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# Financial Statement

## Auditor's Report To the Certificate Holders

We have audited the annexed balance sheet of First Punjab Modaraba ("the Modaraba") as at 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2007 and of the profit or loss, 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 that Ordinance.

Another firm of auditors audited the financial statements of the Modaraba for the year ended 30 June 2006, whose audit report dated 4 September 2006 was not modified.

Lahore:

KPMG Taseer Hadi & Co.  
Chartered Accountants

**Balance Sheet**  
As at 30 June 2007

	Note	2007 Rupees	2006 Rupees
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets	4		
Assets leased out		792,315,250	777,218,438
Assets in own use		5,915,983	6,207,517
Long term morabaha finances - secured, considered good	5	-	80,000,000
Long term musharika finances - secured, considered good	6	-	50,625,000
Long term deposits		71,000	71,000
		<b>798,302,233</b>	914,121,955
<b>Current assets</b>			
Short term investments - available for sale	7	106,756,876	72,856,772
Short term morabaha finances - secured	8	662,972,414	625,622,413
Current maturity of long term finances	9	83,538,285	39,016,916
Advances, deposits, prepayments and other receivables	10	97,127,364	73,488,698
Tax refundable		1,230,460	1,199,960
Cash and bank balances	11	48,221,783	11,817,423
		<b>999,847,182</b>	824,002,182
<b>TOTAL ASSETS</b>		<b>1,798,149,415</b>	1,738,124,137
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Certificate capital	12	340,200,000	340,200,000
Reserves	13	123,777,841	149,549,648
		<b>463,977,841</b>	489,749,648
<b>Non current liabilities</b>			
Security deposits against leases	14	107,360,012	108,654,538
Long term musharika finances	15	27,739,425	254,868,930
		<b>135,099,437</b>	363,523,468
<b>Current liabilities</b>			
Current maturity of security deposits against leases	14	36,208,430	29,077,058
Short term finances - secured	16	185,852,000	600,000,000
Redeemable capital - participatory, unsecured	17	937,880,000	216,400,000
Accrued and other liabilities	18	39,131,707	39,373,963
		<b>1,199,072,137</b>	884,851,021
<b>Contingencies and commitments</b>	19		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,798,149,415</b>	1,738,124,137

The attached notes 1 to 34 form an integral part of these financial statements.

**Chief Executive**  
Punjab Modaraba Services  
(Private) Limited

**Director**  
Punjab Modaraba Services  
(Private) Limited

**Director**  
Punjab Modaraba Services  
(Private) Limited

**Profit and Loss Account**  
For the year ended 30 June 2007

	Note	2007 Rupees	2006 Rupees
<b>Income</b>			
Lease rentals		329,707,033	321,530,720
Profit on morabaha finances		80,947,745	71,497,329
Profit on musharika finances		4,779,963	8,050,562
Return on investments		16,697,899	8,780,754
Other income	20	3,181,551	19,320,457
		<b>435,314,191</b>	429,179,822
<b>Expenses</b>			
Amortization of assets leased out	4.1	250,854,805	241,497,503
Administrative and general expenses	21	10,269,682	9,059,172
Financial and other charges	22	118,675,524	99,230,212
		<b>379,800,011</b>	349,786,887
		<b>55,514,180</b>	79,392,935
Provision for morabaha finance		14,500,000	-
Provision for impairment of assets leased out		11,891,026	6,847,079
		<b>29,123,154</b>	72,545,856
Modaraba Company's management fee		2,912,315	7,254,586
		<b>26,210,839</b>	65,291,270
<b>Profit for the year</b>		<b>26,210,839</b>	65,291,270
<b>Earnings per certificate</b>	23	<b>0.77</b>	1.92

The attached notes 1 to 34 form an integral part of these financial statements.

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## Cash Flow Statement

For the year ended 30 June 2007

	Note	2007 Rupees	2006 Rupees
<b>Cash flow from operating activities</b>			
Cash generated from operations	30	286,484,046	83,998,481
Financial charges paid		(27,996,654)	
Profit paid on morabaha / musharika finances		(92,340,149)	(90,165,824)
Income tax paid		(30,500)	89,662
<b>Net cash generated from / (used in) operating activities</b>		<b>166,116,743</b>	<b>(6,077,681)</b>
<b>Cash flow from investing activities</b>			
Dividend received		15,525,531	33,053,319
Fixed assets acquired - leased out		(319,595,507)	(371,519,628)
Investments		(33,900,104)	(29,188,142)
Proceeds from sale of investments		5,087,841	60,529,193
Proceeds from sale of leased out assets		15,251,658	31,197,414
Proceeds from sale of own assets		800,871	-
Fixed assets acquired - own use		(1,520,425)	(736,513)
Murabaha finances		80,000,000	(75,846,886)
Musharika finances		50,625,000	20,250,000
Long term deposits		-	(13,000)
<b>Net cash used in investing activities</b>		<b>(187,725,135)</b>	<b>(332,274,243)</b>
<b>Cash flow from financing activities</b>			
Lessees security deposits		28,882,440	41,586,396
Finances under musharika arrangements		(677,129,505)	181,851,803
Finances under morabaha arrangement		35,852,000	150,000,000
Redeemable capital		721,480,000	8,600,000
Profit distribution		(51,072,183)	(42,546,066)
<b>Net cash generated from financing activities</b>		<b>58,012,752</b>	<b>339,492,133</b>
<b>Net increase in cash and cash equivalents</b>		<b>36,404,360</b>	<b>1,140,209</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>11,817,423</b>	<b>10,677,214</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>48,221,783</b>	<b>11,817,423</b>

The attached notes 1 to 34 form an integral part of these financial statements.

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## Statement of Changes in Equity for the year ended 30 June 2007

	Certificate capital	Statutory reserve	Deficit / Surplus on remeasurement of investment - available for sale	Unappropriated profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Balance as at 30 June 2005</b>	340,200,000	87,277,595	(8,176,480)	44,383,684	463,684,799
Net profit for the year	-	-	-	65,291,270	65,291,270
Transfer during the year @ 20%	-	13,058,254	-	(13,058,254)	-
Profit distribution for the year 2005 @ Rs. 1.3 per certificate	-	-	-	(44,226,000)	(44,226,000)
Net unrealized gain on investments - available for sale	-	-	4,999,579	-	4,999,579
<b>Balance as at 30 June 2006</b>	340,200,000	100,335,849	(3,176,901)	52,390,700	489,749,648
Net profit for the year	-	-	-	26,210,839	26,210,839
Transfer during the year @ 20%	-	5,242,168	-	(5,242,168)	-
Profit distribution for the year 2006 @ Rs. 1.5 per certificate	-	-	-	(51,030,000)	(51,030,000)
Net unrealized loss on investments - available for sale	-	-	(952,646)	-	(952,646)
<b>Balance as at 30 June 2007</b>	<b>340,200,000</b>	<b>105,578,017</b>	<b>(4,129,547)</b>	<b>22,329,371</b>	<b>463,977,841</b>

The attached notes 1 to 34 form an integral part of these financial statements.

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## Notes to the Accounts

For the year ended 30 June 2007

### 1 LEGAL STATUS AND NATURE OF BUSINESS

First Punjab Modaraba (“the Modaraba”) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank of Punjab), a Company incorporated in Pakistan. The Registered Office of the Modaraba is situated at the 3rd floor, National Tower, 28 Egerton Road, Lahore. The Modaraba commenced its business operations from 23 December 1992. The Modaraba is listed on all the stock exchanges in Pakistan.

The Modaraba is a perpetual modaraba and is primarily engaged in the business of leasing, musharika & morabaha financing, equity investment and other related business in accordance with the injunctions of Islam.

### 2 Statement of compliance

**2.1** These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations and directives issued by Securities and Exchange Commission of Pakistan (SECP) [‘the Modaraba Regulations’] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under ‘the Modaraba Regulations’. Wherever the requirements of ‘the Modaraba Regulations’ differ from the requirements of these standards, the requirements of ‘the Modaraba Regulations’ take precedence.

The SECP vide Circular No. 10 of 2004 dated 13 February 2004 has deferred, till further orders, the applicability of the IAS 17 “Leases” with effect from 01 July 2003. Accordingly, this IAS has not been taken into consideration for the purposes of preparation of these financial statements.

Securities and Exchange Commission of Pakistan vide S.R.O. 865(1)/2005 dated 24 August 2005 has notified for adoption the Islamic Financial Accounting Standard 1 (IFAS 1) issued by Institute of Chartered Accountants of Pakistan relating to accounting for Morabaha Transactions for financial periods beginning on or after 1 January 2006. This standard has not been adopted by the Modaraba on the basis that SECP has not issued any circular for its applicability on Modarabas and the IFRS itself mentions the applicability on Financial Statement of Banks

#### **2.2 Standards, interpretations and amendments to published approved accounting standards**

Certain amendments to IAS 1 ‘Presentation of financial statements’- Capital Disclosures have been published that are applicable to the Modaraba’s financial statements covering annual periods, beginning on or after 01 January 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the Modaraba.

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007

and are not expected to have a significant effect on Modaraba financial statements or not relevant to Modaraba:

- IAS 23 - Borrowing costs (as revised)
- IAS 41 - Agriculture
- IFRS 2 - Share-based payments
- IFRS 3 - Business combinations
- IFRS 5 - Non-current assets held for sale and discontinued operations
- IFRS 6 - Exploration for and evaluation of mineral resources
- IFRIC 10 - Interim financial reporting and impairment
- IFRIC 11 - Group and treasury share transactions
- IFRIC 12 - Service concession arrangements
- IFRIC 13 - Customer loyalty programmes
- IFRIC 14 - The limit on a defined benefit asset minimum funding requirements and their interaction.

### **3 Significant accounting policies**

#### **3.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except for the measurement at Fair value of certain financial instruments in accordance with the requirements of IAS 39 Financial Instruments: Recognition and measurement, wherever applicable.

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

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

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

#### **3.2 Tangible Fixed assets**

##### **Assets in own use**

These are stated at cost less accumulated depreciation and impairments, if any. Depreciation is charged to income using "Straight line method" so as to write off the historical cost of an asset over its estimated useful life at the following rates:



	<b>Rate in %</b>
Office premises	5
Furniture and fixture	10
Computer and equipment	20
Vehicles	20

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

### **Asset leased out**

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

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

### **3.3 Impairment**

The carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized.

### **3.4 Investments - available for sale**

Investment classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value, unless the fair value can not be reliably measured. The fair value of publicly traded securities is based on quoted market price. The fair value of unquoted open-ended mutual funds is based on redemption price being offered by the respective fund manager at the reporting date. Other investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which they arise.

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 reporting date, the Modaraba reviews the carrying amounts of the investments to assess whether there is an 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 impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent

of initial cost of the investment. A reversal in impairment is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### **3.5 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit accounts and short term placements with banks / financial institutions.

### **3.6 Financial instruments**

#### **Recognition and derecognition**

All the financial assets and financial liabilities are recognized at the time when the Modaraba becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### **Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **3.7 Provisions**

Provisions are recorded when the Modaraba has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### **3.8 Staff retirement benefit**

#### **Defined contribution Plan**

The Modaraba operates a recognized provident fund for all eligible employees. Equal monthly contributions @ 8.33% of the basic salary are made to the fund both by the Modaraba and employees.

### **3.9 Revenue recognition**

Lease rentals are recognized as income when lease installment becomes due over the lease period.

Profit on morabaha and musharika finances is recognized on accrual basis.

Return on bank deposit are recognized on accrual basis.

Capital gain / loss on investment is recognised on sale of the respective investments.

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

### **3.10 Profit distribution and appropriations**

Profit distribution and appropriation to reserves are recognised as liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations, as may be required by law, are recognised in the period to which these relate.

### **3.11 Taxation**

#### ***Current***

The income of non-trading modarbas is exempt from tax provided that not less than 90% of their profits after transfer to Statutory Reserve are distributed to the certificate-holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.

#### ***Deferred***

The Modaraba accounts for deferred taxation using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these accounts as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

### **3.12 Lease rentals, Morabaha and Musharika Finances**

Lease rentals, Morabaha and Musharika finances are stated net of provision. Provision is recognised for lease rentals, Morabaha and Musharika finances receivables in accordance with the prudential regulations for modaraba's issued by the Security and Exchange Commission of Pakistan. Bad debts are written off when identified.

	Note	2007 Rupees	2006 Rupees
<b>4 Tangible fixed assets</b>			
Assets leased out	4.1	804,206,276	777,218,438
less: provision for impairment		11,891,026	-
		792,315,250	777,218,438
Assets in own use	4.2	5,915,983	6,207,517
		798,231,233	783,425,955

	C O S T				A M O R T I S A T I O N				Book value as at 30 June 2007
	As at 01 July 2006	Additions	Transfers	As at 30 June 2007	As at 01 July 2006	For the year	On transfers	As at 30 June 2007	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>4.1 Assets leased out</b>									
Plant and machinery	1,066,379,906	256,506,197	(211,259,200)	1,111,626,903	399,323,047	212,473,886	(178,365,768)	433,431,165	678,195,738
Vehicles	123,896,000	26,076,500	(47,375,500)	102,597,000	48,159,601	22,643,852	(41,528,019)	29,275,434	73,321,566
Computers and accessories	22,472,212	-	(22,472,212)	-	15,576,705	4,648,286	(20,224,991)	-	-
Cessna aircraft	42,070,600	35,000,000	-	77,070,600	16,375,464	10,292,938	-	26,668,402	50,402,198
	1,254,818,718	317,582,697	(281,106,912)	1,291,294,503	479,434,817	250,058,962	(240,118,778)	489,375,001	801,919,502
Consumer products	3,622,162	1,609,910	(2,153,631)	3,078,441	2,608,931	584,471	(1,873,854)	1,319,548	1,758,893
Consumer products to staff	915,000	402,900	(599,000)	718,900	93,694	211,372	(114,047)	191,019	527,881
	4,537,162	2,012,810	(2,752,631)	3,797,341	2,702,625	795,843	(1,987,901)	1,510,567	2,286,774
<b>2007</b>	<b>1,259,355,880</b>	<b>319,595,507</b>	<b>(283,859,543)</b>	<b>1,295,091,84</b>	<b>482,137,442</b>	<b>250,854,805</b>	<b>(242,106,679)</b>	<b>490,885,568</b>	<b>804,206,276</b>
<b>2006</b>	<b>993,727,904</b>	<b>371,519,628</b>	<b>(105,891,653)</b>	<b>1,259,355,879</b>	<b>315,335,026</b>	<b>241,497,501</b>	<b>(74,695,086)</b>	<b>482,137,441</b>	<b>777,218,438</b>

	C O S T				A M O R T I S A T I O N				Book value as at 30 June 2007
	As at 01 July 2006	Additions	Transfers	As at 30 June 2007	As at 01 July 2006	For the year	On transfers	As at 30 June 2007	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>4.2 Assets in own use</b>									
Office premises	6,937,864	-	-	6,937,864	3,029,653	347,086	-	3,376,739	3,561,125
Office equipment	1,527,721	72,925	(133,980)	1,466,666	1,239,204	140,452	(133,980)	1,245,676	220,990
Furniture and fixtures	714,342	-	-	714,342	336,994	70,353	-	407,347	306,995
Vehicles and bicycles	2,242,603	1,447,500	(1,285,500)	2,404,603	609,162	474,297	(505,729)	577,730	1,826,873
<b>2007</b>	<b>11,422,530</b>	<b>1,520,425</b>	<b>(1,419,480)</b>	<b>11,523,475</b>	<b>5,215,013</b>	<b>1,032,188</b>	<b>(639,709)</b>	<b>5,607,492</b>	<b>5,915,983</b>
<b>2006</b>	<b>10,686,017</b>	<b>736,513</b>	<b>-</b>	<b>11,422,530</b>	<b>4,171,184</b>	<b>1,043,829</b>	<b>-</b>	<b>5,215,013</b>	<b>6,207,517</b>

4.2.1 Disposal of assets in own use	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Vehicles</b>						
Honda CD 70 motorcycle	59,000	59,000	-	19,300	19,300	Sold Through Auction
Suzuki mehran	365,000	31,981	333,019	333,019	-	Sold To Employee
Toyota corolla	856,000	409,248	446,752	446,752	-	-do-
Bicycle sohrab	3,000	3,000	-	-	-	Scraped
Bicycle eagle	2,500	2,500	-	-	-	-do-
<b>Equipments</b>						
Computers	133,980	133,980	-	1,800	1,800	Exchange
	1,419,480	639,709	779,771	800,871	21,100	

	<i>Note</i>	<b>2007 Rupees</b>	2006 Rupees
<b>5 Long term morabaha finances - secured, considered good</b>			
Balance receivable		<b>83,538,285</b>	98,766,916
Less: Current portion of long term morabaha finance	9	<b>(83,538,285)</b>	(18,766,916)
		<u>-</u>	<u>80,000,000</u>

**5.1** The profit charged on these facilities range from 10% to 16.10% (8.5% to 12.34%). These facilities are secured by way of personal guarantees of the Directors, pledge of stocks, mortgage of properties and charge on the assets varying from case to case.

		<b>2007 Rupees</b>	2006 Rupees
<b>6 Long term musharika finances - secured, considered good</b>			
Balance receivable		-	70,875,000
Less: Current portion of long term musharika finances		-	(20,250,000)
		<u>-</u>	<u>50,625,000</u>

## 7 Short term investments - available for sale

All shares/certificates/units have face value of Rs. 10 each except as otherwise stated.

No. of shares / certificates/units		Name of entity	June 2007		June 2006	
30 June 2007	30 June 2006		Cost	Carring value at market price	Cost	Carring value at market price
Number	Number		Rupees	Rupees	Rupees	Rupees
<b>QUOTED SECURITIES</b>						
<b>Mutual Funds</b>						
146,799	146,799	PICIC Investment Fund	2,699,376	2,238,685	2,699,376	2,143,265
-	1,500,000	ABAMCO Composite fund	-	-	15,000,000	12,750,000
63,580	63,580	UTP Growth fund	1,101,375	890,120	1,101,375	826,540
1,384,990	1,384,990	Pakistan Capital Market Fund	20,000,000	20,207,004	20,000,000	20,123,905
1,500,000	-	UTP Large Capital Fund	15,000,000	12,675,000	-	-
<b>Investment &amp; Commercial Banks</b>						
33,952	33,952	Crescent Commercial Bank Limited	1,311,626	762,222	1,311,626	297,080
387	352	KASB Bank Limited	4,565	8,901	4,214	5,614
1,099	1,099	Standard Chartered Bank Pakistan Ltd.	13,636	145,454	13,636	81,326
<b>Textile Spinning</b>						
10,000	10,000	Kohinoor Spinning Mills Ltd	80,100	51,000	80,100	44,000
<b>Engineering</b>						
-	24,000	Multi Pole Industries limited	-	-	147,600	-
<b>Transport and Communication</b>						
4,000	4,000	Pakistan Telecommunication Company Limited	235,726	228,000	235,726	162,400
<b>Chemical and Pharmaceutical</b>						
13,742	13,742	Searle Pakistan Limited	538,058	578,187	538,058	412,260
<b>UNQUOTED SECURITIES</b>						
<b>Open-ended mutual funds</b>						
25,169	25,169	UTP Islamic Fund ( Par value per unit Rs. 500)	19,901,962	18,299,625	19,901,962	19,682,913
142,860	142,860	Pakistan Stock Market Fund	15,000,000	15,583,169	15,000,000	16,327,469
87,131	-	United Composite Fund.	10,000,000	10,010,481	-	-
38,808	-	United Stock Advantage Fund.	5,000,000	5,034,562	-	-
160,126	-	AKD Opportunity Fund.	10,000,000	10,039,900	-	-
7,158	-	Atlas Stock Market Fund.	5,000,000	4,980,894	-	-
81,699	-	UTP A-30 fund	5,000,000	5,023,672	-	-
			<b>110,886,424</b>	<b>106,756,876</b>	<b>76,033,673</b>	<b>72,856,772</b>

	Note	2007 Rupees	2006 Rupees
<b>8 Short term morabaha finances - secured</b>			
Considered good		662,972,414	625,622,413
Considered doubtful		198,796,750	198,796,750
		<b>861,769,164</b>	824,419,163
Less: Provision for doubtful finances	8.2	(198,796,750)	(198,796,750)
		<b>662,972,414</b>	625,622,413

**8.1** These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin. These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. In a few morabaha financing arrangements, hypothecation of stocks along with collaterals, registered and equitable mortgage of properties have also been entertained. The estimated rate of profit on morabaha finances ranges from 8.5% to 14.5%.

	Note	2007 Rupees	2006 Rupees
<b>8.2 Provision for doubtful finances</b>			
Opening balance		198,796,750	199,575,885
Reversals during the year		-	(779,135)
Closing balance		<b>198,796,750</b>	198,796,750

## **9 Current maturity of long term finances**

Morabaha finances	9.1	83,538,285	18,766,916
Musharika finances		-	20,250,000
		<b>83,538,285</b>	39,016,916

### **9.1 Morabaha finances**

Considered good		83,538,285	18,766,916
Considered doubtful		14,500,000	-
		<b>98,038,285</b>	18,766,916
Less: Provision for doubtful finances		(14,500,000)	-
		<b>83,538,285</b>	18,766,916

	Note	2007 Rupees	2006 Rupees
<b>10 Advances, deposits, prepayments and other receivables</b>			
Profit receivable			
Morabaha finances		24,055,296	20,893,738
Musharika finances		-	2,934,225
		24,055,296	23,827,963
Lease rentals receivable	10.1	66,100,998	47,136,056
Dividend receivable		2,152,160	979,792
Prepayments		157,962	89,771
Due from management Company - PMSL		3,141,586	48,900
Others		1,519,362	1,406,216
		97,127,364	73,488,698
<b>10.1 Lease rentals receivable</b>			
Considered good		66,100,998	47,136,056
Considered doubtful		16,771,545	6,847,079
		82,872,543	53,983,135
Less: Income transferred to suspense	10.1.1	(16,771,545)	(6,847,079)
		66,100,998	47,136,056
<b>10.1.1 Income transferred to suspense</b>			
Opening balance		6,847,079	-
Transferred during the year		15,094,751	6,847,079
Reversed during the year		(5,170,285)	-
Closing balance		16,771,545	6,847,079
<b>11. Cash and bank balances</b>			
Cash in hand		42,550	32,363
Cash with banks			
Current accounts	11.1	1,206,837	936,851
Deposit accounts	11.2	30,698,970	10,820,000
Saving accounts		16,266,786	26,845
Deposit with State Bank of Pakistan	11.3	6,640	1,364
		48,179,233	11,785,060
		48,221,783	11,817,423
<b>11.1</b>			
The balance of Rs.1,204,124 (2006: Rs. 932,301) is maintained with the Bank of Punjab (the holding Company of the Modaraba's Management Company)			



**11.2** The balance has been kept to comply with the requirement of maintaining the prescribed liquidity against certificates of Musharika issued by Modaraba in line with the provisions of the scheme.

**11.3** This account has been opened for payment of online charges of the Credit Information Bureau of State Bank of Pakistan.

**11.4** The rate of profit on deposit and saving accounts ranges between 7% to 10.25%.

	NOTE	2007 Rupees	2006 Rupees
<b>12 Certificate capital</b>			
Authorized certificate capital 50,000,000 modaraba certificates of Rs.10 each.		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up certificate capital 20,000,000 modaraba certificates of Rs 10 each fully paid up in cash		<u>200,000,000</u>	200,000,000
14,020,000 modaraba certificates of Rs 10 each issued as fully paid bonus certificates		<u>140,200,000</u>	140,200,000
		<u><u>340,200,000</u></u>	<u><u>340,200,000</u></u>
<b>13 Reserves</b>			
Capital reserve			
Statutory reserve	13.1	<u>105,578,017</u>	100,335,849
Revenue reserves			
Net unrealized loss on investment - available for sale		<u>(4,129,547)</u>	(3,176,901)
Unappropriated profit		<u>22,329,371</u>	52,390,700
		<u><u>123,777,841</u></u>	<u><u>149,549,648</u></u>
<b>13.1</b> This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan.			
<b>14 Security deposits against leases</b>			
Long term security deposits		<u>143,568,442</u>	137,731,596
Less: Current maturity of security deposits		<u>(36,208,430)</u>	(29,077,058)
		<u><u>107,360,012</u></u>	<u><u>108,654,538</u></u>
<b>15 Long term musharika finances</b>			
Opening balance		<u>254,868,929</u>	523,017,127
Additions during the year		<u>1,331,732,307</u>	1,290,332,214
Less: Paid during the year		<u>(1,558,861,811)</u>	(1,558,480,411)
		<u><u>(227,129,504)</u></u>	<u><u>(268,148,197)</u></u>
Closing balance		<u><u>27,739,425</u></u>	<u><u>254,868,930</u></u>

**15.1** During the year the Modaraba has availed musharika finance facilities from various banks having approved limits of Rs. 1,030 million (2006: Rs.580 million). These facilities are secured by way of hypothecation charge over present and future book debts and receivables of Modaraba for an amount of Rs. 1,020 million. The estimated share of profit payable on musharika facilities ranges from 11.27% to 12.65%.

	Note	2007 Rupees	2006 Rupees
<b>16 Short term finances - secured</b>			
Morabaha finances	16.1	185,852,000	150,000,000
Musharika finances		-	450,000,000
		<u>185,852,000</u>	<u>600,000,000</u>

**16.1** These facilities have been availed from commercial banks. These facilities are secured by registered charge over fixed and current assets of Modaraba for Rs. 107.5 million and Rs. 267 million. The estimated share of profit payable on these facilities ranges from 10.7% - 11.8% (2006: 9.37% to 10.7%).

**17 Redeemable capital - participatory, unsecured**

Opening balance		216,400,000	207,800,000
Issued during the year		1,677,720,000	393,380,000
Less: Redeemed during the year		(956,240,000)	(384,780,000)
		<u>721,480,000</u>	<u>8,600,000</u>
Closing balance		<u>937,880,000</u>	<u>216,400,000</u>

**17.1** During the year the Modaraba has issued certificates of Musharika which will mature during next 3 to 12 months. The share of profit payable on certificates of Musharika ranges from 8% to 12.25 % (2006: 4.5% to 11.75%).

**18 Accrued and other liabilities**

Accrued expenses		677,539	649,333
Advance lease rentals		938,768	37,726
Lease participation money		306,999	413,959
Tax deducted at source		532,803	-
Tax payable		266,780	266,780
Provident fund payable		45,172	112,840
Profit payable on			
Musharika finances		5,103,335	19,973,607
Morabaha finances		3,095,851	43,973
Redeemable capital		13,545,578	3,388,463
		<u>21,744,764</u>	<u>23,406,043</u>
Unclaimed profit		10,730,891	10,773,074
Other payables	18.1	3,887,991	3,714,208
		<u>39,131,707</u>	<u>39,373,963</u>

**18.1** These include Rs. 119,633 (2006: Nil) charged as penalty @ Re 0.05 per thousand rupees on daily product basis on amount not paid by the clients in time, as required by the provisions of morabaha agreements. This amount shall be utilized for charitable and religious purposes as recongnised by the Sharia.

## 19 Contingencies and commitments

### Contingencies

**19.1** The assessing officer, while finalizing assessments for the years 1997-98 and 1998-99, made add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of income tax (Appeals), who has rejected these appeals during the year. The Modaraba has filed an appeal, against the order of CIT (A), before the honourable Income Tax Appellate Tribunal, which is pending adjudication.

**19.2** The assessing officer, while finalizing assessments for the years 2000-2001, raised tax demands amounting Rs. 1.743 million and charged additional tax amounting to Rs 0.236 million against which provision amounting to Rs.1.747 million was made in the relevant year. The Modaraba had not admitted the additional tax liability and had filed a rectification application. As the assessing officer has rejected this rectification application, the Modaraba filed an appeal before the Commissioner of Income Tax ( Appeals).

	Note	2007 Rupees	2006 Rupees
<b>20 Other income</b>			
Gain on disposal of fixed assets		21,100	847
Profit on bank deposits		1,026,494	565,615
Processing fee		1,569,250	1,574,350
Advising fee		-	5,500,000
Gain on sale of investment		87,840	9,955,515
Reversal of provision against morabaha		-	779,135
Miscellaneous income		476,867	944,995
		<b>3,181,551</b>	<b>19,320,457</b>
<b>21 Administrative and general expenses</b>			
Salaries, wages and other benefits	21.1	4,098,079	3,146,798
Legal and professional		843,910	601,465
Printing and stationery		478,953	769,854
Travelling and conveyance		854,820	722,786
Insurance		141,822	218,347
Fee and subscription		125,674	84,360
Auditors' remuneration	21.2	275,000	294,955
Repair and maintenance		152,208	145,218
Electricity, water and gas		383,564	330,416
Entertainment		216,472	187,929
Advertisement		192,241	15,600
Telephone and postage		472,545	478,891
Credit rating fee		-	200,000
Depreciation on fixed assets - owned	4.2	1,032,188	1,043,829
Miscellaneous		1,002,206	818,724
		<b>10,269,682</b>	<b>9,059,172</b>

**21.1** Salaries and other benefits include Rs. 462,008 (2006: Rs.117,514) on account of provident fund contribution.

	<b>2007 Rupees</b>	2006 Rupees
<b>21.2 Auditors' remuneration</b>		
Audit fee	<b>150,000</b>	125,000
Half yearly review and others	<b>95,000</b>	150,000
Out of pocket expenses	<b>30,000</b>	19,955
	<b>275,000</b>	294,955

**22 Financial and other charges**

Profit on morabaha / musharika finances	<b>80,521,755</b>	85,345,177
Profit on redeemable capital	<b>38,110,678</b>	13,789,992
Bank and other charges	<b>43,091</b>	95,043
	<b>118,675,524</b>	99,230,212

**23 Earnings per certificate**

Profit for the year	<b>26,210,839</b>	65,291,270
Weighted average number of ordinary certificates	<b>34,020,000</b>	34,020,000
Earnings per certificate (Rupees)	<b>0.77</b>	1.92

**24 Future lease rentals receivables**

Aggregate amount of future lease rentals receivable on the basis of agreements executed upto 30 June 2007, are as follows:

	<b>2007 Rupees</b>	2006 Rupees
Upto one year	<b>343,293,543</b>	322,885,665
Above one year and upto five years	<b>581,420,032</b>	791,211,733
	<b>924,713,575</b>	1,114,097,398

**25 Transactions with related parties**

The related parties and associated undertakings comprise of Bank of Punjab and Punjab Modaraba Services (Pvt) Limited. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

	2007 Rupees	2006 Rupees
<b>25.1 Bank of Punjab (Holding company of the (Modaraba's Management Company)</b>		
Transactions during the year		
Lease contracts entered into during the year	<b>8,493,500</b>	12,572,500
Profit accrued on short term musharika finances	<b>5,103,335</b>	19,584,046
Balance at year end		
Musharika finances payable	<b>27,739,424</b>	554,868,930
Net book value of the assets leased out at year end.	<b>27,978,564</b>	37,479,233
Lease security deposits	<b>3,589,150</b>	7,104,711
Lease rentals	<b>9,381,051</b>	14,910,598
<b>25.2 Punjab Modaraba's Services (Pvt) Limited Modaraba's Management Company)</b>		
Profit distribution paid	<b>18,981,988</b>	17,316,902
Management fee	<b>2,912,315</b>	7,254,586

	2007		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
<b>26 Remuneration of officers and other employees</b>			
Remuneration	<b>2,217,534</b>	<b>295,475</b>	<b>2,513,009</b>
Medical allowance	<b>158,401</b>	<b>21,111</b>	<b>179,512</b>
Utility allowance	<b>158,401</b>	<b>21,111</b>	<b>179,512</b>
Provident Fund contribution	<b>126,671</b>	<b>17,060</b>	<b>143,731</b>
Expenses reimbursed	<b>71,875</b>	<b>-</b>	<b>71,875</b>
	<b>2,732,882</b>	<b>354,757</b>	<b>3,087,639</b>
Number of employees at the year end	<b>11</b>	<b>4</b>	<b>15</b>
		2006	
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	2,192,033	453,418	2,645,451
Medical allowance	138,162	18,380	156,542
Utility allowance	138,162	18,380	156,542
Provident Fund contribution	104,899	12,615	117,514
Expenses reimbursed	70,750	-	70,750
	2,644,006	502,793	3,146,799
Number of employees at the year end	12	5	17

## 27 Financial instruments

The Modaraba's exposure to profit rate risk and effective rates on its financial assets and financial liabilities are summarized as follows:

	Profit bearing						Non profit bearing	2007 Total	2006 Total
	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years			
Rupees									
<b>Financial assets</b>									
Investments	106,756,876	-	-	-	-	-	-	106,756,876	72,856,772
Long term deposit	-	-	-	-	-	-	71,000	71,000	71,000
Finances under musharika arrangements	-	-	-	-	-	-	-	-	70,875,000
Finances under morabaha arrangements	746,510,699	-	-	-	-	-	-	746,510,699	724,389,329
Advances, deposits and other receivables	95,450,040	-	-	-	-	-	1,519,362	96,969,402	73,398,927
Cash and bank balances	46,965,756	-	-	-	-	-	1,256,027	48,221,783	11,817,423
	995,683,371	-	-	-	-	-	2,846,389	998,529,760	953,408,451
<b>Financial liabilities</b>									
Redeemable Capital	937,880,000	-	-	-	-	-	-	937,880,000	216,400,000
Finances under morabaha arrangements	185,852,000	-	-	-	-	-	-	185,852,000	150,000,000
Security deposits against leases	-	-	-	-	-	-	143,568,442	143,568,442	137,731,596
Finances under musharika arrangements	-	-	58,015	27,681,410	-	-	-	27,739,425	704,868,930
Unclaimed profit distribution	-	-	-	-	-	-	10,730,891	10,730,891	10,773,074
Creditors, accrued and other liabilities	27,601,228	-	-	-	-	-	5,178,931	32,780,159	28,334,109
	1,151,333,228	-	58,015	27,681,410	-	-	159,478,264	1,338,550,917	1,248,107,709
<b>Profit rate sensitivity gap</b>	(155,649,857)	-	(58,015)	(27,681,410)	-	-	(156,631,875)	(340,021,157)	(294,699,258)
<b>Cumulative profit rate sensitivity gap</b>	(155,649,857)	(155,649,857)	(155,707,872)	(183,389,282)	(183,389,282)	(183,389,282)	(156,631,875)	(340,021,157)	(294,699,258)

### 27.1 Effective Profit Rates

	2007	2006
<b>Financial assets</b>		
Bank balances	7 to 10.25 percent per annum	1.75 to 7.5 percent per annum
Finances under musharika arrangements	10.95 to 12.22 percent per annum	8.13 to 10.95 percent per annum
Finances under morabaha arrangements	8.5 to 15.51 percent per annum	8.5 to 14.95 percent per annum
<b>Financial liabilities</b>		
Finances under musharika arrangements	11.5 to 12.35 percent per annum	10.19 to 11.87 percent per annum
Finances under morabaha arrangements	11.37 to 11.52 percent per annum	9.37 to 10.7 percent per annum
Redeemable Capital	9.5 to 12 percent per annum	4.5 to 11.75 percent per annum

### 27.2 Fair value of financial assets and liabilities

The carrying value of financial assets and financial liabilities approximates their fair values as reflected in the financial statements.

## 28 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic.

Breakdown of credit risk exposure by class of business as at 30 June 2007 is as follows:

	<b>Assets leased out</b>	<b>Morabaha finance</b>	<b>Musharika finance</b>	<b>2007 Total</b>	<b>% age</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	
Banks and NBFIs	30,098,324	-	-	<b>30,098,324</b>	1.96
Textiles spinning and composite	131,580,206	293,500,000	-	<b>425,080,206</b>	27.62
Sugar and allied	183,814,183	125,500,000	-	<b>309,314,183</b>	20.10
Electric goods	80,664,246	-	-	<b>80,664,246</b>	5.24
Chemicals and Pharmaceuticals	41,499,103	58,000,000	-	<b>99,499,103</b>	6.47
Paper and board	54,744,670	13,500,000	-	<b>68,244,670</b>	4.43
Food and allied	-	12,972,414	-	<b>12,972,414</b>	0.84
Individuals	-	-	-	-	-
Jute	-	23,038,285	-	<b>23,038,285</b>	1.50
Oil and Gas	53,242,240	22,000,000	-	<b>75,242,240</b>	4.89
Miscellaneous	126,630,620	198,000,000	-	<b>324,630,620</b>	21.10
Aviation and transport	18,001,070	-	-	<b>18,001,070</b>	1.17
Engineering	11,661,106	-	-	<b>11,661,106</b>	0.76
Cement	60,379,482	-	-	<b>60,379,482</b>	3.92
	<b>792,315,250</b>	<b>746,510,699</b>	<b>-</b>	<b>1,538,825,949</b>	<b>100.00</b>
	<b>Assets leased out</b>	<b>Morabaha finance</b>	<b>Musharika finance</b>	<b>2006 Total</b>	<b>% age</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	
Banks and NBFIs	37,479,233	-	-	37,479,233	2.38
Textiles spinning and composite	225,632,745	302,000,000	-	527,632,745	33.55
Sugar and Allied	70,797,961	80,500,000	-	151,297,961	9.62
Electric goods	77,889,940	93,000,000	-	170,889,940	10.87
Chemicals and Pharmaceuticals	-	57,500,000	-	57,500,000	3.66
Paper and board	85,451,741	5,000,000	-	90,451,741	5.75
Food and allied	-	34,200,000	-	34,200,000	2.17
Individuals	-	1,422,413	70,875,000	72,297,413	4.61
Jute	-	23,766,916	-	23,766,916	1.51
Oil and gas	51,080,711	22,000,000	-	73,080,711	4.65
Miscellaneous	118,626,949	105,000,000	-	223,626,949	14.22
Aviation and transport	25,695,136	-	-	25,695,136	1.63
Engineering	46,516,540	-	-	46,516,540	2.96
Cement	38,047,482	-	-	38,047,482	2.42
	<b>777,218,438</b>	<b>724,389,329</b>	<b>70,875,000</b>	<b>1,572,482,767</b>	<b>100.00</b>

## 29 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulties in raising funds to meet commitments associated with financial instruments. Modaraba has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The table below summarises the maturity profile of Modaraba's assets and liabilities:

	Within one year	Over one to two years	Over two to three years	Over three to four years	Over four to five years	Over five years	2007 Total	2006 Total
<b>Assets</b>								
Fixed assets	65,876,843	189,443,250	210,699,371	256,611,409	75,600,360	-	798,231,233	783,425,955
Long term deposits	-	-	71,000	-	-	-	71,000	71,000
Investments - available for sale	106,756,876	-	-	-	-	-	106,756,876	72,856,772
Finances	746,510,699	-	-	-	-	-	746,510,699	795,264,329
Prepayments and other receivables	98,357,824	-	-	-	-	-	98,357,824	74,688,658
Cash and bank balances	48,221,783	-	-	-	-	-	48,221,783	11,817,423
	1,065,724,025	189,443,250	210,770,371	256,611,409	75,600,360	-	1,798,149,415	1,738,124,137
<b>Liabilities</b>								
Finances under morabaha arrangements	185,852,000	-	-	-	-	-	185,852,000	150,000,000
Redeemable capital	937,880,000	-	-	-	-	-	937,880,000	216,400,000
Security deposits from lessees	36,208,430	35,203,093	28,293,073	36,317,450	7,546,396	-	143,568,442	137,731,596
Finances under musharika arrangements	-	-	58,015	27,681,410	-	-	27,739,425	-
Accrued and other liabilities	39,131,707	-	-	-	-	-	39,131,707	704,868,930
	1,199,072,137	35,203,093	28,351,088	63,998,860	7,546,396	-	1,334,171,574	1,248,374,489
<b>Net (liabilities) / Assets</b>	<b>(133,348,112)</b>	<b>154,240,157</b>	<b>182,419,283</b>	<b>192,612,549</b>	<b>68,053,964</b>	<b>-</b>	<b>463,977,841</b>	<b>489,749,648</b>

	2007 Rupees	2006 Rupees
<b>30 Cash generated from operations</b>		
Profit before taxation	26,210,839	65,291,270
Adjustment for non cash expenses and other items:		
Provision for doubtful debts and receivables	26,391,026	-
Depreciation / amortization	251,886,993	242,541,332
Financial charges	38,153,769	13,789,992
Profit on morabaha/musharika finances	80,521,755	85,345,177
Gain on sale of fixed assets	(21,100)	(847)
Gain on sale of investment	(87,840)	(9,955,515)
Dividend income	(16,697,899)	(8,780,754)
Operating profit before working capital changes	406,357,543	388,230,655
<b>Working capital changes</b>		
<b>Decrease / (Increase) In Operating Assets</b>		
Finances under musharika arrangements	20,250,000	(10,125,000)
Finances under morabaha arrangements	(107,121,370)	(255,814,004)
Advances, deposits, prepayments and other receivables	(34,357,324)	(48,711,589)
	(121,228,694)	(314,650,593)
<b>Increase in operating liabilities</b>		
Creditors, accrued and other liabilities	1,355,197	10,418,419
	(119,873,497)	(304,232,174)
<b>Cash generated from operations</b>	<b>286,484,046</b>	<b>83,998,481</b>



### 31 Accounting estimates and judgements

#### Provision against non-performing loans and advances

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

#### Income taxes

No provision has been made in these financial statements for income taxes as the Modaraba plans to distribute at least 90% of its profits to certificate-holders

### 32 Date of authorization for issue

The financial statements of Modaraba were approved by the directors of Modaraba Management Company and authorized for issue on September 18, 2007.

### 33 Profit distribution

The Board of Directors in their meeting held on September 18, 2007 have proposed profit distribution @ Rs. 0.60 per certificate for the year ended on 30 June 2007.

### 34 General

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. During the year the following re-arrangement has been made for more appropriate presentation.

<b>From</b>	<b>To</b>	<b>2007 Rupees</b>	<b>2006 Rupees</b>
Profit distribution payable	Advances, deposits & prepayments	<b>10,730,891</b>	10,773,074

**Chief Executive**  
Punjab Modaraba Services  
(Private) Limited

**Director**  
Punjab Modaraba Services  
(Private) Limited

**Director**  
Punjab Modaraba Services  
(Private) Limited