

# ANNUAL REPORT 2014

Ijarah

Murabaha

Musharakah

Equities

Trading



# Trust Modaraba

Managed By:

Al-Zamin Modaraba Management (Pvt) Ltd

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## Mission Statement

Trust Modaraba aims to evolve and practice exemplary standards of integrity and proficiency by achieving balanced growth, building quality investment portfolio, maintaining high standards of efficiency and providing good return to its certificate holders. Trust Modaraba shall endeavor to maintain a comprehensive 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. Syed Manzoor Hussain Shah Kazmi	Chairman
Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Shaikh Arshad Farooq	Director
Mr. Muhammad Imranul Haque	Director
Mr. Sohail Ansar	Director
Dr. Namoos Baquar	Director
Mr. Syed Shahnawaz A. Rizvi	Director

## Management

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

## Audit Committee

Mr. Syed Shahnawaz A. Rizvi	Chairman
Mr. Shaikh Arshad Farooq	Member
Mr. Sohail Ansar	Member
Ms. Hamida Aqeel	Secretary Audit Committee

## Internal Auditors

M/s Feroze Sharif Tariq & Co.  
Chartered Accountants

## Auditors of the Modaraba

M. Yousaf Adil Saleem & Co.  
Chartered Accountants

## Bankers

Meezan Bank Limited  
Bank Alfalah Limited - Islamic Banking

## Legal Advisors

Shakeel Ahmed Awan  
Advocate, Supreme Court of Pakistan

## Registered Office/Principal Place of Business

104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600  
Telephone: 021-35876651, 35876652  
Fax : 021-35870408 Web: trustmodaraba.com

## Regional Office

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

## Gujranwala Branch

51-A, Adjacent Standard Chartered Bank, Trust Plaza, G.T. Road, Gujranwala.  
Telephone: 055-3730308, 055-3730300 Fax: 055-3731108

## Registrars

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



## NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of Trust Modaraba to review the performance of the Modaraba for the year ended June 30, 2014 will be held on Friday, 24th October, 2014 at 09:00 am at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi.

The certificate transfer books of the Modaraba will remain closed from 18th October, 2014 to 24th October, 2014 (both days inclusive).

Hamida Aqeel  
Company Secretary

Karachi  
Date: October 2<sup>nd</sup>, 2014

## DIRECTORS' REPORT

For the year ended June 30<sup>th</sup>, 2014.

The Board of Directors' of Al-Zamin Modaraba Management (Private) Limited, the Management Company of Trust Modaraba is pleased to present the annual audited financial statements of Trust Modaraba for the financial year ending 30<sup>th</sup> June, 2014.

### ECONOMY REVIEW.

The year 2013-14 witnessed global recovery driven by growth in advanced and also emerging economies. Global outlook seems to indicate optimism in economic activities, Growth is projected to further accelerate for most advanced economies of the world which will also be a driving force for many commodity based economies and Pakistan has a fair chance to gain from this phenomenon provided prudent policies to capitalize on emerging prospects are developed and implemented.

Pakistan's economy, on account of global growth in general and the measures taken by the Government to spur economic activities, succeeded in attaining 4.14% growth, which though behind the target (4.4%) envisaged, is the highest since 2008-09. The key feature of current financial year was the stabilization to certain extent through obtaining IMF's external Fund Facility, a billion dollar from auction of 3G/4G licenses and raising loans from multilateral institutions which helped build Foreign Exchange Reserves and stabilize Rupee Dollar parity. Another feature during the year was clearance of circular debt of power sector that resulted in some reduction in power shortages contributing towards industrial growth being the main redeeming feature for achieving GDP growth rate of 4.1%. The government has also announced large energy sector projects, the impact of which is yet to be seen. Continuation of concrete efforts is required to encourage investment that is essential for sustainable growth.

### PERFORMANCE REVIEW.

The year 2013-14 was yet another year of satisfactory performance for Trust Modaraba. Total income of your Modaraba from various segments of portfolio stood at Rs. 104 million, marginally above the previous year's figure of Rs. 102 million. Available financial resources were deployed efficiently to write fresh business. Total lease disbursements during the year stood at Rs. 58.663 million whilst an amount of Rs. 74.80 million was utilized towards Murabahah and Musharakah transactions. In line with the business strategies to augment profitability, Trust Modaraba has initiated steps to diversify business avenues. In this regard, based on the success of agri-trading project undertaken previously, requisite infrastructure to support enhanced business activity in this area has been put in place due to which administrative expenses have increased as compared to the previous year. Inflation has also contributed its share in the overall cost of doing business. After accounting for expenses, your Modaraba has achieved a profit of Rs. 22.476 million for the year before Management Fee. Legal cases filed against the defaulters are being pursued vigorously and during the year, settlements have been achieved with two parties which is expected to add Rs. 80.00 million in the liquidity of the Modaraba upon successful recoveries as contracted. Funds generated through operations are deployed efficiently in the business transactions. Balance Sheet footings stand at Rs. 418.230 million with an equity of Rs. 306.70 million. Asset mix depicts fair balance of short term and long term position.

#### FUTURE OUTLOOK:

The management of your Modaraba is committed to achieve further progress through prudent planning and efficient execution. Initiatives undertaken by your Modaraba for business diversification coupled with the achievement of recovery targets set for the year would accelerate growth and profitability of your Modaraba.

#### DIVIDEND DISTRIBUTION:

The Board is pleased to announce that based on the profit earned by the Modaraba during the year ended 30<sup>th</sup> June, 2014, a cash dividend of 5% ie Rs.0.50 per certificate has been declared.

#### 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 statement of the 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 the 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 were held which were attended as follows:

		No. of meetings attended
Mr. Manzoor Hussian Shah Kazmi	Chairman	2
Mr. Basheer A. Chowdry	Chief Executive	4
Mr. Sohail Ansar	Director	2
Mr. Sheikh Arshad Farooq	Director	3
Mrs. Dr. Namoos Baquar	Director	4
Mr. S. Shahnawaz A. Rizvi	Director	3
*Mr. Imran ul Haque	Director	3

*\*(Mr. Ansar Hussain represented Mr. Imran ul Haque being Alternate Director)*

Leave of absence was granted to the members who could not attend the meeting due to their preoccupation.

#### AUDIT COMMITTEE AND INTERNAL CONTROL SYSTEM:

The management of your Modaraba believes in good Corporate Governance, implemented through a well defined system of check and balances. The Board of Directors established a system of internal controls, which is effectively implemented at all levels with in the Modaraba.

The Audit Committee comprises of three members who are all non executive directors including the Chairman of the Committee.

**AUDITOR:**

As per suggestions of the Audit Committee, the Board has recommended re-appointment of auditors M/s Yousuf Adil Saleem & Company for the financial year ending June 30<sup>th</sup>, 2014, subject to the approval of Registrar Modaraba.

**PATTERN OF CERTIFICATE HOLDING:**

Pattern of certificate holding as at 30<sup>th</sup> June, 2014 is attached. No trade in the certificate of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and their minor children.

**VALUE OF THE FUNDS INVESTMENT:**

The Modaraba operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Modaraba and employees to the fund @ 10% of the basic salary. Based on the latest accounts of the fund, the value of its' investments as at 30<sup>th</sup> June, 2014 works out to Rs. 2,821,966.

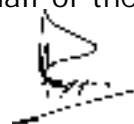
**EARNINGS PER CERTIFICATE:**

The earnings per certificate of the Modaraba for the year ended 30<sup>th</sup> June, 2014 stood at Rs. 0.68 per certificate as compared to Rs. 0.77 per certificate for the previous year.

**ACKNOWLEDGEMENTS:**

The Board wishes to place on record the appreciation for the support and guidance provided by the Registrar Modarabas and the 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 and looks forward to their continued support in future.

For and on behalf of the Board of Directors.



Basheer A. Chowdry.  
Chief Executive.

Karachi.

Date: October 2<sup>nd</sup>, 2014.



## Key Operating & Financial Data for the Last Six Years

(Rupees in Thousands)

	2014	2013	2012	2011	2010	2009
Paid-up capital	298,000	298,000	298,000	298,000	298,000	298,000
Reserves	8,683	6,514	(17,352)	(14,611)	(18,418)	(40,971)
Net equity	306,683	304,514	280,647	283,389	279,581	257,028
Morabaha financing	166,989	151,959	144,354	143,282	157,215	138,459
Fixed Assets	13,688	14,219	14,834	14,062	14,120	13,236
Assets given on lease	291,356	323,109	358,318	309,023	285,320	190,803
Total assets	418,229	428,517	400,546	377,213	371,133	300,052
Income Statement						
Income	103,991	101,565	84,029	73,690	59,304	47,497
Operating expenses	80,562	76,375	71,448	50,336	36,580	80,585
Profit/(Loss) before management fee	22,476	25,591	13,455	23,354	22,724	(33,087)
Profit/(Loss) after taxation	20,229	23,032	12,109	21,019	23,396	(33,087)
Earning/(Loss) per certificate	0.68	0.77	0.41	0.71	0.79	(1.11)

## Statement of Compliance with the Code of Corporate Governance (COCG2012) [SEE CLAUSE (XI)]

### For the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 35 of the 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 encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Mr. Syed Shahnawaz A.Rizvi
Executive Director	Mr. Basheer Ahmed Chowdry
Non Executive Directors	Mr. Syed Manzoor Husain Shah Kazami Mr. Sohail Ansar Mr. Muhammad Imran-Ul-Haq Dr. Namoos Baquar Mr. Sheikh Mian Arshad Farooq

The independent director meets the criteria of independence as required under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Modaraba.
3. All the resident directors of the Modaraba Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Modaraba, DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange
4. No casual vacancy occurred on the board during the year.
5. The Modaraba Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained 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 (CEO) and other executive director.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board has arranged training of one director during the year ended June 30, 2014 conducted by Pakistan Institute of Corporate Governance (PICG). In future, arrangements will also be made for other directors for acquiring certification under the directors training program within the required time period.
10. The Board has approved appointment of Internal Auditor, including their remuneration and terms and conditions of appointment. The Chief Financial Officer (CFO), Company Secretary continued their services and no change was made during this financial year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and other executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of shareholding.
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, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is also a non-executive director.
18. The Board has outsourced the internal audit function to M/s. Feroze Sharif Tariq & Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.

19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the Institute of Chartered Accountants of Pakistan (ICAP).
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.



Basheer A. Chowdry  
**CHIEF EXECUTIVE**

Karachi

Date: October 2<sup>nd</sup>, 2014

## Shari'ah Advisor's Report

for the year ended June 30, 2014

I have conducted Shariah Review of Trust Modaraba managed by Al-Zamin Modaraba Management (Private) Limited for the financial year ended 30<sup>th</sup> June, 2014 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. the Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
- ii. Following were the major developments that took place during the year:
  - a) Research and new product developments.  
Adopted new inducted Shariah Compliance and Shariah Audit Mechanism.
  - b) Followed Model Islamic Financing Agreements approved by Religious Board.
- iii. the agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
- v. profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conform to the basis and principles of Shariah.
- vi. No earnings have been realized by any means prohibited by Shariah.

In my opinion, the operations of Trust Modaraba are in conformity with the Shariah Compliance and Audit Mechanism for Modarabas.



Signature  
Stamp of Shari'ah Advisor.

Date: October 2<sup>nd</sup>, 2014.

**Muhammad Zubair Usmani**  
**Jamia Darul Uloom Karachi**

## **Review Report to the Certificate Holders on Statement of Compliance with the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al-Zamin Modaraba Management (Private) Limited (the Board) for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No.35 of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board. 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba 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 risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Code requires the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transaction by the Board upon recommendation of the 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 as applicable to the Modaraba for the year ended June 30, 2014.

**M. Yousaf Adil Saleem and Company**  
Chartered Accountants

**Engagement Partner: Talat Javed**  
**Lahore**

Date: October 2<sup>nd</sup>, 2014

## Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of Trust Modaraba as at June 30, 2014 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 (herein after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's responsibility [Al-Zamin Modaraba Management (Private) Limited ] which 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 disclosure in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by Trust Modaraba, 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 management 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;
  - (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 the approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2014 and of the profit, its cash flow and changes in equity for the year then ended; and
- (d) In our opinion Zakat deductible at source under Zakat and Usher Ordinance, 1980 (XVIII of 1980) was deducted by the Modaraba and deposited in Central Zakat Fund established under section 7 of the Ordinance.

We draw attention to the matter stated in note 16.2.1 to these financial statements the ultimate outcome of which cannot presently be determined and, hence, no loss that may result therefrom has been recorded in these financial statements, our opinion is not qualified in respect of this matter.

M. Yousaf Adil Saleem and Company  
Chartered Accountants

Engagement Partner Talat Javed

Lahore  
Date: October 2<sup>nd</sup>, 2014



# BALANCE SHEET

AS AT JUNE 30, 2014

	Note	2014 -----Rupees-----	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	5	2,419,130	3,412,266
Short term investments	6	962,400	34,040
Advances, deposits, prepayments and other receivables	7	14,964,543	18,667,244
Short term murabaha finances	8	65,462,388	62,840,060
Current portion of long term murabaha finances	9	64,731,690	59,524,001
Ijarah rental receivables	10	20,894,929	18,777,698
Short term diminishing musharakah finances	11	15,986,446	14,892,542
Current portion of long term diminishing musharakah finances	11	1,218,782	553,263
Accrued profit	12	3,764,103	3,963,832
Tax refunds due from Government		2,186,408	1,545,766
Stock in trade	13	11,056,171	100,000
<b>Total Current Assets</b>		<b>203,646,990</b>	<b>184,310,712</b>
<b>Non-Current Assets</b>			
Long term murabaha finances	9	36,796,158	29,595,217
Long term diminishing musharakah finances	11	1,685,332	1,087,504
Long term deposits	14	1,605,562	1,303,962
Long term investments	15	5,349,297	8,535,001
Fixed assets	16	169,146,351	203,684,965
<b>Total Non-Current Assets</b>		<b>214,582,700</b>	<b>244,206,649</b>
<b>Total Assets</b>		<b>418,229,690</b>	<b>428,517,361</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current portion of customers' security deposits	17	28,427,838	34,943,535
Creditors, accrued and other liabilities	18	21,827,066	24,682,082
<b>Total Current Liabilities</b>		<b>50,254,904</b>	<b>59,625,617</b>
<b>Non-Current Liabilities</b>			
Deferred income on murabaha	18.1	8,421,214	4,933,567
Customers' security deposits	17	52,870,425	59,444,140
<b>Total Liabilities</b>		<b>111,546,543</b>	<b>124,003,324</b>
<b>NET ASSETS</b>		<b>306,683,147</b>	<b>304,514,037</b>
<b>REPRESENTED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Certificate capital	19	298,000,000	298,000,000
Reserves	20	8,683,147	6,514,037
		<b>306,683,147</b>	<b>304,514,037</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21	-	-

The annexed notes from 1 to 39 form an integral part of these financial statements.



**CHIEF EXECUTIVE**



**DIRECTOR**



**DIRECTOR**

# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 -----Rupees-----	2013
Income from leasing (Ijarah) operations	22	75,741,541	75,179,809
Profit on murabaha finances	23	18,056,436	11,400,029
Profit on musharakah finances		4,550,593	3,012,043
Dividend income on equity investments		70,569	13,765
Profit on long term investment - available-for-sale		798,265	949,819
Profit on sale of short term investments - held-for-trading		193,856	1,275,608
Profit on sale of long term investments - available-for-sale		1,211,931	759,326
Trading income	24	570,070	2,007,844
Other income	25	2,798,350	6,967,244
		<u>103,991,611</u>	<u>101,565,487</u>
(Provision) / reversal of provision against non performing finances and other receivables-net	26	(951,944)	401,000
		<u>103,039,667</u>	<u>101,966,487</u>
Depreciation on fixed assets given on lease/ijarah	16	53,344,202	54,254,275
Administrative expenses	27	25,059,785	20,592,209
Other charges	28	2,158,832	1,528,597
		<u>(80,562,819)</u>	<u>(76,375,081)</u>
		22,476,848	25,591,406
Modaraba management company's fee		(2,247,685)	(2,559,141)
Profit before taxation		<u>20,229,163</u>	<u>23,032,265</u>
Taxation	29	-	-
Profit after taxation		<u>20,229,163</u>	<u>23,032,265</u>
Earnings per certificate - basic and diluted	30	<u>0.68</u>	<u>0.77</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	-----Rupees-----	
Profit for the year	20,229,163	23,032,265
Other comprehensive Income:		
Net change in fair value of available-for-sale investments	435,234	1,031,437
Net change in fair value of available-for-sale investments reclassified to profit and loss account	(615,287)	(197,403)
	(180,053)	834,034
Total comprehensive income for the year	<u>20,049,110</u>	<u>23,866,299</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

# CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 -----Rupees-----	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		20,229,163	23,032,265
Adjustments for :			
Depreciation	16.1&16.2	54,542,022	55,281,494
Charge / (reversal) against non performing murabaha finances - net	26	951,944	(401,000)
Gain on disposal of fixed assets	16.3	(1,572,758)	(944,389)
Gain on disposal of held for sale assets		-	(4,409,474)
Dividend income		(70,569)	(13,765)
		53,850,639	49,512,866
Cash from operating activities before changes in working capital		74,079,802	72,545,131
Changes in working capital			
(Increase) / decrease in current assets:			
Short term investments		(728,631)	1,518,197
Advances, deposits, prepayments and other receivables		3,702,701	(11,644,144)
Short term murabaha finances		(8,781,961)	16,174,483
Long term murabaha finances		(7,200,941)	(23,378,663)
Ijarah rental receivables		(2,117,231)	(2,709,364)
Short term diminishing musharakah finances		(1,759,423)	(3,626,778)
Long term diminishing musharakah finances		(597,828)	(800,528)
Stock in trade		(10,956,171)	77,603
		(28,439,485.00)	(24,389,194)
Increase / (decrease) in current liabilities:			
Creditors, accrued and other liabilities		632,631	4,078,650
Customers' security deposits		(13,089,412)	25,658
		(12,456,781)	4,104,308
Cash from operating activities		33,183,536	52,260,245
Taxes paid		(640,642)	(598,986)
Dividend paid		(17,880,000)	-
Net cash from operating activities		14,662,894	51,661,259
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure (including assets given on ijarah)	16.1&16.2	(59,331,120)	(132,167,156)
Sale proceeds of fixed assets (including assets given on ijarah)	16.3	40,900,470	50,904,631
Sale proceeds of held for sale assets		-	6,300,000
Sale of Investments - net		3,005,651	2,280,606
Long term deposits paid during the year		(301,600)	(119,600)
Dividend received		70,569	13,765
Net cash used in investing activities		(15,656,030)	(72,787,754)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net decrease in the cash and cash equivalents		(993,136)	(21,126,495)
Cash and cash equivalents at the beginning of year		3,412,266	24,538,761
Cash and cash equivalents at the end of year		2,419,130	3,412,266

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Certificate capital	Statutory reserve	Revenue reserves		Total Reserves	Total Equity
			Unrealized	Accumulated		
-----Rupees-----						
Balance as at June 30, 2012	298,000,000	61,161,526	(2,582,872)	(75,930,916)	(17,352,262)	280,647,738
Dividend paid	-	-	-	-	-	-
Total comprehensive income for the year	-	-	834,034	23,032,265	23,866,299	23,866,299
Transfer to statutory reserve at 20%	-	4,606,453	-	(4,606,453)	-	-
Balance as at June 30, 2013	298,000,000	65,767,979	(1,748,838)	(57,505,104)	6,514,037	304,514,037
Dividend paid	-	-	-	(17,880,000)	(17,880,000)	(17,880,000)
Total comprehensive income for the year	-	-	(180,053)	20,229,163	20,049,110	20,049,110
Transfer to statutory reserve at 20%	-	4,045,833	-	(4,045,833)	-	-
Balance as at June 30, 2014	298,000,000	69,813,812	(1,928,891)	(59,201,774)	8,683,147	306,683,147

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

  
**DIRECTOR**

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

## 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 thereunder and being managed by Al-Zamin Modaraba Management (Private) Limited (AZMML). The Modaraba is perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabahas, Musharakahs, Leasing (Ijarah), investment in marketable securities, tradings and other permissible businesses. The Modaraba commenced its business operations from November 12, 1991. The principal place of business and registered office is located at 104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi - 75600 while regional office is located at 301-302, 3rd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore. It is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

## 2 STATEMENT OF COMPLIANCE

2.1 These Financial Statements have been prepared in accordance with approved accounting standards as applicable in Pakistan except for International Accounting Standard (IAS) 17 "Leases", and the requirements of the Companies Ordinance, 1984, Modaraba Companies and Modarabas (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) and Islamic Financial Accounting Standard 1 (IFAS-1) 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 requirements of later precedence.

The SECP has issued directive (Vide SRO 431 (IJ/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Ijara (Lease) transactions as defined by the said standard. The Modaraba is in compliance with the requirements of the aforesaid IFAS-2.

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

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

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

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	
IFRS 1- First Time Adoption of International Financial Reporting Standards	
IFRS 9 - Financial Instruments	
IFRS 14 - Regulatory Deferral Accounts	
IFRS 15 - Revenue from Contracts with Customers	

### 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. Assets are derecognized when disposed or when no future economic benefits are expected from its use or disposal.

#### 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 fair value and at subsequent reporting dates, these investments are re-measured at fair value. Realized and unrealized gains and losses arising from changes in fair value are included in profit and loss account for the year in which they arise.

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

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



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

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

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

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

#### 4.6 Diminishing Musharakah Financing

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

#### 4.7 Tangible fixed assets

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

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

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

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

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

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

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

Assets given to customers under ijarah arrangements on or after 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.

#### 4.7.4 Impairment

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

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

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

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

#### 4.9 Trade debts

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

#### 4.10 Inventories

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

#### 4.11 Ijarah Assets

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

#### 4.12 Revenue recognition

##### 4.12.1 Murabaha profit

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

##### 4.12.2 Diminishing Musharakah profit

Profit on Diminishing Musharakah financings are recognized on accrual basis.

##### 4.12.3 Lease rentals

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

##### 4.12.4 Ijarah rentals

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

##### 4.12.5 Dividend income

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

##### 4.12.6 Capital gain or loss

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

#### 4.13 Taxation

##### Current:

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

##### Deferred:

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

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

#### 4.14 Financial instruments

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

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

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

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

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

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

#### 4.15 Retirement and termination benefits

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

#### 4.16 Dividend

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

#### 4.17 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year.

	Note	2014 -----Rupees-----	2013
<b>5 CASH AND BANK BALANCES</b>			
Cash in hand		39,527	22,133
Balances with bank in:			
Current accounts		456,923	391,747
Saving accounts	5.1	1,922,680	2,998,386
		<u>2,379,603</u>	<u>3,390,133</u>
		<u>2,419,130</u>	<u>3,412,266</u>
5.1 These carry profit at the rate of 5% to 6% (2013: 5% to 6%) per annum.			
<b>6 SHORT TERM INVESTMENTS</b>			
Financial assets at fair value through profit and loss - Held-for-trading			
Shares of listed companies - at cost	6.1	1,099,162	23,960
Unrealized (loss) / gain on revaluation of held-for-trading investments		(136,762)	10,080
	6.1	<u>962,400</u>	<u>34,040</u>

	2014		2013	
	Average cost	Market value	Average cost	Market value
-----Rupees-----				
6.1 Shares of listed companies				
Sui North Gas 20,000 (2013: NIL) ordinary shares of Rupees 10 each fully paid	483,704	453,000	-	-
Pakistan Telecommunication Company Ltd 20,000 (2013: NIL) ordinary shares of Rupees 10 each fully paid	615,458	509,400	-	-
Mari Gas Company Limited Nil (2013: 1,250) ordinary shares of Rupees 10 each fully paid	-	-	23,960	34,040
	<u>1,099,162</u>	<u>962,400</u>	<u>23,960</u>	<u>34,040</u>

	Note	2014	2013
		-----Rupees-----	
7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees against salary - considered good		185,152	67,000
Security deposits		4,500	4,500
Prepayments		1,562,448	2,009,290
Due from brokers against sale of shares		10,181	119,975
Trade receivables	7.1	7,457,603	10,005,331
Receivable from Trust Management Services (Pvt.) Ltd.		1,489,035	1,490,418
Provision for doubtful receivables		(1,489,035)	(1,490,418)
		-	-
Legal suits charges receivable	7.2	2,053,719	2,155,856
Provision for doubtful receivables		(1,377,469)	(1,285,346)
		676,250	870,510
Late payment charges receivable		3,192,155	3,192,155
Suspended income		(3,192,155)	(3,192,155)
		-	-
Sundry receivables		5,540,508	5,963,164
Provision for doubtful receivables		(472,099)	(372,526)
		5,068,409	5,590,638
		<u>14,964,543</u>	<u>18,667,244</u>

7.1 This represents amount receivable against the sale of stock in trade and includes an amount aggregating to Rs. 3,882,033 receivable from Eiman Cold Storage which is secured by Modaraba through execution of Memorandum of Deposit of Title Deed (MODTD) with the party.

	Note	2014 -----Rupees-----	2013
7.2	Legal suits charges receivable		
	Opening balance	2,155,856	2,335,856
	Addition during the year	51,263	30,000
	Reversal due to recovery	(97,400)	(210,000)
	Write off during the year	(56,000)	-
		<u>2,053,719</u>	<u>2,155,856</u>
8	SHORT TERM MURABAHA FINANCES - Secured		
	Considered good	21,138,388	16,750,060
	Considered doubtful		
	- Regular parties	-	10,000,000
	- Parties under litigation	74,790,300	70,458,743
	- Recovery during the year	(1,300,000)	(5,168,443)
	- Written off	-	(500,000)
		<u>73,490,300</u>	<u>64,790,300</u>
		<u>73,490,300</u>	<u>74,790,300</u>
	Provision for classified receivables under Prudential Regulations for Modarabas	(29,166,300)	(28,700,300)
		<u>65,462,388</u>	<u>62,840,060</u>
8.1	The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation/pledge of stocks, shares of listed public limited companies, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.		
8.2	These include Rs. 71.690 million (2013: Rs. 61.690 million) is receivable from 7 (2013: 6) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favor of Modaraba in 6 (2013: 6) cases for recovery of Rs.53.599 million (2013: Rs.53.599 million), while execution petitions for these cases are pending. Settlement / compromise agreements have been made with two parties during the year ended June 30, 2014.		
8.3	Provision for classified receivables under Prudential Regulations		
	Opening balance	28,700,300	29,601,300
	Provision for the year	466,000	-
	Reversal due to recovery	-	(401,000)
	Written off	-	(500,000)
		<u>29,166,300</u>	<u>28,700,300</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.		
9	LONG TERM MURABAHA FINANCES - Secured		
	Considered good	69,666,041	57,119,218
	Considered doubtful	39,861,807	40,000,000
		<u>109,527,848</u>	<u>97,119,218</u>
	Current portion grouped under current assets	(72,731,690)	(67,524,001)
		<u>36,796,158</u>	<u>29,595,217</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. 39.861 million (2013: Rs. 40 million) receivable from 1 (2013: 1) customer under murabaha finance which is under litigation. Legal proceedings against this customer is in process in the Honorable Courts of Law. The Courts have awarded decree in favor of Modaraba in this case for recovery of Rs. 50.035 million (2013: Rs. 50.035 million).		

	Note	2014 -----Rupees-----	2013
9.3	Current portion of long term murabaha finances		
	Installments overdue	39,861,807	40,000,000
	Installments receivable within next 12 months	32,869,883	27,524,001
		72,731,690	67,524,001
	Provision for classified receivables under Prudential Regulations for Modarabas	(8,000,000)	(8,000,000)
		64,731,690	59,524,001
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.		
10	IJARAH RENTAL RECEIVABLES - secured		
	Ijarah rentals receivables	42,918,162	40,872,988
	Written off	-	(493,545)
		42,918,162	40,379,443
	Suspended ijarah income - considered doubtful	(18,685,997)	(18,643,562)
	Provision for doubtful Ijarah rental receivables	(3,337,236)	(2,958,183)
		20,894,929	18,777,698
10.1	It includes receivable from a customer amounting to Rs. 7,250,040 (2013: Rs.7,250,040) against which the Modaraba has a claim due from a financial institution in respect of pro-rata 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	18,643,562	18,924,578
	Write off during the year	-	(493,545)
	Recovery during the year	-	-
	Suspension made during the year	42,435	212,529
		18,685,997	18,643,562
10.3	Provision for doubtful ijarah rental receivables:		
	Opening balance	2,958,183	2,958,183
	Charge for the year	379,053	-
	Recovery during the year	-	-
	Written off	-	-
		3,337,236	2,958,183
11	DIMINISHING MUSHARAKAH FINANCES		
	These are secured against land of musharakah's participant and is considered good by the management of the Modaraba.		
12	ACCRUED PROFIT		
	Profit receivable on long term investment	1,763,812	2,508,806
	Profit receivable on diminishing musharakah finances	1,617,279	1,072,018
	Profit on murabaha finances	4,744,341	9,327,746
	Suspended income	(4,361,329)	(8,944,738)
		383,012	383,008
		3,764,103	3,963,832
12.1	Suspended income account against murabaha profit receivable is as follows:		
	Opening balance	8,944,738	7,778,985
	For the year	-	1,165,753
	Recovery during the year	(4,362,760)	-
	Written off	(220,649)	-
		4,361,329	8,944,738
13	STOCK IN TRADE		
	This represents goods amounting to Rs. 11,056,171 (2013: Rs. 100,000) purchased for trading purposes under other permissible businesses as mentioned in Note 1.		

	Note	2014 -----Rupees-----	2013
14	LONG TERM DEPOSITS		
	Central Depository Company	154,862	154,862
	Others	1,450,700	1,149,100
		<u>1,605,562</u>	<u>1,303,962</u>
15	LONG TERM INVESTMENTS		
	Available for sale		
	Equity securities - listed	15.1	-
	Sukuk certificates - listed	15.2	6,219,250
	Total investment at cost		6,219,250
	Provision for diminution in value of investments (impairment)	15.3	-
			6,219,250
	Unrealized gain on revaluation of investments		(869,953)
	Net investments at fair value		<u>5,349,297</u>

	2014		2013	
	Average cost	Market value	Average cost	Market value
	-----Rupees-----			
15.1	Equity Securities - listed			
	Pakistan Telecommunication Company Limited			
	-	-	1,530,230	1,638,000
	Nil (2013: 75,000) ordinary shares of Rupees 10 each fully paid			
	Mari Gas Company Limited			
	-	-	166,400	170,438
	Nil (2013: 1,250) ordinary shares of Rupees 10 each fully paid			
	<u>-</u>	<u>-</u>	<u>1,696,630</u>	<u>1,808,438</u>

15.2 This represents 2,000 (2013: 2,000) BRR Guardian Modaraba certificates having face value Rs. 10 million carrying profit at one month KIBOR (2013: one month KIBOR). These will mature in December 2016 and are secured against joint ownership of musharakah assets. The fair value of each certificate as on June 30, 2014 is Rs. 3,738 (2013: Rs. 3,750).

	Note	2014 -----Rupees-----	2013
15.3	Particulars of provision for diminution in value of investments (impairment)		
	Opening balance	503,479	6,160,512
	Reversal of impairment on disposal of available-for-sale investments	(503,479)	(5,657,033)
	Impairment for the year	-	-
	Closing balance	<u>-</u>	<u>503,479</u>



16	FIXED ASSETS	Note	2014	2013
			-----Rupees-----	
	Operating fixed assets given on lease (Ijarah) - tangible	16.1	155,457,489	189,465,903
	Operating fixed assets in own use - tangible	16.2	13,688,862	14,219,062
			<u>169,146,351</u>	<u>203,684,965</u>

16.1 Operating fixed assets given on lease (Ijarah) - tangible

PARTICULARS	2014								
	BALANCE AS AT JULY 01, 2013			FOR THE YEAR			BALANCE AS AT JUNE 30, 2014		
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value
Plant and equipments	147,679,404	89,475,127	58,204,277	10,837,000	26,254,000 (17,876,900)	13,123,254	132,262,404	84,721,481	47,540,923
Vehicles	175,245,149	44,147,685	131,097,464	47,826,500	64,162,200 (33,211,588)	40,095,944	158,909,449	51,032,041	107,877,408
Furniture and fixtures	185,000	20,838	164,162	-	-	125,004	185,000	145,842	39,158
	<u>323,109,553</u>	<u>133,643,650</u>	<u>189,465,903</u>	<u>58,663,500</u>	<u>90,416,200</u> <u>(51,088,488)</u>	<u>53,344,202</u>	<u>291,356,853</u>	<u>135,899,364</u>	<u>155,457,489</u>

PARTICULARS	2013								
	BALANCE AS AT JULY 01, 2012			FOR THE YEAR			BALANCE AS AT JUNE 30, 2013		
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value
Plant and equipments	244,814,304	164,330,694	80,483,610	26,520,000	123,654,900 (97,480,057)	22,624,490	147,679,404	89,475,127	58,204,277
Vehicles	113,107,609	31,902,970	81,204,639	104,974,000	42,836,460 (19,255,403)	31,500,118	175,245,149	44,147,685	131,097,464
Furniture and fixtures	397,000	160,586	236,414	185,000	397,000 (269,415)	129,667	185,000	20,838	164,162
	<u>358,318,913</u>	<u>196,394,250</u>	<u>161,924,663</u>	<u>131,679,000</u>	<u>166,888,360</u> <u>(117,004,875)</u>	<u>54,254,275</u>	<u>323,109,553</u>	<u>133,643,650</u>	<u>189,465,903</u>

16.1.1 Modaraba has filed suits for possession of leased assets valuing Rs. 74.639 million (2013: Rs. 74.639 million) against 5 clients (2013: 5 clients). The respective courts have granted decrees against these 4 (2013: 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.

## 16.2 Operating fixed assets in own use - tangible

PARTICULARS	BALANCE AS AT JULY 01, 2013				FOR THE YEAR				BALANCE AS AT JUNE 30, 2014			
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	Rate (%)		
	Rupees											
<b>OWNED</b>												
Land	11,106,200	-	11,106,200	-	-	-	11,106,200	-	11,106,200	-	-	
Furniture & fixtures	1,442,405	735,484	706,921	-	-	111,924	1,442,405	847,408	594,997	10	10	
Office equipments	1,967,896	1,058,496	909,400	212,384	-	227,889	2,180,280	1,286,385	893,895	10	10	
Vehicles	1,462,795	1,254,498	208,297	50,500	-	199,300	1,513,295	1,453,798	59,497	20	20	
Lease hold improvements	700,000	420,810	279,190	-	-	194,748	700,000	615,558	84,442	20	20	
Books	16,423	16,423	-	-	-	-	16,423	16,423	-	20	20	
Electrical equipments	829,781	299,898	529,883	104,736	-	78,954	934,517	378,852	555,665	10	10	
Computer Software	750,000	270,829	479,171	300,000	-	385,005	1,050,000	655,834	394,166	33.33	33.33	
	18,275,500	4,056,438	14,219,062	667,620	-	1,197,820	18,943,120	5,254,258	13,688,862			

PARTICULARS	BALANCE AS AT JULY 01, 2012				FOR THE YEAR				BALANCE AS AT JUNE 30, 2013			
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	Rate (%)		
	Rupees											
<b>OWNED</b>												
Land	11,106,200	-	11,106,200	-	-	-	11,106,200	-	11,106,200	-	-	
Furniture & fixtures	1,442,405	623,560	818,845	-	-	111,924	1,442,405	735,484	706,921	10	10	
Office equipments	1,609,813	958,377	651,436	358,083	-	100,119	1,967,896	1,058,496	909,400	10	10	
Vehicles	1,615,595	1,025,723	589,872	-	152,800	304,818	1,462,795	1,254,498	208,297	20	20	
Lease hold improvements	700,000	226,062	473,938	-	(76,043)	194,748	700,000	420,810	279,190	20	20	
Books	16,423	16,423	-	-	-	-	16,423	16,423	-	20	20	
Electrical equipments	699,708	234,284	465,424	130,073	-	65,614	829,781	299,898	529,883	10	10	
Computer software	750,000	20,833	729,167	-	-	249,996	750,000	270,829	479,171	33.33	33.33	
	17,940,144	3,105,262	14,834,882	488,156	152,800	1,027,219	18,275,500	4,056,438	14,219,062			
					(76,043)							

16.2.1 It includes a piece of land measuring 10 Kanals, costing Rs. 10,728,400 situated at Mauza Amer Sidhu, Lahore Cantt acquired through settlement of certain murabaha facilities. The subject land is presently in the possession of Defence Housing Authority, Lahore (DHA). 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 because title and sale deed is in name of Modaraba and accordingly no loss has been charged against such land.

16.2.2 Management intends to use this land for administration purposes in near future.

16.3 Disposal of operating fixed assets  
16.3.1 Disposal of assets given on lease

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particular of Buyer
TOYOTA COROLA XLI	1,269,000	325,646	943,354	950,000	6,646	Term of lease agreement	182-Mehran Block, Allama Iqbal Town, Lahore.
SUZUKI CULTUS	845,000	247,645	597,355	587,864	(9,491)	Term of lease agreement	Captain Jamal Road, House No.14, St. No.17, Rasheed Street Mohalla Sanda Kaliah, Lahore.
SUZUKI CULTUS	600,000	455,000	145,000	145,000	-	Term of lease agreement	House No.26-A, Oazi Street, Chowhan Road, Islampura, Lahore.
Suzuki Ravi	499,000	299,000	200,000	200,000	-	Term of lease agreement	Street No. 22, Mukkram PuraChan meeran Lahore
Honda Civic VTI	1,878,000	778,000	1,100,000	1,100,000	-	Term of lease agreement	Zakoori Industries, Hayyatabad, Peshawar.
Mercedes Benz	1,928,000	1,735,200	192,800	192,800	-	Term of lease agreement	53-L, Gulberg III, Lahore.
Honda Civic VTI	1,800,000	1,620,000	180,000	180,000	-	Term of lease agreement	53-L, Gulberg III, Lahore.
Toyota Camry	3,100,000	2,480,000	620,000	620,000	-	Term of lease agreement	P-585, Ayub Colony, Faisalabad.
TOYOTA COROLA XLI	1,100,000	990,000	110,000	110,000	-	Term of lease agreement	KHAYBANY TANZEEM, ST. # 21, DHA KARACHI.
Suzuki Mehran VX	458,000	366,400	91,600	91,600	-	Term of lease agreement	House No.6-B, Street No. B, Street No. 4, Mohalla Devsmag Road, Lahore.
Toyota Corolla XLI, Suzuki Bolan, Honda Citi	3,428,000	2,399,600	1,028,400	1,028,400	-	Term of lease agreement	Model Town Ext, Lahore
Belarus Tractor	1,050,000	750,000	300,000	300,000	-	Term of lease agreement	QASIRANI MOHALLAH, TANDO QASIR TEHSIL AND DISST, HYDRABAD.
TOYOTA COROLA XLI	1,337,000	937,000	400,000	400,000	-	Term of lease agreement	4-C, SECTOR 6-A WARIPIUR HAWKSBAY KARACHI.
Suzuki Ravi VX	539,000	377,300	161,700	161,700	-	Term of lease agreement	34 HARBANS PURA PUNJAB.
Master Forland (2-Units)	4,190,000	3,142,500	1,047,500	1,047,500	-	Term of lease agreement	63-K, ST-53K GULBERG III, LAHORE, PUNJAB .
TOYOTA COROLLA GLI 2011	1,575,500	866,525	708,975	708,975	-	Term of lease agreement	17-Gallah Mandi, G. T. Road, Tehsil & District Gujranwala.
HONDA CITY	1,369,000	577,557	791,443	898,813	107,370	Term of lease agreement	Chapranwala PO Tatay Pur Tehsil & District Multan
Toyota Corolla GLI-2011	1,504,000	668,448	835,552	864,182	28,630	Term of lease agreement	MUSHARAF COLONY, SECTOR 6-A SCHEME NO.42, LERP MARIPIUR KARACHI HAWKSBAY KARACHI.
Mercedes Benz-2005	3,500,000	1,291,675	2,208,325	2,455,745	247,420	Term of lease agreement	4-C, FAROOO HEIGHTS, 36TH COMMERCIAL STREET, TAUHEE COMM AREA PHASE 5 DHA
Yamaha YD-70	46,700	37,360	9,340	9,340	-	Term of lease agreement	4-C, FAROOO HEIGHTS, 36TH COMMERCIAL STREET, TAUHEE COMM AREA PHASE 5 DHA
UNIQUE	42,500	29,757	12,743	13,458	715	Term of lease agreement	Near Allipur Chowk, By pass Road , Hafizabad
Toyota Corolla GLI, 1.6 A/T Model-2012	1,769,000	565,087	1,203,913	1,277,334	73,421	Term of lease agreement	HOUSE NO.707 SYEDIAN, ATARIWALI DASKA KALAN,, GUJRANWAL.
Motorcycle Honda CD-70, Model: 2012	67,000	53,600	13,400	13,400	-	Term of lease agreement	GT ROAD ,WAZIRABAD, GUJRANWALA.
Toyota Corolla Fielder X-A/T	1,425,000	997,500	427,500	427,500	-	Term of lease agreement	CHICHERWALI BRIDGE NEAR JUTT TRAVEL, SIALKOT BYPASS ROAD, GUJRANWALA.
Toyota Corolla GLI (01-Unit)	1,604,000	538,016	1,065,984	1,176,271	110,287	Term of lease agreement	4-C, FAROOO HEIGHTS, 36TH COMMERCIAL STREET, TAUHEE COMM AREA PHASE 5 DHA
Motorcycle Super Star CD-70,	43,000	34,400	8,600	8,600	-	Term of lease agreement	3-B, FIRST FLOOR, TRUST PLAZA G. T. ROAD, GUJRANWALA.
TOYOTA VITZ	1,150,000	198,616	951,384	989,185	37,801	Term of lease agreement	ALLAHABAD, MUHALLAH, RHAEM PURA, WAZIRABAD, GUJRANWALA.
TOYOTA PREMIO MODEL 2007	2,500,000	722,228	1,777,772	1,918,516	140,744	Insurance claim	Mondaywala, Tehsil Sheikhpura, District Sheikhpura.
TOYOTA COROLLA XLI	1,555,000	818,125	736,875	949,778	212,903	Term of lease agreement	FLATE NO. 32 STREET, W-BLOCK, PEOPLE COLONY, GUJRANWALA
Suzuki Alto	742,000	187,564	554,436	590,009	35,573	Term of lease agreement	
HONDA CITY PT ASPIRE	1,765,000	205,920	1,559,080	1,639,680	80,600	Term of lease agreement	
TOYOTA COROLLA	1,555,000	505,375	1,049,625	1,097,606	47,981	Term of lease agreement	
TOYOTA HIACE 2007	2,200,000	440,000	1,760,000	1,864,480	104,480	Term of lease agreement	
NISSAN PIANO	640,000	99,552	540,448	565,496	25,048	Term of lease agreement	
HONDA CITY 2013	1,504,000	80,536	1,423,464	1,463,060	39,596	Term of lease agreement	
TOYOTA COROLLA GLI 2013	1,689,500	201,103	1,488,397	1,527,281	38,884	Term of lease agreement	
SUZUKI LIANA & SUZUKI ALTO	1,700,000	1,360,000	340,000	340,000	-	Term of lease agreement	
Balances - carried forward	53,967,200	27,382,235	26,584,965	27,913,573	1,328,608		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particular of Buyer
-----Rupees-----							
Balances - Brought forward	53,967,200	27,382,235	26,584,965	27,913,573	1,328,608		
SUZUKI SWIFT	1,251,000	412,830	838,170	838,170	-	Term of lease agreement	HOUSE NO.124-N,DHA PHASE-8, AIR AVENUE LAHORE.
HONDA CIVIC VTI PROSMATIC ORIEL	2,444,000	964,748	1,479,252	1,632,904	153,652	Term of lease agreement	GT ROAD ,WAZIRABAD,GUJRANWALA.
Nisan Truck Troller	3,959,000	2,573,350	1,385,650	1,385,650	-	Term of lease agreement	Near Shell Petrol Pump Gatwal, Sheikupra Road,Faslabad.
Toyota Corolla GLI	1,514,000	1,146,750	367,250	367,250	-	Term of lease agreement	All Pur Road, Gondalanwala, Tehsil & District Gujranwala.
Suzuki Swift	984,000	709,100	274,900	274,900	-	Term of lease agreement	Fico Street ,Climarabad , G T Road Gujranwala.
UD 70 MOTOCYCLE	43,000	22,575	20,425	21,685	1,260	Term of lease agreement	HOUSE NO. 890,MANGOPIR ROAD PURANA GOLIMAR, KARACHI.
3-units of imported embroidery machine	7,000,000	5,000,000	2,000,000	2,000,000	-	Term of lease agreement	LIBERTY PLAZA, MARKET, lahore
Ultra Sound Scanner Medelkon SLE-901	698,000	398,000	300,000	300,000	-	Term of lease agreement	St # 9, E-152 Iqbal park, Main Boulevard, Defence, Lahore.
Embroidery Unit	3,600,000	2,500,000	1,100,000	1,100,000	-	Term of lease agreement	House No.10, Street No.40, Ahmed Park, Mohmi Road, Lahore.
Machinery	7,400,000	5,500,000	1,900,000	1,900,000	-	Term of lease agreement	Katha Jhang Sheesham Depalpur Havelli Lakha Road, Okara.
PVC pipe, Heater, cutter, Dyes, 3 machines	1,680,000	875,000	805,000	894,238	89,238	Term of lease agreement	Galla Darbar,Cadiriia,Hafizabad Road,Gujranwala
Suzuki Alto	676,000	603,900	72,100	72,100	-	Term of lease agreement	PECHS KARACHI
Roland Rekord 4 clor Printing Machine	5,200,000	3,000,000	2,200,000	2,200,000	-	Term of lease agreement	SULTAN MENTION,ABBOT ROAD .LAHORE
Total	90,416,200	51,088,488	39,327,712	40,900,470	1,572,758		

	Note	2014 -----Rupees-----	2013
<b>17 CUSTOMERS' SECURITY DEPOSITS</b>			
Opening balance		94,387,675	94,362,017
Received during the year		15,086,175	42,137,039
Adjusted during the year	17.2	(28,175,587)	(42,111,381)
Closing balance		81,298,263	94,387,675
Current portion shown as current liabilities		(28,427,838)	(34,943,535)
		<u>52,870,425</u>	<u>59,444,140</u>
17.1	These represent the customers' deposits to secure the lease finances given to customers.		
17.2	This includes Nil balance (2013: Rs. 541,552) pertaining to Nil (2013: 2) lease proposals against which the facility was not accepted by the clients and the security deposit was refunded.		
<b>18 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		10,154	214,477
Management fee payable		2,247,685	2,559,142
Deferred income on murabaha	18.1	6,504,834	8,942,443
Security deposit		40,000	30,000
Unclaimed dividends		11,106,560	9,875,342
Other liabilities		1,917,833	3,060,678
		<u>21,827,066</u>	<u>24,682,082</u>
18.1	Deferred income on murabaha		
Opening balance		13,876,035	6,429,730
Total income for the year		14,698,804	18,869,143
Recognized during the year		(13,648,791)	(11,422,838)
		14,926,048	13,876,035
Long term portion shown as non-current liabilities		(8,421,214)	(4,933,567)
		<u>6,504,834</u>	<u>8,942,468</u>
<b>19 CERTIFICATE CAPITAL</b>			
Authorized Capital			
50,000,000 (2013: 50,000,000) Modaraba Certificates of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
15,000,000 (2013: 15,000,000) Modaraba Certificates of Rs.10/- each fully paid-up in cash		150,000,000	150,000,000
12,300,000 (2013: 12,300,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates		123,000,000	123,000,000
2,500,000 (2013: 2,500,000) Modaraba Certificates of Rs.10/- each issued as fully paid as a result of take over		25,000,000	25,000,000
	19.1	<u>298,000,000</u>	<u>298,000,000</u>
19.1	Al-Zamin Modaraba Management (Private) Limited holds 5,261,388 (2013: 5,261,388) modaraba certificates as required by the SECP vide Order No. SC/M/RW/Trust/2009-43.		
<b>20 RESERVES</b>			
Statutory reserve	20.1	69,813,812	65,767,979
Revenue reserves:			
Unrealized gain / (loss) on revaluation of investments		(1,928,891)	(1,748,838)
Accumulated loss		(59,201,774)	(57,505,104)
		(61,130,665)	(59,253,942)
		<u>8,683,147</u>	<u>6,514,037</u>

20.1 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 50% of its after tax profits till such time that reserves equals to 100% of the paid up capital. Thereafter, a sum not less than 5% of its after tax profits.

## 21 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at June 30, 2014. Commitments in respect of unavailed murabaha facilities as on balance sheet date were Rs. Nil (2013: Rs. Nil), while commitments in respect of ijarah facilities are as follows:

### - Ijarah commitments

The Modaraba has entered into ijarah arrangements for vehicles. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future Ijarah payments due under these arrangements at year end are as follows:

	Note	2014 -----Rupees-----	2013
Within one year		1,129,880	1,861,548
After one year but not more than five years		902,726	2,032,606
		<u>2,032,606</u>	<u>3,894,154</u>
<b>22 INCOME FROM LEASING (IJARAH) OPERATIONS</b>			
Income from leasing and Ijarah operations		75,783,976	75,392,338
Suspended income during the year		(42,435)	(212,529)
		<u>75,741,541</u>	<u>75,179,809</u>
<b>23 PROFIT ON MURABAHA FINANCES</b>			
Profit on Murabaha finance		13,693,676	12,565,782
Suspended income during the year		-	(1,165,753)
Receipts against suspended income		4,362,760	-
		<u>18,056,436</u>	<u>11,400,029</u>
<b>24 TRADING INCOME</b>			
Sale		3,475,570	9,279,925
Cost of sales		(2,905,500)	(7,272,081)
		<u>570,070</u>	<u>2,007,844</u>
<b>25 OTHER INCOME</b>			
Gain on disposal of assets classified as held for sale		-	4,409,474
Gain on disposal of fixed assets		1,572,758	944,389
Unrealized gain on revaluation of held-for-trading investments		-	10,080
Miscellaneous income	25.1	1,225,592	1,603,301
		<u>2,798,350</u>	<u>6,967,244</u>
25.1 This includes an amount of Rs. 451,004 (2013: Rs. 578,772) pertaining to documentation fee.			
<b>26 (PROVISION) / REVERSAL OF PROVISION AGAINST NON PERFORMING MURABAHA FINANCES AND OTHER RECEIVABLES - NET</b>			
Short term Murabaha finances		(466,000)	401,000
Ijarah rental receivables		(379,053)	-
Other receivables		(106,891)	-
		<u>(951,944)</u>	<u>401,000</u>

	Note	2014 -----Rupees-----	2013
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	27.1	8,266,733	7,563,011
Legal and professional charges		642,497	183,178
Fees and subscription		2,227,115	1,270,286
Electricity, gas and water		843,242	769,354
Telephone, postage and courier		725,336	542,795
Advertisement		104,080	39,250
Printing and stationery		513,328	467,887
Traveling and conveyance		565,734	363,831
Entertainment		594,064	428,839
Insurance		3,764,002	2,848,255
Vehicle running		1,854,420	1,957,100
Auditors' remuneration	27.2	350,000	312,500
Repairs and maintenance		3,009,771	1,810,059
Registrar's services		63,947	84,808
Depreciation on own assets	16.2	1,197,820	1,027,219
Bank charges and commission		26,887	16,775
Miscellaneous		211,809	785,992
Charity		99,000	-
Freight and other expense		-	121,070
		<u>25,059,785</u>	<u>20,592,209</u>

27.1 This includes salaries and allowances paid to executives as per the following details:

		2014		
		Executives	Others	Total
		-----Rupees-----		
Basic salary		2,397,912	2,305,917	4,703,829
House rent		1,079,060	1,037,663	2,116,723
Utilities		359,687	345,888	705,575
Other benefits	27.1.2	479,582	261,024	740,606
		<u>4,316,241</u>	<u>3,950,492</u>	<u>8,266,733</u>

Number of persons

3

		2013		
		Executives	Others	Total
		-----Rupees-----		
Basic salary		2,084,772	2,067,839	4,152,611
House rent		938,147	930,528	1,868,675
Utilities		388,316	518,595	906,911
Other benefits		416,954	217,860	634,814
		<u>3,828,189</u>	<u>3,734,822</u>	<u>7,563,011</u>

Number of persons

3

27.1.1 Two executives have been provided with Modaraba maintained cars and are also entitled for reimbursement of fuel expenses.

27.1.2 It includes an amount of Rs. 239,791 (2013: Rs. 208,477) against the provident fund contribution.

	Note	2014 -----Rupees-----	2013
<b>27.2 Auditors' remuneration</b>			
Annual audit fee	27.2.1	250,000	212,500
Half yearly review		50,000	50,000
Out of pocket expenses		50,000	50,000
		<u>350,000</u>	<u>312,500</u>

27.2.1 It includes an amount of Rs. 25,000 (2013: Rs. 12,500) for audit fee of provident fund.

	Note	2014 -----Rupees-----	2013	
28	OTHER CHARGES			
	Provision / (Reversal of provision) against doubtful receivables	28.1	148,122	(119,326)
	Lease rental expense - vehicle		1,873,948	1,647,923
	Unrealized loss on revaluation of held-for-trading investments		136,762	-
			<u>2,158,832</u>	<u>1,528,597</u>
28.1	This represents provision made against legal suit charges receivable from defaulters.			
29	TAXATION			
	Current:			
	For the year		-	-
	Prior year		-	-
	Deferred tax		-	-
			<u>-</u>	<u>-</u>
29.1	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.			
30	EARNINGS PER CERTIFICATE - BASIC & DILUTED		2014	2013
			-----Rupees-----	
	Profit for the year	Rupees	20,229,163	23,032,265
	Weighted average number of certificates	Number	29,800,000	29,800,000
	Earnings per certificate	Rupees	0.68	0.77
30.1	There is no dilutive effect on the basic earnings per certificate of the modaraba.			
31	RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS			
	Future minimum lease rentals receivable on the basis of lease agreements executed up to 30 June are as follows:			
	Receivable not later than one year		55,001,791	68,707,841
	Receivable later than one year but not later than 5 years		46,274,541	67,829,324
			<u>101,276,332</u>	<u>136,537,165</u>



32 MATURITIES OF ASSETS AND LIABILITIES

	2014			
	Total	Up to one year	Over one to five years	Over five years
	..... Rupees .....			
<b>Assets:</b>				
Cash and bank balances	2,419,130	2,419,130	-	-
Short term investments	962,400	962,400	-	-
Advances, deposits, prepayments and other receivables	14,964,543	14,964,543	-	-
Short term murabaha finances	65,462,388	65,462,388	-	-
Current portion of long term murabaha finances	64,731,690	64,731,690	-	-
Ijarah rental receivables	20,894,929	20,894,929	-	-
Short term diminishing musharakah finances	18,890,560	17,205,228	1,685,332	-
Accrued profit	3,764,103	3,764,103	-	-
Tax refunds due from Government	2,186,408	2,186,408	-	-
Stock in trade	11,056,171	11,056,171	-	-
Long term murabaha finances	36,796,158	-	36,796,158	-
Long term deposits	1,605,562	560,500	1,045,062	-
Long term investments	5,349,297	1,875,000	3,474,297	-
Assets given on Ijarah	155,457,489	64,059,871	91,397,618	-
Assets in own use	13,688,862	<b>747,610</b>	2,211,312	10,729,940
	<b>418,229,690</b>	<b>270,889,971</b>	<b>136,609,779</b>	<b>10,729,940</b>
<b>Liabilities:</b>				
Current portion of long term liabilities	28,427,838	28,427,838	-	-
Creditors, accrued and other liabilities	30,248,280	21,827,066	8,421,214	-
Customers' security deposits	52,870,425	-	52,870,425	-
	<b>111,546,543</b>	<b>50,254,904</b>	<b>61,291,639</b>	<b>-</b>
Net Balance	<b>306,683,147</b>	<b>220,635,067</b>	<b>75,318,140</b>	<b>10,729,940</b>
Certificate holders' equity	<b>306,683,147</b>			

	2013			
	Total	Up to one year	Over one to five years	Over five years
	..... Rupees .....			
<b>Assets:</b>				
Cash and bank balances	3,412,266	3,412,266	-	-
Short term investments	34,040	34,040	-	-
Advances, deposits, prepayments and other receivables	18,667,244	18,667,244	-	-
Short term murabaha finances	62,840,060	62,840,060	-	-
Current portion of long term murabaha finances	59,524,001	59,524,001	-	-
Ijarah rental receivables	18,777,698	18,777,698	-	-
Short term diminishing musharakah finances	16,533,309	15,445,805	1,087,504	-
Accrued profit	3,963,832	3,963,832	-	-
Tax refunds due from Government	1,545,766	1,545,766	-	-
Stock in trade	100,000	100,000	-	-
Long term murabaha finances	29,595,217	-	29,595,217	-
Long term deposits	1,303,962	189,362	1,114,600	-
Long term investments	8,535,001	687,500	7,847,501	-
Assets given on Ijarah	189,465,903	70,575,568	118,890,335	-
Assets in own use	14,219,062	1,088,362	1,811,290	11,319,410
	<b>428,517,361</b>	<b>256,851,504</b>	<b>160,346,447</b>	<b>11,319,410</b>
<b>Liabilities:</b>				
Current portion of long term liabilities	34,943,535	34,943,535	-	-
Creditors, accrued and other liabilities	29,615,649	24,682,082	4,933,567	-
Customers' security deposits	59,444,140	-	59,444,140	-
	<b>124,003,324</b>	<b>59,625,617</b>	<b>64,377,707</b>	<b>-</b>
Net Balance	<b>304,514,037</b>	<b>197,225,887</b>	<b>95,968,740</b>	<b>11,319,410</b>
Certificate holders' equity	<b>304,514,037</b>			

## 33.1 Financial risk factors

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

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

## (a) Market risk

## (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

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

## (ii) Equity price risk

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

Reporting date all index points	2014		2013	
	29,653		21,006	
	Changes in KSE all Index	Effects on Profit Before Tax	Effects on Equity	
			-----Rupees-----	
Available-for-sale investments				
	+10%	-	534,930	
2014	-10%	-	(534,930)	
	+10%	-	853,500	
2013	-10%	-	(853,500)	
Held-for-trading investments				
	+10%	96,240	-	
2014	-10%	(96,240)	-	
	+10%	3,404	-	
2013	-10%	(3,404)	-	

## (iii) Profit rate risk

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

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

	2014	2013
	-----Rupees-----	
At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:		
Fixed rate instruments		
Financial assets:		
Short term murabaha finances	65,462,388	62,840,060
Long term murabaha finances	101,527,848	89,119,218
Ijarah rental receivables	20,894,929	18,777,698
Short term diminishing musharakah finances	18,890,560	16,533,309
Floating rate instruments		
Financial assets:		
Bank balances - deposit accounts	-	-
Long term investments - available-for-sale	6,219,250	8,031,750

## 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 100,019 lower / higher (2012: Rupees 98,568 ). 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:

	2014	2013
	-----Rupees-----	
Bank balances	2,419,130	3,412,266
Short term investments	962,400	34,040
Advances, deposits and other receivables	13,402,095	16,657,954
Short term murabaha finances	65,462,388	62,840,060
Ijarah rental receivables	20,894,929	18,777,698
Short term diminishing musharakah finances	18,890,560	16,533,309
Accrued profit	3,764,103	3,963,832
Long term murabaha finances	36,796,158	29,595,217
Long term deposits	1,605,562	1,303,962
Long term Investments	5,349,297	8,535,001
	<u>169,546,622</u>	<u>161,653,339</u>

Geographically all credit exposure is concentrated in Pakistan.

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

Textile Spinning	9,031,328	10,534,172
Textile Composite	26,144,133	31,498,283
Fuel and Energy	15,835,364	3,567,482
Engineering	4,720,963	8,442,261
Chemical & Pharmaceuticals	11,731,253	14,108,379
Vanaspatic and Allied Industries	18,117,427	22,071,588
Steel	1,800,000	3,100,000
Food and Allied	81,463,767	88,598,129
Educational Institutions	8,725,368	5,089,800
Miscellaneous	86,895,645	55,062,236
Books and publications	3,500,000	3,500,000
	<u>267,965,248</u>	<u>245,572,330</u>

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

Aging of murabaha, musharika and lease / ijarah rental receivables

Not past due	99,335,944	84,680,316
Past due 0 - 180 days	16,213,955	7,615,039
Past due 181 - 365 days	935,472	12,394,286
1 - 2 years	12,887,426	9,023,308
More than 2 years	138,592,451	131,859,381
	<u>267,965,248</u>	<u>245,572,330</u>

Aging of impaired murabaha and lease / ijarah rental receivables

Not past due	-	-
Past due 0 - 180 days	-	55,622
Past due 181 - 365 days	-	94,369
1 - 2 years	500,104	693,488
More than 2 years	57,805,310	57,458,566
	<u>58,305,414</u>	<u>58,302,045</u>

Collaterals held against murabaha financing and ijarah rentals receivables

	2014			
	Collaterals			Net exposure
	Gross exposure	Mortgage	Hypothecation	
	----- Rupees -----			
Long term murabaha finances	101,527,848	322,509,290		(220,981,442)
Short term murabaha finances	65,462,388	171,572,364	91,412,200	(197,522,176)
Ijarah / lease rental receivables	155,457,489	69,448,687		86,008,802
Short term diminishing musharakah finances	18,890,560	106,260,000		(87,369,440)

	2013			
	Collaterals			Net exposure
	Gross exposure	Mortgage	Hypothecation	
	----- Rupees -----			
Long term murabaha finances	89,119,218	163,821,859		(74,702,641)
Short term murabaha finances	62,840,060	213,768,500	69,735,000	(220,663,440)
Ijarah / lease rental receivables	189,465,903	108,822,548		80,643,355
Short term diminishing musharakah finances	16,533,309	79,700,000		(63,166,691)

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:

Banks	Rating			2014	2013
	Short term	Long term	Agency	-----Rupees-----	
Bank Alfalah Limited	A1+	AA	PACRA	387	378
The Bank of Punjab	A1+	AA-	PACRA	390,811	30,720
Meezan Bank	A-1+	AA	JCR-VIS	1,966,344	3,342,928
State Bank of Pakistan				12,766	7,265
Silk Bank	A-2	A-	JCR-VIS	9,295	8,842
				<u>2,379,603</u>	<u>3,390,133</u>
Available for Sale Securities					
Fully Paid Ordinary Shares					
Pakistan Telecommunication Company Limited		N/A	-	-	1,638,000
Mari Gas Company Limited		N/A	-	-	170,438
				<u>-</u>	<u>1,808,438</u>

Sukkuks	Rating			2014	2013
	Short term	Long term	Agency	-----Rupees-----	
B.R.R Guardian Modaraba				6,219,250	8,031,750
Held for Trading					
Sui Northern Gas Pipeline Limited		N/A	-	453,000	-
Pakistan Telecommunication Company Limited		N/A	-	509,400	-
Mari Gas Company Ltd		N/A	-	-	34,040
				<u>962,400</u>	<u>34,040</u>

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

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

(c) Liquidity risk

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

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. In spite of the fact that the Modaraba is in a positive working capital position at the year end, management believes the liquidity risk to be low.

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

June 30, 2014	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	----- (Rupees) -----				
Customers' security deposits	81,298,263	81,298,263	28,427,838	52,870,425	-
Creditors, accrued and other liabilities	30,248,280	30,248,280	21,827,066	8,421,214	-
	<u>111,546,543</u>	<u>111,546,543</u>	<u>50,254,904</u>	<u>61,291,639</u>	<u>-</u>
June 30, 2013					
Customers' security deposits	94,387,675	94,387,675	34,943,535	59,444,140	-
Creditors, accrued and other liabilities	29,673,156	29,673,156	24,682,082	4,991,074	-
	<u>124,060,831</u>	<u>124,060,831</u>	<u>59,625,617</u>	<u>64,435,214</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 2012. The rates of mark up have been disclosed in respective notes to the financial statements.

### 33.2 Fair values of financial assets and liabilities

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

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

The basis for determining fair values is as follows:

Interest rates used for determining fair value

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

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
------(Rupees)-----			
30 June 2014			
Financial assets:			
Short term investments	962,400	-	-
Long term Investments	-	5,349,297	-
Total financial assets	<u>962,400</u>	<u>5,349,297</u>	<u>-</u>
Financial liabilities			
	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2013			
Financial assets:			
Short term investments	34,040	-	-
Long term Investments	1,193,151	7,341,850	-
Total financial assets	<u>1,227,191</u>	<u>7,341,850</u>	<u>-</u>
Financial liabilities			
	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

### 33.3 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
------(Rupees)-----						
As at June 30, 2014						
Assets as per balance sheet						
Cash and bank balances	2,419,130	-	-	-	-	2,419,130
Short term investments	-	-	-	-	962,400	962,400
Advances, deposits and other receivables	-	13,402,095	-	-	-	13,402,095
Short term murabaha finances	-	65,462,388	-	-	-	65,462,388
Short term diminishing musharakah finances	-	18,890,560	-	-	-	18,890,560
Ijarah rental receivables	-	20,894,929	-	-	-	20,894,929
Accrued profit	-	3,764,103	-	-	-	3,764,103
Tax refunds due from government	-	2,186,408	-	-	-	2,186,408
Stock in trade	-	11,056,171	-	-	-	11,056,171
Long term murabaha finances	-	101,527,848	-	-	-	101,527,848
Long term deposits	-	1,605,562	-	-	-	1,605,562
Long term Investments	-	-	5,349,297	-	-	5,349,297
	<u>2,419,130</u>	<u>238,790,064</u>	<u>5,349,297</u>	<u>-</u>	<u>962,400</u>	<u>247,520,891</u>
						Financial liabilities at amortized cost
						(Rupees)
Liabilities as per balance sheet						
Customers' security deposits						81,298,263
Creditors, accrued and other liabilities						<u>30,248,280</u>
						<u>111,546,543</u>

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
As at June 30, 2013						
------(Rupees)-----						
Assets as per balance sheet						
Cash and bank balances	3,412,266	-	-	-	-	3,412,266
Short term investments	-	-	-	-	34,040	34,040
Advances, deposits and other receivables	-	16,657,954	-	-	-	16,657,954
Short term murabaha finances	-	62,840,060	-	-	-	62,840,060
Short term diminishing musharakah finances	-	16,533,309	-	-	-	16,533,309
Ijarah rental receivables	-	18,777,698	-	-	-	18,777,698
Accrued profit	-	3,963,832	-	-	-	3,963,832
Tax refunds due from government	-	1,545,766	-	-	-	1,545,766
Stock in trade	-	100,000	-	-	-	100,000
Long term murabaha finances	-	89,119,218	-	-	-	89,119,218
Long term deposits	-	1,303,962	-	-	-	1,303,962
Long term Investments	-	-	8,535,001	-	-	8,535,001
	<u>3,412,266</u>	<u>210,841,799</u>	<u>8,535,001</u>	<u>-</u>	<u>34,040</u>	<u>222,823,106</u>
<b>Financial liabilities at amortized cost</b>						
(Rupees)						
Liabilities as per balance sheet						
Customers' security deposits						94,387,675
Creditors, accrued and other liabilities						<u>29,615,649</u>
						<u>124,003,324</u>

### 33.4 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 gearing ratio as at year end is as follows:

	Note	2014 -----Rupees-----	2013
Customers' security deposits	17	81,298,263	94,387,675
Creditors, accrued and other liabilities	18	30,248,280	29,615,649
Less: Cash and bank balances	5	(2,419,130)	(3,412,266)
Net debt		<u>109,127,413</u>	<u>120,591,058</u>
Equity		<u>306,683,147</u>	<u>304,514,037</u>
Capital and net debt		<u>415,810,560</u>	<u>425,105,095</u>
Gearing ratio		<u>26.24%</u>	<u>28.37%</u>

34 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, Unicap Modaraba, employees provident fund and key management personnel. Transactions with related parties are given below:

Nature of Relationship	Nature of Transaction	2014 -----Rupees-----	2013
Modaraba Management Company	Management fee	2,247,685	2,559,141
Common management	Purchase-sales and lease back		
Employees' Provident Fund	Contributions paid	423,656	356,255

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

	2014 -----Numbers-----	2013
35 NUMBER OF EMPLOYEES		
Average number of employees during the year	20	20
Number of employees as at June 30	19	20

36 CORRESPONDING FIGURES

Corresponding figures have been rearranged and restated for better presentation wherever necessary. Significant reclassification made are as follows:

From	To	Reason	Amount (Rupees)
Other Charges	Other Income	"For better presentation"	(954,469)

37 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on October 2<sup>nd</sup>, 2014, has approved dividend for the year ended June 30, 2014 @ 5% ( 2013: 6% )

38 DATE OF AUTHORIZATION

These financial statements were approved for issue by the Board of Directors of the Management company in their meeting held on October 2<sup>nd</sup>, 2014.

39 GENERAL

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



**CHIEF EXECUTIVE**



**DIRECTOR**



**DIRECTOR**

## Pattern of Certificate Holding

As on 30 June 2014

Number of Certificate Holders	Certificate Holding		Total Certificate	Percentage Held
	From	To		
539	1	100	27,892	0.09
927	101	500	267,714	0.90
656	501	1000	573,430	1.92
331	1001	5000	783,167	2.63
72	5001	10000	550,360	1.85
20	10001	15000	255,768	0.86
11	15001	20000	192,900	0.65
6	20001	25000	140,907	0.47
4	25001	30000	111,004	0.37
3	30001	35000	95,910	0.32
3	35001	40000	114,050	0.38
2	45001	50000	91,174	0.31
1	50001	55000	52,000	0.17
2	60001	65000	127,000	0.43
2	65001	70000	134,538	0.45
2	70001	75000	146,668	0.49
1	75001	80000	78,382	0.26
1	85001	90000	87,000	0.29
1	100001	105000	100,500	0.34
1	110001	115000	115,000	0.39
1	115001	120000	118,100	0.40
1	180001	185000	181,230	0.61
1	290001	295000	291,200	0.98
1	340001	345000	344,500	1.16
1	350001	355000	351,000	1.18
1	445001	450000	446,000	1.50
1	1000001	1005000	1,002,322	3.36
1	1255001	1260000	1,258,896	4.22
1	5260001	5265000	5,261,388	17.66
1	16495001	16500000	16,500,000	55.37
<b>2,595</b>			<b>29,800,000</b>	<b>100.00</b>



# CATEGORIES OF CERTIFICATE HOLDERS

AS AT JUNE 2014

Categories of	Number of Certificate	Total Certificates	Percentage
Certificate holders	Certificate- Holders	Held	
<b>Associated companies, undertakings and related parties</b>			
Al-Zamin Modaraba Management (Private) Limited	1	5,261,388	17.66
Investment Corporation of Pakistan	1	11,500	0.04
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			
	16	1,577,216	5.29
Joint Stock Companies	25	107,190	0.36
Individuals	2,552	22,842,706	76.65
Others	-	-	-
	<b>Total</b>	<b>29,800,000</b>	<b>100.00</b>

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

Al-Zamin Modaraba Management (Pvt.) LTD.	1	5,261,388	17.66
Mohammad Aslam Motiwala	1	16,500,000	55.37

# BOOK POST

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