

Annual Report 2010

Ijarah

Murabaha

Musharaka

Equities

Trading



TRUST
M O D A R A B A

Managed by Al-Zāmin Modaraba Management (Private) Limited

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

CONTENTS

MISSION STATEMENT.....	2
CORPORATE INFORMATION.....	3
NOTICE OF ANNUAL REVIEW MEETING.....	4
DIRECTORS' REPORT.....	5-7
KEY OPERATING AND FINANCIAL DATA	8
STATEMENT OF COMPLIANCE.....	9-10
REVIEW REPORT TO CERTIFICATEHOLDERS	11
AUDITORS' REPORT.....	12-13
BALANCE SHEET	14
PROFIT AND LOSS ACCOUNT.....	15
STATEMENT OF COMPREHENSIVE INCOME.....	16
CASH FLOW STATEMENT.....	17
STATEMENT OF CHANGES IN EQUITY.....	18
NOTES TO THE ACCOUNTS.....	19-56
PATTERN OF CERTIFICATEHOLDINGS	57
CATEGORIES OF CERTIFICATEHOLDERS.....	58

Mission Statement

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

CORPORATE INFORMATION

Modaraba Company

Al-Zamin Modaraba Management (Private) Limited

Board of Directors

Mr. Zafar Iqbal	Chairman
Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Manzoor Hussain Shah Kazmi	Director
Mr. Shaikh Arshad Farooq	Director
Mr. Mohammad Imranul Haque	Director
Mr. Sohail Ansar	Director
Mr. Muhammad Kamal Abdul Nasir	Director

Management

Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Mohammad Naeem Baig	Chief Operating Officer
Mr. Ijaz Ahmed Khan	Chief Financial Officer
Mrs. Hamida Aqeel	Company Secretary
Ms. Roomana Nasir	Advisor

Audit Committee

Mr. Muhammad Kamal Abdul Nasir	Chairman
Mr. Manzoor Hussain Shah Kazmi	Member
Mr. Shaikh Arshad Farooq	Member
Ms. Hamida Aqeel	Secretary

Head of Internal Audit

Mr. Zia Khalid

Auditors of the Modaraba

Ernst & Young Ford Rhodes Sidat Hyder

Bankers

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

Legal Advisors

Irfan & Irfan, Attorneys at Law

Registered Office

104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600
Telephone: 021-35876651, 35876652, 111-111-303
Fax : 021-35870408

Principal Place of Business

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

Registrars

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



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of Trust Modaraba to review the performance of Modaraba for the year ended June 30, 2010 will be held on Wednesday October 27, 2010 at 12:30 PM at 104-106, Kassam Court, BC-9, Block 5, Clifton Karachi.

The certificate transfer books of the Modaraba will remain closed from October 21, 2010 to October 27, 2010 (both days inclusive).

Karachi
October 5, 2010

Hamida Aqeel
Company Secretary

DIRECTORS' REPORT

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited takes pleasure in presenting the annual audited accounts of Trust Modaraba for the year ended June 30, 2010 to the Certificate-holders.

Since taking over the management of the Modaraba in February 2009, Al-Zamin Modaraba Management (Pvt.) Limited has been focusing upon implementing a careful strategy to re-organize the Modaraba operations and reviving its business. The year under review has a great significance as it was the first full financial year of Modaraba operating under the new management.

Financial and Operating Performance

The Board is happy to report that after a consistent history of making losses over many years, your Modaraba has declared a net profit of Rs 23.4 million for the year, as compared to the loss of Rs 33.1 million of the previous year. This turn-around was achieved despite weak economic conditions and multifarious socio-political challenges in the country and can be confidently seen as an emergence of stability and profitability of the Modaraba in the coming years.

During the year, the business of the Modaraba was broadened by generation of resources through recoveries and employment of funds in secured and profitable avenues. There was a strong growth in the customer base and income stream during the year. Morabaha and ijarah financing remained the core business activities of Modaraba. Accordingly, ijarah facilities of Rs. 117.9 million and morabaha facilities of Rs. 26.5 million were disbursed during the year. Income from operations amounted to Rs. 59.3 million as compared to Rs. 47.5 million of the corresponding year. The net profit after management fee stood at Rs. 23.4 million compared with the loss of Rs. 33.1 million for the previous year. Despite inflationary pressures, administrative expenses were controlled at Rs. 8.9 million (2009: Rs. 14.1 million). The balance sheet size further grew in the year to the total footings of Rs. 371.1 million.

A major portion of morabaha facilities allowed by the previous managements is of non-performing and, therefore, under litigation for recovery. The present management is committed to make intense and consistent efforts to achieve the maximum possible recoveries through the legal process also direct negotiations with the defaulters. In view of the legal process involved in such cases, it would take some time to recoup the damage caused previously to the Modaraba. Nevertheless, the Management is determined to pursue the pending recovery suits and to take every possible step to safeguard the interest of the Certificate-holders in the best possible manner.

Key financial and operating data for the last six years is attached separately.

Earnings per Certificate

For the year under review, the Modaraba was able to achieve earnings per certificate of Rs. 0.79 as compared to loss per certificate of Rs. 1.11 reported last year.

Dividend Distribution

The Board feels happy to announce that, based on the profit earned by Modaraba during the year ended June, 2010, a cash dividend of 5% i.e. Rs. 0.50 per certificate has been declared. The book closure to determine the entitlement of dividend will be announced in due course.

The dividend distribution, though modest in value, should be viewed as a positive trend by the certificate holders who did not receive any payout during the past many years.

Future Prospects

New funding remains a major constraint for further increase in business volumes as banks are still reluctant to lend to non banking finance companies and modarabas. The continuing pressure on the economy of the country, particularly due to the recent devastating floods, and the overall depressing environment suggests that challenges for the financial sector will intensify in the coming years. Also, the uncertainties of cash flows for businesses of almost all types make it really difficult to evaluate any credit risk on the basis of previously established norms. Therefore, your management shall continue maintaining a cautious outlook but strive to move forward for a steady growth by keeping a close monitoring of the changing economic conditions.

The future operations of the Modaraba are being carefully viewed in context of the current business environment as smaller financial institutions will find it difficult to meet future competition and maintain acceptable margins. In view of the prevailing circumstances in the financial sector, your Board is examining possibilities of mergers, acquisition and consolidation to create a large equity and operational base. Any material developments in this regard would be duly communicated to the certificateholders.

Compliance under Code of Corporate Governance

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

Board Meetings

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

		No. of Meetings Attended
Mr. Zafar Iqbal	Chairman	2
Mr. Bashir A. Chowdry	Chief Executive	4
Mr. Manzoor Hussain Shah Kazmi	Director	3
Mr. Sohail Ansar	Director	2
Mr. Sheikh Arshad Farooq	Director	2
Mr. Mohammad Kamal Abdul Nasir	Director	4
Mr. Mohammad Imranul Haq	Director	2
Dr. Namoos Baquar	Relinquished Director	2
Mr. Afzal Rashid	Relinquished Director	1
Mr. Rashid Ahmed	Relinquished Director	1
Mr. Najib Amanullah	Relinquished Director	0
Mr. Mohammad Zahid	Relinquished Director	0
Mr. Anees Wahab Zuberi	Relinquished Director	0

Auditors

As per suggestion of the Audit Committee, the Board has approved the reappointment of present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants for the financial year ending June 30, 2011. The appointment is subject to the approval of the Registrar Modaraba.

Pattern of Certificate-holding

Pattern of certificate holdings as of June 30, 2010 is attached. No trades in the certificates of Modaraba were carried out by the Directors, CEO, CFO and Company Secretary and their spouses and minor children.

Value of Provident Fund Investment

The Modaraba operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by Modaraba and the employees, to the fund @ 10% of basic salary. Based on latest accounts of the fund the value of its investments as at June 30, 2010 works out to be Rs.1,149,311.

Shifting of Principal Place of Business

The principal place of business of Modaraba has been shifted to its independent office at the following address:

301 – 320, 3rd Floor, Garden Heights
8-Aibak Block, New Garden Town, Lahore
Tel: (042) 35941957-8, Fax (042) 35866513

The management intends to open branches of Modaraba in major cities including Karachi to provide an increased outreach for business growth.

Acknowledgements

The Board wishes to place on record its appreciations for the support and guidance provided by the Registrar Modarabas and Securities and Exchange Commission of Pakistan. The Board also acknowledges the hard work and commitment of the executives and staff members. Finally, the Board extends its gratitude to the certificate-holders who remained committed to the Modaraba during difficult times and looks forward to their continued support in the future.

For and on behalf of the Board of Directors



Basheer A. Chowdry
Chief Executive

Karachi
Date: September 24, 2010

KEY OPERATING & FINANCIAL DATA FOR THE LAST SIX YEARS

(Rupees in thousand)

Particulars	2010	2009	2008	2007	2006	2005
Paid-up capital	298,000	298,000	273,000	273,000	273,000	273,000
Reserves	(18,418)	(40,971)	(29,437)	(18,315)	86,251	69,148
Net equity	279,581	257,028	243,562	254,685	359,251	342,148
Morabaha financing	157,215	138,459	168,929	228,026	261,238	233,497
Fixed assets	14,120	13,236	11,555	12,064	14,864	14,966
Assets given on lease (Ijarah)	285,320	190,803	126,445	132,589	129,329	141,647
Total assets	371,133	300,052	271,567	319,706	389,047	429,566

Income Statement

Income	59,304	47,497	22,082	29,775	38,954	39,958
Financial charges	-	-	1,586	7,165	6,205	4,241
Operating expenses	36,580	80,585	22,427	84,549	19,520	14,354
Profit/(loss) before taxation	22,724	(33,087)	(1,932)	(61,938)	21,576	19,093
Profit/(loss) after taxation	23,396	(33,087)	(1,671)	(64,925)	18,576	19,093
Earning/(loss) per certificate	0.79	(1.11)	(0.06)	(2.38)	0.57	0.70

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2010

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

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

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

1. The Modaraba Company has 7 directors which include 6 non-executive directors.
2. All the directors of the Modaraba Company have confirmed that they are not serving as a director in more than ten listed companies.
3. All the resident directors of the Modaraba Company have confirmed that they are registered as taxpayers and have not defaulted in payment of any loan to a banking company, a Modaraba, Development Financial Institution or a Non Banking Financial Institution, neither they are member of any stock exchange in Pakistan.
4. No casual vacancy occurred in the Board during the year.
5. The Modaraba Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Modaraba Company and employees of the Modaraba.
6. The Board has developed a vision and mission statement and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained in the form of minutes of meetings of the board and internal circulars. The overall corporate strategy of the Modaraba is discussed from time to time in the Board meetings and documented in the minutes.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including changes in remuneration of the Chief Executive Officer and other executive director.
8. The Board has met once in every quarter. All meetings of the Board were presided over by the Chairman. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. A detailed presentation by Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants was given on April 26, 2008 to the Board of Directors on the 'Code of Corporate Governance' with specific reference to the role of Board in strategy formulation and responsibilities of the Directors.
10. Appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit was approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Chief Executive Officer, directors and other executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Modaraba.
15. The Board has formed an Audit Committee. It comprises of three members and secretary to the Audit Committee. The members are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held once in every quarter after takeover of Modaraba as required by the Code prior to approval of interim and final results of the Modaraba. The terms of reference of the Committee have been framed and advised to the Committee for compliance.
17. The Board has set-up an Internal Audit function on a full time basis. Arrangements are being made to Reinforce the department to make it more effective.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All related party transactions of the Modaraba are executed in accordance with the policy of the Modaraba. The related party transactions have been place before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Stock Exchanges.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi
Date: September 24, 2010



Basheer A. Chowdry
Chief Executive

REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al-Zamin Modaraba Management (Private) Limited (the Modaraba Company) in respect of Trust Modaraba (the Modaraba) to comply with the Listing Regulations No. 37 of the Karachi, Lahore and Islamabad Stock Exchanges, where the Modaraba is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the modaraba's corporate governance procedures and risks.

Further, sub-regulation (xiii) of Listing Regulation No. 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Modaraba to place before the Board of Directors of the Modaraba Company for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended 30 June 2010.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Lahore: September 24, 2010

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **Trust Modaraba** as at **30 June 2010** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Trust Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes 2.3.1 and 2.3.2 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and

Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at **30 June 2010** and of the profit, its cash flows and changes in equity for the year then ended; and

- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to the matter stated in note 15.2.1 to these financial statements the ultimate outcome of which cannot presently be determined and, hence, no loss that may result there from has been recorded in these financial statements.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Lahore: September 24, 2010

BALANCE SHEET

AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Current assets			
Cash and bank balances	5	8,313,978	8,161,115
Short term investments	6	7,498,486	28,783,455
Advances, deposits, prepayments and other receivables	7	2,038,898	1,514,546
Short term murabaha finances	8	106,978,848	105,801,867
Current portion of long term murabaha finances	9	39,103,032	32,627,839
Ijarah rental receivables	10	15,987,807	10,819,581
Accrued profit	11	1,079,856	2,004,481
Tax refunds due from Government		263,446	-
Trade debts		2,804,055	-
Stock in trade	12	990,439	-
Total current assets		185,058,845	189,712,884
Non-current assets			
Long term murabaha finances	9	11,133,400	29,352
Long term deposits	13	394,862	184,862
Long term investments	14	11,359,267	20,328,141
Fixed assets	15	163,187,531	89,797,294
Total non-current assets		186,075,060	110,339,649
Total Assets		371,133,905	300,052,533
LIABILITIES			
Current liabilities			
Current portion of customers' security deposits	16	8,968,580	3,437,005
Creditors, accrued and other liabilities	17	24,636,422	9,169,349
Taxation - net		-	2,945,133
Total current liabilities		33,605,002	15,551,487
Non-current liabilities			
Customers' security deposits	16	57,947,078	27,472,495
Total liabilities		91,552,080	43,023,982
NET ASSETS		279,581,825	257,028,551
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital	18	298,000,000	298,000,000
Reserves	19	(18,418,175)	(40,971,449)
		279,581,825	257,028,551

CONTINGENCIES AND COMMITMENTS

20

The annexed notes from 1 to 38 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Income from leasing (Ijarah) operations	21	38,499,478	29,594,351
Profit on murabaha finances	22	11,361,885	12,912,529
Dividend income on equity investments		884,840	577,781
Profit on long term investment - available-for-sale		1,372,101	474,509
Profit on short term investment - held-to-maturity		1,443,620	140,453
Profit on sale of short term investments - held-for-trading		915,620	2,468,734
Profit on sale of long term investments - available-for-sale		2,419,700	-
Trading income	23	701,282	-
Other income	24	1,706,327	1,329,154
		<u>59,304,853</u>	<u>47,497,511</u>
Reversal/(provision) against non performing murabaha finances-net	25	2,994,210	(9,754,646)
Impairment on available-for-sale investments		<u>(393,325)</u>	<u>(32,241,349)</u>
		61,905,738	5,501,516
Depreciation on fixed assets given on lease/ijarah	15	28,800,260	24,254,557
Administrative expenses	26	8,949,909	14,088,307
Other charges	27	1,431,357	245,933
		<u>(39,181,526)</u>	<u>(38,588,797)</u>
		22,724,212	(33,087,281)
Modaraba management company's fee		<u>(2,272,421)</u>	-
Profit/(loss) before taxation		20,451,791	(33,087,281)
Taxation	28	2,945,133	-
Profit/(loss) after taxation		<u>23,396,924</u>	<u>(33,087,281)</u>
Earnings/(loss) per certificate - basic and diluted	29	<u>0.79</u>	<u>(1.11)</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
Profit / (loss) for the year	23,396,924	(33,087,281)
Other comprehensive Income		
Net unrealized (loss)/gain on available-for-sale investments	(843,650)	524,100
Total comprehensive income/(loss) for the year	<u>22,553,274</u>	<u>(32,563,181)</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	20,451,791	(33,087,281)
Add / (less) adjustment for :		
Depreciation	29,186,829	24,577,539
(Reversal)/provision against non performing murabaha finance	(2,994,210)	9,754,646
Impairment of investments	393,325	32,404,782
Loss/(gain) on disposal of fixed assets	167,888	(893,574)
Dividend income	(273,250)	(577,781)
	<u>26,480,582</u>	<u>65,265,612</u>
Cash from operating activities before changes in working capital	46,932,373	32,178,331
Changes in working capital		
(Increase) / decrease in current assets:		
Short term investment	21,284,968	(620,022)
Advances, deposits, prepayments and other receivables	(862,692)	(285,663)
Short term murabaha finance	1,817,229	20,716,293
Long term murabaha finance	(17,579,241)	-
Ijarah rental receivables	(5,168,226)	(10,599,231)
Trade debts	(2,804,055)	-
Stock in trade	(990,439)	-
	<u>(4,302,456)</u>	<u>9,211,377</u>
Increase / (decrease) in current liabilities:		
Creditors, accrued and other liabilities	15,467,073	(10,415,325)
Customers' security deposits	36,006,158	25,732,145
	<u>51,473,231</u>	<u>15,316,820</u>
Cash from operating activities	94,103,148	56,706,528
Taxes paid	(263,446)	(290,524)
Profit received on short term investments	924,626	9,803
Dividend paid	-	(6,871)
Net cash from operating activities	<u>94,764,328</u>	<u>56,418,936</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure (including assets given on ijarah)	(119,207,477)	(70,346,033)
Sale proceeds of fixed assets (including assets given on ijarah)	16,462,523	2,695,263
Sale/(purchase) of Investments - net	7,731,899	(9,389,866)
Long term deposits paid during the year	(210,000)	-
Dividend received	611,590	577,781
Net cash used in investing activities	<u>(94,611,465)</u>	<u>(76,462,855)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in certificate's holder equity	-	25,000,000
Net cash (used in) / from financing activities	<u>-</u>	<u>25,000,000</u>
Net increase in the cash and cash equivalents	152,863	4,956,081
Cash and cash equivalents at the beginning of year	<u>8,161,115</u>	<u>3,205,034</u>
Cash and cash equivalents at the end of year	<u>8,313,978</u>	<u>8,161,115</u>

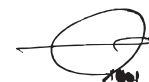
The annexed notes from 1 to 38 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Certificate capital	Capital Reserve		Revenue Reserves			Total Reserves	Total Equity
		Statutory reserve	General	Unrealized gain/(loss) on revaluation of investments	Accumulated loss			
Balance as at 01 July 2008	273,000,000	42,832,697	15,400,000	(21,029,153)	(66,640,965)	(29,437,421)	243,562,579	
Issuance of Modaraba certificates to Al-Zamin Modaraba Management (Pvt) Limited	25,000,000	-	-	-	-	-	25,000,000	
Impairment charge to profit and loss account	-	-	-	21,029,153	-	21,029,153	21,029,153	
Total comprehensive loss for the year	-	-	-	524,100	(33,087,281)	(32,563,181)	(32,563,181)	
Transfer to profit and loss account	-	-	(15,400,000)	-	15,400,000	-	-	
Balance as at 30 June 2009	298,000,000	42,832,697	-	524,100	(84,328,246)	(40,971,449)	257,028,551	
Total comprehensive income for the year	-	-	-	(843,650)	23,396,924	22,553,274	22,553,274	
Transfer to statutory reserve at 30%	-	7,019,077	-	-	(7,019,077)	-	-	
Balance as at 30 June 2010	298,000,000	49,851,774	-	(319,550)	(67,950,399)	(18,418,175)	279,581,825	

-----Rupees-----


The annexed notes from 1 to 38 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Trust Modaraba was formed in Pakistan under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and had been managed by Trust Management Services (Private) Limited (TMSL). The registration of the Management Company was cancelled by the Registrar Modaraba vide order dated 20 August 2007 and consequently, an Administrator had been appointed to protect the interest of the certificate holders till new management is decided upon. During last year, vide SECP Order dated 30 January 2009, the Administrator ceased to hold his office with effect from 23 February 2009 and Al-Zamin Modaraba Management (Private) Limited (AMML) has taken over the control of the Modaraba along with all assets, liabilities and contingencies and commitments. Under the terms of this take over arrangement, AMML has injected Rs. 25 million as certificate deposit money into the fund of the Modaraba against which Modaraba certificates have been issued to AMML on 04 June 2009.
- 1.2. The Modaraba is perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabahas, Musharikas, leasing (ijraha), investment in marketable securities and other permissible businesses. The Modaraba commenced its business operations from 12 November 1991. It is situated at 301-320, 3rd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore. It is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

2. STATEMENT OF COMPLIANCE

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

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

SECP vide its circular No. 10 of 2004 dated 13 February 2004 has deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of the said IAS to the Modarabas.

2.3 Changes in accounting policy and disclosures

- 2.3.1 The revised IAS 1: Presentation of Financial Statements was issued in September 2007 and became effective for financial years beginning on or after 01 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced the statement of comprehensive income: it presents all items of recognized income and expense, either in

one single statement, or in two linked statements. Accordingly, the Modaraba has added a separate statement of comprehensive income in these financial statements. Comparative information has also been represented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of Modaraba.

2.3.2 Adoption of Islamic Financial Accounting Standard – 1 “Murabaha”

IFAS 1 “Murabaha”, introduced by the Institute of Chartered Accountants of Pakistan and notified for adoption by Securities and Exchange Commission of Pakistan, vide SRO 865(1)/2005 dated 24 August 2005, by all financial institutions for the period beginning on or after 01 January 2006. As Modaraba Association of Pakistan (MAP) was of the view that the Islamic Financial Accounting Standards was not applicable to modarabas as MAP has not received any instruction in this regard from Registrar Modaraba. The matter of IFAS -1 is still under consideration of MAP. However, the Modaraba has opted to apply the standard in current year financial statements. Pursuant to requirements of the said standard, funds disbursed for purchase of goods are recorded as ‘Advance against Murabaha’. On culmination of murabaha transaction, i.e. sale of goods to the customer, murabaha financing is recorded at the invoiced amount and profit is recognized on time proportionate basis. Profit on that portion of sale revenue not due for payment is deferred and recognized as liability. Goods purchased by the Modaraba but remained unsold, if any with the Modaraba at balance sheet date constitute inventories.

Modaraba's inventories are measured at lower of cost and net realizable value. Cost is determined on the first in first out basis. Net penalty imposed on late realization of murabahas receivables is credited to charity fund payable account and recognized as liability.

Previously, murabaha financing were recorded at the cost of goods sold while profit on murabaha transactions was recognized on accrual basis over the period of murabaha and unrealised profit thereon was presented as other assets. As far as late realization of murabahas receivables was concerned, it was credited to murabaha income.

This change in accounting policy is applied prospectively from 01 July 2009 as retrospective application is impracticable.

The effect of change on the current period financial statements is as follows:

	<u>Rupees</u>
Increase in short-term murabaha financing	5,054,495
Increase in long-term murabaha financing	4,296,055
Increase in deferred income on murabaha	9,350,552

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

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRS 2 - Share-based Payment: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

3. Basis of measurement

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to

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

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

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

4.1.2 Provisions against non performing financings

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

4.2 Cash and cash equivalents

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

4.3 Investments

4.3.1 Available-for-sale

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

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

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

4.3.2 Held-for-trading

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

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

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

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

4.3.3 Held-to-maturity

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

4.4 Murabaha

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

4.5 Leases (Ijarahs)

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

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

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

4.6 Tangible fixed assets

4.6.1 Operating fixed assets in own use and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight-line method at the rates given in note 15.2.

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

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

4.6.2 Assets given to customers on lease and depreciation

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

4.6.3 Assets given to customers under ijarah agreements

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

4.6.4 Impairment

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

4.7 Trade debts

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

4.8 Inventories

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

4.9 Revenue recognition

4.9.1 Murabaha profit

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

4.9.2 Musharika profit

The profit on Musharikas is shared by the customer and the Modaraba in an agreed ratio based on projected rate of profit on each investment.

4.9.3 Lease rentals

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

4.9.4 Ijarah rentals

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

4.9.5 Dividend income

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

4.9.6 Capital gain or loss

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

4.10 Taxation

Current:

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

Deferred:

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

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

4.11 Financial instruments

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

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

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

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

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

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

4.12 Retirement and termination benefits

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

4.13 Dividend

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

5. CASH AND BANK BALANCES	Note	2010 Rupees	2009 Rupees
Cash in hand		3,733	1,380
Balances with bank in:			
Current accounts		8,294,282	8,081,869
Deposit accounts	(5.1)	15,963	77,866
		8,310,245	8,159,735
		8,313,978	8,161,115

5.1 These carry profit at the rate of 5% (2009: 5%) per annum.

6. SHORT TERM INVESTMENTS

Held to maturity

Certificate of deposits	(6.1)	-	25,000,000
-------------------------	-------	---	------------

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

Shares of listed companies - at cost	(6.2)	8,882,265	3,946,888
Less: Unrealized loss on revaluation of held-for-trading investments		1,383,779	163,433
		7,498,486	3,783,455
	(6.2)	7,498,486	28,783,455

6.1 This represented Riba Free Monthly Murabaha Certificates held with Meezan Bank Limited and carried profit @ 8.59% per annum.

	2010		2009	
	Average cost	Market value	Average cost	Market value
6.2 Shares of listed companies	-----R u p e e s-----R u p e e s-----			
Nishat Mills Limited	-	-	97,770	94,550
Nil (2009: 2,500) ordinary shares of Rupees 10 each fully paid				

	2010		2009	
	Average cost	Market value	Average cost	Market value
	-----R u p e e s-----		-----R u p e e s-----	
Pakistan Telecommunication Company Ltd. 155,000 (2009: 10,000) ordinary shares of Rupees 10 each fully paid	3,200,740	2,759,000	196,339	172,400
Attock Refinery Limited Nil (2009: 7,000) ordinary shares of Rupees 10 each fully paid	-	-	883,762	873,530
Pakistan Petroleum Limited 2,000 (2009: 3,000) ordinary shares of Rupees 10 each fully paid	401,868	368,240	570,708	568,620
Lucky Cement Limited Nil (2009: 9,900) ordinary shares of Rupees 10 each fully paid	-	-	594,031	579,447
Descon Oxychem Limited 6,500 (2009: Nil) ordinary shares of Rupees 10 each fully paid	45,661	31,070	-	-
Lotte Pakistan PTA Limited 10,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	95,848	80,600	-	-
Azgard Nine Limited 40,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	607,570	446,400	-	-
Pakistan International Airlines 102,702 (2009: Nil) ordinary shares of Rupees 10 each fully paid	315,056	282,431	-	-
The Hub Power Company Limited 15,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	499,370	479,400	-	-
Pak Suzuki Motor Company Limited 2,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	165,186	158,540	-	-
Kohinoor Textile Mills Limited 191,063 (2009: Nil) ordinary shares of Rupees 10 each fully paid	1,261,547	1,073,775	-	-
Pakistan State Oil Company Limited 2,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	627,097	520,400	-	-

	2010		2009	
	Average cost	Market value	Average cost	Market value
	-----R u p e e s-----		-----R u p e e s-----	
D.G.Khan Cement Company Limited 38,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	1,108,634	897,560	-	-
Fauji Cement Company Limited 25,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	168,120	113,750	-	-
Engro Polymer & Chemicals Limited 5,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	72,290	50,200	-	-
Pakistan Oilfields Ltd Nil (2009: 1,500) ordinary shares of Rupees 10 each fully paid	-	-	223,290	218,850
Engro Chemicals Ltd Nil (2009: 3,000) ordinary shares of Rupees 10 each fully paid	-	-	410,546	385,290
Mari Gas Company Ltd Nil (2009: 1,200) ordinary shares of Rupees 10 each fully paid	-	-	180,744	178,598
Packages Ltd Nil (2009: 1,000) ordinary shares of Rupees 10 each fully paid	-	-	167,183	157,040
ICI Pakistan Limited 2,000 (2009: 3,500) ordinary shares of Rupees 10 each fully paid	313,278	237,120	534,582	490,875
Dawood Hercules Ltd Nil (2009: 500) ordinary shares of Rupees 10 each fully paid	-	-	87,933	64,255
	8,882,265	7,498,486	3,946,888	3,783,455

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2010 Rupees	2009 Rupees
Advances to employees against salary - Considered good		23,339	64,956
Security deposits		14,500	151,000
Prepayments		649,735	85,324
Due from brokers against sale of shares		90,385	201,683
Receivable from Trust Management Services (Private) Limited	(7.1)	9,366,164	9,366,164
Provision for doubtful receivables		(9,366,164)	(9,366,164)
		-	-

	Note	2010 Rupees	2009 Rupees
Legal suits charges receivable		2,938,534	2,843,844
Provision for doubtful receivables		(2,551,034)	(2,671,344)
		387,500	172,500
Late payment charges receivable		3,223,033	3,223,033
Less: Suspended income		(3,223,033)	(3,223,033)
		-	-
Sundry receivables		1,165,291	1,130,935
Provision for doubtful receivables		(291,852)	(291,852)
		873,439	839,083
		2,038,898	1,514,546

7.1 This represents advance given to ex-management company against its management fee and expenses paid on behalf of ex-management company.

8. SHORT TERM MURABAHA FINANCES - Secured

Considered good		58,515,199	48,457,234
Considered doubtful			
- Regular parties		68,899	8,223,899
- Parties under litigation	(8.2)	117,924,307	121,631,605
		117,993,206	129,855,504
Provision for classified receivables under			
Prudential Regulations for Modarabas	(8.3)	(69,529,557)	(72,510,871)
		106,978,848	105,801,867

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

8.2 Rs. 117.924 million (2009: Rs. 121.631 million) is receivable from 18 (2009: 21) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 16 (2009: 19) cases for recovery of Rs.120,967,331 (2009: Rs. 157,585,418), while execution petitions for these cases are pending. Settlement / compromise agreements have been made with two parties during the year ended 30 June 2010.

		2010	2009
8.3 Provision for classified receivables under Prudential Regulations	Note	Rupees	Rupees
Opening balance		72,510,871	62,769,121
Provision for the year	(25)&(8.3.1)	-	9,741,750
Reversal due to recovery	(25)	(2,981,314)	-
		<u>69,529,557</u>	<u>72,510,871</u>

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

8.4 Murabaha finance includes an amount of Rs. 50,159,709 which have been disbursed subsequent to 01 July 2009 and have been recognized as per requirement of IFAS-1 as referred to note 2.3.2 .The relevant disclosure is as follows:

Murabaha receivables - net	45,105,214	-
Add: Deferred income on murabaha	5,054,495	-
	<u>50,159,709</u>	<u>-</u>

9. LONG TERM MURABAHA FINANCES - Secured

Considered good		17,935,800	-
Considered doubtful	(9.2)	40,300,632	40,670,087
		58,236,432	40,670,087
Current portion grouped under current assets	(9.3)	(47,103,032)	(40,640,735)
		<u>11,133,400</u>	<u>29,352</u>

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

9.2 It includes Rs. 40.250 million (2009: Rs. 40.516 million) receivable from 2 (2009: 2) customers under murabaha finance which is under litigation. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in these cases for recovery of Rs. 72.974 million (2009: Rs. 72.974 million). An agreement was settled by court in respect of one party which has been fully recovered subsequent to balance sheet date.

	Note	2010 Rupees	2009 Rupees
9.3	Current portion of long term murabaha finances		
	- Installments overdue	40,300,632	40,621,382
	- Installments receivable within next 12 months	6,802,400	19,353
		47,103,032	40,640,735
	Provision for classified receivables under Prudential Regulations for Modarabas	(9.3.1) (8,000,000)	(8,012,896)
		<u>39,103,032</u>	<u>32,627,839</u>
9.3.1	Provision is adjusted for any amount of liquid assets realizable without recourse to a court of law and the forced sale value of mortgaged/pledged securities as valued by professional valuers.		
9.4	Murabaha finance includes an amount of Rs. 17,935,800 which has been disbursed subsequent to 01 July 2009 and have been recognized as per requirement of IFAS-1 as referred to note 2.3.2. The relevant disclosure is as follows:		
	Murabaha receivables - net	13,639,745	-
	Add: Deferred income on murabaha	4,296,055	-
		<u>17,935,800</u>	<u>-</u>
10.	IJARAH RENTAL RECEIVABLES		
	Secured		
	Ijarah rentals receivables - Considered good	(10.1) 45,702,407	40,551,941
	Suspended ijarah income - Considered doubtful	(10.2) (22,424,387)	(22,424,387)
	Provision for doubtful Ijarah rental receivables	(10.3) (7,290,213)	(7,307,973)
		<u>15,987,807</u>	<u>10,819,581</u>
10.1	It includes receivable from a customer amounting to Rs.7,250,040 (2009: Rs.7,250,040) against which the Modaraba has a claim due from a financial institution in respect of prorata share of the sale proceed of jointly attached two properties sold by the said financial institution under the Court orders.		
10.2	The movement in suspense account against lease rental receivable is given below:		
	Opening balance	22,424,387	19,828,063
	For the year	-	2,698,235
	Recovery during the year	-	(101,911)
		<u>22,424,387</u>	<u>22,424,387</u>

		2010	2009
	Note	Rupees	Rupees
10.3	Provision for doubtful ijarah rental receivables:		
	Opening balance	7,307,973	15,771,973
	For the year	-	-
	Recovery during the year	(17,760)	(8,464,000)
		<u>7,290,213</u>	<u>7,307,973</u>
11.	ACCRUED PROFIT		
	Profit receivable on long term investment	654,452	826,799
	Profit on murabaha finances	9,974,303	10,738,278
	Suspended income (11.1)	(9,548,899)	(9,560,596)
		<u>425,404</u>	<u>1,177,682</u>
		<u>1,079,856</u>	<u>2,004,481</u>
11.1	Suspended income account against murabaha profit receivable is as follows:		
	Opening balance	9,560,596	9,574,360
	For the year	135,616	48,257
	Recovery during the year	(147,313)	(62,021)
		<u>9,548,899</u>	<u>9,560,596</u>
12.	STOCK IN TRADE		
	This represents goods purchased for trading purpose.		
13.	LONG TERM DEPOSITS		
	Central Depository Company	154,862	154,862
	Others	240,000	30,000
		<u>394,862</u>	<u>184,862</u>
14.	LONG TERM INVESTMENTS		
	Available for sale		
	Equity securities - listed (14.1)	7,627,601	43,094,506
	Certificates of Mutual Funds - listed (14.2)	1,130,479	2,337,389
	Sukuk certificates - listed (14.3)	9,063,000	9,063,000
	Total investment at cost	17,821,080	54,494,895
	Provision for diminution in value of investments (impairment) (14.4)	(6,142,263)	(34,690,854)
		<u>11,678,817</u>	<u>19,804,041</u>
	Add : Unrealized (loss)/gain on revaluation of investments	(319,550)	524,100
	Net investments at fair value	<u>11,359,267</u>	<u>20,328,141</u>

	2010		2009	
	Average cost	Market value	Average cost	Market value
	-----R u p e e s-----		-----R u p e e s-----	
14.1 Equity Securities - listed				
Amin Spinning Mills Limited				
400 (2009: 400) ordinary shares of Rupees 10 each fully paid	7,516	1,560	7,516	1,200
Kohinoor Spinning Mills Limited				
Nil (2009: 200) ordinary shares of Rupees 10 each fully paid	-	-	10,290	570
Reliance Cotton Spinning Mills Limited				
Nil (2009: 100) ordinary shares of Rupees 10 each fully paid	-	-	1,000	2,400
Dewan Salman Fibres Limited				
14,500 (2009: 39,500) ordinary shares of Rupees 10 each fully paid	400,996	22,040	1,092,370	58,855
Kohinoor Textile Mills Limited				
17,209 (2009: 283,312) ordinary shares of Rupees 10 each fully paid	573,672	96,715	9,444,372	1,252,239
Fauji Cement Company Limited				
79,000 (2009: 129,900) ordinary shares of Rupees 10 each fully paid	1,606,713	363,545	2,612,165	856,041
Pakistan Telecommunication Company Limited				
Nil (2009: 195,000) ordinary shares of Rupees 10 each fully paid	-	-	16,318,664	3,361,800
Pakistan PTA Limited				
Nil (2009: 102,000) ordinary shares of Rupees 10 each fully paid	-	-	1,449,061	291,720
Pakistan International Airlines Corporation Limited 'A'				
107,298 (2009: 220,000) ordinary shares of Rupees 10 each fully paid	1,844,466	295,070	3,781,830	730,400

	2010		2009	
	Average cost	Market value	Average cost	Market value
-----R u p e e s-----R u p e e s-----				
Oil & Gas Development Company Limited				
Nil (2009: 45,000) ordinary shares of Rupees 10 each fully paid	-	-	7,756,849	3,538,800
Pakistan Cement Company Limited				
750 (2009: 49,750) ordinary shares of Rupees 10 each fully paid	9,353	2,055	620,389	134,325
Descon Oxychem Limited				
26,500 (2009: Nil) ordinary shares of Rupees 10 each fully paid	242,686	120,840	-	-
Engro Polymer & Chemicals Limited				
25,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	575,150	251,000	-	-
Lucky Cement Limited				
270 (2009: Nil) ordinary shares of Rupees 10 each fully paid	23,715	16,778	-	-
D.G.Khan Cement Company Limited				
5,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	182,630	118,100	-	-
Mari Gas Company Limited				
2,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	332,800	258,760	-	-
ICI Pakistan Limited				
5,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	950,200	592,800	-	-
Azgard Nine Limited				
30,000 (2009: Nil) ordinary shares of Rupees 10 each fully paid	877,704	334,796	-	-
	7,627,601	2,474,059	43,094,506	10,228,350

	2010		2009	
	Average cost	Market value	Average cost	Market value
-----R u p e e s-----R u p e e s-----				
14.2 Certificates of Mutual Funds				
Investec Mutual Fund				
28,500 (2009: 28,500) certificates of Rupees 10 each	528,702	4,845	528,702	18,525
PICIC Energy Fund				
Nil (2009: 20,000) certificates of Rupees 10 each	-	-	253,625	90,000
PICIC Investment Fund				
36,220 (2009: 61,220) certificates of Rupees 10 each	601,777	136,914	1,017,094	233,248
Pakistan Premier Fund				
Nil (2009: 41,867) certificates of Rupees 10 each	-	-	537,968	170,917
	1,130,479	141,759	2,337,389	512,690

14.3 This represents 2,000 (2009: 2,000) BRR Guardian Modaraba certificates having face value Rs. 10 million carrying profit at six months KIBOR plus 130 basis points. These will mature in 2014 and are secured against joint ownership of musharaka assets. The fair value of each certificate as on 30 June is Rs. 4,372 (2009: Rs. 4,793).

14.4 Particulars of provision for diminution in value of investments (impairment)	Note	2010	2009
		Rupees	Rupees
Opening balance		34,690,854	2,449,505
Reversal of impairment on disposal of available-for-sale investments		(28,941,916)	-
Impairment for the year	(14.4.1)	393,325	32,241,349
Closing balance		6,142,263	34,690,854

14.4.1 During last year, the stock exchanges introduced 'floor mechanism' in respect of prices of equity securities based on the closing price as prevailing on 27 August 2008. Under the "floor mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. During this period trading of securities effectively remained suspended on the stock exchanges. The trading resumed on 15 December 2008, however, the trading volumes upto 31 December 2008 were significantly low as compared to the volumes before the institution of floor mechanism. Accordingly, the Modaraba has recognised impairment amounting to Rs. 32,241,349 on its available for sale investments in its financial statements for the six months ended 31 December 2008. Such impairment was based upon the market value of these investments as per instructions vide Securities and Exchange Commission of Pakistan's SRO 150(1)/2009 dated 13 February 2009.

15. FIXED ASSETS	Note	2010	2009
		Rupees	Rupees
Operating fixed assets given on lease (ijarah) - tangible	(15.1)	149,067,322	76,561,506
Operating fixed assets in own use - tangible	(15.2)	14,120,209	13,235,788
		<u>163,187,531</u>	<u>89,797,294</u>

15.1 Operating fixed assets given on lease (ijarah) - tangible

PARTICULARS	2010								
	BALANCE AS AT 01 JULY 2009		FOR THE YEAR		BALANCE AS AT 30 JUNE 2010				
	Cost	Accumulated depreciation	Net book value	Additions	Disposal Cost / (accumulated depreciation)	Depreciation/ impairment	Cost	Accumulated depreciation	Net book value
Plant and equipments	179,930,762	109,711,557	70,219,205	71,766,300	15,565,666 (3,203,208)	17,001,849	236,131,396	123,510,198	112,621,198
Vehicles	10,872,200	4,529,899	6,342,301	37,173,228	7,853,500 (3,585,747)	7,282,638	40,191,928	8,226,790	31,965,138
Furniture and fixtures	-	-	-	8,996,759	-	4,515,773	8,996,759	4,515,773	4,480,986
	<u>190,802,962</u>	<u>114,241,456</u>	<u>76,561,506</u>	<u>117,936,287</u>	<u>23,419,166 (6,788,955)</u>	<u>28,800,260</u>	<u>285,320,083</u>	<u>136,252,761</u>	<u>149,067,322</u>

PARTICULARS	2009								
	BALANCE AS AT 01 JULY 2008		FOR THE YEAR		BALANCE AS AT 30 JUNE 2009				
	Cost	Accumulated depreciation	Net book value	Additions	Disposal cost / (accumulated depreciation)	Depreciation/ impairment	Cost	Accumulated depreciation	Net book value
Plant & equipments	115,125,000	87,936,749	27,188,251	64,805,762	-	21,774,808	179,930,762	109,711,557	70,219,205
Vehicles	11,320,200	4,232,805	7,087,395	3,277,000	3,725,000 (2,182,655)	2,479,749	10,872,200	4,529,899	6,342,301
	<u>126,445,200</u>	<u>92,169,554</u>	<u>34,275,646</u>	<u>68,082,762</u>	<u>3,725,000 (2,182,655)</u>	<u>24,254,557</u>	<u>190,802,962</u>	<u>114,241,456</u>	<u>76,561,506</u>

15.1.1 Modaraba has filed suits for possession of leased assets valuing Rs. 78.6 million (2009: Rs. 78.6 million) against 4 clients (2009: 4 clients). The respective courts have granted decrees against these 4 (2009: 4) clients in favor of Modaraba. The Courts have decided to attach some properties of customers in addition to their assets to the Modaraba. However, execution petitions for recovery of the decretal amount are still pending.

15.1.2 In one of 4 cases as mentioned in note 15.1.1, the Modaraba has entered into a repayment contract agreed in the Supreme Court with a customer. The carrying amount of such asset as on 30 June 2010 is Rs. Nil (2009: Rs. Nil) after charging the impairment of Rs. Nil (2009: Rs. 12,347,453). In this case, the Modaraba also has an attached property held as collateral having fair market value greater than the value of that leased assets.

15.2 Operating fixed assets in own use - tangible

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

Rupees

PARTICULARS	2009				FOR THE YEAR				BALANCE AS AT 30 JUNE 2009		
	BALANCE AS AT 01 JULY 2008		Additions	Disposal cost / (accumulated depreciation)	Depreciation	Cost	Accumulated depreciation	Net book value	RATE %		
	Cost	Accumulated depreciation								Net book value	
Land	11,106,200	-	-	-	-	11,106,200	-	11,106,200	-		
Furniture & fixtures	2,878,674	2,878,674	541,954	2,555,423 (2,555,423)	28,195	865,205	351,446	513,759	10		
Office equipments	3,192,636	3,179,314	127,861	2,385,736 (2,385,736)	10,512	934,761	804,090	130,671	10		
Vehicles	1,057,100	659,930	1,343,590	1,015,000 (755,656)	232,100	1,385,690	136,374	1,249,316	20		
Books	16,423	16,423	-	-	-	16,423	16,423	-	20		
Electrical equipments	621,510	583,359	249,866	486,018 (486,018)	52,175	385,358	149,516	235,842	10		
	18,872,543	7,317,700	2,263,271	6,442,177 (6,182,833)	322,982	14,693,637	1,457,849	13,235,788			

15.2.1

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

15.3 Disposal of operating fixed assets

15.3.1 Disposal of assets given on lease (Ijarah)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
Vehicles							
Suzuki Liana Model 2006 (LWP-0963)	849,000	685,139	163,861	171,860	7,999	Term of lease agreement	Mian Majid Akram, House No. 119-F, Model Town, Lahore
Diesel Power Generator	1,369,886	179,283	1,190,603	1,229,518	38,915	Term of lease agreement	College of Accountancy & Professional Studies, 15-Aurangzab Block, New Garden Town, Lahore.
Honda City Model 2006 (LEA-07-8552)	840,500	756,465	84,035	84,050	15	Term of lease agreement	Ms. Ayesha Afzal, 170/A, Ahmad Block, New Garden Town, Lahore.
Pak Hero PH-70 Model 2007 (LEL-07-833)	40,000	32,003	7,997	8,000	3	Term of lease agreement	Mr. Muhammad Ilyas Nagra, Bund Road, Lahore
Toyota Prado, Model No.-2005 (KY-008)	3,600,000	72,166	3,527,834	3,564,049	36,215	Term of lease agreement	Mr. Kamran Iqbal Yousofi, House No. 420-G, Phase-V, DHA, Lahore
Suzuki Alto Model No.2007 (LEE-07-373)	469,000	422,100	46,900	46,900	-	Term of lease agreement	Mr. Imran ul Haq, House No.197-198, Ravi Block, Allama Iqbal Town, Lahore.
Toyota Corolla 2.0 D. Saloon Model No. 2006	1,280,000	959,994	320,006	320,000	(6)	Term of lease agreement	Mr. Ch. Zulfqar Ali Jhanghir, House No.41-T, Valencia Town, Lahore.
Machinery (Socks Knitting Machine)	14,195,980	3,023,938	11,172,042	10,848,196	(323,846)	Term of lease agreement	Premature - New Light Hosier (Pvt.) Ltd. P-212, Street No.5, Agharabad No.2, Faisalabad.
Honda City Model 2005 (LZU-3080)	775,000	657,867	117,133	184,950	67,817	Term of lease agreement	Mr. Muhammad Saddique House No.29, Jahangir Park, Jahangir Town, Kacha Sanda Road, Lahore.
	23,419,366	6,788,955	16,630,411	16,457,523	(172,888)		

15.3.2 Disposal of owned assets

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
Electrical Equipments	46,500	46,500	-	5,000	5,000	Term of lease agreement	Mr. Imraz, World Cool Electro, 32-H, Link Temple Road, Lahore
	46,500	46,500	-	5,000	5,000		

16. CUSTOMERS' SECURITY DEPOSITS	Note	2010 Rupees	2009 Rupees
Opening balance		30,909,500	5,177,355
Received during the year		44,065,388	26,624,845
Adjusted during the year		<u>(8,059,230)</u>	<u>(892,700)</u>
Closing balance		66,915,658	30,909,500
Less: Current portion shown as current liabilities		<u>8,968,580</u>	<u>3,437,005</u>
		<u><u>57,947,078</u></u>	<u><u>27,472,495</u></u>

16.1 These represent the customers' deposits to secure the lease finances given to customers.

17. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued expenses		350,000	262,000
Management fee payable		2,272,421	-
Deferred income on murabaha	(17.1)	9,350,552	-
Deferred income on ijarah		2,004,956	-
Unclaimed dividends		8,543,125	8,542,736
Payable against vehicle given on Ijarah		1,414,000	-
Medical fund		13,698	135,430
Other liabilities		<u>687,670</u>	<u>229,183</u>
		<u><u>24,636,422</u></u>	<u><u>9,169,349</u></u>

17.1 Deferred income on murabaha

Opening balance		-	-
Total income during the year		13,364,749	-
Recognized during the year		<u>(4,014,197)</u>	<u>-</u>
		<u><u>9,350,552</u></u>	<u><u>-</u></u>

18. CERTIFICATE CAPITAL

Authorized Capital

50,000,000 (2009: 50,000,000) Modaraba Certificates of Rs.10/- each

<u>500,000,000</u>	<u>500,000,000</u>
--------------------	--------------------

Issued, subscribed and paid-up capital

15,000,000 (2009: 15,000,000) Modaraba Certificates of Rs.10/- each fully paid-up in cash		150,000,000	150,000,000
12,300,000 (2009: 12,300,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates		123,000,000	123,000,000
2,500,000 (2009: 2,500,000) Modaraba Certificates of Rs.10/- each issued as fully paid as a result of take over (18.2)		<u>25,000,000</u>	<u>25,000,000</u>
		<u><u>298,000,000</u></u>	<u><u>298,000,000</u></u>

18.1 2,761,388 (2009: 2,761,388) Modaraba certificates were held by the previous management company, namely Trust Management Services (Pvt.) Limited up till the appointment of the Administrator. Now, these certificates are kept with Central Depository Company of Pakistan Limited (CDC) under the control of new management of Al-Zamin Modaraba Management (Private) Limited.

18.2 Al-Zamin Modaraba Management (Private) Limited held 2,500,000 (2009: 2,500,000) modaraba certificates as required by the SECP vide Order No. SC/M/RW/Trust/2009-43.

19 RESERVES	Note	2010 Rupees	2009 Rupees
Statutory reserve	(19.1)	49,851,774	42,832,697
Revenue reserves			
Unrealized (loss)/gain on revaluation of investments		(319,550)	524,100
Accumulated loss		(67,950,399)	(84,328,246)
		<u>(68,269,949)</u>	<u>(83,804,146)</u>
		<u>(18,418,175)</u>	<u>(40,971,449)</u>

19.1 This represents profit set aside to comply with the Prudential Regulations for modarabas issued by the SECP. These regulations require a modaraba to transfer not less than 20% and not more than 30% of its after tax profits till such time that reserves equals to 100% of the paid up capital. Thereafter, a sum not less than 5% of its after tax profits.

20. CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at 30 June 2010. Commitments in respect of unavailed murabaha facilities and unavailed ijarah facilities as on balance sheet date were Rs. Nil (2009: Rs. Nil).

21. INCOME FROM LEASING (IJARAH) OPERATIONS

Income from leasing and Ijarah operations	38,481,718	32,190,675
Suspended income during the year	-	(2,698,235)
Receipts against suspended income	17,760	101,911
	<u>38,499,478</u>	<u>29,594,351</u>

22. PROFIT ON MURABAHA FINANCES

Profit on Murabaha finance	11,350,188	12,898,765
Suspended income during the year	(135,616)	(48,257)
Receipts against suspended income	147,313	62,021
(22.1)	<u>11,361,885</u>	<u>12,912,529</u>

22.1 This includes an income amounting to Rs. 4,014,195 (2009: Rs. Nil) on murabaha finance which have been disbursed subsequent to 1 July 2009 and have been recognized as per requirement of IFAS-1 referred to in note 2.3.2. The relevant disclosure is as follows:

	Note	2010 Rupees	2009 Rupees
Murabaha sale price		59,375,000	-
Less : Purchase price		46,010,253	-
		<u>13,364,747</u>	<u>-</u>
Add : Deferred murabaha income as on 1 July 2009		-	-
Less : Deferred murabaha income as on 30 June 2010		9,350,552	-
		<u>9,350,552</u>	<u>-</u>
		<u>4,014,195</u>	<u>-</u>
23. TRADING INCOME			
Sale		6,094,725	-
Cost of sales		(5,393,443)	-
		<u>701,282</u>	<u>-</u>
24. OTHER INCOME			
Processing, documentation, other fees and charges		413,044	235,688
Income on disposal of fixed assets		-	893,574
Miscellaneous income		1,293,283	199,892
		<u>1,706,327</u>	<u>1,329,154</u>
25. REVERSAL/(PROVISION) AGAINST NON PERFORMING MURABAHA FINANCES - Net			
Short term Murabaha finance	(8.3)	2,981,314	(9,741,750)
Long term Murabaha finance	(9.3)	12,896	(12,896)
		<u>2,994,210</u>	<u>(9,754,646)</u>
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	(26.1)	4,425,518	3,158,022
Legal and professional charges	(26.2)	714,939	6,542,755
Fees and subscription		393,043	449,960
Electricity, gas and water		44,484	286,395
Telephone, postage and courier		259,009	256,166
Advertisement		22,000	120,300
Printing and stationery		295,619	194,333
Traveling and conveyance		392,288	34,135
Entertainment		76,799	96,969
Insurance		59,566	36,116
Vehicle running		615,646	731,525
Auditors' remuneration	(26.3)	350,000	350,000
Repairs and maintenance		450,042	1,040,086
Registrar's services		60,000	60,000
Depreciation on own assets	(15.2)	386,569	322,982
Bank charges and commission		44,560	35,186
Miscellaneous		359,827	373,377
		<u>8,949,909</u>	<u>14,088,307</u>

26.1 This includes salaries and allowances paid to an executive as per the following details:

	Note	2010 Rupees	2009 Rupees
Basic salary		1,009,200	620,000
House rent		454,140	279,000
Business promotion allowance		-	93,000
Utilities		50,460	62,000
Other benefits	(26.1.2)	230,520	339,336
		1,744,320	1,393,336
Number of persons		1	1

26.1.1 The executive has been provided with Modaraba maintained car and is also entitled for reimbursement of fuel expenses.

26.1.2 It includes an amount of Rs. 100,920 (2009: Rs. 62,000) against the provident fund contribution.

26.2 It includes Administrator's remuneration amounting to Rs. Nil (2009: Rs. 5,400,000).

26.3 Auditors' remuneration

Annual	250,000	250,000
Half yearly	50,000	50,000
Out of pocket expenses	50,000	50,000
	350,000	350,000

27. OTHER CHARGES

(Reversal)/provision for doubtful receivable	(27.1)	(120,310)	82,500
Loss on disposal of fixed assets		167,888	-
Unrealized loss on revaluation of held-for-trading investments	(6)	1,383,779	163,433
		1,431,357	245,933

27.1 This represents provision against legal suit charges receivable from defaulters.

28. TAXATION

Current:			
For the year		-	-
Prior year		2,945,133	-
		2,945,133	-
Deferred tax		-	-
		2,945,133	-

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

	Note	2010 Rupees	2009 Rupees
29. EARNINGS/(LOSS) PER CERTIFICATE - BASIC & DILUTED			
Profit/(loss) for the year	Rupees	23,396,924	(33,087,281)
Weighted average number of certificates	Number	29,800,000	29,800,000
Earnings/(loss) per certificate		0.79	(1.11)

30. RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS

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

Receivable not later than one year	50,008,020	22,869,220
Receivable later than one year but not later than 5 years	57,626,971	26,441,417
	<u>107,634,991</u>	<u>49,310,637</u>

31. MATURITIES OF ASSETS AND LIABILITIES

	2010		
	Total	Upto one year	Over one to five years
	Rupees		

Assets:

Cash and bank balances	8,313,978	8,313,978	-	-
Short term investments	7,498,486	7,498,486	-	-
Advances, deposits, prepayments and other receivables	2,038,898	2,038,898	-	-
Short term murabaha finances	106,978,848	106,978,848	-	-
Current portion of long term murabaha finances	39,103,032	39,103,032	-	-
Ijarah rental receivables	15,987,807	15,987,807	-	-
Accrued profit	1,079,856	1,079,856	-	-
Tax refunds due from Government	263,446	263,446	-	-
Trade debts	2,804,055	2,804,055	-	-
Stock in trade	990,439	990,439	-	-
Long term murabaha finances	11,133,400	-	11,133,400	-
Long term deposits	394,862	-	-	394,862
Long term investments	11,359,267	-	11,359,267	-
Assets given on Ijarah	147,377,093	7,593,785	139,783,308	-
Assets in own use	14,120,209	-	1,398,736	12,721,473
	<u>369,443,676</u>	<u>192,652,630</u>	<u>163,674,711</u>	<u>13,116,335</u>

Liabilities:

Current portion of customers' security deposits	8,968,580	8,968,580	-	-
Creditors, accrued and other liabilities	24,636,422	24,636,422	-	-
Customers' security deposits	57,947,078	-	57,947,078	-
	<u>91,552,080</u>	<u>33,605,002</u>	<u>57,947,078</u>	<u>-</u>

Net Balance

	<u>277,891,596</u>	<u>159,047,628</u>	<u>105,727,633</u>	<u>13,116,335</u>
--	--------------------	--------------------	--------------------	-------------------

Certificate holders' equity

	<u>279,581,825</u>
--	--------------------

	2009			
	Total	Upto one year	Over one to five years	Over five years
-----Rupees-----				
Assets:				
Cash and bank balances	8,161,115	8,161,115	-	-
Short term investment	28,783,455	28,783,455	-	-
Advances, deposits, prepayments and other receivables	1,514,546	1,514,546	-	-
Short term murabaha finances	105,801,867	105,801,867	-	-
Current portion of long term murabaha finances	32,627,839	32,627,839	-	-
Ijarah rental receivables	10,819,581	10,819,581	-	-
Accrued profit	2,004,481	2,004,481	-	-
Tax refunds due from Government	-	-	-	-
Trade debts	-	-	-	-
Stock in trade	-	-	-	-
Long term murabaha finances	29,352	-	29,352	-
Long term deposits	184,862	-	-	184,862
Long term investments	20,328,141	-	-	20,328,141
Assets given on Ijarah	76,561,506	70,961,238	5,600,268	-
Assets in own use	13,235,788	-	13,235,788	-
	300,052,533	260,674,122	18,865,408	20,513,003
Liabilities:				
Current portion of customers' security deposits	3,437,005	3,437,005	-	-
Creditors, accrued and other liabilities	9,169,349	9,169,349	-	-
Provision for taxation	2,945,133	2,945,133	-	-
Customers' security deposits	27,472,495	-	27,472,495	-
	43,023,982	15,551,487	27,472,495	-
Net Balance	257,028,551	245,122,635	(8,607,087)	20,513,003
Certificate holders' equity	257,028,551			

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

(ii) Equity price risk

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

		2010	2009
Reporting date all index points		9721	7169
	Changes in KSE all Index	Effects on Profit Before Tax	Effects on Equity
Available-for-sale investments		(Rupees)	
	+10%	-	1,782,108
2010	-10%	-	(1,782,108)
	+10%	-	5,449,490
2009	-10%	-	(5,449,490)
Held-for-trading investments			
	+10%	888,227	-
2010	-10%	(888,227)	-
	+10%	394,689	-
2009	-10%	(394,689)	-

(iii) Profit rate risk

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

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

At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:

	2010	2009
	Rupees	Rupees
Fixed rate instruments		
Financial assets		
Short term murabaha finances	106,978,848	105,801,867
Long term murabaha finances	50,236,432	32,657,191
Ijarah rental receivables	15,987,807	10,819,581
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	15,963	77,866
Short term investment - held-to-maturity	-	25,000,000
Long term investments - available-for-sale	9,063,000	9,063,000

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 90,789 lower / higher and loss after taxation for the year 2009: Rupees 341,408 higher / lower respectively. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

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

Bank balances	8,310,245	8,159,735
Short term investments	7,498,486	28,783,455
Advances, deposits and other receivables	1,389,163	1,429,222
Short term murabaha finances	106,978,848	105,801,867
Ijarah rental receivables	15,987,807	10,819,581
Accrued profit	1,079,856	2,004,481
Long term murabaha finances	50,236,432	32,657,191
Long term deposits	394,862	184,862
Long term Investments	11,359,267	20,328,141
	<u>203,234,966</u>	<u>210,168,535</u>

Geographically all credit exposure is concentrated in Pakistan.

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

	2010	2009
	Rupees	Rupees
Textile Spinning	-	5,197,000
Textile Composite	17,589,975	29,064,318
Fuel and Energy	2,602,256	12,825,950
Engineering	5,227,068	2,597,317
Transport and communication	1,066,468	13,200,000
Chemical & Pharmaceuticals	9,594,896	9,716,436
Vanaspatic and Allied Industries	22,071,588	94,913,066
Steel	8,018,628	-
Hotel	90,417,056	-
Miscellaneous	131,311,192	102,758,953
	<u>287,899,127</u>	<u>270,273,040</u>

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

Aging of murabaha and lease / ijarah rental receivables

Not past due	76,933,614	51,120,000
Past due 0 - 180 days	11,545,388	8,166,572
Past due 181 - 365 days	-	-
1 - 2 years	71,200	44,888,553
More than 2 years	199,348,925	166,097,915
	<u>287,899,127</u>	<u>270,273,040</u>

Aging of impaired murabaha and lease / ijarah rental receivables

Not past due	-	48,257
Past due 0 - 180 days	-	-
Past due 181 - 365 days	500	10,156,487
1 - 2 years	502,173	926,860
More than 2 years	116,290,383	108,685,119
	<u>116,793,056</u>	<u>119,816,723</u>

Collaterals held against murabaha financing and ijarah rentals receivables

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

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed annually.

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

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

	Rating		2010	2009
	Long term	Agency	(Rupees)	
Banks				
Habib Metropolitan Bank Limited	AA+	PACRA	15,962	77,866
Bank Alfalah Limited	AA	PACRA	317,905	537,213
The Bank of Punjab	AA-	PACRA	534,820	5,892,219
Meezan Bank	AA-	JCR-VIS	7,432,119	1,647,864
State Bank of Pakistan			9,438	4,573
			8,310,244	8,159,735

Available for Sale Securities	Rating		2010	2009
	Long term	Agency	(Rupees)	
Fully Paid Ordinary Shares				
Amin Spinning Mills Limited	N/A	-	1,560	1,200
Kohinoor Spinning Mills Limited	N/A	-	-	570
Reliance Cotton Spinning Mills Limited	N/A	-	-	2,400
Dewan Salman Fibres Limited	N/A	-	22,040	58,855
Kohinoor Textile Mills Limited	N/A	-	96,715	1,252,239
Fauji Cement Company Ltd.	N/A	-	363,545	856,041
Pakistan Telecommunication Company Limited	N/A	-	-	3,361,800
Pakistan PTA Limited	N/A	-	-	291,720
Pakistan International Airlines Corporation Limited	N/A	-	295,070	730,400
Oil & Gas Development Company Limited	AAA	JCR	-	3,538,800
Pakistan Cement Company Limited	N/A	-	2,055	134,325
Descon Oxychan Limited	N/A	-	120,840	-
Engro Polymer & Chemicals Limited	N/A	-	251,000	-
Lucky Cement Limited	N/A	-	16,778	-
D.G.Khan Cement Company Limited	N/A	-	118,100	-
Mari Gas Company Limited	N/A	-	258,760	-
ICI Pakistan Limited	N/A	-	592,800	-
Azgard Nine Limited	N/A	-	334,796	-
			<u>2,474,059</u>	<u>10,228,350</u>
Sukkuks				
B.R.R Guardian Modaraba			9,063,000	9,063,000
Certificates of Mutual Funds				
Investec Mutual Fund	N/A	-	4,845	18,525
PICIC Energy Fund	N/A	-	-	90,000
PICIC Investment Fund	N/A	-	136,914	233,248
Pakistan Premier Fund	5 star	PACRA	-	170,917
			<u>141,759</u>	<u>512,690</u>
Held for Trading				
Nishat Mills Limited	AA	PACRA	-	94,550
Pakistan Telecommunication Company Ltd.	N/A	-	2,759,000	172,400
Attock Refinery Ltd	AA	PACRA	-	873,530
Pakistan Petroleum Ltd	N/A	-	368,240	568,620
Lucky Cement Ltd	N/A	-	-	579,447
Descon Oxychan Limited	N/A	-	31,070	-

	Rating		2010	2009
	Long term	Agency	(Rupees)	
Lotte Pakistan PTA Limited	N/A	-	80,600	-
Azgard Nine Limited	N/A	-	446,400	-
Pakistan International Airlines	N/A	-	282,431	-
The Hub Power Company Limited	N/A	-	479,400	-
Pak Suzuki Motor Company Limited	N/A	-	158,540	-
Kohinoor Textile Mills Limited	N/A	-	1,073,774	-
Pakistan State Oil Company Limited	N/A	-	520,400	-
D.G.Khan Cement Company Limited	N/A	-	897,560	-
Fauji Cement Company Limited	N/A	-	113,750	-
Engro Polymer & Chemicals Limited	N/A	-	50,200	-
Pakistan Oilfields Ltd	N/A	-	-	218,850
Engro Chemicals Ltd	AA	PACRA	-	385,290
Mari Gas Company Ltd	N/A	-	-	178,598
Packages Ltd	AA	PACRA	-	157,040
ICI Pakistan Limited	N/A	-	237,120	490,875
Dawood Hercules Ltd	N/A	-	-	64,255
			<u>7,498,485</u>	<u>3,783,455</u>
Held to maturity				
Certificate of deposits	A-1	JCR-VIS	<u>-</u>	<u>25,000,000</u>

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

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

(c) Liquidity risk

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

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when

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

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

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2010					
Customers' security deposits	66,915,658	66,915,658	8,968,580	57,947,078	-
Creditors, accrued and other liabilities	24,636,422	24,636,422	24,636,422	-	-
	<u>91,552,080</u>	<u>91,552,080</u>	<u>33,605,002</u>	<u>57,947,078</u>	<u>-</u>
30 June 2009					
Customers' security deposits	30,909,500	30,909,500	3,437,005	27,472,495	-
Creditors, accrued and other liabilities	9,169,349	9,169,349	9,169,349	-	-
	<u>40,078,849</u>	<u>40,078,849</u>	<u>12,606,354</u>	<u>27,472,495</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2010. The rates of mark up have been disclosed in respective notes to the financial statements.

32.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

32.3 Financial instruments by categories

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
As at 30 June 2010						
Assets as per balance sheet						
Cash and bank balances	8,313,978	-	-	-	-	8,313,978
Short term investment	-	-	-	-	7,498,486	7,498,486
Advances, deposits and other receivables	-	1,389,163	-	-	-	1,389,163
Short term murabaha finances	-	106,978,848	-	-	-	106,978,848
Ijarah rental receivables	-	15,987,807	-	-	-	15,987,807
Accrued profit	-	1,079,856	-	-	-	1,079,856
Tax refunds due from government	-	263,446	-	-	-	263,446
Trade debts	-	2,804,055	-	-	-	2,804,055
Stock in trade	-	990,439	-	-	-	990,439
Long term murabaha finances	-	50,236,432	-	-	-	50,236,432
Long term deposits	-	394,862	-	-	-	394,862
Long term Investments	-	-	11,359,267	-	-	11,359,267
	<u>8,313,978</u>	<u>180,124,908</u>	<u>11,359,267</u>	<u>-</u>	<u>7,498,486</u>	<u>207,296,639</u>

(Rupees)

Liabilities as per balance sheet

	Financial liabilities at amortized cost
Customers' security deposits	66,915,658
Creditors, accrued and other liabilities	24,636,422
	<u>91,552,080</u>

(Rupees)

As at 30 June 2009
Assets as per balance sheet

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
Cash and bank balances	8,159,735	-	-	-	-	8,159,735
Short term investment	-	-	-	25,000,000	3,783,455	28,783,455
Advances, deposits, and other receivables	-	1,429,222	-	-	-	1,429,222
Short term murabaha finances	-	105,801,867	-	-	-	105,801,867
Ijarah rental receivables	-	10,819,581	-	-	-	10,819,581
Accrued profit	-	2,004,481	-	-	-	2,004,481
Long term murabaha finances	-	32,657,191	-	-	-	32,657,191
Long term deposits	-	184,862	-	-	-	184,862
Long term Investments	-	-	20,328,141	-	-	20,328,141
	<u>8,159,735</u>	<u>152,897,204</u>	<u>20,328,141</u>	<u>25,000,000</u>	<u>3,783,455</u>	<u>210,168,535</u>

(Rupees)

Liabilities as per balance sheet

	Financial liabilities at amortized cost
Customers' security deposits	30,909,500
Creditors, accrued and other liabilities	9,169,349
	<u>40,078,849</u>

(Rupees)

32.4 Capital risk management

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

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

The gearing ratio as at year ended 30 June 2010 and 30 June 2009 is as follows:

	Note	2010 Rupees	2009 Rupees
Customers' security deposits	(16)	66,915,658	30,909,500
Creditors, accrued and other liabilities	(17)	24,636,422	9,169,349
Less: Cash and bank balances	(5)	<u>(8,313,978)</u>	<u>(8,161,115)</u>
Net debt		83,238,102	31,917,734
Equity		<u>279,581,825</u>	<u>257,028,551</u>
Capital and net debt		<u>362,819,927</u>	<u>288,946,285</u>
Gearing ratio		<u>22.94%</u>	<u>11.05%</u>

33. RELATED PARTY TRANSACTIONS

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

Nature of Relationship	Nature of Transaction	2010 Rupees	2009 Rupees
Administrator	Remuneration	-	5,400,000
Modaraba Management Company	Management fee	2,272,421	-
Employees' Provident Fund	Contributions paid	100,920	62,000

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

34. NUMBER OF EMPLOYEES

The total number of employees as at 30 June 2010 were 9 (2009: 10).

35. CORRESPONDING FIGURES

Corresponding figures have been rearranged and restated for better presentation wherever necessary, however, no significant reclassification has been made in these financial statements except for ijarah rental receivables and profit receivable on murabaha and investments have been presented as separate line item on face of balance sheet for better presentation while, previously, such items were included in advances, deposits, prepayments and other receivables.

36. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meetings held on 24th September, 2010, have approved distribution at the rate of 5 percent (2009: Nil). The financial statement of modaraba for the year ended 30 June 2010 do not include the effect of final distribution which will be accounted for in the financial statements of modaraba for the year ended 30 June 2011.

37. DATE OF AUTHORIZATION

These financial statements were approved for issue by the Board of Directors of the Management company in their meeting held on 24th September, 2010.

38. GENERAL


Figures have been rounded off to nearest rupee.



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

PATTERN OF CERTIFICATEHOLDINGS

AS AT 30 JUNE 2010

Number of Certificate-holders	Certificateholdings		Total Certificates	Percentage Held
	From	To		
494	1	100	27,576	0.09
997	101	500	293,384	0.98
719	501	1000	625,298	2.10
375	1001	5000	882,152	2.96
79	5001	10000	605,901	2.03
25	10001	15000	313,179	1.05
10	15001	20000	177,480	0.60
7	20001	25000	159,107	0.53
4	25001	30000	114,410	0.38
2	30001	35000	62,500	0.21
2	35001	40000	78,550	0.26
3	45001	50000	145,174	0.49
3	50001	55000	156,776	0.53
2	60001	65000	127,000	0.43
3	65001	70000	207,040	0.69
1	70001	75000	75,000	0.25
1	75001	80000	78,382	0.26
1	95001	100000	99,999	0.34
1	100001	105000	101,500	0.34
1	110001	115000	115,000	0.39
1	115001	120000	118,100	0.40
1	180001	185000	181,230	0.61
1	265001	270000	265,500	0.89
1	290001	295000	291,200	0.98
1	340001	345000	344,500	1.16
1	410001	415000	414,000	1.39
1	530001	535000	530,500	1.78
1	1255001	1260000	1,258,896	4.22
1	2495001	2500000	2,500,000	8.39
1	2760001	2765000	2,761,388	9.27
1	16685001	16690000	16,689,278	56.00
2,741			29,800,000	100.00



CATEGORIES OF CERTIFICATEHOLDERS

AS AT 30 JUNE 2010

Categories of Certificateholders	Number of Certificate-Holders	Total Certificates Held	Percentage
Associated companies, undertakings and related parties			
Al-Zamin Modaraba Management (Private) Limited	1	2,500,000	8.39
Investment Corporation of Pakistan	1	13,700	0.05
Directors, CEO & their spouse and minor children			
Executives	-	-	-
Public sector companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	14	1,576,616	5.29
Joint Stock Companies	28	2,880,594	9.67
Individuals	2,694	22,192,020	74.47
Others	3	637,070	2.14
Total	2,741	29,800,000	100.00

Certificateholders holding ten percent or more certificates in the Modaraba

Mohammad Aslam Motiwala	1	16,689,278	56.00
-------------------------	---	------------	-------

Book Post



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