

ANNUAL REPORT 2012

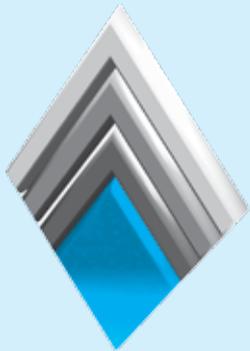
Ijarah

Murabaha

Musharaka

Equities

Trading



Trust Modaraba

Managed By:

Al-Zāmin Modaraba Management (Pvt) Ltd

Contents

Mission Statement	2
Corporate Information	3
Notice of Annual General Meeting	4
Directors' Report	5
Key Operating and Financial Data	8
Statement of Compliance	9
Review Report to Certificate Holders	12
Auditors' Report	13
Balance Sheet	14
Profit and Loss Account	15
Statement of Comprehensive Income	16
Cash Flow Statement	17
Statement of Changes in Equity	18
Notes to the Accounts	19
Pattern of Certificate Holdings	51
Categories of Certificate Holders	52



Mission Statement

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

Corporate Information

Modaraba Company

Al-Zamin Modaraba Management (Private) Limited

Board of Directors

Mr. 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 Internal Audit

Audit Committee

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

Head of Internal Audit

Ms. Roomana Nasir

Auditors of the Modaraba

M. Yousaf Adil Saleem & Co.

Bankers

Meezan Bank Limited
Bank Alfalah Limited – Islamic Banking

Legal Advisors

Irfan & Irfan, Attorneys at Law

Registered Office/Principal Place of Business

104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600
Telephone: 021-35876651, 35876652, 111-111-303
Fax : 021-35941957 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

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 Modaraba for the year ended June 30, 2012 will be held on Tuesday October 30, 2012 at 09:00 AM at Institute of Chartered Accountants of Pakistan, chartered accountants avenue, Clifton, Karachi.

The certificate transfer books of the Modaraba will remain closed from October 24, 2012 to October 30, 2012 (both days inclusive).

Karachi
October 8, 2012

Hamida Aqeel
Company Secretary

Directors' Report

As at June 30, 2012

Directors' Report.

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited has pleasure in presenting financial statements of Trust Modaraba for the year ending 30th June, 2012.

Economy Review.

The year under review is almost a replica of the last year which was also a very difficult year due to unstable political scenario, worst law and order situation, volatile oil prices and massive energy shortages. Unfortunately, the country did not experience worthwhile improvement in any sphere of economic activity mainly due to the abovementioned impediments now being faced for a number of years.

A usual addition of almost ten per cent in the home remittances by Pakistanis living abroad only assists in giving country's economy some inherent strength towards its balance of payments. An overall gloomy socio-political atmosphere mainly driven by a general feeling of frustration further adds to the fire in slowing down the economic activities. It results in lowering of productivity levels which eventually reflects in the financial results of almost all the corporate entities of the country, and our Modaraba is no exception.

Performance Review:

Trust Modaraba maintained concerted efforts on recovery of stuck up receivables through legal process as well as out of court settlements wherever possible. During the year under review, a sum of Rs.9.862 million has been recovered from the defaulting clients pertaining to previous regime. Morabaha and ijarah financing remained the core business activities of Modaraba. During the year under review, operating income increased to Rs.85.841 million, as compared to last year's Rs.73.690 million. The net profit for the year after management fee stood at Rs.12.194 million as compared to last year's figure of Rs.21.019 million. It may be clarified that the previous year's profit included a one time gain of Rs.4.815 million on disposal of fixed assets and reversal of provisioning of Rs.7.2 million against the classified accounts which was not available during the current year. Administrative expenses increased by Rs.3.962 million due to enhancement of Modaraba operating activities and infrastructure.

Asset base of the Modaraba increased to Rs.400 million from Rs.377 million. Liquidity generated through recovery and profitability was effectively deployed in writing fresh business with prudence while evaluating credit worthiness. Accordingly, Ijarah facilities of Rs.50 million, Morabaha facilities of Rs.13.8 million and Musharaka facilities of Rs.17.5 million were disbursed during the year.

The main challenge for the NBFIs and Modaraba Sector, including us, is the non-availability of funding for expansion of business and earnings. Operating within the limited band of the recovered cash resources, provides limited scope of enhancing the profit yields. This aspect is receiving focused attention of the regulators and market operators, but so far no immediate remedies could be seen. Therefore, maximizing the utilization of available resources is the only course, with further intensification of recovery of previously stuck up accounts.

Shariah Compliance Mechanism:

Securities and Exchange Commission of Pakistan (SECP) has recently issued Shariah Compliance and Shariah Audit Mechanism (SCSAM) guidelines for Modarabas, in compliance with the directives of Religious Board and in consultation with the NBFIs and Modaraba Association of Pakistan. It will ensure that the financial products or services being offered by Modarabas are in accordance with shariah principles. It is a pleasure to report that in compliance of the directives of SECP to ensure implementation of Shariah principals and meticulous compliance of SCSAM, your Modaraba has appointed Dr. Mohammad Zubair Usmani as Shariah Advisor and undertaken effective steps to ensure meticulous compliance of Shariah requirements.



Future Outlook:

Your management is continuously devoting its best efforts for achieving better results. We are confident that your Modaraba has all the potential and capabilities to maintain a steady progress,

Due to Modaraba's collateral coverage against the financial facilities, we expect to make significant recoveries from the stuck up accounts in the forthcoming period. The specific provisions made for non-performing accounts are in line with SECP Prudential Regulations.

Dividend distribution:

As noted in the foregoing para, fresh resources from financial sector are not available to NBFIs and Modaraba Sector, thereby limiting Modaraba's capacity to enhance its' profitability meaningfully. After declaring cash dividend for the past two years and the slow down of economic activity, the net earnings of the year under review do not justify any distribution as the process will be uneconomical for the Modaraba without providing any meaningful yield to the certificate holders. Your Board has therefore, decided to pass on the dividend payout this year. The cashflow thus retained and the intense efforts being made to supplement our cash resources through recoveries from stuck up clients will help in declaring a reasonable cash dividend next year.

Compliance under Code of Corporate Governance:

The financial statements prepared by the management of Trust Modaraba present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

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

Board Meetings:

Four meetings of the Board were held pertaining to Trust Modaraba, which were attended as follows:

		No. of Meetings Attended
Mr. Manzoor Hussain Shah Kazmi	Chairman	3
Mr. Bashir A. Chowdry	Chief Executive	4
Mr. Sohail Ansar	Director	2
Mr. Sheikh Arshad Farooq	Director	3
Mr. Mohammad Imranul Haq	Director	Nil
Dr. Namoos Baquar	Director	4
Mr. Syed. Shahnawaz A. Rizvi	Director	1 (on special invitation)

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 have established a system of sound internal controls, which is effectively implemented at all levels within the Modaraba.

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

Auditors:

As per recommendations of the Audit Committee, the Board has approved re-appointment of auditors M/s Yousuf Adil Saleem & Co. for the financial year ending June 30, 2013.

Pattern of Certificate holding:

Pattern of certificate holding as at 30th June 2012 is attached. No trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Value of the 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 latest accounts of the fund, the value of its' investments as at 30th June, 2012 works out to be Rs.2,213,745.

Change of Directors:

As a result of sad demise of Mr. Zafar Iqbal, Mr. Syed Shahnawaz A. Rizvi has been appointed as director on the Board of the Management Company.

The Board expresses its' deep appreciation for the valuable advice and services always rendered by (late) Mr. Zafar Iqbal.

Acknowledgements:

The Board wishes to place on record its appreciations for the support and guidance provided by the Registrar Modarabas and Securities and Exchange Commission of Pakistan. The Board also acknowledges the hard work and commitment of the executives and staff members. Finally, the Board extends its gratitude to the certificate-holders who remained committed to the Modaraba 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 8, 2012.



Key Operating & Financial Data for the Last Six Years

	(Rupees in Thousands)					
	2012	2011	2010	2009	2008	2007
Paid-up capital	298,000	298,000	298,000	298,000	273,000	273,000
Reserves	(17,352)	(14,611)	(18,418)	(40,971)	(29,437)	(18,315)
Net equity	280,647	283,389	279,581	257,028	243,562	254,685
Morabaha financing	144,354	143,282	157,215	138,459	168,929	228,026
Fixed Assets	14,834	14,062	14,120	13,236	11,555	12,064
Assets given on lease	358,318	309,023	285,320	1 90,803	126,445	132 ,589
Total assets	400,546	377,213	371,133	3 00,052	271,567	319 ,706

Income Statement

Income	84,029	73,690	59,304	47,497	22,082	29,775
Financial charges	-	-			1,586	7,165
Operating expenses	71,448	50,336	36,580	80,585	22,427	84,549
Profit/(Loss) before taxation	13,455	23,354	22,724	(33,087)	(1,932)	(61,938)
Profit/(Loss) after taxation	12,109	21,019	23,396	(33,087)	(1,671)	(64,925)
Earning/(Loss) per certificate	0.41	0.71	0.79	(1.11)	(0.06)	(2.38)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (COCG 2012) [SEE CLAUSE (XI)]

FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange (G) Ltd, Lahore Stock Exchange (G) Ltd and Islamabad Stock Exchange (G) Ltd 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 company has applied the principles contained in the COCG 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 Rivi
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 Arshad Farooq

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

2. All the directors of the Modaraba Company have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Modaraba Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on 19 March 2012 was filled up by the directors within 90 days.
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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

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. Orientation Course:

All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.

Directors' Training Programs:

The board has approved training of one director during the year ending 30th June 2013 to be conducted by Pakistan Institute of Corporate Governance.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made by the Board during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the COCG 2012 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 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 COCG 2012 with respect to the Modaraba.

15. The Board has formed an Audit Committee. It comprises of 3 members, of whom 3 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 for the review of interim and final results prior to the approval by the Board of Directors. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of 3 members, of whom 3 are non-executive directors and the chairman of the committee is also a Non Executive director.

18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.

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 exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material requirements of the COCG 2012 have been complied with.

Karachi
Date: October 8, 2012.



Basheer A. Chowdry
Chief Executive



Review Report to the Certificate Holders on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al-Zamin Modaraba Management (Private) Limited (the Modaraba Company) in respect of Trust Modaraba (the Modaraba) to comply with the relevant 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 of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report, if it does not. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

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

Further, Listing Regulation 35 requires the Modaraba to place before the Board of Directors of the Modaraba Company for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related part transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2012.

M.Yousaf Adil Saleem and Company
Chartered Accountants

Engagement Partner: Talat Javed

Lahore
Dated: October 8, 2012

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of Trust Modaraba as at June 30, 2012 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 Management Company's [Al-Zamin Modaraba Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Trust Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change as stated in note 2.3 of these financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Modaraba and deposited in Central Zakat Fund established under section 7 of the Ordinance.

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

The financial statements of the Modaraba for the year ended June 30, 2011 were audited by another firm of Chartered Accountants whose report dated October 07, 2011 expressed an unqualified opinion thereon.

M.Yousaf Adil Saleem and Company
Chartered Accountants

Engagement Partner: Talat Javed

Lahore
Date: October 8, 2012

Balance Sheet

As at June 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Current assets			
Cash and bank balances	5	24,538,761	16,776,927
Short term investments	6	2,106,540	2,316,755
Advances, deposits, prepayments and other receivables	7	7,023,100	7,619,320
Short term murabaha finances	8	94,053,516	92,965,736
Current portion of long term murabaha finances	9	44,084,028	44,081,352
Ijarah rental receivables	10	16,068,334	12,729,251
Short term diminishing musharakah finances	11	10,900,000	5,000,000
Current portion of long term diminishing musharakah finances		919,027	-
Accrued profit	12	3,409,529	1,827,015
Tax refunds due from Government		946,780	652,352
Stock in trade	13	177,603	6,100,000
Total current assets		204,227,218	190,068,708
Assets classified as held for sale	14	1,890,526	1,890,526
Non-current assets			
Long term murabaha finances	9	6,216,554	6,234,440
Long term diminishing musharakah finances		286,976	-
Long term deposits	15	1,184,362	573,862
Long term investments	16	9,981,573	11,523,268
Fixed assets	17	176,759,545	166,923,076
Total non-current assets		194,429,010	185,254,646
Total Assets		400,546,754	377,213,880
LIABILITIES			
Current liabilities			
Current portion of customers' security deposits	18	33,758,135	2,995,604
Creditors, accrued and other liabilities	19	24,774,593	24,056,177
Total current liabilities		58,532,728	27,051,781
Non-current liabilities			
Deferred income on murabaha	19.1	762,406	573,049
Customers' security deposits	18	60,603,882	66,200,049
Total liabilities		119,899,016	93,824,879
NET ASSETS		280,647,738	283,389,001
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital	20	298,000,000	298,000,000
Reserves	21	(17,352,262)	(14,610,999)
		280,647,738	283,389,001
CONTINGENCIES AND COMMITMENTS			
	22	3,913,862	2,204,334

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



Chief Executive



Director



Director

Profit and Loss Account

For the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
Income from leasing (Ijarah) operations	23	68,969,548	57,220,077
Profit on murabaha finances	24	11,100,587	12,204,147
Profit on musharakah finances		1,800,510	164,057
Dividend income on equity investments		73,245	376,211
Profit on long term investment - available-for-sale		1,226,678	1,358,205
Profit on short term investment		-	253,737
Profit on sale of short term investments - held-for-trading		37,646	540,304
Profit on sale of long term investments - available-for-sale		262,755	201,781
Trading (loss)/income	25	(740,038)	233,544
Other income	26	2,241,198	1,138,307
		84,972,129	73,690,370
Reversal of provision against non performing murabaha finances-net	27	2,125,986	7,215,544
Impairment on available-for-sale investments		(68,800)	-
		87,029,315	80,905,914
Depreciation on fixed assets given on lease/ijarah	17	56,169,868	43,723,274
Administrative expenses	28	17,067,032	13,702,848
Other charges	29	337,111	124,838
		(73,574,011)	(57,550,960)
		13,455,304	23,354,954
Modaraba management company's fee		(1,345,530)	(2,335,495)
Profit before taxation		12,109,774	21,019,459
Taxation	30	-	-
Profit after taxation		12,109,774	21,019,459
Earnings per certificate - basic and diluted	31	0.41	0.71

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



Chief Executive



Director



Director



Statement of Comprehensive Income

For the year ended June 30, 2012

	2012 Rupees	2011 Rupees
Profit for the year	12,109,774	21,019,459
Other comprehensive Income		
Net unrealized Gain/(loss) on available-for-sale investments	48,962	(2,312,284)
Total comprehensive income for the year	12,158,736	18,707,175

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

Chief Executive

Director

Director

Cash Flow Statement

For the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		12,109,774	21,019,459
Add / (less) adjustment for :			
Depreciation	17.1&17.2	56,887,013	44,313,473
Reversal against non performing murabaha finances - net	27	(2,125,986)	(7,215,544)
Impairment of investments		-	-
(Gain)/Loss on disposal of fixed assets	17.3.1	(878,975)	(4,499,366)
Dividend income		(73,245)	(376,211)
		<u>53,808,807</u>	<u>32,222,352</u>
Cash from operating activities before changes in working capital		65,918,581	53,241,811
Changes in working capital			
(Increase) / decrease in current assets:			
Short term investments		(1,372,299)	4,180,835
Advances, deposits, prepayments and other receivables		596,220	(5,580,422)
Short term murabaha finance		1,035,531	14,013,112
Long term murabaha finance		17,886	7,136,184
Ijarah rental receivables		(3,339,083)	3,258,556
Short term diminishing musharakah finances		(6,819,027)	(5,000,000)
Long term diminishing musharakah finances		(286,976)	-
Trade debts		-	2,804,055
Stock in trade		5,922,397	(5,109,561)
		<u>(4,245,351)</u>	<u>15,702,759</u>
Increase / (decrease) in current liabilities:			
Creditors, accrued and other liabilities		907,773	(7,196)
Customers' security deposits		25,166,364	2,279,995
		<u>26,074,137</u>	<u>2,272,799</u>
Cash from operating activities		87,747,367	71,217,369
Taxes paid		(294,428)	(388,906)
Profit received on short term investments		-	253,737
Dividend paid		(14,900,000)	(14,900,000)
Net cash from operating activities		<u>72,552,939</u>	<u>56,182,200</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure (including assets given on ijarah)	17.1&17.2	(85,867,474)	(81,762,537)
Sale proceeds of fixed assets (including assets given on ijarah)	17.3.1	20,022,967	36,322,360
Sale/(Purchase) of Investments - net		1,590,657	(2,476,285)
Long term deposits paid during the year		(610,500)	(179,000)
Dividend received		73,245	376,211
Net cash used in investing activities		<u>(64,791,105)</u>	<u>(47,719,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Net increase in the cash and cash equivalents		7,761,834	8,462,949
Cash and cash equivalents at the beginning of year		16,776,927	8,313,978
Cash and cash equivalents at the end of year		<u>24,538,761</u>	<u>16,776,927</u>

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



Chief Executive



Director



Director

Statement of Changes in Equity

For the year ended June 30, 2012

	Certificate capital	Statutory reserve	Revenue Reserves		Total Reserves	Total Equity
			Unrealized gain/(loss) on revaluation of investments	Accumulated loss		
Balance as at 30 June 2010	298,000,000	49,851,774	(319,550)	(67,950,399)	(18,418,175)	279,581,825
Dividend paid	-	-	-	(14,900,000)	(14,900,000)	(14,900,000)
Total comprehensive income for the year	-	-	(2,312,284)	21,019,459	18,707,176	18,707,176
Transfer to statutory reserve at 25%	-	5,254,865	-	(5,254,865)	-	-
Balance as at 30 June 2011	298,000,000	55,106,639	(2,631,834)	(67,085,805)	(14,610,999)	283,389,001
Dividend paid	-	-	-	(14,900,000)	(14,900,000)	(14,900,000)
Total comprehensive income for the year	-	-	48,962	12,109,774	12,158,737	12,158,737
Transfer to statutory reserve at 50%	-	6,054,887	-	(6,054,887)	-	-
Balance as at 30 June 2012	298,000,000	61,161,526	(2,582,872)	(75,930,918)	(17,352,262)	280,647,738

Rupees

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



Chief Executive



Director



Director

Notes to the Financial Statements

For the year ended June 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

The SECP has issued directive (Vide SRO 431 (I)/2007 dated 22 May 2007) that Islamic Financial Accounting Standard 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 Islamic Financial Accounting Standard 2.

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

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

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

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

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

Improvements to various standards issued by IASB Issued in 2009
 IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations
 IFRS 8 – Operating Segments
 IAS 1 – Presentation of Financial Statements
 IAS 7 – Statement of Cash flows Presentation of Financial Statements
 IAS 17 – Leases
 IAS 36 – Impairment of Assets
 IAS 39 – Financial Instruments : Recognition and Measurement
 Issued in April 2010
 IFRS 3 – Business Combinations
 IAS 27 – Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

Standard

IFRS 1- First Time Adoption of International Financial Reporting Standards

IFRS 9 – Financial Instruments

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IFRS 27- (Revised 2011)-Separate Financial Statements due to non-adoption of IFRS-10 and IFRS-11

IAS-28 (Revised 2011)- Investment in associate and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

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

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

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

4.6 Diminishing Musharakah Financing

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

4.7 Tangible fixed assets

4.7.1 Operating fixed assets in own use and depreciation

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

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

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

4.7.2 Assets given to customers on lease and depreciation

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

4.7.3 Assets given to customers under ijarah agreements

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

4.7.4 Impairment

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

4.8 Non-current assets held for sale

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

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

4.9 Trade debts

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

4.10 Inventories

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

4.11 Ijarah Assets

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

4.12 Revenue recognition

4.12.1 Murabaha profit

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

4.12.2 Diminishing Musharakah profit

Profit on Diminishing Musharakah financings are recognised on accrual basis.

4.12.3 Lease rentals

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

4.12.4 Ijarah rentals

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

4.12.5 Dividend income

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

4.12.6 Capital gain or loss

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

4.13 Taxation

Current:

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

Deferred:

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

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

4.14 Financial instruments

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

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

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

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

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

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

4.15 Retirement and termination benefits

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

4.16 Dividend

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

	Note	2012 Rupees	2011 Rupees
5. CASH AND BANK BALANCES			
Cash in hand		67,417	8,714
Balances with bank in:			
Current accounts		5,601,870	16,752,583
Deposit accounts	5.1	-	15,630
Saving accounts		18,869,474	-
		<u>24,471,344</u>	<u>16,768,213</u>
		<u>24,538,761</u>	<u>16,776,927</u>

5.1 These carry profit at the rate of NIL (2011:5%) per annum.

6. SHORT TERM INVESTMENTS

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

Shares of listed companies - at cost	6.1	3,146,090	3,393,190
Less: Unrealized loss on revaluation of held-for-trading investments		1,039,550	1,076,435
	6.1	<u>2,106,540</u>	<u>2,316,755</u>

	2012		2011	
	Average cost	Market value	Average cost	Market value
	Rupees		Rupees	
6.1 Shares of listed companies				
Descon Oxychem Limited	125,323	64,020	125,323	100,980
16,500 (2011: 16,500) ordinary shares of Rupees 10 each fully paid				
Azgard Nine Limited	379,733	160,000	379,733	139,000
25,000 (2011: 25,000) ordinary shares of Rupees 10 each fully paid				
Pakistan International Airlines	315,059	225,944	315,059	222,863
102,702 (2011: 102,702) ordinary shares of Rupees 10 each fully paid				

	2012		2011	
	Average cost	Market value	Average cost	Market value
	Rupees		Rupees	
Kohinoor Textile Mills Limited 191,063 (2011: 191,063) ordinary shares of Rupees 10 each fully paid	1,261,547	796,733	1,261,547	716,486
Pakistan State Oil Company Limited 1,000 (2011: 1,000) ordinary shares of Rupees 10 each fully paid	313,549	235,840	313,549	266,690
Fauji Cement Company Limited 25,000 (2011: 25,000) ordinary shares of Rupees 10 each fully paid	168,120	140,750	168,120	103,750
Engro Polymer & Chemicals Limited 5,000 (2011: 5,000) ordinary shares of Rupees 10 each fully paid	72,290	49,250	72,290	51,850
Engro Chemicals Ltd 2,340 (2011: 1,800) ordinary shares of Rupees 10 each fully paid	318,512	238,306	318,512	292,986
Mari Gas Company Ltd 1,250 (2011: 1,000) ordinary shares of Rupees 10 each fully paid	120,039	117,263	120,219	106,770
Nishat Chunian Limited 4,500 (2011: 20,000) ordinary shares of Rupees 10 each fully paid	71,918	78,434	318,838	315,380
	<u>3,146,090</u>	<u>2,106,540</u>	<u>3,393,190</u>	<u>2,316,755</u>
		Note	2012 Rupees	2011 Rupees

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees against salary - considered good		238,442	157,000
Security deposits		4,500	4,500
Prepayments		704,290	767,008
Due from brokers against sale of shares		10,214	10,184
Receivable from Trust Management Services (Pvt) Ltd	7.1	1,490,418	7,984,319
Provision for doubtful receivables		(1,490,418)	(3,566,098)
		-	4,418,221
Legal suits charges receivable	7.2	2,335,856	2,449,648
Provision for doubtful receivables		(1,485,346)	(1,769,148)
		850,510	680,500
Late payment charges receivable		3,192,155	3,223,033
Less: Suspended income		(3,192,155)	(3,223,033)
		-	-

	Note	2012 Rupees	2011 Rupees
Sundry receivables	7.3	5,506,996	1,873,759
Provision for doubtful receivables		(291,852)	(291,852)
		<u>5,215,144</u>	<u>1,581,907</u>
		<u>7,023,100</u>	<u>7,619,320</u>
7.1	This represents advance given to ex-management company against its management fee and expenses paid on behalf of ex-management company. During the year, the Modaraba has recovered an amount of Rs. 1,381,846 and Rs. 5,112,055 through settlement of dividend distributed on modaraba's certificates and modaraba certificates respectively previously held in the name of ex-management company vide court order BCL/11/2002/1833.		
7.2	Legal suits charges receivable		
Opening balance		2,449,648	2,938,534
Addition during the year		170,010	293,000
Reversal due to recovery		-	(781,886)
Write off during the year		(283,802)	-
		<u>2,335,856</u>	<u>2,449,648</u>
7.3	Sundry receivables includes an amount of Rs. 3,882,033 receivable from Eiman Cold Storage against the sale of stock in trade.		
8.	SHORT TERM MURABAHA FINANCES - Secured		
Considered good		53,196,073	47,840,026
Considered doubtful			
- Regular parties		-	68,899
- Parties under litigation	8.2	83,508,743	113,170,890
- Recovery during the year		(4,130,469)	-
- Written off		(8,919,531)	(29,662,147)
		<u>70,458,743</u>	<u>83,508,743</u>
		70,458,743	83,577,642
Provision for classified receivables under Prudential Regulations for Modarabas	8.3	(29,601,300)	(38,451,932)
		<u>94,053,516</u>	<u>92,965,736</u>
8.1	The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation/pledge of stocks, shares of listed public limited companies, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.		
8.2	Rs. 64.508 million (2011: Rs. 109.12 million) is receivable from 9 (2011: 16) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 9 (2011: 15) cases for recovery of Rs.91.047 million (2011: Rs. 118.017 million), while execution petitions for these cases are pending. Settlement / compromise agreements have been made with two parties during the year ended 30 June 2012.		
8.3	Provision for classified receivables under Prudential Regulations		
Opening balance		38,451,932	69,529,557
Provision for the year	8.3.1	68,899	1,325,132
Reversal due to recovery		-	(2,740,610)
Written off		(8,919,531)	(29,662,147)
		<u>29,601,300</u>	<u>38,451,932</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.

	Note	2012 Rupees	2011 Rupees
9. LONG TERM MURABAHA FINANCES - Secured			
Considered good		18,300,582	18,265,160
Considered doubtful	9.2	40,000,000	40,050,632
		<u>58,300,582</u>	<u>58,315,792</u>
Current portion grouped under current assets	9.3	(52,084,028)	(52,081,352)
		<u>6,216,554</u>	<u>6,234,440</u>
9.1			
The Modaraba has sold goods under murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation/pledge of stocks, shares of listed public limited companies, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.			
9.2			
It includes Rs. 40 million (2011: Rs. 40 million) receivable from 1 (2011: 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 favour of Modaraba in this case for recovery of Rs. 50.035 million (2011: Rs. 50.035 million).			
9.3			
Current portion of long term murabaha finances			
- Installments overdue		40,000,000	40,050,632
- Installments receivable within next 12 months		12,084,028	12,030,720
		<u>52,084,028</u>	<u>52,081,352</u>
Provision for classified receivables under Prudential Regulations for Modarabas	9.3.1	(8,000,000)	(8,000,000)
		<u>44,084,028</u>	<u>44,081,352</u>
9.3.1			
Provision is adjusted for any amount of liquid assets realizable without recourse to a court of law and the forced sale value of mortgaged/pledged securities as valued by professional valuers.			
10. IJARAH RENTAL RECEIVABLES - secured			
Ijarah rentals receivables	10.1	38,004,071	37,621,089
Written off		(52,976)	(4,332,030)
		<u>37,951,095</u>	<u>33,289,059</u>
Suspended ijarah income - considered doubtful	10.2	(18,924,578)	(17,601,625)
Provision for doubtful Ijarah rental receivables	10.3	(2,958,183)	(2,958,183)
		<u>16,068,334</u>	<u>12,729,251</u>
10.1			
It includes receivable from a customer amounting to Rs.7,250,040 (2011: Rs.7,250,040) against which the Modaraba has a claim due from a financial institution in respect of prorata share of the sale proceed of jointly attached two properties sold by the said financial institution under the Court orders.			
10.2			
The movement in suspense account against lease rental receivable is given below:			
Opening balance		17,601,625	22,424,387
Recovery during the year		-	(4,822,762)
Suspension made during the year		1,322,953	-
		<u>18,924,578</u>	<u>17,601,625</u>

	Note	2012 Rupees	2011 Rupees
10.3			
Provision for doubtful ijarah rental receivables:			
Opening balance		2,958,183	7,290,213
Recovery during the year		-	-
Written off		-	(4,332,030)
		<u>2,958,183</u>	<u>2,958,183</u>
11. SHORT TERM DIMINISHING MUSHARAKA FINANCES			
This is secured against land of musharaka's participant and is considered good by the management of the Modaraba.			
12. ACCRUED PROFIT			
Profit receivable on long term investment		2,312,940	1,273,762
Profit receivable on diminishing musharakah finances		697,262	164,057
Profit on murabaha finances		8,178,312	9,524,245
Suspended income	12.1	(7,778,985)	(9,135,049)
		<u>399,327</u>	<u>389,196</u>
		<u>3,409,529</u>	<u>1,827,015</u>
12.1			
Suspended income account against murabaha profit receivable is as follows:			
Opening balance		9,135,049	9,548,899
For the year		839,508	-
Recovery during the year		(135,616)	(413,850)
Written off		(2,059,956)	-
		<u>7,778,985</u>	<u>9,135,049</u>
13. STOCK IN TRADE			
This represents goods purchased for trading purpose.			
14. ASSETS CLASSIFIED AS HELD FOR SALE			
This represents property acquired in satisfaction of the Modaraba's claim through court decree. The management intends to sell such land in near future through negotiation mode of selling. For this purpose management has sold land through an agreement while possession of such land is in legal process.			
15. LONG TERM DEPOSITS			
Central Depository Company		154,862	154,862
Others		1,029,500	419,000
		<u>1,184,362</u>	<u>573,862</u>
16. LONG TERM INVESTMENTS			
Available for sale			
Equity securities - listed	16.1	8,208,643	9,580,612
Certificates of Mutual Funds - listed	16.2	528,702	715,117
Sukuk certificates - listed	16.3	8,719,250	9,063,000
Total investment at cost		17,456,595	19,358,729
Provision for diminution in value of investments (impairment)	16.4	(6,160,512)	(6,471,988)
		<u>11,296,083</u>	<u>12,886,741</u>
Add : Unrealized loss on revaluation of investments		(1,314,510)	(1,363,473)
Net investments at fair value		<u>9,981,573</u>	<u>11,523,268</u>

		2012		2011	
		Average cost	Market value	Average cost	Market value
16.1	Equity Securities - listed	Rupees			
	Amin Spinning Mills Limited 400 (2011: 400) ordinary shares of Rupees 10 each fully paid	7,516	1,168	7,516	1,200
	Dewan Salman Fibres Limited 14,499 (2011: 14,500) ordinary shares of Rupees 10 each fully paid	400,968	23,778	400,996	30,015
	Kohinoor Textile Mills Limited 17,209 (2011: 17,209) ordinary shares of Rupees 10 each fully paid	573,672	71,762	573,672	64,534
	Fauji Cement Company Limited 79,900 (2011: 79,900) ordinary shares of Rupees 10 each fully paid	1,606,713	449,837	1,606,713	331,585
	Pakistan Telecommunication Company Limited 105,000 (2011: 130,000) ordinary shares of Rupees 10 each fully paid	2,142,320	1,437,450	2,652,397	1,857,700
	Pakistan International Airlines Corporation Limited 'A' 107,298 (2011: 107,298) ordinary shares of Rupees 10 each fully paid	1,844,467	236,056	1,844,467	232,837
	Descon Oxychem Limited 1,500 (2011: 1,500) ordinary shares of Rupees 10 each fully paid	13,737	5,820	13,737	9,180
	Engro Polymer & Chemicals Limited 25,000 (2011: 25,000) ordinary shares of Rupees 10 each fully paid	575,150	246,250	575,150	259,250
	D.G.Khan Cement Company Limited Nil (2011: 30,100) ordinary shares of Rupees 10 each fully paid	-	-	861,864	693,504
	Mari Gas Company Limited 1,250 (2011: 1,000) ordinary shares of Rupees 10 each fully paid	166,396	117,263	166,396	106,770
	Azgard Nine Limited 30,000 (2011: 30,000) ordinary shares of Rupees 10 each fully paid	877,704	192,000	877,704	166,800
		8,208,643	2,781,384	9,580,612	3,753,375

		2012		2011	
		Average cost	Market value	Average cost	Market value
16.2	Certificates of Mutual Funds				
	Investec Mutual Fund	528,702	4,845	528,702	4,845
	28,500 (2011: 28,500) certificates of Rupees 10 each				
	PICIC Investment Fund	-	-	186,415	65,525
	Nil (2011: 11,220) certificates of Rupees 10 each				
		<u>528,702</u>	<u>4,845</u>	<u>715,117</u>	<u>70,370</u>

16.3 This represents 2,000 (2011: 2,000) BRR Guardian Modaraba certificates having face value Rs. 10 million carrying profit at one month KIBOR (2011: six months KIBOR plus 130 basis points). These will mature in December 2016 and are secured against joint ownership of musharaka assets. The fair value of each certificate as on 30 June is Rs. 3,750 (2011: Rs. 3,750).

16.4 Particulars of provision for diminution in value of investments (impairment)

	2012 Rupees	2011 Rupees
Opening balance	6,471,988	6,142,263
Reversal of impairment on disposal of available-for-sale investments	(380,278)	(938,637)
Impairment for the year	68,802	-
Unrealized loss on revaluation	-	1,268,362
Closing balance	<u>6,160,512</u>	<u>6,471,988</u>

17.2 Operating fixed assets in own use - tangible

PARTICULARS	BALANCE AS AT 01 JULY 2011				FOR THE YEAR			BALANCE AS AT 30 JUNE 2012		
	Cost	Accumulated depreciation	Net book value	Additions	Disposal cost / (accumulated depreciation)	Depreciation	Cost	Accumulated depreciation	Net book Value	RATE %
OWNED										
Land	11,106,200	-	11,106,200	-	-	-	11,106,200	-	11,106,200	-
Furniture & fixtures	1,337,605	514,309	823,296	104,800	-	109,251	1,442,405	623,560	818,845	10
Office equipments	1,438,103	881,976	556,127	171,710	-	76,401	1,609,813	958,377	651,436	10
Vehicles	1,572,990	711,023	861,967	42,605	-	314,700	1,615,595	1,025,723	589,872	20
Lease hold improvements	407,261	87,972	319,289	292,739	-	138,090	700,000	226,062	473,938	20
Books	16,423	16,423	-	-	-	-	16,423	16,423	-	20
Electrical equipments	571,788	176,414	395,374	127,920	-	57,870	699,708	234,284	465,424	10
Computer software				750,000		20,833	750,000	20,833	729,167	33.33
	<u>16,450,370</u>	<u>2,388,117</u>	<u>14,062,253</u>	<u>1,489,774</u>	<u>-</u>	<u>717,145</u>	<u>17,940,144</u>	<u>3,105,262</u>	<u>14,834,882</u>	

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

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

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

17.3 Disposal of operating fixed assets

17.3.1 Disposal of assets given on lease (Ijarah)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
HYUNDAI SHEHZORE	839,000	545,352	293,648	293,650	2	Term of lease agreement	OJALA KHURD ROAD OJALA KALAN
HONDA CITY	540,201	451,604	88,597	88,600	3	Term of lease agreement	B-116 Sindh Baloch Society, Block-12, Gulistan-e-Johar, Karachi
HYUNDAI SHEHZORE	1,090,000	817,490	272,510	272,500	(10)	Term of lease agreement	Chak no: 50/5-L, District Sahiwal
HONDA CITY	840,000	756,000	84,000	84,000	-	Term of lease agreement	House No: 216, Block-2, Sector C-1, Township, Lahore
HONDA CIVIC	1,872,000	795,600	1,076,400	1,234,479	158,079	Term of lease agreement	53-L, Gulberg-III, Lahore
SUZUKI MEHRAN	424,000	72,827	351,173	369,554	18,381	Term of lease agreement	House No: 14, Block-D, Shad Bagh, Lahore
TOYOTA COROLLA GLI	1,462,000	243,664	1,218,336	1,284,957	66,621	Term of lease agreement	House No. 251, Askari Homes-II, Gujranwala Cantonment, Gujranwala.
MERCEDES BENZ	3,800,000	750,000	3,050,000	3,241,667	191,667	Term of lease agreement	4-C Heights, 36-Commercial Street, Tauheed Commercial Area, DHA, Phase-IV, Karachi.
HONDA CITY	1,323,000	239,640	1,083,360	1,138,982	55,622	Term of lease agreement	House No: 414, Street No: 13-5, Shah Jamal Colony, Lahore
DYL JUNOON	70,500	49,344	21,156	22,800	1,644	Term of lease agreement	House No: 299, Block-2, Township, Lahore
TOYOTA COROLLA XLI	950,000	522,504	427,496	427,500	4	Term of lease agreement	331-Satellite Town, Gujranwala
TOYOTA ALTIS	1,390,955	1,215,968	174,987	175,000	13	Term of lease agreement	B-116 Sindh Baloch Society, Block-12, Gulistan-e-Johar, Karachi
TOYOTA COROLLA XLI	1,289,000	408,177	880,823	976,979	96,156	Term of lease agreement	House No. 274, Street No. 4, Rahwali, Gujranwala.
LAPTOP COMPUTER	35,000	7,338	27,662	28,362	700	Term of lease agreement	House No. 2610 Pakpattan Road Haveli Lakh.
SUZUKI CULTUS	845,000	281,660	563,340	646,724	83,384	Term of lease agreement	Chak No. 465 DNB, Post Office Bangla Shahiwal, Tehsil Yazman, District Bahawalpur.
SUZUKI CULTUS AQF-195	419,544	360,543	59,001	59,000	(1)	Term of lease agreement	House No: F-40/2, Moti Masjid, Block-5, Clifton, Karachi
SUZUKI CULTUS APF-537	419,544	360,543	59,001	59,000	(1)	Term of lease agreement	House No: A-46, Gulshan-e-Iqbal, Block-18, Karachi.
DAIHATSU CUORE	415,000	276,000	139,000	139,000	-	Term of lease agreement	233-A, New Muslim Town, Lahore
SUZUKI CULTUS	918,500	97,317	821,183	853,092	31,909	Term of lease agreement	Alahabad, Mohallah Raheempura, Wazirabad
TOYOTA PREMIO	2,500,000	222,220	2,277,780	2,305,362	27,582	Insurance claim	EFU House, M.A. Jinnah Road, Karachi
SUZUKI MEHRAN	539,000	185,086	353,914	353,900	(14)	Term of lease agreement	15-Aurangzeb Block, New Garden Town, Lahore
HYUNDAI SHEHZORE	839,000	755,100	83,900	83,900	-	Term of lease agreement	197 Rawi Block Allama Iqbal Lahore.
TOYOTA ALTIS	1,899,000	900,000	999,000	999,000	-	Term of lease agreement	House No: 34-A-3, Johar Town, Lahore
SUZUKI CULTUS	937,455	814,272	123,183	123,179	(4)	Term of lease agreement	53-L, Gulberg-III, Lahore
SUZUKI ALTO	667,000	533,592	133,408	133,400	(8)	Term of lease agreement	Adda Baigowala Tehsil Daska District Sialkot.
SUZUKI CULTUS	897,000	448,512	448,488	506,426	57,938	Term of lease agreement	Chak No: 123 JB, Sadhupura, Post Office Khas, Tehsil Faisalabad City, District Faisalabad
POWER GENERATOR FG WILSON	1,500,000	291,670	1,208,330	1,254,610	46,280	Term of lease agreement	15-Aurangzeb Block, New Garden Town, Lahore
TOYOTA COROLLA XLI	1,335,000	266,994	1,068,006	1,111,040	43,034	Term of lease agreement	House No: 312/2, Padre D'Souza Road, Garden East, Karachi
DEEP FREEZER	33,000	28,992	4,008	4,000	(8)	Term of lease agreement	Fiat No: N-305, Haroon Royal City, Gulistan-e-Johar, Karachi
SUZUKI BOLAN	460,000	359,997	100,003	100,000	(3)	Term of lease agreement	House No: 688 Street No. 2, A-2, Quaid-e-Millat Colony, New Jail Road, Lahore
TOYOTA COROLLA XLI	550,000	297,700	252,300	252,304	4	Term of lease agreement	Hameedpura Khurd, Tehsil Kamonke, District Gujranwala
SUZUKI RAVI & SUZUKI BOLAN	1,155,000	462,000	693,000	693,000	-	Term of lease agreement	Old Narowal Road, Shahadra Town, Lahore
2-TOYOTA COROLLA GLI	2,828,000	2,121,001	706,999	707,000	1	Term of lease agreement	100-Abu Baker Block, New Garden Town, Lahore
	35,082,699	15,938,707	19,143,992	20,022,967	878,975		

	Note	2012 Rupees	2011 Rupees
18. CUSTOMERS' SECURITY DEPOSITS			
Opening balance		69,195,653	66,915,658
Received during the year		36,620,697	28,068,299
Adjusted during the year		(11,454,333)	(25,788,304)
Closing balance		94,362,017	69,195,653
Less: Current portion shown as current liabilities		33,758,135	2,995,604
		<u>60,603,882</u>	<u>66,200,049</u>
18.1	These represent the customers' deposits to secure the lease finances given to customers.		
19. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Accrued expenses		-	361,644
Management fee payable		1,345,530	2,335,495
Deferred income on murabaha	19.1	5,667,324	5,399,062
Deferred income on ijarah		-	657,391
Security deposit against sale of property		2,030,000	2,000,000
Unclaimed dividends		9,878,675	9,093,920
Payable against vehicles given on Ijarah		-	3,972,850
Other liabilities		5,853,064	235,815
		<u>24,774,593</u>	<u>24,056,177</u>
19.1 Deferred income on murabaha			
Opening balance		5,972,111	9,350,552
Total income for the year		12,039,452	9,851,887
Recognized during the year		(11,581,833)	(13,230,328)
		6,429,730	5,972,111
Less: Long term portion shown as non-current liabilities		762,406	573,049
		<u>5,667,324</u>	<u>5,399,062</u>
20. CERTIFICATE CAPITAL			
Authorized Capital			
50,000,000 (2009: 50,000,000) Modaraba Certificates of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
12,238,612 (2011: 15,000,000) Modaraba Certificates of Rs.10/- each fully paid-up in cash		122,386,120	150,000,000
12,300,000 (2011: 12,300,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates		123,000,000	123,000,000
5,261,388 (2011: 2,500,000) Modaraba Certificates of Rs.10/- each issued as fully paid as a result of take over	20.1	52,613,880	25,000,000
		<u>298,000,000</u>	<u>298,000,000</u>
20.1	Al-Zamin Modaraba Management (Private) Limited held 5,261,388 (2011: 2,500,000) modaraba certificates as required by the SECP vide Order No. SC/M/RW/Trust/2009-43.		

	Note	2012 Rupees	2011 Rupees
21 RESERVES			
Statutory reserve	21.1	61,161,526	60,361,504
Revenue reserves:			
Unrealized (loss) on revaluation of investments		(2,582,872)	(2,631,834)
Accumulated loss		(75,930,916)	(72,340,670)
		<u>(78,513,788)</u>	<u>(74,972,504)</u>
		<u>(17,352,262)</u>	<u>(14,611,000)</u>
21.1	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.		
22. CONTINGENCIES AND COMMITMENTS			
	There were no contingencies outstanding as at 30 June 2012. Commitments in respect of unavailed murabaha facilities as on balance sheet date were Rs. Nil (2011: Rs. Nil), while commitments in respect of ijarah facilities are as follows:		
-	Ijarah commitments		
	The Modaraba has entered into ijarah arrangement for vehicle. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.		
	Future Ijarah payments due under these arrangements, as at 30 June are as follows:		
	Within one year	1,466,868	489,852
	After one year but not more than five years	2,446,994	1,714,482
		<u>3,913,862</u>	<u>2,204,334</u>
23. INCOME FROM LEASING (IJARAH) OPERATIONS			
Income from leasing and Ijarah operations		70,345,476	52,397,315
Suspended income during the year		(1,375,928)	-
Receipts against suspended income		-	4,822,762
		<u>68,969,548</u>	<u>57,220,077</u>
24. PROFIT ON MURABAHA FINANCES			
Profit on Murabaha finance		11,934,834	11,790,297
Suspended income during the year		(834,247)	-
Receipts against suspended income		-	413,850
		<u>11,100,587</u>	<u>12,204,147</u>

	Note	2012 Rupees	2011 Rupees
25. TRADING INCOME			
Sale		5,282,359	1,252,620
Cost of sales		(6,022,397)	(1,019,076)
		<u>(740,038)</u>	<u>233,544</u>
26. OTHER INCOME			
Processing, documentation, other fees and charges		75,000	324,500
Miscellaneous income	26.1	2,166,198	813,807
		<u>2,241,198</u>	<u>1,138,307</u>
26.1	Miscellaneous income includes excess insurance transferred and late payment charges etc.		
27. REVERSAL/ (EXCESS) OF PROVISION AGAINST NON PERFORMING MURABAHA FINANCES AND OTHER RECEIVABLE - Net			
Short term Murabaha finance		(64,325)	2,740,610
Long term Murabaha finance		114,631	4,474,934
Other receivable		2,075,680	-
		<u>2,125,986</u>	<u>7,215,544</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	28.1	7,475,331	6,250,602
Legal and professional charges		193,895	226,845
Fees and subscription		764,162	575,762
Electricity, gas and water		888,373	680,860
Telephone, postage and courier		576,835	501,455
Advertisement		122,850	36,400
Printing and stationery		489,964	416,881
Traveling and conveyance		280,149	342,388
Entertainment		395,728	225,674
Insurance		128,760	115,303
Vehicle running		1,517,681	1,134,504
Auditors' remuneration	28.2	320,000	350,000
Repairs and maintenance		1,640,911	1,192,124
Registrar's services		78,995	66,124
Depreciation on own assets	17.2	717,145	590,199
Bank charges and commission		68,626	90,755
Miscellaneous		784,269	906,972
Freight and other expense		623,358	-
		<u>17,067,032</u>	<u>13,702,848</u>

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

		2012		
		Executives	Others	Total
	Basic salary	2,084,772	2,051,349	4,136,121
	House rent	928,148	865,596	1,793,744
	Utilities	442,309	154,970	597,279
	Other benefits	486,933	461,254	948,187
		3,942,162	3,533,169	7,475,331
	Number of persons	3		

		2011		
		Executives	Others	Total
	Basic salary	1,527,872	2,055,831	3,583,703
	House rent	687,544	894,112	1,581,656
	Utilities	72,992	352,340	425,332
	Other benefits	306,387	353,524	659,911
		2,594,795	3,655,807	6,250,602
	Number of persons	2		

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

28.1.2 It includes an amount of Rs. 208,477 (2011: Rs. 152,787) against the provident fund contribution.

		Note	2012 Rupees	2011 Rupees
28.2	Auditors' remuneration			
	Annual	28.2.1	220,000	250,000
	Half yearly		50,000	50,000
	Out of pocket expenses		50,000	50,000
			320,000	350,000

28.2.1 It includes an amount of Rs. 20,000 for audit fee of provident fund.

29. OTHER CHARGES

	Reversal of provision against doubtful receivables	29.1	(11,150)	(781,886)
	Lease rental expense - vehicle		1,221,520	325,186
	(Gain)/loss on disposal of fixed assets		(878,975)	323,396
	Unrealized loss on revaluation of held-for-trading investments		5,716	258,142
			337,111	124,838

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

	Note	2012 Rupees	2011 Rupees
30. TAXATION			
Current:			
For the year		-	-
Prior year		-	-
Deferred tax		-	-
		-	-

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

31. EARNINGS PER CERTIFICATE - BASIC & DILUTED

Profit for the year	Rupees	<u>12,109,774</u>	<u>21,019,459</u>
Weighted average number of certificates	Number	<u>29,800,000</u>	<u>29,800,000</u>
Earnings per certificate	Rupees	<u>0.41</u>	<u>0.71</u>

32. 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	<u>46,453,977</u>	<u>52,213,083</u>
Receivable later than one year but not later than 5 years	<u>34,943,845</u>	<u>56,526,473</u>
	<u>81,397,822</u>	<u>108,739,556</u>

33. MATURITIES OF ASSETS AND LIABILITIES

Total	2012		
	Up to one year	Over one to five years	Over five years
..... Rupees			

Assets:

Cash and bank balances	24,538,761	24,538,761	-	-
Short term investments	2,106,540	2,106,540	-	-
Advances, deposits, prepayments and other receivables	7,023,100	7,023,100	-	-
Short term murabaha finances	94,053,516	94,053,516	-	-
Current portion of long term murabaha finances	44,084,028	44,084,028	-	-
Ijarah rental receivables	16,068,334	16,068,334	-	-
Short term diminishing musharakah finances	12,106,003	11,819,027	286,976	-
Accrued profit	3,409,529	3,409,529	-	-
Tax refunds due from Government	946,780	946,780	-	-
Stock in trade	177,603	177,603	-	-
Long term murabaha finances	6,216,554	-	6,216,554	-
Long term deposits	1,184,362	189,362	995,000	-
Long term investments	9,981,573	687,500	9,294,073	-
Assets given on Ijarah	161,924,663	69,390,168	92,534,495	-
Assets in own use	14,834,882	1,088,362	2,427,110	11,319,410
Assets classified as held for sale	1,890,526	1,890,526	-	-
	<u>400,546,754</u>	<u>277,473,136</u>	<u>111,754,208</u>	<u>11,319,410</u>

2012			
Total	Up to one year	Over one to five years	Over five years
..... Rupees			
Liabilities:			
Current portion of long term liabilities	33,758,135	33,758,135	-
Creditors, accrued and other liabilities	25,536,999	24,774,593	762,406
Customers' security deposits	60,603,882	-	60,603,882
	<u>119,899,016</u>	<u>58,532,728</u>	<u>61,366,288</u>
Net Balance	<u>280,647,738</u>	<u>218,940,408</u>	<u>50,387,920</u>
Certificate holders' equity	<u>280,647,738</u>		<u>11,319,410</u>

2011			
Total	Up to one year	Over one to five years	Over five years
..... Rupees			
Assets:			
Cash and bank balances	16,776,927	16,776,927	-
Short term investments	2,316,755	2,316,755	-
Advances, deposits, prepayments and other receivables	7,619,320	7,619,320	-
Short term murabaha finances	92,965,736	92,965,736	-
Current portion of long term murabaha finances	44,081,352	44,081,352	-
Ijarah rental receivables	12,729,251	12,729,251	-
Short term diminishing musharakah finances	5,000,000	5,000,000	-
Accrued profit	1,827,015	1,827,015	-
Tax refunds due from Government	652,352	652,352	-
Stock in trade	6,100,000	6,100,000	-
Long term murabaha finances	6,234,440	-	6,234,440
Long term deposits	573,862	-	179,000
Long term investments	11,523,268	-	11,523,268
Assets given on Ijarah	152,860,823	84,000	150,062,215
Assets in own use	14,062,253	-	2,206,926
Assets classified as held for sale	1,890,526	1,890,526	-
	<u>377,213,880</u>	<u>190,152,708</u>	<u>170,205,849</u>
Liabilities:			
Current portion of long term liabilities	2,995,604	2,995,604	-
Creditors, accrued and other liabilities	24,629,226	24,056,177	573,049
Customers' security deposits	66,200,049	-	66,200,049
	<u>93,824,879</u>	<u>27,624,830</u>	<u>66,200,049</u>
Net Balance	<u>283,389,001</u>	<u>162,527,878</u>	<u>104,005,800</u>
Certificate holders' equity	<u>283,389,001</u>		<u>14,964,797</u>

34. FINANCIAL RISK MANAGEMENT

34.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

(ii) Equity price risk

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

		2012	2011
Reporting date all index points		13,801	12,496
		Changes in KSE all Index	Effects on Profit Before Tax
Available-for-sale investments			Effects on Equity
			(Rupees)
	+10%	-	998,157
2012	-10%	-	(998,157)
	+10%	-	1,152,327
2011	-10%	-	(1,152,327)
Held-for-trading investments			
	+10%	210,654	-
2012	-10%	(210,654)	-
	+10%	231,676	-
2011	-10%	(231,676)	-

(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.

	2012 Rupees	2011 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	94,053,516	92,965,736
Long term murabaha finances	50,300,582	50,315,792
Ijarah rental receivables	16,068,334	12,729,251
Short term diminishing musharakah finances	12,106,003	5,000,000
Floating rate instruments		
Financial assets:		
Bank balances - deposit accounts	-	15,630
Long term investments - available-for-sale	8,719,250	9,063,000

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 98,568 lower / higher (2011: Rupees 81,546). This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

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

Bank balances	24,538,761	16,768,213
Short term investments	2,106,540	2,316,755
Advances, deposits and other receivables	6,318,810	6,852,312
Short term murabaha finances	94,053,516	92,965,736
Ijarah rental receivables	16,068,334	12,729,251
Short term diminishing musharakah finances	12,106,003	5,000,000
Accrued profit	3,409,529	1,827,015
Long term murabaha finances	6,216,554	50,315,792
Long term deposits	1,184,362	573,862
Long term Investments	9,981,573	11,523,268
	<u>175,983,982</u>	<u>200,872,204</u>

	2012 Rupees	2011 Rupees
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	9,230,290	-
Textile Composite	19,453,962	15,150,002
Fuel and Energy	2,376,700	-
Engineering	9,551,620	39,374,209
Transport and communication	-	132,850
Chemical & Pharmaceuticals	10,165,000	7,390,000
Vanaspatic and Allied Industries	22,071,588	12,000,000
Steel	5,950,000	7,500,000
Food and Allied	83,763,291	44,711,600
Hotel	-	-
Miscellaneous	65,574,959	93,263,858
Books and publications	3,875,085	3,500,000
	<u>232,012,495</u>	<u>223,022,519</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	68,819,495	64,703,286
Past due 0 - 180 days	1,237,000	4,838,206
Past due 181 - 365 days	1,277,000	7,568,899
1 - 2 years	1,699,000	-
More than 2 years	158,980,000	146,222,001
	<u>232,012,495</u>	<u>223,332,392</u>

Aging of impaired murabaha and lease / ijarah rental receivables

Not past due	-	-
Past due 0 - 180 days	266,175	-
Past due 181 - 365 days	364,779	-
1 - 2 years	744,975	-
More than 2 years	58,108,132	63,661,109
	<u>59,484,061</u>	<u>63,661,109</u>

Collaterals held against murabaha financing and ijarah rentals receivables

	2012				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid-collaterals	
Rupees					
Long term murabaha finances	58,300,582	216,742,000	-	-	(158,441,418)
Short term murabaha finances	123,654,817	456,481,500	-	27,646,500	(360,473,183)
Ijarah / lease rental receivables	161,924,663	119,521,000	-	-	42,403,663
Short term diminishing musharakah finances	12,106,003	91,567,000	-	-	(79,460,997)

	2011				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid-collaterals	
Rupees					
Long term murabaha finances	58,315,792	189,381,253	32,000,000	-	(163,065,461)
Short term murabaha finances	131,417,668	82,046,587	30,148,000	36,500,000	(217,276,919)
Ijarah / lease rental receivables	33,289,059	126,819,364	-	-	(93,530,305)
Short term diminishing musharakah finances	5,000,000	5,250,000	-	-	(250,000)

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

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

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

	Rating			2012	2011
	Short term	Long term	Agency	(Rupees)	
Banks					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	15,629
Bank Alfalah Limited	A1+	AA	PACRA	517,269	923,238
The Bank of Punjab	A1+	AA-	PACRA	9,605	680,346
Meezan Bank	A1+	AA-	JCR-VIS	23,939,836	15,144,679
State Bank of Pakistan				4,634	4,321
				<u>24,471,344</u>	<u>16,768,213</u>
Available for Sale Securities					
Fully Paid Ordinary Shares					
Amin Spinning Mills Limited		N/A	-	1,168	1,200
Dewan Salman Fibres Limited		N/A	-	23,778	30,015
Kohinoor Textile Mills Limited		N/A	-	71,762	64,534
Fauji Cement Company Ltd.		N/A	-	449,837	331,585
Pakistan Telecommunication Company Limited		N/A	-	1,437,450	1,857,700

Pakistan International Airlines Corporation Limited	N/A	-	236,056	232,837
Descon Oxychan Limited	N/A	-	5,820	9,180
Engro Polymer & Chemicals Limited	N/A	-	246,250	259,250
D.G.Khan Cement Company Limited	N/A	-	-	693,504
Mari Gas Company Limited	N/A	-	117,263	106,770
Azgard Nine Limited	N/A	-	192,000	166,800
			<u>2,781,384</u>	<u>3,753,375</u>

Sukkuks	Rating			2012	2011
	Short term	Long term	Agency	(Rupees)	
B.R.R Guardian Modaraba				8,719,250	9,063,000
Certificates of Mutual Funds					
Investec Mutual Fund	N/A	-		4,845	4,845
PICIC Investment Fund	N/A	-		-	65,525
				<u>4,845</u>	<u>70,370</u>
Held for Trading					
Descon Oxychan Limited	N/A	-		64,020	100,980
Azgard Nine Limited	N/A	-		160,000	139,000
Pakistan International Airlines	N/A	-		225,944	222,863
Kohinoor Textile Mills Limited	N/A	-		796,733	716,485
Pakistan State Oil Company Limited	N/A	-		235,840	266,690
Fauji Cement Company Limited	N/A	-		140,750	103,750
Engro Polymer & Chemicals Limited	N/A	-		49,250	51,850
Engro Chemicals Ltd	AA	PACRA		238,306	292,986
Mari Gas Company Ltd	N/A	-		117,263	106,770
Nishat Chunian Limited	N/A	-		78,434	315,200
				<u>2,106,540</u>	<u>2,316,574</u>

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

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

(c) Liquidity risk

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

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

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

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2012					
	Rupees				
Customers' security deposits	94,362,017	94,362,017	33,758,135	60,603,882	-
Creditors, accrued and other liabilities	25,536,999	25,536,999	24,774,593	762,406	-
	<u>119,899,016</u>	<u>119,899,016</u>	<u>58,532,728</u>	<u>61,366,288</u>	<u>-</u>
30 June 2011					
Customers' security deposits	69,195,653	67,445,253	2,995,604	66,200,049	-
Creditors, accrued and other liabilities	24,629,226	24,629,226	24,056,177	573,049	-
	<u>93,824,879</u>	<u>92,074,479</u>	<u>27,051,781</u>	<u>66,773,098</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.

34.2 Fair values of financial assets and liabilities

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

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

The basis for determining fair values is as follows:

Interest rates used for determining fair value

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

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
30 June 2012			
	-----Rupees-----		
Financial assets			
Short term investments	2,106,540	-	-
Long term Investments	2,576,833	7,404,740	-
Total financial assets	<u>4,683,373</u>	<u>7,404,740</u>	<u>-</u>
Financial liabilities			
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>

Level 1	Level 2	Level 3
---------	---------	---------

-----Rupees-----

30 June 2011

Financial assets

Short term investments	2,316,755	-	-
Long term Investments	3,823,741	7,699,527	-
Total financial assets	<u>6,140,496</u>	<u>7,699,527</u>	<u>-</u>

Financial liabilities

-	-	-
<u>-</u>	<u>-</u>	<u>-</u>

34.3 Financial instruments by categories

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
----- Rupees -----						
As at 30 June 2012						
Assets as per balance sheet						
Cash and bank balances	24,538,761	-	-	-	-	24,538,761
Short term investments	-	-	-	-	2,106,540	2,106,540
Advances, deposits and other receivables	-	6,318,810	-	-	-	6,318,810
Short term murabaha finances	-	94,053,516	-	-	-	94,053,516
Short term diminishing musharakah finances	-	12,106,003	-	-	-	12,106,003
Ijarah rental receivables	-	16,068,334	-	-	-	16,068,334
Accrued profit	-	3,409,529	-	-	-	3,409,529
Tax refunds due from government	-	946,780	-	-	-	946,780
Stock in trade	-	177,603	-	-	-	177,603
Long term murabaha finances	-	50,300,582	-	-	-	50,300,582
Long term deposits	-	1,184,362	-	-	-	1,184,362
Long term Investments	-	-	9,981,573	-	-	9,981,573
	<u>24,538,761</u>	<u>184,565,519</u>	<u>9,981,573</u>	<u>-</u>	<u>2,106,540</u>	<u>221,192,393</u>

Financial liabilities at amortized cost

(Rupees)

Liabilities as per balance sheet

Customers' security deposits	69,195,653
Creditors, accrued and other liabilities	<u>24,629,226</u>
	<u>93,824,879</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 30 June 2011						
Assets as per balance sheet						
Cash and bank balances	16,776,927	-	-	-	-	16,776,927
Short term investments	-	-	-	-	2,316,755	2,316,755
Advances, deposits and other receivables	-	6,852,312	-	-	-	6,852,312
Short term murabaha finances	-	92,965,736	-	-	-	92,965,736
Short term diminishing musharakah finances	-	5,000,000	-	-	-	5,000,000
Ijarah rental receivables	-	12,729,251	-	-	-	12,729,251
Accrued profit	-	1,827,015	-	-	-	1,827,015
Tax refunds due from government	-	652,352	-	-	-	652,352
Stock in trade	-	6,100,000	-	-	-	6,100,000
Long term murabaha finances	-	50,315,792	-	-	-	50,315,792
Long term deposits	-	573,862	-	-	-	573,862
Long term Investments	-	-	11,523,268	-	-	11,523,268
	<u>16,776,927</u>	<u>177,016,320</u>	<u>11,523,268</u>	<u>-</u>	<u>2,316,755</u>	<u>207,633,270</u>

Financial liabilities at amortized cost
(Rupees)

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

34.4 Capital risk management

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

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

The gearing ratio as at year ended 30 June 2012 and 30 June 2011 is as follows:

	Note	2012 Rupees	2011 Rupees
Customers' security deposits	18	94,362,017	69,195,653
Creditors, accrued and other liabilities	19	25,536,999	24,629,226
Less: Cash and bank balances	5	(24,538,761)	(16,776,927)
Net debt		95,360,255	77,047,952
Equity		280,647,738	283,389,001
Capital and net debt		376,007,993	360,436,953
Gearing ratio		25.36%	21.38%

35. RELATED PARTY TRANSACTIONS

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

Nature of Relationship	Nature of Transaction	2012 Rupees	2011 Rupees
Modaraba Management Company	Management fee	1,345,530	2,335,495
Common management	Purchase of Vehicle	1,350,000	-
Employees' Provident Fund	Contributions paid	355,008	298,311

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

36. NUMBER OF EMPLOYEES

The total number of employees as at 30 June 2012 were 21 (2011: 20).

37. CORRESPONDING FIGURES

Corresponding figures have been rearranged and restated for better presentation wherever necessary, however, no significant reclassification and restatement has been made in these financial statements, except for; (i) Rs. 573,409 pertain to long term unearned finance income has been reclassified from current liabilities to non-current liabilities.

38. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

39. DATE OF AUTHORIZATION

These financial statements were approved for issue by the Board of Directors of the Management company in their meeting held on October 08, 2012.

40. GENERAL

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



Chief Executive



Director



Director

Pattern Of Certificate Holding

As at June 30, 2012

Number of Certificate Holders	Certificate Holding		Total Certificate	Percentage Held
	From	To		
516	1	100	27,560	0.09
964	101	500	281,731	0.95
689	501	1000	600,990	2.02
354	1001	5000	829,044	2.78
78	5001	10000	600,526	2.02
22	10001	15000	270,908	0.91
11	15001	20000	193,942	0.65
7	20001	25000	160,730	0.54
3	25001	30000	86,000	0.29
3	30001	35000	95,910	0.32
2	35001	40000	78,550	0.26
2	45001	50000	92,412	0.31
2	50001	55000	106,600	0.36
3	60001	65000	188,668	0.63
2	65001	70000	137,538	0.46
1	70001	75000	75,000	0.25
1	75001	80000	78,382	0.26
1	95001	100000	99,999	0.34
1	110001	115000	115,000	0.39
1	115001	120000	118,100	0.40
1	180001	185000	181,230	0.61
1	265001	270000	265,500	0.89
1	290001	295000	291,200	0.98
1	340001	345000	344,500	1.16
1	500001	505000	502,322	1.69
1	640001	645000	643,000	2.16
1	1255001	1260000	1,258,896	4.22
1	5260001	5265000	5,261,388	17.66
1	16810001	16815000	16,814,374	56.42
2,672			29,800,000	100.00



Categories of Certificate Holders

As at June 30, 2012

Categories of Certificateholders	Number of Certificate Holders	Total Certificates Held	Percentage
Associated companies, undertakings and related parties			
Al-Zamin Modaraba Management (Private) Limited	1	5,261,388	17.66
Investment Corporation of Pakistan	1	11,700	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	107,348	0.36
Individuals	2,629	22,842,348	76.65
Others	-	-	-
Total	2,672	29,800,000	100.00

Certificateholders holding ten percent or more certificates in the Modaraba

Al-Zamin Modaraba Management (Pvt.) LTD	1	5,261,388	17.66
Mohammad Aslam Motiwala	1	16,814,374	56.42

BOOK POST

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