investment Corporation of Pakistan</b>	<b>1</b>	<b>13,700</b>	<b>0.05</b>
Directors, CEO & their spouse and minor children			
Executives	-	-	-
Public sector companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
	15	1,575,716	5.29
Joint Stock Companies	29	2,970,666	9.97
Individuals	2,653	22,739,918	76.31
Others	-	-	-
<b>Total</b>	<b>2,699</b>	<b>29,800,000</b>	<b>100.00</b>

### Certificateholders holding ten percent or more certificates in the Modaraba

Mohammad Aslam Motiwala	1	16,781,296	56.31
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