

## Classification of Certificate Holders by Categories as at June 30, 2008

Sr#	Category	Number of Certificate holders	Certificates Held	Percentage of Total Capital
1	Associated Companies, Undertakings and Related Parties	3	13,325,482	39.1696
2	NIT and ICP	6	2,375,639	6.9831
3	Banks, Development Financial Institutions, Non Banking Financial Institutions	65	2,200,501	6.4683
4	Insurance Companies	3	1,270,949	3.7359
5	Modarbas and Mutual Funds	10	466,624	1.3716
6	General Public (Local)	4,834	14,271,042	41.9490
7	General Public (Foreign)	3	488	0.0014
8	Others	5	109,275	0.3212
<b>TOTAL:</b>		<b>4,929</b>	<b>34,020,000</b>	<b>100.0000</b>

## 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, 2008 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 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 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 condition 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, 2008 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.

Lahore:  
October 25, 2008

KPMG Taseer Hadi & Company  
Chartered Accountants

# Balance Sheet

As at June 30, 2008

ASSETS	Note	2008 Rupees	2007 Rupees
<b>NON CURRENT ASSETS</b>			
Tangible fixed assets	4		
Assets leased out		1,802,881,556	792,315,250
Assets in own use		7,324,362	5,915,983
Cards and rooms	5	46,100,000	-
Long term morabaha investment - secured	6	10,784,598	-
Long term musharika investment - secured	7	3,059,822	-
Long term deposits		71,000	71,000
		1,870,221,338	798,302,233
<b>CURRENT ASSETS</b>			
Short term investments - available for sale	8	94,737,132	106,756,876
Short term morabaha investment - secured	9	1,329,131,237	662,972,414
Short term musharika investment - secured	10	20,000,000	-
Current maturity of long term morabaha investment	11	39,705,737	83,538,285
Advances, deposits, prepayments and other receivables	12	200,879,980	97,127,364
Tax refundable		1,318,207	1,230,460
Cash and bank balances	13	38,610,982	48,221,783
		1,724,383,275	999,847,182
<b>TOTAL ASSETS</b>		<b>3,594,604,613</b>	<b>1,798,149,415</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Certificate capital	14	340,200,000	340,200,000
Reserves	15	103,434,695	123,777,841
		443,634,695	463,977,841
<b>NON CURRENT LIABILITIES</b>			
Security deposits against leases	16	238,314,331	107,360,012
Long term musharika finances - secured	17	788,710,559	27,739,425
Redeemable capital - participatory and unsecured	18	100,000,000	-
Deferred morabaha income	19	2,784,598	-
		1,129,809,488	135,099,437
<b>CURRENT LIABILITIES</b>			
Current maturity of non current liabilities	20	94,832,194	36,208,430
Short term finances - secured	21	538,668,139	185,852,000
Redeemable capital - participatory and unsecured	22	1,281,345,000	937,880,000
Trade and other payables	23	106,315,097	39,131,707
		2,021,160,430	1,199,072,137
Contingencies and commitments	24	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,594,604,613</b>	<b>1,798,149,415</b>

The attached notes 1 to 39 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 June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>Income</b>			
Lease rentals		540,760,765	329,707,033
Profit on morabaha finances		127,143,719	80,947,745
Profit on musharika finances		1,007,333	4,779,963
Return on investments		16,496,568	16,697,899
Other income	25	30,579,660	3,181,551
		<b>715,988,045</b>	<b>435,314,191</b>
<b>Expenses</b>			
Operating expenses	26	18,171,984	10,269,682
Amortization of assets leased out	4.1	428,755,046	250,854,805
Financial and other charges	27	225,948,427	118,675,524
Write off of bad debts		21,742,609	-
		<b>694,618,066</b>	<b>379,800,011</b>
<b>Operating profit before provision and impairment</b>		<b>21,369,979</b>	<b>55,514,180</b>
Provision for morabaha finance		10,860,870	14,500,000
(Reversal) / provision for impairment of leased assets		(11,891,026)	11,891,026
Impairment on available for sale investments		3,490,671	-
		<b>2,460,515</b>	<b>26,391,026</b>
Modaraba Company's management fee		18,909,464	29,123,154
		<b>1,890,946</b>	<b>2,912,315</b>
<b>Profit for the year</b>		<b>17,018,518</b>	<b>26,210,839</b>
Earnings per certificate - basic	28	<b>0.50</b>	<b>0.77</b>

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# Cash Flow Statement

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>Cash flow from operating activities</b>			
Cash (used in) / generated from operations	35	(64,532,822)	286,484,046
Financial charges paid		(115,808,029)	(27,996,654)
Profit paid on morabaha / musharika finances		(56,555,223)	(92,340,149)
Income tax paid		(87,747)	(30,500)
<b>Net cash (used in) / generated from operating activities</b>		<b>(236,983,821)</b>	<b>166,116,743</b>
<b>Cash flow from investing activities</b>			
Dividend received		14,856,328	15,525,531
Leased assets acquired		(1,489,125,325)	(319,595,507)
Cards and rooms acquired		(46,100,000)	-
Investments purchased		(98,139,349)	(33,900,104)
Proceeds from sale of investments		92,831,518	5,087,841
Proceeds from sale of leased out assets		18,554,517	15,251,658
Proceeds from sale of own assets		22,194	800,871
Fixed assets acquired - own use		(2,626,145)	(1,520,425)
Morabaha finances		39,000,000	80,000,000
Musharika finances		(3,059,822)	50,625,000
<b>Net cash used in investing activities</b>		<b>(1,473,786,084)</b>	<b>(187,725,135)</b>
<b>Cash flow from financing activities</b>			
Lease security deposits		163,897,209	28,882,440
Finances under musharika arrangements		910,971,134	(677,129,505)
Finances under morabaha arrangement		202,816,139	35,852,000
Redeemable capital		443,465,000	721,480,000
Profit distribution		(19,990,378)	(51,072,183)
<b>Net cash generated from financing activities</b>		<b>1,701,159,104</b>	<b>58,012,752</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(9,610,801)</b>	<b>36,404,360</b>
Cash and cash equivalents at the beginning of the year		48,221,783	11,817,423
<b>Cash and cash equivalents at the end of the year</b>	13	<b>38,610,982</b>	<b>48,221,783</b>

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# Statement of Changes in Equity

## for the year ended 30 June 2008

	Certificate capital	Statutory reserve	(Deficit) on remeasurement of investment - available for sale	Unappropriated profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2006	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 gain 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>
Net profit for the year	-	-	-	17,018,518	17,018,518
Transfer during the year @ 30%	-	5,105,555	-	(5,105,555)	-
Profit distribution for the year 2007 @ Rs 0.6 per certificate	-	-	-	(20,412,000)	(20,412,000)
Net unrealized loss on investments - available for sale	-	-	(16,949,664)	-	(16,949,664)
<b>Balance as at 30 June 2008</b>	<b>340,200,000</b>	<b>110,683,572</b>	<b>(21,079,211)</b>	<b>13,830,334</b>	<b>443,634,695</b>

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# Notes to the Financial Statements

For the year ended 30 June 2008

## 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 152 Abubakar Block, New Garden Town, 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, multi purpose and multi dimensional modaraba and is primarily engaged in the business of leasing, musharika and 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.

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

The following amendments to existing standards have been published that are applicable to the Modaraba's financial statements covering annual periods, beginning on or after the following dates:

#### Amendments to published standards effective in current year

Amendments to IAS 1 'Presentation of Financial Statements' - Capital disclosure is mandatory for the Company's accounting period beginning on 01 July 2007. Its adoption by the Modaraba only impacts the format and extent of disclosures presented in the financial statements.

#### Amendments and Interpretations to publish standards applicable to the Company not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Modaraba's accounting periods beginning on or after their respective effective dates:

- Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after 01 July 2009. Adoption of these amendments would require the Modaraba to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Company's financial statements.

- IFRS 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction; is effective from 01 July 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 01 July 2008, but it is not expected to have any significant impact on the Modaraba's financial statements.

Standards and interpretations to existing standards that are not applicable to the Modaraba and not yet effective

Standards or interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share based payment	01 July 2009
IFRS 7 - Financial instruments disclosures	01 July 2008
IFRS 8 - Operating Segments	01 July 2009
IFRIC 12 - Service concession arrangements	01 July 2009
IFRIC 13 - Customer loyalty programmes	01 July 2009
IFRIC 15 - Accounting for agreements for the construction of real estate	01 July 2009
IFRIC 16 - Hedge of net investment in a foreign operation	01 July 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

### 2.3 Adoption of IFAS 1 - Morabaha

Securities and Exchange Commission of Pakistan (SECP) through its SRO 865 (1)/2005 dated 24 August 2005 notified and modaraba has adopted the Islamic financial Reporting Standard - 1 (IFAS-I). As per requirement of IFAS-1, purchases and sales under Morabaha and the resultant profit should be accounted for on the culmination of Morabaha transaction. The profit on sales revenue not due for payment should be deferred and shown in balance sheet as liability under "Deferred Morabaha Income" with debit to "Unearned Morabaha Income." As per previous policy, the unrecognised profit was not presented in financial statements. The adoption of IFAS has no impact on the results of the Modaraba.

## 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 36.

### 3.2 Change in accounting estimates

During the year the modaraba has changed the method of amortization of assets leased out from annuity to straight line method. Assets leased out are amortized on a straight line basis over the shorter of lease term or assets useful life.

The change in depreciation method from annuity to straight line has been accounted for as a change in accounting estimate and applied prospectively as per the requirements of IAS - 8 "Change in accounting policies and estimates". Had the depreciation method not been changed, the profit for the year would have been higher by Rs. 53,280,663.

### 3.3 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:

	Rate in %
Office premises	5
Furniture and fixture	10
Office equipments	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.

#### Leased assets

All lease arrangements are accounted for as operating lease.

During the year the modaraba has changed the method of amortization of assets leased out from annuity method to straight line. Assets leased out are amortized on a straight line basis over the shorter of lease term or assets useful life.

In respect of additions and transfers during the year, amortization is charged proportionately to the period of lease.

### 3.4 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.

### 3.5 Cards and rooms

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

### 3.6 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. Unrealized 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.

### 3.7 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.

### 3.8 Financial instruments

#### Financial assets

Significant financial assets include short and long term finances, investments, advances and receivables, long term deposits and cash and bank balances. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivable, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policies.

#### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short and long term borrowings, certificates of musharika, deposits against lease arrangements, trade and other payables and dividends payable. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

### 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 set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 3.9 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.

## 3.10 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.

## 3.11 Revenue recognition

### Leases

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

### Morabaha and musharika finances

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

### Income on bank deposits

Return on bank deposit are recognized on accrual basis.

### Capital gain or losses on sale of investment

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

### Dividend income

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

### Commission income

Commission income is recognized on receipt basis.

## 3.12 Profit distribution and appropriations

Profit distribution and appropriation to reserves are recognized 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 recognized in the period to which these relate.

## 3.13 Taxation

### Current

The income of non-trading Modarabas 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 financial statements 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.

## 3.14 Lease rentals and Musharika Investments

Lease rentals and Musharika finances are stated net of provision. Provision is recognized for lease rentals and Musharika Investments 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.

## 3.15 Morabaha Investments

Morabaha investments are stated net of provision. Provision is recognized for Morabaha Investments in accordance with the Prudential Regulations for Modaraba's issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

Morabaha receivable are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

Purchase and sales under Morabaha and the resultant profit are accounted for on the culmination of Morabaha transaction.

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "Unearned Morabaha Income" account with the corresponding credit to "Deferred Morabaha Income" account and shown in the balance sheet as a liability.

	Note	2008 Rupees	2007 Rupees
<b>4 TANGIBLE FIXED ASSETS</b>			
Assets leased out	4.1	1,802,881,556	804,206,276
Less: provision for impairment		11,891,026	11,891,026
Add: reversal of provision for impairment		11,891,026	-
		1,802,881,556	792,315,250
Assets in own use	4.2	7,324,362	5,915,983
		<u>1,810,205,918</u>	<u>798,231,233</u>

	C O S T			D E P R E C I A T I O N					
	As at 01 July 2007	Additions	Transfers	As at 30 June 2008	As at 01 July 2007	For the year	On transfers	As at 30 June 2008	Book value as at 30 June 2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>4.1 Assets leased out</b>									
Plant and machinery	1,111,626,903	986,375,494	(284,060,883)	1,813,941,514	433,431,165	309,984,287	(233,068,945)	510,346,507	1,303,595,007
Vehicles	102,597,000	189,926,011	(16,276,500)	276,246,511	29,275,434	44,524,965	(6,309,104)	67,491,295	208,755,216
Cessna aircraft	77,070,600	-	-	77,070,600	26,668,402	15,696,051	-	42,364,453	34,706,147
	<u>1,291,294,503</u>	<u>1,176,301,505</u>	<u>(300,337,383)</u>	<u>2,167,258,625</u>	<u>489,375,001</u>	<u>370,205,303</u>	<u>(239,378,049)</u>	<u>620,202,255</u>	<u>1,547,056,370</u>
Consumer products	3,078,441	311,986,320	(810,211)	314,254,550	1,319,548	58,339,913	(150,000)	59,509,461	254,745,089
Consumer products to staff	718,900	837,500	(293,000)	1,263,400	191,019	209,830	(217,546)	183,303	1,080,097
	<u>3,797,341</u>	<u>312,823,820</u>	<u>(1,103,211)</u>	<u>315,517,950</u>	<u>1,510,567</u>	<u>58,549,743</u>	<u>(367,546)</u>	<u>59,692,764</u>	<u>255,825,186</u>
<b>2008</b>	<u>1,295,091,844</u>	<u>1,489,125,325</u>	<u>(301,440,594)</u>	<u>2,482,776,575</u>	<u>490,885,568</u>	<u>428,755,046</u>	<u>(239,745,595)</u>	<u>679,895,019</u>	<u>1,802,881,556</u>

	C O S T			D E P R E C I A T I O N					
	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	Book value as at 30 June 2007
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>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
	<u>1,254,818,718</u>	<u>317,582,697</u>	<u>(281,106,912)</u>	<u>1,291,294,503</u>	<u>479,434,817</u>	<u>250,058,962</u>	<u>(240,118,778)</u>	<u>489,375,001</u>	<u>801,919,502</u>
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
	<u>4,537,162</u>	<u>2,012,810</u>	<u>(2,752,631)</u>	<u>3,797,341</u>	<u>2,702,625</u>	<u>795,843</u>	<u>(1,987,901)</u>	<u>1,510,567</u>	<u>2,286,774</u>
<b>2007</b>	<u>1,259,355,880</u>	<u>319,595,507</u>	<u>(283,859,543)</u>	<u>1,295,091,844</u>	<u>482,137,442</u>	<u>250,854,805</u>	<u>(242,106,679)</u>	<u>490,885,568</u>	<u>804,206,276</u>

4.1.1 Transfers represent the assets disposed through negotiation after expiry/termination of leases. However, in view of large number of disposals, detail of each disposal has not been given.

4.2	Assets in own use	C O S T			D E P R E C I A T I O N				Book value as at 30 June 2008	
		As at 01 July 2007	Additions	Disposal	As at 30 June 2008	As at 01 July 2007	For the year	On disposal		As at 30 June 2008
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
	Office premises	6,937,864	112,170	-	7,050,034	3,376,739	346,881	-	3,723,620	3,326,414
	Office equipment	1,466,666	760,955	(404,656)	1,822,965	1,245,676	193,267	(401,659)	1,037,284	785,681
	Furniture and fixtures	714,342	75,813	-	790,155	407,347	74,365	-	481,712	308,443
	Vehicles	2,404,603	1,677,207	-	4,081,810	577,730	600,256	-	1,177,986	2,903,824
	<b>2008</b>	<b>11,523,475</b>	<b>2,626,145</b>	<b>(404,656)</b>	<b>13,744,964</b>	<b>5,607,492</b>	<b>1,214,769</b>	<b>(401,659)</b>	<b>6,420,602</b>	<b>7,324,362</b>

Assets in own use	C O S T			D E P R E C I A T I O N				Book value as at 30 June 2007	
	As at 01 July 2006	Additions	Disposal	As at 30 June 2007	As at 01 July 2006	For the year	On disposal		As at 30 June 2007
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
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>

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	
	Office equipments						
	Computers	200,500	197,503	2,997	7,194	4,197	Sold to employees
	Split A.C.	204,156	204,156	-	15,000	15,000	Negotiation
	<b>2008</b>	<b>404,656</b>	<b>401,659</b>	<b>2,997</b>	<b>22,194</b>	<b>19,197</b>	
	Disposal of assets in own use						
	Vehicles						
	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-
	Equipments						
	Computers	133,980	133,980	-	1,800	1,800	Exchange
	<b>2007</b>	<b>1,419,480</b>	<b>639,709</b>	<b>779,771</b>	<b>800,871</b>	<b>21,100</b>	

	Note	2008 Rupees	2007 Rupees
<b>5 CARDS AND ROOMS</b>			
Corporate membership of Lahore Stock Exchange Room		37,100,000	-
		9,000,000	-
		<u>46,100,000</u>	<u>-</u>
<b>6 LONG TERM MORABAHA INVESTMENT - SECURED</b>			
Morabaha investment		43,430,628	83,538,285
Add: Unearned morabaha income		7,059,707	-
		<u>50,490,335</u>	<u>83,538,285</u>
Less: Current portion of long term morabaha investment	11	<u>(39,705,737)</u>	<u>(83,538,285)</u>
		<u>10,784,598</u>	<u>-</u>

6.1 The profit charged on these facilities ranges from 8.5% to 17.67% (2007: 8.5% to 16.10%). 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.

**7 LONG TERM MUSHARIKA INVESTMENT - SECURED**

The profit charged on these facilities is 14.40% ( 2007: Nil ) These facilities are secured by way of personal guarantees and mortgage of properties.

## 8 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 2008		June 2007	
30 June 2008	30 June 2007		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	1,743,972	2,699,376	2,238,685
63,580	63,580	UTP Growth Fund	1,101,375	890,120	1,101,375	890,120
1,646,344	1,384,990	Pakistan Capital Market Fund	23,000,000	17,862,832	20,000,000	20,207,004
1,500,000	1,500,000	UTP Large Capital Fund	15,000,000	13,500,000	15,000,000	12,675,000
<b>Investment &amp; Commercial Banks</b>						
33,952	33,952	Crescent Commercial Bank Limited	1,311,626	358,194	1,311,626	762,222
526	387	KASB Bank Limited	4,565	10,136	4,565	8,901
47	1,099	Standard Chartered Bank Pakistan Ltd.	233	1,105	13,636	145,454
31,250	-	The Bank of Punjab (Associated Concern)	2,143,938	972,813	-	-
<b>Textile Spinning</b>						
10,000	10,000	Kohinoor Spinning Mills Ltd.	80,100	49,100	80,100	51,000
<b>Cement</b>						
100,000	-	Pakistan Cement Company Ltd.	1,059,710	680,000	-	-
<b>Transport and Communication</b>						
-	4,000	Pakistan Telecommunication Company Limited	-	-	235,726	228,000
<b>Chemical and Pharmaceutical</b>						
1,627	13,742	Searle Pakistan Limited	4,129	148,936	538,058	578,187
<b>UNQUOTED SECURITIES</b>						
<b>Open-ended mutual funds</b>						
30,290	25,169	UTP Islamic Fund ( Par value per unit Rs. 500)	22,901,962	15,829,540	19,901,962	18,299,625
178,884	142,860	Pakistan Stock Market Fund	18,000,000	14,587,990	15,000,000	15,583,169
-	87,131	United Composite Fund.	-	-	10,000,000	10,010,481
83,998	38,808	United Stock Advantage Fund.	10,000,000	8,653,015	5,000,000	5,034,562
31,098	160,126	AKD Opportunity Fund.	2,000,000	1,870,518	10,000,000	10,039,900
-	7,158	Atlas Stock Market Fund.	-	-	5,000,000	4,980,894
81,699	81,699	UTP A-30 fund	5,000,000	3,849,673	5,000,000	5,023,672
229,240	-	Mezan Islamic Fund	15,000,000	13,729,188	-	-
			<b>119,307,014</b>	<b>94,737,132</b>	<b>110,886,424</b>	<b>106,756,876</b>



	Note	2008 Rupees	2007 Rupees
<b>9 SHORT TERM MORABAHA INVESTMENT - SECURED</b>			
Considered good		1,273,131,119	662,972,414
Considered doubtful		208,549,962	198,796,750
		1,481,681,081	861,769,164
Add: Unearned morabaha income		56,000,118	-
		1,537,681,199	861,769,164
Less: Provision for doubtful finances	9.2	(208,549,962)	(198,796,750)
		1,329,131,237	662,972,414
<b>9.1</b>			
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 rate of profit on morabaha finances ranges from 10.75% to 19.15% (2007: 8.5% to 14.5%).			
<b>9.2</b>			
<b>Provision for doubtful finances</b>			
Opening balance		198,796,750	198,796,750
Additions during the year		9,753,212	-
Closing balance		208,549,962	198,796,750
<b>10 SHORT TERM MUSHARIKA INVESTMENT - SECURED</b>			
The profit charged on these facilities range from 16.01% to 16.39% (2007: Nil). These are secured against mortgage of properties, hypothecation charge over fixed assets and personal guarantees.			
<b>11 CURRENT MATURITY OF LONG TERM MORABAHA INVESTMENT</b>			
Morabaha investment	11.1	35,430,628	83,538,285
Unearned morabaha income		4,275,109	-
		39,705,737	83,538,285
<b>11.1 Morabaha investment</b>			
Considered good		35,430,628	83,538,285
Considered doubtful		15,607,657	14,500,000
		51,038,285	98,038,285
Less: Provision for doubtful finances		(15,607,657)	(14,500,000)
		35,430,628	83,538,285

	Note	2008 Rupees	2007 Rupees
<b>12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Profit receivable			
Morabaha finances		58,804,003	24,055,296
Musharika finances		1,007,333	-
		59,811,336	24,055,296
Lease rentals receivable	12.1	132,122,856	66,100,998
Dividend receivable		3,792,400	2,152,160
Prepayments		158,599	157,962
Due from management company		-	3,141,586
Other receivables		4,994,789	1,519,362
		<u>200,879,980</u>	<u>97,127,364</u>
<b>12.1 Lease rentals receivable</b>			
Considered good		132,122,856	66,100,998
Considered doubtful		2,706,476	16,771,545
		134,829,332	82,872,543
Less: Income transferred to suspense	12.1.1	(2,706,476)	(16,771,545)
		<u>132,122,856</u>	<u>66,100,998</u>
<b>12.1.1 Income transferred to suspense</b>			
Opening balance		16,771,545	6,847,079
Transferred during the year		3,059,984	15,094,751
Reversed during the year		(17,125,053)	(5,170,285)
Closing balance		<u>2,706,476</u>	<u>16,771,545</u>
<b>13 CASH AND BANK BALANCES</b>			
Cash with banks			
Current accounts	13.1	1,617,383	1,206,837
Deposit accounts	13.2	36,458,061	30,698,970
Saving accounts		382,232	16,266,786
Deposit with State Bank of Pakistan	13.3	138,435	6,640
		38,596,111	48,179,233
Cash in hand		14,871	42,550
		<u>38,610,982</u>	<u>48,221,783</u>
<b>13.1</b>	The balance of Rs.1,608,527 (2007: Rs. 1,204,124) is maintained with the Bank of Punjab (the holding Company of the Modaraba's Management Company).		

- 13.2 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.
- 13.3 This account has been opened for payment of online charges of the Credit Information Bureau of State Bank of Pakistan.
- 13.4 The rate of profit on deposit and saving accounts ranges between 1.75% to 12.5% (2007: 7% to 10.25%).

	Note	2008 Rupees	2007 Rupees
<b>14</b>	<b>CERTIFICATE CAPITAL</b>		
Authorized certificate capital			
50,000,000 modaraba certificates of Rs.10 each.		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
20,000,000 modaraba certificates of Rs 10 each			
fully paid up in cash		200,000,000	200,000,000
14,020,000 modaraba certificates of Rs 10 each			
issued as fully paid bonus certificates		140,200,000	140,200,000
		<u>340,200,000</u>	<u>340,200,000</u>
<b>15</b>	<b>RESERVES</b>		
Capital reserve			
Statutory reserve	15.1	110,683,572	105,578,017
Revenue reserves			
Net unrealized loss on investment -			
available for sale		(21,079,211)	(4,129,547)
Unappropriated profit		13,830,334	22,329,371
		<u>103,434,695</u>	<u>123,777,841</u>
15.1	This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan.		
<b>16</b>	<b>SECURITY DEPOSITS AGAINST LEASES</b>		
Long term security deposits		272,871,298	143,568,442
Less: Current maturity of security deposits	20	(34,556,967)	(36,208,430)
		<u>238,314,331</u>	<u>107,360,012</u>

	Note	2008 Rupees	2007 Rupees
<b>17 LONG TERM MUSHARIKA FINANCES - SECURED</b>			
Opening balance		27,739,425	254,868,929
Additions during the year		4,175,878,741	1,331,732,307
Less: Paid during the year		(3,414,907,607)	(1,558,861,811)
		760,971,134	(227,129,504)
Closing balance		788,710,559	27,739,425
17.1	During the year the Modaraba has availed musharika finance facilities from The Bank of Punjab having approved limits of Rs.880 million (2007: Rs.1,030 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 11.22% to 15.63% (2007: 11.27% to 12.65%).		
<b>18 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED</b>			
	During the year the Modaraba has issued certificates of Musharika of Rs. 100 million (2007: Nil) which will mature during next 2 years. The share of profit payable on certificates of Musharika is 16% (2007: Nil).		
<b>19 DEFERRED MORABAHA INCOME</b>			
Short term deferred morabaha income		56,000,118	-
Long term deferred morabaha income		7,059,707	-
		63,059,825	-
Current maturity of long term deferred morabaha income	20	(60,275,227)	-
		2,784,598	-
<b>20 CURRENT MATURITY OF NON CURRENT LIABILITIES</b>			
Security deposits against leases	16	34,556,967	36,208,430
Deferred morabaha income	19	60,275,227	-
		94,832,194	36,208,430
<b>21 SHORT TERM FINANCES - SECURED</b>			
Morabaha finances		388,668,139	185,852,000
Musharika finances		150,000,000	-
	21.1	538,668,139	185,852,000

21.1 These facilities have been availed from commercial banks. These facilities are secured by registered charge over fixed and current assets of Modaraba for Rs. 630 million and Rs. 267 million respectively (2007: Rs. 107.5 million and Rs. 267 million). The estimated share of profit payable on these facilities ranges from 11.21% to 15.61% (2007: 10.7 % to 11.8%).

	Note	2008 Rupees	2007 Rupees
<b>22 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED</b>			
Opening balance		937,880,000	216,400,000
Issued during the year		3,266,245,000	1,677,720,000
Less: Redeemed during the year		(2,922,780,000)	(956,240,000)
		343,465,000	721,480,000
Closing balance		1,281,345,000	937,880,000

22.1 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 13.5% (2007: 8% to 12.25%).

### 23 TRADE AND OTHER PAYABLES

Due to Modaraba's management company		1,890,946	-
Accrued expenses		592,279	677,539
Advance lease rentals		1,341,445	938,768
Lease participation money		445,373	306,999
Tax deducted at source		612,581	532,803
Tax payable		266,780	266,780
Provident fund payable		84,917	45,172
Profit payable on:			
Musharika finances		30,215,381	5,103,335
Morabaha finances		5,775,778	3,095,851
Redeemable capital		39,338,780	13,545,578
		75,329,939	21,744,764
Unclaimed profit		11,152,513	10,730,891
Other payables	23.1	14,598,324	3,887,991
		106,315,097	39,131,707

23.1 These include Rs.162,089 (2007: Rs. 119,633) 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 recognized by the Shariah.

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

24.1.1 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) (CIT-(A)), who has rejected the appeals. The Modaraba has filed an appeal, against the order of CIT-(A), before the honourable Income Tax Appellate Tribunal, which has been decided in favour of Modaraba, however Income Tax Department has filed appeal before honourable Lahore High Court.

24.1.2 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).

### 24.2 Commitments

24.2.1 Lease commitments approved but not disbursed as on balance sheet date amount to Rs.182.23 million (2007 : Rs. 15 million).

24.2.2 Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs.393 million (2007 : Rs. 140 million).

	2008 Rupees	2007 Rupees
25 OTHER INCOME		
Gain on disposal of fixed assets	13,215,677	21,100
Profit on bank deposits	4,365,375	1,026,494
Processing fee	7,282,900	1,569,250
Commission income	546,556	-
Arrangment fee	1,000,000	-
Gain on sale of investment	3,112,761	87,840
Miscellaneous income	1,056,391	476,867
	<u>30,579,660</u>	<u>3,181,551</u>

	Note	2008 Rupees	2007 Rupees
<b>26 OPERATING EXPENSES</b>			
Salaries, wages and other benefits	26.1	7,876,223	4,098,079
Depreciation on fixed assets - owned	4.2	1,214,769	1,032,188
Travelling and conveyance		1,397,974	854,820
Legal and professional		597,266	843,910
Printing and stationery		565,119	478,953
Insurance		164,743	141,822
Fee and subscription		924,177	364,469
Auditors' remuneration	26.2	323,390	275,000
Repair and maintenance		230,162	152,208
Electricity, water and gas		507,734	383,564
Entertainment		263,646	216,472
Advertisement		53,140	192,241
Telephone and postage		810,288	487,269
Brokerage commission		268,750	-
Corporate expenses		1,776,100	197,252
Staff training		156,720	27,780
Security charges		164,000	156,000
Miscellaneous		877,783	367,655
		<u>18,171,984</u>	<u>10,269,682</u>
<b>26.1</b>	Salaries and other benefits include Rs. 440,164 (2007: Rs.462,008) on account of provident fund contribution.		
<b>26.2</b>	<b>Auditors' remuneration</b>		
	Audit fee	180,000	150,000
	Half yearly review and others	95,000	95,000
	Out of pocket expenses	48,390	30,000
		<u>323,390</u>	<u>275,000</u>
<b>27 FINANCIAL AND OTHER CHARGES</b>			
Profit on morabaha finances		20,805,403	15,131,932
Profit on musharika finances		63,541,793	65,389,823
Profit on redeemable capital		141,326,281	38,110,678
Bank and other charges		274,950	43,091
		<u>225,948,427</u>	<u>118,675,524</u>

		2008	2007
<b>28</b>	<b>EARNINGS PER CERTIFICATE - BASIC</b>		
	Profit for the year	Rupees 17,018,518	26,210,839
	Weighted average number of ordinary certificates	Numbers 34,020,000	34,020,000
	Earnings per certificate	Rupees 0.50	0.77
<b>29</b>	<b>FUTURE LEASE RENTALS RECEIVABLES</b>		
	Aggregate amount of future lease rentals receivable on the basis of agreements executed upto 30 June 2008, are as follows:		
		2008 Rupees	2007 Rupees
	Upto one year	727,067,032	343,293,543
	Above one year and upto five year	1,341,460,719	581,420,032
		<u>2,068,527,751</u>	<u>924,713,575</u>
<b>30</b>	<b>TRANSACTIONS WITH RELATED PARTIES</b>		
	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:		
	<b>30.1 Balance outstanding at the end of period</b>		
	<b>30.1.1 Bank of Punjab (Holding company of the Modaraba's Management Company)</b>		
	Musharika finances	788,710,559	27,739,424
	Profit payable on musharika finances	29,482,066	5,103,335
	Net book value of the assets leased to employees	35,805,508	27,978,564
	Lease security deposits	5,343,600	3,589,150
	Lease rentals receivables	186,066	-
	<b>30.1.2 Punjab Modaraba Services (Pvt) Limited (Modaraba's Management company)</b>		
	Due to / (from) management company	1,890,946	(3,141,586)



	2008 Rupees	2007 Rupees
30.2 Transactions during the year		
30.2.1 Bank of Punjab (Holding company of the Modaraba's Management Company)		
Lease rentals income	1,414,599	9,381,051
Profit charged on finances	50,080,242	50,152,968
Lease contract entered during the period	15,627,100	8,493,500
30.2.2 Punjab Modaraba Services (Pvt) Limited (Modaraba's Management company)		
Management fee accrued	1,890,946	2,912,315
Profit distribution paid	7,193,174	18,981,988

31 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2008		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	6,201,883	548,568	6,750,451
Medical allowance	352,181	23,759	375,940
Utility allowance	352,181	23,759	375,940
Provident Fund contribution	205,371	16,258	221,629
Expenses reimbursed	152,263	-	152,263
	7,263,879	612,344	7,876,223
Number of employees at the year end	25	4	29
	2007		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	2,217,534	295,475	2,513,009
Medical allowance	158,401	21,111	179,512
Utility allowance	158,401	21,111	179,512
Provident Fund contribution	126,671	17,060	143,731
Expenses reimbursed	71,875	-	71,875
	2,732,882	354,757	3,087,639
Number of employees at the year end	11	4	15

## 32 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	2008 Total	2007 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	94,737,132	-	-	-	-	-	-	94,737,132	106,756,876
Long term deposit	-	-	-	-	-	-	71,000	71,000	71,000
Musharika investment	20,000,000	-	-	-	-	3,059,822	-	23,059,822	-
Morabaha investment	1,368,836,974	-	10,784,598	-	-	-	-	1,379,621,572	746,510,699
Advances, deposits and other receivables	191,934,192	-	-	-	-	-	8,787,189	200,721,381	96,969,402
Cash and bank balances	36,840,293	-	-	-	-	-	1,770,689	38,610,982	48,221,783
	1,712,348,591	-	10,784,598	-	-	3,059,822	10,628,878	1,736,821,889	998,529,760
<b>Financial liabilities</b>									
Redeemable Capital	1,281,345,000	100,000,000	-	-	-	-	-	1,381,345,000	937,880,000
Morabaha finances	388,668,139	-	-	-	-	-	-	388,668,139	185,852,000
Security deposits against leases	-	-	-	-	-	-	272,871,298	272,871,298	143,568,442
Musharika finances	150,000,000	287,897,639	500,812,920	-	-	-	-	938,710,559	27,739,425
Deferred Morabaha Income	60,275,227	-	2,784,598	-	-	-	-	63,059,825	-
Unclaimed profit distribution	-	-	-	-	-	-	11,152,513	11,152,513	10,730,891
Trade and other payables	75,329,939	-	-	-	-	-	19,832,645	95,162,584	28,400,816
	1,955,618,305	387,897,639	503,597,518	-	-	-	303,856,456	3,150,969,918	1,334,171,574
<b>Profit rate sensitivity gap</b>	(243,269,714)	(387,897,639)	(492,812,920)	-	-	3,059,822	(293,227,578)	(1,414,148,029)	(335,641,814)
<b>Cumulative profit rate sensitivity gap</b>	(243,269,714)	(631,167,353)	(1,123,980,273)	(1,123,980,273)	(1,123,980,273)	(1,120,920,451)	(293,227,578)	(1,414,148,029)	(335,641,814)

### 32.1 Effective Profit Rates

	2008	2007
<b>Financial assets</b>		
Bank balances	1.75 to 12.5 percent per annum	7 to 10.25 percent per annum
Finances under musharika arrangements	14.4 to 16.93 percent per annum	10.95 to 12.22 percent per annum
Finances under morabaha arrangements	8.5 to 19.15 percent per annum	8.5 to 15.51 percent per annum
<b>Financial liabilities</b>		
Finances under musharika arrangements	11.22 to 15.63 percent per annum	11.5 to 12.35 percent per annum
Finances under morabaha arrangements	11.21 to 15.61 percent per annum	11.37 to 11.52 percent per annum
Redeemable Capital	9.5 to 16 percent per annum	9.5 to 12 percent per annum

### 32.2 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.

### 32.3 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Modaraba defines as net operation income divided by total capital employed. The board of directors also monitors the level of dividend payouts to certificateholders.

## 33 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 conditions.

Breakdown of credit risk exposure by class of business as at 30 June 2008 is as follows:

	Assets leased out Rupees	Morabaha investment Rupees	Musharika investment Rupees	2008 Total Rupees	% age
Banks and NBFIs	35,805,508	-	-	35,805,508	1.117
Textiles spinning and composite	131,584,470	427,747,856	-	559,332,326	17.449
Sugar and allied	436,242,298	287,280,141	-	723,522,439	22.571
Electric goods	122,132,816	163,879,766	-	286,012,582	8.922
Chemicals and Pharmaceuticals	65,380,107	205,324,196	-	270,704,303	8.445
Paper and board	45,232,306	74,883,793	-	120,116,099	3.747
Food and allied	-	13,685,403	-	13,685,403	0.427
Individuals	249,876,176	-	3,059,822	252,935,998	7.891
Jute	-	38,292,137	-	38,292,137	1.195
Oil and Gas	110,353,112	13,235,714	-	123,588,826	3.855
Miscellaneous	239,997,406	69,206,513	-	309,203,919	9.646
Aviation and transport	9,130,339	-	-	9,130,339	0.285
Engineering	317,097,981	86,086,053	20,000,000	423,184,034	13.202
Cement	40,049,037	-	-	40,049,037	1.249
	1,802,881,556	1,379,621,572	23,059,822	3,205,562,950	100.00

	Assets leased out Rupees	Morabaha finance Rupees	Musharika finance Rupees	2007 Total Rupees	% age
Banks and NBFIs	30,098,324	-	-	30,098,324	1.96
Textiles spinning and composite	131,580,206	293,500,000	-	425,080,206	27.62
Sugar and allied	183,814,183	125,500,000	-	309,314,183	20.10
Electric goods	80,664,246	-	-	80,664,246	5.24
Chemicals and Pharmaceuticals	41,499,103	58,000,000	-	99,499,103	6.47
Paper and board	54,744,670	13,500,000	-	68,244,670	4.43
Food and allied	-	12,972,414	-	12,972,414	0.84
Individuals	-	-	-	-	-
Jute	-	23,038,285	-	23,038,285	1.50
Oil and Gas	53,242,240	22,000,000	-	75,242,240	4.89
Miscellaneous	126,630,620	198,000,000	-	324,630,620	21.10
Aviation and transport	18,001,070	-	-	18,001,070	1.17
Engineering	11,661,106	-	-	11,661,106	0.76
Cement	60,379,482	-	-	60,379,482	3.92
	792,315,250	746,510,699	-	1,538,825,949	100.00

#### 34 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	2008 Total	2007 Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Assets</b>								
Fixed assets	181,338,597	292,631,904	573,163,323	449,088,757	301,583,254	12,400,083	1,810,205,918	798,231,233
Cards and rooms	-	-	-	-	-	46,100,000	46,100,000	-
Long term deposits	-	-	-	-	-	71,000	71,000	71,000
Investments - available for sale	94,737,132	-	-	-	-	-	94,737,132	106,756,876
Morabaha investment	1,368,836,974	-	10,784,598	-	-	-	1,379,621,572	746,510,699
Musharika investment	20,000,000	-	-	-	-	3,059,822	23,059,822	-
Tax refundable	1,318,207	-	-	-	-	-	1,318,207	-
Prepayments and other receivables	200,879,980	-	-	-	-	-	200,879,980	98,357,824
Cash and bank balances	38,610,982	-	-	-	-	-	38,610,982	48,221,783
	1,905,721,872	292,631,904	583,947,921	449,088,757	301,583,254	61,630,905	3,594,604,613	1,798,149,415
<b>Liabilities</b>								
Morabaha finances	388,668,139	-	-	-	-	-	388,668,139	185,852,000
Redeemable capital	1,281,345,000	100,000,000	-	-	-	-	1,381,345,000	937,880,000
Security deposits against leases	34,556,967	32,572,173	82,618,115	80,308,530	42,815,513	-	272,871,298	143,568,442
Musharika finances	150,000,000	287,897,639	500,812,920	-	-	-	938,710,559	27,739,425
Deferred Morabaha Income	60,275,227	-	2,784,598	-	-	-	63,059,825	-
Accrued and other liabilities	106,315,097	-	-	-	-	-	106,315,097	39,131,707
	2,021,160,430	420,469,812	586,215,633	80,308,530	42,815,513	-	3,150,969,918	1,334,171,574
<b>Net (liabilities) / Assets</b>	<b>(115,438,558)</b>	<b>(127,837,908)</b>	<b>(2,267,712)</b>	<b>368,780,227</b>	<b>258,767,741</b>	<b>61,630,905</b>	<b>443,634,695</b>	<b>463,977,841</b>

	2008 Rupees	2007 Rupees
<b>35 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	17,018,518	26,210,839
Adjustment for non cash expenses and other items:		
Provision for morabaha finance	10,860,870	14,500,000
(Reversal) / provision for impairment of leased assets	(11,891,026)	11,891,026
Write off of bad debts	21,742,609	-
Impairment on available for sale investments	3,490,671	-
Depreciation / amortization	429,969,815	251,886,993
Financial charges	141,601,231	38,153,769
Profit on morabaha/musharika finances	84,347,196	80,521,755
Gain on sale of fixed assets	(13,215,677)	(21,100)
Gain on sale of investment	(3,112,761)	(87,840)
Return on investments	(16,496,568)	(16,697,899)
Operating profit before working capital changes	664,314,878	406,357,543
Working capital changes		
Decrease / (Increase) in operating assets		
Finances under musharika arrangements	(20,000,000)	20,250,000
Finances under morabaha arrangements	(619,911,917)	(107,121,370)
Advances, deposits, prepayments and other receivables	(102,112,376)	(34,357,324)
	(742,024,293)	(121,228,694)

	2008 Rupees	2007 Rupees
Increase in operating liabilities		
Trade and other payables	13,176,593	1,355,197
	<u>(728,847,700)</u>	<u>(119,873,497)</u>
Net changes in operating assets and liabilities		
Cash (used in) / generated from operations	<u>(64,532,822)</u>	<u>286,484,046</u>

### 36 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

### 37 DATE OF AUTHORIZATION FOR ISSUE

The financial statements of Modaraba were approved by the directors of Modaraba's Management Company and authorized for issue on 25th October 2008.

### 38 PROFIT DISTRIBUTION

The Board of Directors in their meeting held on 25th October 2008 have proposed profit distribution @ Re. 0.32 per certificate for the year ended on 30 June 2008.

### 39 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive  
Punjab Modaraba Services  
(Private) Limited

Director  
Punjab Modaraba Services  
(Private) Limited

Director  
Punjab Modaraba Services  
(Private) Limited

Managed by:  
Punjab Modaraba Services (Pvt.) Ltd.  
(A wholly owned subsidiary of The Bank of Punjab)  
152 AbuBakar Block, New Garden Town, LAHORE (PAKISTAN)  
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