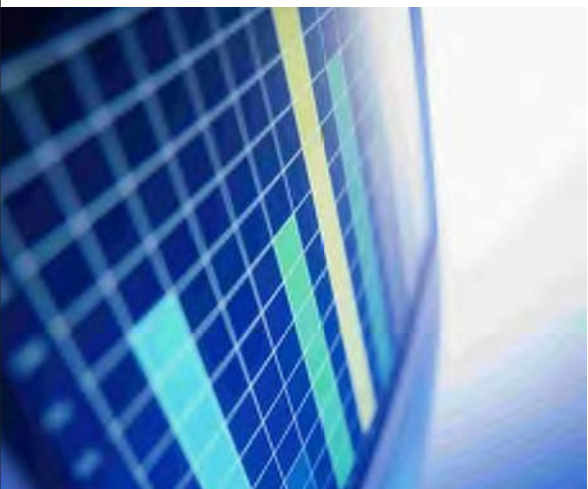


Annual Report 2009



First Punjab Modaraba





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Our Vision

To be a leading NBFC in the country that recognizes its corporate responsibilities, focuses on quality services, and maintains a work environment where achievements & innovative solutions are recognized and awarded.





Our Mission

To achieve constant growth coupled with sustainable profitability and to participate actively in the economic development of the country through a superior quality service culture, solution oriented approach delivered through an efficient and motivated resource.



Corporate Profile

Board of Directors

Punjab Modaraba Services (Pvt.) Ltd.

Khalid Siddiq Tirmizey Chairman

Khaqan Hasnain Ibrahim Chief Executive

Mujahid Eshai Director

Naveed Masud Director

Nadeem Amir Director

Chief Financial Officer & Company Secretary

Mudassar Kaiser Pal

Audit Committee

Naveed Masud Chairman

Nadeem Amir Member

Mudassar Kaiser Pal Secretary

Auditors of the Modaraba

KPMG Taseer Hadi & Co.

Chartered Accountants

Auditors of the Management Company

Hameed Chaudhri & Co.

Chartered Accountants

Bankers

The Bank of Punjab

Faysal Bank Limited

Bank Alfalah Limited

Emirates Global Islamic Bank Limited

Registrar

Hameed Majeed Associates (Pvt) Ltd.

H.M. House, 7-Bank Square,

The Mall, Lahore

Tel: 7235081-2

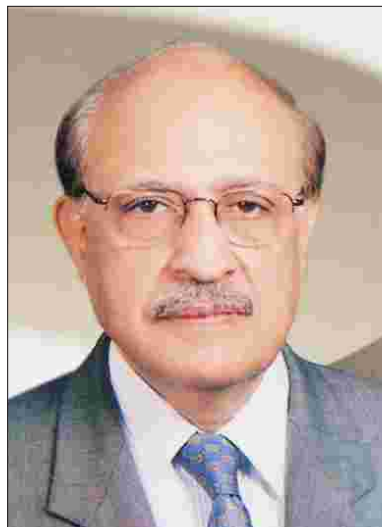
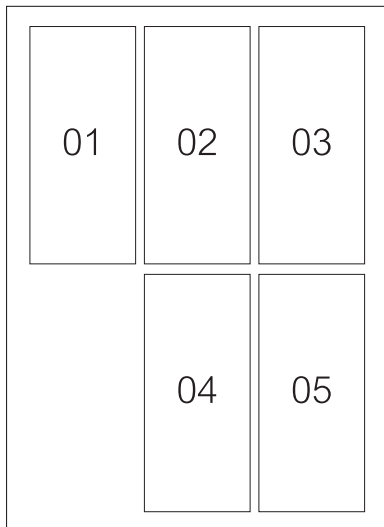
Registered Office

152, Abu Bakar Block, New Garden Town,
Lahore.

Tel: 5913609-14, Fax: 5913615

URL: punjabmodaraba.com.pk

Board of Directors



1. Khalid Siddiq Tirmizey (Chairman)
2. Khaqan Hasnain Ibrahim (Chief Executive)
3. Mujahid Eshai (Director)
4. Naveed Masud (Director)
5. Nadeem Amir (Director)



Management

1. Ch. Muhammad Asghar (Head of Internal Audit & Legal Affairs)
2. Shafqat Pervaiz (Country Business Head)
3. Khaqan Hasnain Ibrahim (Chief Executive)
4. Mudassar Kaiser Pal (Chief Financial Officer & Company Secretary)
5. Nasrullah Khan (Head of CAD)
6. Zafar Iqbal (Credit & Risk Manager)

Six Year at a Glance

	June-04	June-05	June-06	June-07	June-08	June-09
BALANCE SHEET						
Authorized Capital	500,000	500,000	500,000	500,000	500,000	500,000
Equity:						
Issued, Subscribed & Paid Up Capital	340,200	340,200	340,200	340,200	340,200	340,200
Reserves	76,497	87,277	100,336	105,578	110,683	110,683
Loss on re-valuation of Investment	(1,717)	(8,176)	(3,177)	(4,129)	(21,079)	-
Un-appropriated Profit	1,262	158	52,391	22,329	13,830	(87,885)
Total	416,242	419,459	489,750	463,978	443,634	362,998
Liabilities:						
Redeemable Capital	-	207,800	216,400	937,880	1,381,345	743,722
Musharikh Arrangements	371,045	523,017	704,869	213,591	938,710	1,092,682
Morabaha Arrangements	99,950	-	150,000	-	388,668	392,093
Accrued, Deferred & Other Liabilities	152,585	184,424	177,105	182,700	442,247	454,546
Total	623,580	915,241	1,248,374	1,334,171	3,150,970	2,683,043
Total Equity & Liabilities	1,039,822	1,334,700	1,738,124	1,798,149	3,594,604	3,046,041
Operating Assets:						
Assets Leased Out	595,561	674,222	777,218	792,315	1,802,881	1,633,184
Long Term Investments	72,415	89,243	72,857	106,756	94,737	58,739
Musharikh Finances	-	81,000	70,875	-	23,059	52,505
Morabaha Finances	349,936	392,728	724,389	662,972	1,379,620	960,715
Sub Total	1,017,912	1,237,193	1,645,339	1,562,043	3,300,297	2,705,143
Other Assets:						
Assets in own use	5,899	10,686	6,208	5,915	53,424	55,694
Deposits, Prepayments & other receivables	15,895	76,144	74,760	181,970	202,273	258,765
Cash & Bank Balances	116	10,677	11,817	48,221	38,610	26,434
Sub Total	21,910	97,507	92,785	236,106	294,307	340,893
Total Assets	1,039,822	1,334,700	1,738,124	1,798,149	3,594,604	3,046,041
PROFIT & LOSS ACCOUNT						
Operating Income	63,628	290,390	401,079	432,133	668,910	1,093,791
Other Income	24,993	22,127	28,101	3,181	47,075	33,666
Total Income	88,621	312,517	429,180	435,314	715,985	1,127,457
Operating Expenses	5,897	204,831	257,404	287,517	471,129	834,607
Financial Charges	13,233	47,795	99,230	118,675	225,948	383,679
Management Fee	6,949	5,989	7,255	2,912	1,890	-
Total Expenses	26,079	258,615	363,889	409,104	698,967	1,218,286
Profit before Taxation	62,542	53,902	65,291	26,210	17,018	(90,829)
Taxation	(1,606)	-	-	-	-	-
Profit for the year	64,148	53,902	65,291	26,210	17,018	(90,829)
DISTRIBUTION:						
Cash Dividend(%)	15.50	13.00	15.00	6.00	3.20	-
Bonus (%)	-	-	-	-	-	-
RATIOS:						
Breakup Value (Rs.)	12.24	12.33	14.40	13.64	13.04	10.67
Earning per Certificate (Rs.)	1.89	1.58	1.92	0.77	0.50	(2.67)
Return on Equity (%)	15.41	12.85	13.33	5.65	3.84	(25.02)

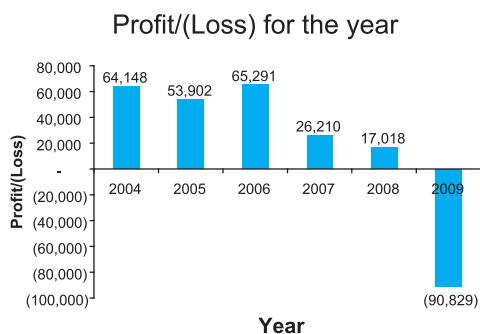


Directors' Report

The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the Management Company of First Punjab Modaraba (the Modaraba) has pleasure in presenting the 16th Directors' Report of the Modaraba, together with audited financial statements for year ended June 30, 2009.

Review of Operations

During the year under review, the economy remained under extraordinary pressure, more so the financial sector. While all the economic indicators remained negative, the financial sector was severely hit by liquidity crunch and rising markup rates. The stock market also shed significant value due to outflow of foreign investment and negative sentiment in the market. The impairment loss in investments due to steep decline in fair values below cost resulted in a charge of Rs.59.37 million to profit & loss account during the year. Owing to overall depression in the market, there was an all pervasive deterioration in businesses leading to adverse repayment patterns, causing delayed recoveries of receivables. The negative impact of adoption of IFAS- 2 i.e. depreciation method from annuity to straight line further aggravated profitability decline during the year.



Financial Results

The financial results of the Modaraba are summarized below:

	2009 Rupees	2008 Rupees
Profit / (Loss) for the year	(90,829,058)	17,018,518
Un-appropriated Profit - Brought Forward	2,943,934	1,917,371
Profit available for appropriation	-	18,935,889
Appropriations		
Profit Distribution in cash @ Rs: Nil (2008@Rs:0.32)	-	10,886,000
Transfer to statutory reserve	-	5,105,555
Un-appropriated profit / (loss) - carried to balance sheet	<u>(87,885,124)</u>	<u>2,943,934</u>
Earning per certificate	<u>(2.67)</u>	<u>0.50</u>

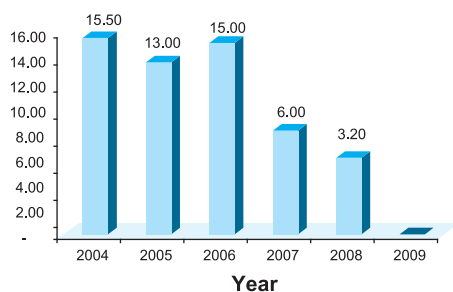
Profit Distribution

No dividend was declared during the year due to loss and non-availability of any distributable profits.

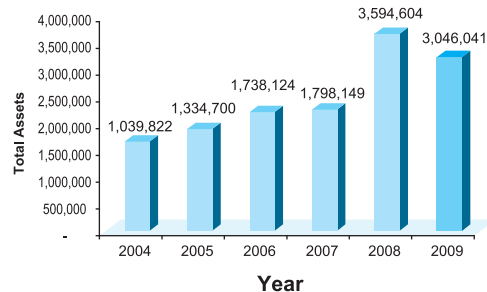
Economic Outlook and Future Prospects

In the backdrop of the global economic recession, current political - economic stress in Pakistan and high input costs of industry in the country, the Modaraba shall essentially aim to conserve its resources, to consolidate and to build a quality customer base. The Modaraba is also taking steps to halt its profitability decline by reducing its costs and focusing on recoveries from customers. Having said that, the Modaraba shall maintain an active presence in the market and take benefit of economic upturn whenever it presents itself.

Profit Distribution



Total Assets

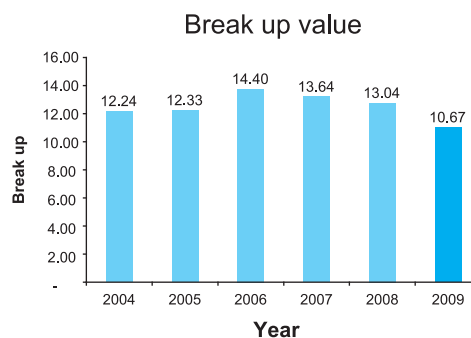
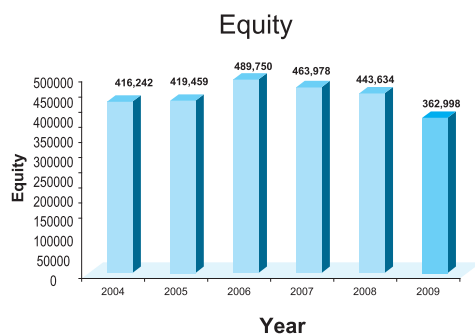


FPM Financial Strength Rating

The Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) is conducting Credit Rating of Modaraba. The last year ratings of the Modaraba are "A" for long term and "A1" for short term, based on its potential of growth and sustainability. The Modarabas' main focus is on extending Morabaha and Lease Finance (Ijarah) facilities to corporate sector and SMEs clients enjoying sound financial standing and excellent reputation besides providing structured morabaha / musharikah facilities.

Corporate and Financial Reporting Framework

- The financial statements, prepared by the Management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- Thereof system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the the Modaraba's ability to continue as a 'going concern'.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of the Modaraba for the last six years in summarized form is annexed.
- There are no outstanding demands of statutory payments on account of taxes, duties, levies and charges as at 30 June, 2009, except for those disclosed in financial statements.
- The value of investments of the staff provident fund, based on un-audited accounts, was Rs. 805,000/- as at 30 June, 2009.
- During the year, six meetings of the Board of Directors were held. Attendance by each director was as follow:



Name of Directors	No. of Meetings Attended
Mr. Khalid Siddiq Tirmizey	2
Mr. Naveed Masud	2
Mr. Nadeem Amir	6
Mr. Fawzi Khawaja	6
Mr. Shafqat Ellahi Sheikh	3
Mr. Ahmed Alman Aslam	3
Mr. Shehryar A. Buksh	1

CFO/ Company Secretary or their spouses and minor children during the year ended June 30, 2009.

Role of Certificate-Holders

The Board aims to ensure that the Modaraba's certificate holders are regularly informed about major developments affecting the Modaraba's state of affairs. To achieve this objective, information is communicated to certificate holders through quarterly, half-yearly and annual reports. The Board encourages certificate-holders' participation at annual review meeting to ensure high level of accountability.

New Board Members

During the year Mr. Khalid Siddiq Tirmizey joined as Chairman of the Board of Directors and Mr. Naved Masud and Mr. Mujahid Eshai joined as members of the Board. Mr. Khaqan Hasnain Ibrahim joined as Chief Executive in place of Mr. Fawzi Khawaja subsequent to the year end.

Auditors

The present auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed auditors of the Modaraba for financial year ending June 30, 2010.

Out Going Members

Mr. Shehryar A. Buksh, Mr. Ahmed Alman Aslam and Mr. Shafqat Ellahi Sheikh resigned from the Board of Directors. The Board acknowledges valuable contribution of these gentlemen during their stay on the Board and wishes them success in their future endeavors.

- The pattern of the holding by the certificate holders is included in this annual report.
- No trade in certificates of the Modaraba were carried out by the Directors, CEO,





Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore, and Islamabad stock exchanges in their listing regulations, relevant for year ended June 30, 2009 have been duly complied with. A statement to this affect is annexed with this report.

Staff

The team of the Modaraba consists of trained and professional staff. The Modaraba takes due cognizance of this fact and continues to invest in staff training and grooming.

The Board is appreciative of the hard work and commitment of staff of the Modaraba. We are confident that with their continued zeal the Modaraba has a promising future. We are also indebted to the management of The Bank of Punjab for their continued support extended during the year.

Statement of Ethics and Business Practices

The Board has adopted The Bank of Punjab's Code of Conduct that sets out core values relating to lawful and ethical conduct of business. All employees have a copy of this code of conduct and are

expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulations. This forms a part of the Modaraba's compliance structure as advised by the Bank of Punjab.

Social, Ethical and Environmental Responsibilities

The Board is conscious of social, ethical and environmental matters and is planning for its continued participation in these areas of public interest.

Acknowledgments

The Board wishes to place on record its appreciation of the invaluable guidance and support extended by the Registrar Modarabas and the Securities & Exchange Commission of Pakistan.

The Board would finally like to thank its valued certificate holders and investors for their patronage and trust reposed in the Modaraba.

For and on behalf of the Board

Khaqan Hasnain Ibrahim
Chief Executive

Lahore: 22nd October, 2009



Statement of Compliance

With the Best Practices of Corporate Governance to
the certificate Holders of First Punjab Modaraba

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

The Modaraba applies principles contained in the Code in the following manner:

1. The management company has 5 directors which include 4 non-executive directors. All directors are nominated by The Bank of Punjab, the holding company of the Modaraba's Management Company.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies, including the management company.
3. All the directors of the management company are registered as tax payers and to the best of our knowledge none of them have 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. The casual vacancies occurring in the Board were filled up by the directors within the stipulated time.
5. A Statement of Ethics and Business Practices' has been adopted by the Modaraba, which has been duly signed by all the directors of the Management Company and employees of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and policies of the Modaraba. However, the Modaraba policies, procedures and systems are being reviewed for updating/revision wherever required.
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 CFO/Company Secretary and Head of Internal Audit have been taken by the board.

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.
9. The directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Modaraba on behalf of the certificate holders. Modaraba could not conduct any orientation course during the year due to non availability of all directors.
10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The Financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
12. The CEO, directors and executives do not hold any interest in the certificates of the Modaraba other than the disclosed in the pattern of certificate holding.
13. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises three members, who are non-executive directors of the Management company including the Chairman of the Committee.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The Board has employed adequate personnel for internal audit function to ensure the establishment and maintenance of sound and effective internal controls, compliance and review policies and procedures.
17. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (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 ICAP.
18. 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.
19. All material information, as described in clause (xxiii) of the code is disseminated to the stock exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
20. The Modaraba has complied with requirements as stipulated in the newly inserted clause (xiii) (a) relating to related party transactions.
21. We confirm that all other material principles contained in the code have been complied with.

For and on behalf of the Board

Khaqan Hasnain Ibrahim
Chief Executive

Lahore: 22nd October, 2009



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 Punjab Modaraba Services (Private) Limited ("the Modaraba Company") in respect of First Punjab Modaraba ("the Modaraba") to comply with the listing regulations of the stock exchanges where the Modaraba is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper 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 party 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 under taken at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended 30 June 2009.

Lahore: 22nd October, 2009

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)



Notice of Book Closure & Annual Review Meeting

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from 09.11.2009 to 16.11.2009 (both days inclusive), for the purpose of entitlement of attending Annual Review Meeting. All transfers received in order upto the close of business hours on November 07, 2009 with our Registrars' office, M/s. Hameed Majeed Associates (Pvt.) Ltd., H.M. House, 7-Bank Square, Lahore, will be considered in time.

The Annual Review Meeting (ARM) of the Certificate-holders will be held at 10:30 a.m. on Monday, November 16, 2009 at Hotel Holiday Inn, 25-26 Egerton Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2009 in terms of Prudential Regulation No. 11, Part IV for Modarabas.

By the Order of
Board of Directors

Mudassar Kaiser Pal
Company Secretary

Pattern of Certificate Holders as at June 30, 2009

Number of Certificate holders	Certificate Holding		Total No. of Certificates held	Percentage of total capital
	From	To		
934	1 -	100	44,068	0.13
1604	101 -	500	447,278	1.31
1199	501 -	1000	980,463	2.88
789	1001 -	5000	1,829,058	5.38
142	5001 -	10000	1,040,782	3.06
45	10001 -	15000	559,534	1.64
35	15001 -	20000	625,788	1.84
22	20001 -	25000	490,421	1.44
9	25001 -	30000	240,393	0.71
4	30001 -	35000	125,168	0.37
8	35001 -	40000	299,023	0.88
6	40001 -	45000	252,282	0.74
7	45001 -	50000	342,128	1.01
1	50001 -	55000	51,000	0.15
3	55001 -	60000	172,111	0.51
2	60001 -	65000	126,127	0.37
3	65001 -	70000	204,050	0.60
3	70001 -	75000	218,020	0.64
1	75001 -	80000	78,000	0.23
4	80001 -	85000	335,500	0.99
2	85001 -	90000	176,500	0.52
1	90001 -	95000	90,756	0.27
5	95001 -	100000	500,000	1.47
1	100001 -	105000	104,430	0.31
1	105001 -	110000	106,000	0.31
1	110001 -	115000	115,000	0.34
4	115001 -	120000	470,846	1.38
1	120001 -	125000	122,000	0.36
1	125001 -	130000	125,500	0.37
3	135001 -	140000	420,000	1.23
1	150001 -	155000	151,000	0.44
1	160001 -	165000	160,020	0.47
1	170001 -	175000	175,000	0.51
1	175001 -	180000	178,500	0.52
3	195001 -	200000	597,644	1.76
1	205001 -	210000	208,693	0.61
1	220001 -	225000	225,000	0.66
1	240001 -	245000	244,000	0.72
1	295001 -	300000	300,000	0.88
1	300001 -	305000	302,000	0.89
1	315001 -	320000	320,000	0.94
1	320001 -	325000	325,000	0.96
1	345001 -	350000	350,000	1.03
1	350001 -	355000	353,500	1.04
1	360001 -	365000	362,000	1.06
1	365001 -	370000	367,500	1.08
1	395001 -	400000	396,220	1.16
1	415001 -	420000	416,000	1.22
1	935001 -	940000	938,020	2.76
1	1165001 -	1170000	1,168,034	3.43
1	1200001 -	1205000	1,203,172	3.54
1	1265001 -	1270000	1,265,777	3.72
1	5230001 -	5235000	5,232,194	15.38
1	8085001 -	8090000	8,088,500	23.78
4,867			34,020,000	100.00

Classification of Certificate Holders by Categories as at June 30, 2009

Sr#	Category	Number of Certificate holders	Certificates Held	Percentage of Total Capital
1	Associated Companies, Undertakings and Related Parties	3	13,325,482	39.1696
2	NIT and ICP	5	2,373,231	6.9760
3	Banks, Development Financial Institutions, Non Banking Financial Institutions	67	1,597,182	4.6948
4	Insurance Companies	2	1,270,777	3.7354
5	Modarbas and Mutual Funds	6	78,208	0.2299
7	General Public (Local)	4,773	15,115,002	44.4298
8	General Public (Foreign)	3	488	0.0014
9	Others	8	259,630	0.7632
	TOTAL:	4,867	34,020,000	100.0000



Financial Statements

AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First Punjab Modaraba ("the Modaraba") as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - (i) the balance sheet and the profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore:
October 22, 2009

KPMG Taseer Hadi & Company
Chartered Accountants
(Kamran Iqbal Yousafi)

Balance Sheet

As at June 30, 2009

ASSETS	Note	2009 Rupees	2008 Rupees
Non current assets			
Tangible fixed assets	4	1,633,184,559	1,802,881,556
Assets leased out		10,694,566	7,324,362
Assets in own use		45,000,000	46,100,000
Card and room	5	45,000,000	46,100,000
Long term morabaha investment - secured	6	-	10,784,598
Long term musharikhah investment - secured	7	38,032,234	3,059,822
Long term deposits		131,560	71,000
		1,727,042,919	1,870,221,338
Current assets			
Short term investments - available for sale	8	58,739,891	94,737,132
Short term morabaha investment - secured	9	958,375,723	1,329,131,237
Short term musharikhah investment - secured	10	-	20,000,000
Current maturity of long term investments	11	16,813,259	39,705,737
Advances, deposits, prepayments and other receivables	12	257,004,876	200,879,980
Tax refundable		1,630,779	1,318,207
Cash and bank balances	13	26,434,250	38,610,982
		1,318,998,778	1,724,383,275
TOTAL ASSETS		3,046,041,697	3,594,604,613
EQUITY AND LIABILITIES			
Capital and reserves			
Certificate capital	14	340,200,000	340,200,000
Reserves	15	22,798,448	103,434,695
		362,998,448	443,634,695
Non current liabilities			
Security deposits against leases	16	245,780,904	238,314,331
Long term musharikhah finances - secured	17	1,012,682,385	788,710,559
Redeemable capital - participatory and unsecured	18	73,950,000	100,000,000
Deferred morabaha income	19	-	2,784,598
		1,332,413,289	1,129,809,488
Current liabilities			
Current maturity of non current liabilities	20	160,667,239	94,832,194
Short term finances - secured	21	472,093,000	538,668,139
Redeemable capital - participatory and unsecured	22	569,772,305	1,281,345,000
Markup payable	23	88,993,708	75,329,939
Unclaimed Profit		12,103,092	11,152,513
Trade and other payables	24	47,000,616	19,832,645
		1,350,629,960	2,021,160,430
Contingencies and commitments	25		
TOTAL EQUITY AND LIABILITIES		3,046,041,697	3,594,604,613

The attached notes 1 to 37 form an integral part of these financial statements.

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Profit and Loss Account

For the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
Income			
Lease rentals		937,222,741	540,760,765
Profit on morabaha finances		150,527,601	127,143,719
Profit on musharikhah finances		6,042,879	1,007,333
Return on investments		63,580	16,496,568
Gain on disposal of fixed assets		7,043,208	13,215,677
Gain on sale of investment		741,643	3,112,761
Other income	26	25,815,828	14,251,222
		1,127,457,480	715,988,045
Expenses			
Operating expenses	27	24,129,086	18,171,984
Amortization of assets leased out	4.1	728,096,191	428,755,046
Financial charges	28	383,679,124	225,948,427
Write off of bad debts		-	21,742,609
		1,135,904,401	694,618,066
Operating profit / (Loss) before provision and impairment			
		(8,446,921)	21,369,979
Provision for morabaha finance	9.2	17,870,509	10,860,870
Provision / (Reversal) for impairment of leased assets	4.1	2,809,755	(11,891,026)
Impairment on available for sale investments		59,370,242	3,490,671
Impairment on assets		1,100,000	-
Other provisions	12	1,231,631	-
		82,382,137	2,460,515
		(90,829,058)	18,909,464
Modaraba Company's management fee		-	1,890,946
Profit / (Loss) for the year			
		(90,829,058)	17,018,518
Earnings / (Loss) per certificate - basic			
	29	(2.67)	0.50

The attached notes 1 to 37 form an integral part of these financial statements.

Chief Executive
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(Private) Limited

Cash Flow Statement

For the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
Cash flow from operating activities			
Cash generated from/ (used in) operations	34	862,233,657	(1,371,206,421)
Financial charges paid		(159,849,490)	(115,808,029)
Profit paid on morabaha / musharikhah finances		(210,165,865)	(56,555,223)
Income tax paid		(3,404,572)	(87,747)
Net cash generated from/ (used in) operating activities		488,813,730	(1,543,657,420)
Cash flow from investing activities			
Proceeds from disposal of fixed assets		253,670	22,194
Fixed capital expenditure		(5,980,360)	(2,626,145)
Dividend received		3,855,980	14,856,328
Cards and rooms acquired		-	(46,100,000)
Investments made		(14,511,562)	(98,139,349)
Proceeds from sale of investments		12,961,003	92,831,518
Investment in morabaha		42,038,285	39,000,000
Investment in musharikhah		(49,445,649)	(3,059,822)
Net cash used in investing activities		(10,828,633)	(3,215,276)
Cash flow from financing activities			
Finances under musharikhah arrangements		153,971,826	910,971,134
Finances under morabaha arrangement		3,424,861	202,816,139
Redeemable capital		(637,622,695)	443,465,000
Profit distribution to certificate holders		(9,935,821)	(19,990,378)
Net cash (used in)/ generated from financing activities		(490,161,829)	1,537,261,895
Net (decrease) in cash and cash equivalents		(12,176,732)	(9,610,801)
Cash and cash equivalents at the beginning of the year		38,610,982	48,221,783
Cash and cash equivalents at the end of the year	13	26,434,250	38,610,982

The attached notes 1 to 37 form an integral part of these financial statements.

Chief Executive
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(Private) Limited

Director
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(Private) Limited

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Punjab Modaraba Services
(Private) Limited

Statement of Changes in Equity

For the year ended 30 June 2009

	Certificate capital	Statutory reserve	(Deficit) on remeasurement of investment - available for sale	Unappropri- ated profit/ (loss)	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as 01 July 2007	340,200,000	105,578,017	(4,129,547)	22,329,371	463,977,841
Profit for the year	-	-	-	17,018,518	17,018,518
Transfer during the year @ 30%	-	5,105,555	-	(5,105,555)	-
Profit distribution for the year 2007 @ Rs.0.6 per certificate	-	-	-	(20,412,000)	(20,412,000)
Unrealized loss on investments - available for sale	-	-	(16,949,664)	-	(16,949,664)
Balance as at 30 June 2008	340,200,000	110,683,572	(21,079,211)	13,830,334	443,634,695
(Loss) for the year	-	-	-	(90,829,058)	(90,829,058)
Profit distribution for the year 2008 @ Rs 0.32 per certificate	-	-	-	(10,886,400)	(10,886,400)
Unrealized loss on investments - available for sale transferred to profit and loss account	-	-	21,079,211	-	21,079,211
Balance as at 30 June 2009	340,200,000	110,683,572	-	(87,885,124)	362,998,448

The attached notes 1 to 37 form an integral part of these financial statements.

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Notes to the Financial Statements

For the year ended 30 June 2009

1. Legal status and nature of business

First Punjab Modaraba (“the Modaraba”) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a Company incorporated in Pakistan. The Registered Office of the Modaraba is situated at the 152 Abubakar Block, New Garden Town, Lahore. The Modaraba commenced its business operations from 23 December 1992. The Modaraba is listed on all the Stock Exchanges in Pakistan.

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

2. Statement of compliance

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981 and Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Companies Ordinance, 1984 shall prevail.

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

2.2 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements

2.2.1 Initial application

- IFRS 7 - Financial Instruments: Disclosure (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Modaraba’s financial statements other than increase in disclosures.
- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Modaraba does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Modaraba’s financial statements.
- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Modaraba’s financial statements.

- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The application of this interpretation did not affect the Modaraba's financial statements.

2.2.2 Forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than increased disclosures in certain cases:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009).
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009).
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 'Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).

- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).
- The International Accounting Standards Board made certain amendments to existing standards as part of its first and second annual improvements projects. The effective dates for these amendments vary by standard and most will be applicable to the Modaraba's 2010 financial statements.

3. Significant accounting policies

3.1 Accounting convention

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

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

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

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

3.2 Tangible fixed assets

Assets in own use

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss

Depreciation on all property, plant and equipment is charged to profit on "straight line method", so as to write off the historical cost of an asset over its estimated useful life at annual rates mentioned in note 4.

Residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

The Modaraba Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their

recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Lease (Ijarah)

Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of asset using straight line basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

3.3 Impairment

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

3.4 Card and room

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

3.5 Investments - available for sale

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

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

At each reporting date, the Modaraba Company reviews the carrying amounts of the investments to assess whether there is an indication that such investments have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal in impairment is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.6 Cash and cash equivalents

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

3.7 Financial instruments

Financial assets

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

Financial liabilities

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

Recognition and derecognition

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

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on net basis, or realise the asset and settle the liabilities simultaneously.

3.8 Provisions

Provisions are recognised when the Modaraba has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.9 Staff retirement benefit

Defined contribution plan

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

3.10 Revenue recognition

Ijarah

Ijarah rentals are recognized as income on accrual basis, as and when rentals become due.

Documentation charges, front-end fee and other Ijarah income are recognised as income on receipt basis. Unrealized lease income pertaining to non-performing leases is held in suspense account, here necessary, in accordance with the requirements of the Prudential Regulations (PR).

Morabaha transaction

Profit on morabaha transaction is recognized over the period the payment becomes due. The unearned portion is reflected as deferred morabaha revenue.

Musharikhah Finance

Profit on musharikhah arrangement is recognized under the effective markup rate based on the amount outstanding.

Income on bank deposits

Return on bank deposit are recognized on accrual basis, using the effective interest rate method.

Capital gain or losses on sale of investment

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

Dividend income

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

Commission income

Commission income is recognized on accrual basis.

3.11 Profit distribution and appropriations

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

3.12 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits 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. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.

Deferred

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

3.13 Lease Assets and Musharikh Investments

Leased assets and Musharikh finances are stated net of provision. Provision is recognized for leased assets and Musharikh Investments receivables in accordance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

3.14 Morabaha Investments

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

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

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

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

	Note	2009 Rupees	2008 Rupees
4. Tangible fixed assets			
Assets leased out	4.1	1,635,994,314	1,802,881,556
Less: Provision for impairment		2,809,755	11,891,026
Add: Reversal of provision for impairment		-	11,891,026
		1,633,184,559	1,802,881,556
Assets in own use	4.2	10,694,566	7,324,362
		1,643,879,125	1,810,205,918

	C O S T				D E P R E C I A T I O N				Book value as at 30 June 2009
	As at 01 July 2008	Additions	Transfers	As at 30 June 2009	As at 01 July 2008	For the year	On transfers	As at 30 June 2009	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
4.1 Assets leased out									
Plant and machinery	1,813,941,514	537,304,464	(336,516,011)	2,014,729,967	510,346,507	409,849,678	(255,900,512)	664,295,673	1,350,434,294
Vehicles	276,246,511	58,678,000	(25,640,000)	309,284,511	67,491,295	65,046,903	(17,651,440)	114,886,758	194,397,753
Cessna aircraft	77,070,600	-	(42,070,600)	35,000,000	42,364,453	11,081,235	(37,863,540)	15,582,148	19,417,852
	<u>2,167,258,625</u>	<u>595,982,464</u>	<u>(404,226,611)</u>	<u>2,359,014,478</u>	<u>620,202,255</u>	<u>485,977,816</u>	<u>(311,415,492)</u>	<u>794,764,579</u>	<u>1,564,249,899</u>
Consumer products	314,254,550	61,829,150	(175,199,124)	200,884,576	59,509,461	241,736,732	(171,649,412)	129,596,781	71,287,795
Consumer products to staff	1,263,400	866,875	(1,319,875)	810,400	183,303	381,643	(211,166)	353,780	456,620
	<u>315,517,950</u>	<u>62,696,025</u>	<u>(176,518,999)</u>	<u>201,694,976</u>	<u>59,692,764</u>	<u>242,118,375</u>	<u>(171,860,578)</u>	<u>129,950,561</u>	<u>71,744,415</u>
2009	2,482,776,575	658,678,489	(580,745,610)	2,560,709,454	679,895,019	728,096,191	(483,276,070)	924,715,140	1,635,994,314

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

- 4.1.1** Transfers represent the assets disposed off through negotiation after expiry/termination of leases. However, in view of large number of disposals, detail of each disposal has not been given. The list of disposal is available with the Modaraba.

	Rate (%)	C O S T			D E P R E C I A T I O N				Book value as at 30 June 2009	
		As at 01 July 2008	Additions	Disposal	As at 30 June 2009	As at 01 July 2008	For the year	On disposal		As at 30 June 2009
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
4.2 Assets in own use										
Office premises	5	7,050,034	-	(112,170)	6,937,864	3,723,620	346,655	-	4,070,275	2,867,589
Office equipments	20	1,822,965	1,792,221	-	3,615,186	1,037,284	450,157	-	1,487,441	2,127,745
Furniture and fixtures	10	790,155	713,156	(394,087)	1,109,224	481,712	126,180	(242,720)	365,172	744,052
Vehicles	20	4,081,810	35,900	(26,000)	4,091,710	1,177,986	814,505	-	1,992,491	2,099,219
Leasehold improvement	20	-	3,439,083	-	3,439,083	-	583,122	-	583,122	2,855,961
2009		13,744,964	5,980,360	(532,257)	19,193,067	6,420,602	2,320,619	(242,720)	8,498,501	10,694,566

	Rate(%)	C O S T			D E P R E C I A T I O N				Book value as at 30 June 2008	
		As at 01 July 2007	Additions	Disposal	As at 30 June 2008	As at 01 July 2007	For the year	On disposal		As at 30 June 2008
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Office premises	5	6,937,864	112,170	-	7,050,034	3,376,739	346,881	-	3,723,620	3,326,414
Office equipments	20	1,466,666	760,955	(404,656)	1,822,965	1,245,676	193,267	(401,659)	1,037,284	785,681
Furniture and fixtures	10	714,342	75,813	-	790,155	407,347	74,365	-	481,712	308,443
Vehicles	20	2,404,603	1,677,207	-	4,081,810	577,730	600,256	-	1,177,986	2,903,824
2008		11,523,475	2,626,145	(404,656)	13,744,964	5,607,492	1,214,769	(401,659)	6,420,602	7,324,362

4.2.1 Disposal of assets in own use

Particulars of assets	Sold to	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Profit/(Loss) Rupees	Mode of disposal
Furniture and Fixtures	Numerous people	394,087	242,718	151,369	115,500	(35,869)	Negotiation
2009		394,087	242,718	151,369	115,500	(35,869)	
Office equipments Computers Split A.C.	Employees	200,500 204,156	197,503 204,156	2,997 -	7,194 15,000	4,197 15,000	Negotiation
2008		404,656	401,659	2,997	22,194	19,197	

5. Card and room

	Note	2009 Rupees	2008 Rupees
Corporate membership of Lahore Stock Exchange		37,100,000	37,100,000
Less: Impairment		(1,100,000)	-
		36,000,000	37,100,000
Room at Lahore Stock Exchange		9,000,000	9,000,000
		45,000,000	46,100,000

6. Long term morabaha investment - secured

Morabaha investment		2,000,000	43,430,628
Add: Unearned morabaha income		340,022	7,059,707
		2,340,022	50,490,335
Less: Current portion of long term morabaha investment	11	(2,340,022)	(39,705,737)
		-	10,784,598

6.1 The profit charged on these facilities ranged from 15% to 17.67% (2008: 8.5% to 17.67%). These facilities are secured by way of personal guarantees of the Directors, pledge of stocks, mortgage of properties and charge on the assets varying from case to case.

7. Long term musharikhah investment - secured

	Note	2009 Rupees	2008 Rupees
Musharikhah investment		52,505,471	3,059,822
Less: Current portion of long term musharikhah investment	11	(14,473,237)	-
		38,032,234	3,059,822

7.1 The profit charged on these facilities ranged from 13.40% to 20.07% (2008: 14.40%). These facilities are secured by way of personal guarantees and mortgage of properties.

8. Short term investments - available for sale

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

No. of shares / certificates/units		Name of entity	June 2009		June 2008	
30 June 2009	30 June 2008		Cost	Carring value at market price	Cost	Carring value at market price
Number	Number		Rupees	Rupees	Rupees	Rupees
QUOTED SECURITIES						
Mutual Funds						
146,799	146,799	PICIC Investment Fund	2,699,376	559,304	2,699,376	1,743,972
63,580	63,580	JS Growth Fund	1,101,375	242,876	1,101,375	890,120
1,500,000	1,500,000	JS Large Capital Fund	15,000,000	4,665,000	15,000,000	13,500,000
Investment & Commercial Banks						
33,952	33,952	SAMBA Bank Limited (Formerly Crescent Commercial Bank Limited)	1,311,626	101,177	1,311,626	358,194
526	526	KASB Bank Limited	5,954	5,428	4,565	10,136
47	47	Standard Chartered Bank Pakistan Ltd.	233	399	233	1,105
31,250	31,250	The Bank of Punjab (associated concern)	2,143,938	343,125	2,143,938	972,813
Textile Spinning						
10,000	10,000	Kohinoor Spinning Mills Ltd.	80,100	28,500	80,100	49,100
Cement						
100,000	100,000	Lafarge Pakistan Cement Ltd. (Formerly Pakistan Cement Company Limited)	1,059,710	270,000	1,059,710	680,000
Chemical and Pharmaceutical						
1,627	1,627	Searle Pakistan Limited	4,129	72,483	4,129	148,936
UNQUOTED SECURITIES						
Open-ended mutual funds						
30,290	30,290	UTP Islamic Fund (Par value per unit Rs. 500)	22,901,962	9,015,508	22,901,962	15,829,540
1,693,159	1,646,344	Pakistan Capital Market Fund	23,000,000	14,019,357	23,000,000	17,862,832
225,996	178,884	Pakistan Stock Market Fund	18,000,000	10,748,370	18,000,000	14,587,990
86,530	83,998	United Stock Advantage Fund.	10,000,000	5,601,952	10,000,000	8,653,015
33,915	31,098	AKD Opportunity Fund.	2,000,000	1,193,809	2,000,000	1,870,518
81,699	81,699	UTP A30+ fund	5,000,000	2,169,118	5,000,000	3,849,673
275,042	229,240	Meezan Islamic Fund	17,292,401	9,703,485	15,000,000	13,729,188
			121,600,804	58,739,891	119,307,014	94,737,132

International Accounting Standard (IAS) 39-Financial Instruments: Recognition and Measurement requires that available for sale investments are impaired when there has been a significant or prolong decline in the fair value below its cost. Such impairment loss should be transferred from equity to profit and loss account. During the year ended the Modaraba has charged Rs. 59,370,242 to the profit and loss account on account of impairment on available for sale investment.

	Note	2009 Rupees	2008 Rupees
9. Short term morabaha investment - secured			
Considered good		932,251,910	1,273,131,119
Considered doubtful		227,028,128	208,549,962
		1,159,280,038	1,481,681,081
Add: Unearned morabaha income		26,123,813	56,000,118
		1,185,403,851	1,537,681,199
Less: Provision for doubtful finances	9.2	(227,028,128)	(208,549,962)
		958,375,723	1,329,131,237

9.1 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin. These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 12.18% to 21.18% (2008: 10.75% to 19.15%).

	2009 Rupees	2008 Rupees
9.2 Provision for doubtful finances		
Opening balance	208,549,962	198,796,750
Additions during the year	17,870,509	9,753,212
Transferred from long term morabaha	607,657	-
	227,028,128	208,549,962

10. Short term musharikhah investment - secured

The profit charged on these facilities ranges from 16.32% to 21.24% (2008: 16.01% to 16.39%). These are secured against mortgage of properties, hypothecation charge over fixed assets and personal guarantees.

	Note	2009 Rupees	2008 Rupees
11. Current maturity of long term investment			
Morabaha investment	11.1	2,000,000	35,430,628
Unearned morabaha income		340,022	4,275,109
		2,340,022	39,705,737
Musharikhah investment		14,473,237	-
		16,813,259	39,705,737

	Note	2009 Rupees	2008 Rupees
11.1 Morabaha investment			
Considered good		2,000,000	35,430,628
Considered doubtful		15,000,000	15,607,657
		17,000,000	51,038,285
Less: Provision for doubtful finances		(15,000,000)	(15,607,657)
		2,000,000	35,430,628
12. Advances, deposits, prepayments and other receivables			
Profit receivable			
Morabaha finances		38,114,442	58,804,003
Musharikah finances		4,251,999	1,007,333
		42,366,441	59,811,336
Lease rental receivables	12.1	189,544,144	132,122,856
Dividend receivable		-	3,792,400
Prepayments		218,382	158,599
Other receivables		26,107,540	4,994,789
		258,236,507	200,879,980
Less: Provision for non performing assets		(1,231,631)	-
		257,004,876	200,879,980
12.1 Lease rental receivables			
Considered good		189,544,144	132,122,856
Considered doubtful		31,645,905	2,706,476
		221,190,049	134,829,332
Less: Income transferred to suspense	12.1.1	(31,645,905)	(2,706,476)
		189,544,144	132,122,856
12.1.1 Income transferred to suspense			
Opening balance		2,706,476	16,771,545
Transferred during the year		28,939,429	3,059,984
Reversed during the year		-	(17,125,053)
		31,645,905	2,706,476

	Note	2009 Rupees	2008 Rupees
13. Cash and bank balances			
Cash with banks			
Current accounts	13.1	2,335,689	1,617,383
Deposit accounts	13.2	22,000,000	36,458,061
Saving accounts		2,054,510	382,232
Deposit with State Bank of Pakistan	13.3	18,784	138,435
		26,408,983	38,596,111
Cash in hand		25,267	14,871
		26,434,250	38,610,982

13.1 The balance of Rs.2.305 million (2008: Rs. 1.609 million) is maintained with The Bank of Punjab (the holding Company of the Modaraba's Management Company)

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

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

13.4 The rate of profit on deposit and saving accounts ranges between 5% to 15% (2008: 1.75% to 12.5%)

	2009 Rupees	2008 Rupees
14. Certificate capital		
Authorized certificate capital		
50,000,000 modaraba certificates of Rs.10 each.	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital		
20,000,000 modaraba certificates of Rs 10 each fully paid up in cash	200,000,000	200,000,000
14,020,000 modaraba certificates of Rs 10 each issued as fully paid bonus certificates	140,200,000	140,200,000
	340,200,000	340,200,000

14.1 As at 30 June 2009, Punjab Modaraba Services (Private) Limited (The management company) held 13,325,482 (2008: 13,325,482) certificates of Rs. 10 each.

	Note	2009 Rupees	2008 Rupees
15. Reserves			
Capital reserve			
Statutory reserve	15.1	110,683,572	110,683,572
Revenue reserves			
Net unrealized loss on investment - available for sale		-	(21,079,211)
(Accumulated loss)/ unappropriated profit		(87,885,124)	13,830,334
		22,798,448	103,434,695

15.1 This represents profit set aside to comply with the the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan requiring modaraba to transfer not less than 20% and not more than 50% of its profits after tax till such time that reserves equal 100% of the paid up capital. Thereafter a sum not less than 5% of the profit after tax is to be transferred.

	Note	2009 Rupees	2008 Rupees
16. Security deposits against leases			
Long term security deposits		279,984,308	272,871,298
Less: Current maturity of security deposits	20	(34,203,404)	(34,556,967)
		245,780,904	238,314,331
17. Long term musharikhah finances - secured			
Opening balance		788,710,559	27,739,425
Additions during the year		4,411,074,004	4,175,878,741
Less: Paid during the year		(4,187,102,178)	(3,414,907,607)
		223,971,826	760,971,134
Closing balance		1,012,682,385	788,710,559

17.1 During the year the Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs.1,140 million (2008: Rs.880 million). These facilities are secured by way of hypothecation charge over present and future book debts and receivables of Modaraba for an amount of Rs. 1,500 million. The estimated share of profit payable on musharikhah facilities ranges from 13.77% to 17.27% (2008: 11.22% to 15.63%).

	Note	2009 Rupees	2008 Rupees
18. Redeemable capital - participatory and unsecured			
Redeemable capital -Long term		173,950,000	100,000,000
Less: Current portion of long term Redeemable capital	20	(100,000,000)	-
		73,950,000	100,000,000

The share of profit payable on certificates of Musharikah ranges from 13.25% to 16% (2008: 16%).

	Note	2009 Rupees	2008 Rupees
19. Deferred morabaha income			
Short term deferred morabaha income		26,123,813	56,000,118
Long term deferred morabaha income		340,022	7,059,707
		26,463,835	63,059,825
Portion of deferred morabaha income adjustable within one year	20	(26,463,835)	(60,275,227)
		-	2,784,598
20. Current maturity of non current liabilities			
Security deposits against leases	16	34,203,404	34,556,967
Redeemable capital -Long term	18	100,000,000	-
Deferred morabaha income	19	26,463,835	60,275,227
		160,667,239	94,832,194
21. Short term finances - secured			
Morabaha finances		392,093,000	388,668,139
Musharikah finances		80,000,000	150,000,000
	21.1	472,093,000	538,668,139

21.1 These facilities have been availed from commercial banks. These facilities are secured by registered charge over fixed and current assets of Modaraba for Rs. 697 million and Rs. 200 million (2008: Rs. 630 million and Rs. 267 million) respectively. The estimated share of profit payable on these facilities ranges from 11.86% to 19.68% (2008: 11.21 % to 15.61%).

	Note	2009 Rupees	2008 Rupees
22. Redeemable capital - participatory and unsecured			
Opening balance		1,281,345,000	937,880,000
Issued during the year		2,648,881,796	3,266,245,000
Less: Redeemed during the year		(3,360,454,491)	(2,922,780,000)
		(711,572,695)	343,465,000
Closing balance		569,772,305	1,281,345,000

22.1 The share of profit payable on certificates of Musharikhah ranges from 9.5% to 19.5% (2008: 8% to 13.5%).

	Note	2009 Rupees	2008 Rupees
23. Markup payable			
Musharikhah finances		36,440,103	30,215,381
Morabaha finances		32,289,825	5,775,778
Redeemable capital		20,263,780	39,338,780
		88,993,708	75,329,939

24. Trade and other payables

Due to Modaraba management company		-	1,890,946
Accrued expenses		414,637	592,279
Advance lease rentals		1,796,541	1,341,445
Lease participation money		141,993	445,373
Tax deducted at source		39,308	612,581
Tax payable		266,780	266,780
Provident fund payable		584,551	84,917
Margin against LG		31,658,876	2,315,695
Other payables	24.1	12,097,930	12,282,629
		47,000,616	19,832,645

24.1 These include Rs.0.162 million (2008: Rs. 0.162 million) charged as penalty @ Rs 0.05 per thousand rupees on daily product basis on amount not paid by the clients in time, as required by the provisions of morabaha agreements. This amount shall be utilized for charitable and religious purposes as recognized by the Shariah.

25. Contingencies and Commitments

25.1 Contingencies

25.1.1 The assessing officer, while finalizing assessments for the years 1997-98 and 1998-99, made add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of Income Tax (Appeals) (CIT-(A)), who has rejected the appeals. The Modaraba has filed an appeal, against the order of CIT-(A), before the honourable Income Tax Appellate Tribunal, which has been decided in favour of Modaraba, however Income Tax Department has filed appeal before honourable Lahore High Court.

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

25.2 Commitments

25.2.1 Ijarah commitments approved but not disbursed as on balance sheet date amount to Rs.169.49 million (2008 : Rs. 182.23 million).

25.2.2 Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs.602.84 million (2008 : Rs. 393 million).

	Note	2009 Rupees	2008 Rupees
26. Other income			
Profit on bank deposits		2,778,776	4,365,375
Processing fee		20,471,040	7,282,900
Commission income		1,122,177	546,556
Arrangement fee		-	1,000,000
Miscellaneous income		1,443,835	1,056,391
		25,815,828	14,251,222
27. Operating expenses			
Salaries, wages and other benefits	27.2	12,115,871	7,876,223
Depreciation on fixed assets - owned	4.2	2,320,619	1,214,769
Travelling and conveyance		2,317,729	1,397,974
Legal and professional		657,978	597,266
Printing and stationery		754,024	565,119
Insurance		229,410	164,743
Fee and subscription		628,409	924,177
Auditors' remuneration	27.3	439,640	323,390
Repair and maintenance		686,865	230,162
Electricity, water and gas		616,055	507,734
Entertainment		279,307	263,646
Advertisement		539,240	53,140
Telephone and postage		690,116	810,288
Brokerage commission		62,500	268,750
Corporate Expenses		417,509	1,776,100
Staff Training		65,890	156,720
Rent, Rates and Taxes		151,273	-
Security Charges		385,806	164,000
Miscellaneous		770,845	877,783
		24,129,086	18,171,984

27.1 Office space and related expenditure are borne by Punjab Modaraba Services (Private) Limited (the management company).

27.2 Salaries and other benefits include Rs. 0.807 million (2008: Rs. 0.440 million) on account of provident fund contribution.

	2009 Rupees	2008 Rupees
27.3 Auditors' remuneration		
Audit fee	275,000	180,000
Half yearly review and others	110,000	95,000
Out of pocket expenses	54,640	48,390
	439,640	323,390
28. Financial charges		
Profit on morabaha finances	74,970,468	20,805,403
Profit on musharikhah finances	167,934,166	63,541,793
Profit on redeemable capital	140,608,771	141,326,281
Bank and other charges	165,719	274,950
	383,679,124	225,948,427
29. Earnings per certificate - basic		
Profit / (Loss) for the year	Rupees (90,829,058)	17,018,518
Weighted average number of ordinary certificates	Numbers 34,020,000	34,020,000
Earning / (Loss) per certificate	Rupees (2.67)	0.50
30. Future lease rental receivables		
Aggregate amount of future lease rentals receivable on the basis of agreements executed upto 30 June 2009, are as follows:		
	2009 Rupees	2008 Rupees
Upto one year	798,596,210	727,067,032
Above one year and upto five year	1,035,090,997	1,341,460,719
	1,833,687,207	2,068,527,751
31. Transactions with related parties		
The related parties and associated undertakings comprise of The Bank of Punjab and Punjab Modaraba Services (Pvt) Limited. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:		
31.1 Balance outstanding at the end of period		
31.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)		
Musharikhah finances	1,012,682,385	788,710,559
Profit payable on musharikhah finances	35,964,487	29,482,066
Net book value of the assets leased to employees	18,739,691	35,805,508
Lease security deposits	4,970,200	5,343,600
Lease rentals receivables	51,584	186,066
Certificate of musharikhah	470,000,000	270,000,000
Profit payable on certificate of musharikhah	17,412,872	5,347,941

	2009 Rupees	2008 Rupees	
31.1.2 Punjab Modaraba Services (Pvt) Limited (Modaraba's Management company)			
Due to / from management company	-	1,890,946	
31.2 Transactions during the year			
31.2.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)			
Lease rental income	13,247,752	1,414,599	
Profit charged on finances	146,554,960	50,080,242	
Lease contracts entered during the period	-	15,627,100	
Profit charged on certificate of musharikhah	78,192,880	6,027,393	
31.2.2 Punjab Modaraba Services (Pvt) Limited (Modaraba's Management company)			
Management fee accrued	-	1,890,946	
Profit distribution paid	4,262,622	7,193,174	
32. Remuneration of officers and other employees			
	Officers	2009 Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	9,189,643	631,517	9,821,160
Medical allowance	582,610	46,708	629,318
Utility allowance	582,610	46,708	629,318
Provident Fund contribution	767,855	39,986	807,841
Expenses reimbursed	228,234	-	228,234
	11,350,952	764,919	12,115,871
Number of employees at the year end	27	9	36
	Officers	2008 Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	6,201,883	548,568	6,750,451
Medical allowance	352,181	23,759	375,940
Utility allowance	352,181	23,759	375,940
Provident Fund contribution	205,371	16,258	221,629
Expenses reimbursed	152,263	-	152,263
	7,263,879	612,344	7,876,223
Number of employees at the year end	25	4	29

33. Financial instruments

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of the management company has overall responsibility for the establishment and oversight of Modaraba's risk management framework.

33.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and 'accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with 'the internal risk management policies and the requirements of the Prudential Regulations. The carrying amount of the following financial assets represents the maximum credit exposure at the reporting date:

	30 June 2009 Rupees	30 June 2008 Rupees
Cash and bank balances	26,434,250	38,610,982
Investments-available for sale	58,739,891	94,737,132
Musharikhah investment	52,505,471	23,059,822
Morabaha investment	960,715,745	1,379,621,572
Advances, deposits and other receivables	256,786,494	200,721,381
Long term deposits	131,560	71,000
	1,355,313,411	1,736,821,889

33.1.1 Description of Collateral held

The Modaraba's Ijarah (lease) are secured against assets leased out. In few leases additional collateral is also obtained in the form of mortgaged property.

Morabaha investments are secured by way of personal guarantees of the Directors, pledge of stocks, mortgage of properties and charge on the assets varying from case to case.

Musharikhah investments are secured by way of personal guarantees and mortgage of properties.

33.1.2 Investment comprises of certificates of mutual funds and ordinary shares of listed companies. The analysis below summarizes the credit quality of the Modaraba's investments.

	2009	2008
Mutual funds		
PICIC Investment Fund	N/A	N/A
JS Growth Fund	A	A
JS Large Capital Fund	5 Star	5 Star
Investment & Commercial Banks		
SAMBA Bank Limited (Formerly Crescent Commercial Bank Limited)	A	A
KASB Bank Limited	A	A
Standard Chartered Bank Pakistan Ltd.	AAA	AAA
The Bank of Punjab (associated concern)	AA	AA
Textile Spinning		
Kohinoor Spinning Mills Ltd.	N/A	N/A
Cement		
Lafarge Pakistan Cement Ltd. (Formerly Pakistan Cement Company Limited)	N/A	N/A
Chemical and Pharmaceutical		
Searle Pakistan Limited	BBB	BBB
Open-ended mutual funds		
UTP Islamic Fund (Par value per unit Rs. 500)	4 Star	4 Star
Pakistan Capital Market Fund	5 Star	5 Star
Pakistan Stock Market Fund	5 Star	5 Star
United Stock Advantage Fund.	N/A	N/A
AKD Opportunity Fund.	N/A	N/A
UTP A30+ fund	4 Star	4 Star
Meezan Islamic Fund	5 Star	5 Star

33.1.3 Aging Analysis of Morabaha receivables and Morabaha Investment

Morabaha receivables

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	20,223,860	20,223,860	-	-
1 day - 89 days	4,009,575	4,009,575	-	-
90 days - 179 days	13,881,007	13,881,007	6,706,032	6,706,032
180 days - 364 days	-	-	12,607,570	12,607,570
1 year - less than 2 year	-	-	11,569,930	11,569,930
2 year - less than 3 year	-	-	18,421,510	18,421,510
3 year or more	-	-	25,819,798	25,819,798
Total	38,114,442	38,114,442	75,124,840	75,124,840

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	23,639,444	23,639,444	-	-
1 day -89 days	451,792	451,792	-	-
90 days - 179 days	34,712,767	34,712,768	92,262	92,262
180 days - 364 days	-	-	6,638,239	6,638,239
1 year - less than 2 year	-	-	12,285,916	12,285,916
2 year - less than 3 year	-	-	19,063,792	19,063,792
3 year or more	-	-	-	-
Total	58,804,003		38,080,209	38,080,209

Suspension is recognised by the Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

Morabaha investment

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
0 days	568,474,710	568,474,710	-	-
1 day -179 days	310,500,000	310,500,000	-	-
180 days- 364 days	33,802,719	-	35,000,000	1,197,281
1 year - less than 2 year	15,938,548	-	20,000,000	4,061,452
2 year - less than 3 year	27,130,331	-	42,000,000	14,869,669
3 year or more	4,869,437	-	226,769,163	221,899,726
Total	960,715,745	878,974,710	323,769,163	242,028,128

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
0 days	1,276,487,097	1,276,486,647	-	-
1 day-179 days	5,485,096	5,485,096	-	-
180 days - 364 days	18,982,622	-	20,000,000	1,017,378
1 year - less than 2 year	65,694,343	-	75,038,285	9,343,492
2 year - less than 3 year	-	-	15,000,000	15,000,000
3 year and above	12,972,414	-	211,769,163	198,796,749
Total	1,379,621,572	1,281,971,743	321,807,448	224,157,619

Impairment is recognised by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

33.1.4 Aging Analysis of Lease receivables

2009				
<u>Past due</u>	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	30,357,946	30,357,944	-	-
1 day -179 days	91,858,484	91,858,484	-	-
180 days - 364 days	26,756,427	-	41,223,295	14,466,866
1 year - less than 2 year	40,571,287	-	57,750,326	17,179,039
Total	189,544,144	122,216,428	98,973,621	31,645,905

2008				
<u>Past due</u>	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	35,028,596	35,028,596	-	-
1 day -179 days	69,321,526	69,321,526	-	-
180 days - 364 days	27,772,734	-	30,479,210	2,706,476
1 year - less than 2 year	-	-	-	-
Total	132,122,856	104,350,122	30,479,210	2,706,476

Suspension is recognised by the Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

33.1.5 Aging Analysis of Musharikhah receivables and Musharikhah Investment**Musharikhah receivables**

2009				
<u>Past due</u>	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	550,888	550,888	-	-
1 day -89 days	323,714	323,714	-	-
90 days - 179 days	3,377,397	3,377,397	-	-
	4,251,999	4,251,999	-	-

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	622,957	622,957	-	-
1 day -89 days	-	-	-	-
90 days - 179 days	384,376	384,376	-	-
Total	1,007,333	1,007,333	-	-

Suspension is recognised by the Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

Musharikhah investment

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	51,739,245	51,739,245	-	-
1 day -179 days	766,226	766,226	-	-
Total	52,505,471	52,505,471	-	-

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
0 days	17,574,726	17,574,726	-	-
1 day -179 days	5,485,096	5,485,096	-	-
Total	23,059,822	23,059,822	-	-

Impairment is recognised by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

- 33.1.6** The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

Break down of credit risk exposure by class of business as at 30 June 2009 is as follows:

	Assets leased out	Morabaha investment	Musharikhah investment	2009 Total	% age
	Rupees	Rupees	Rupees	Rupees	
Banks and NBFIs	23,709,887	-	-	23,709,887	0.90
Textiles spinning and composite	251,907,388	398,523,653	8,236,548	658,667,589	24.89
Sugar and allied	282,866,205	207,322,044	-	490,188,249	18.52
Electric goods	157,937,705	182,485,155	-	340,422,860	12.86
Chemicals and Pharmaceuticals	63,831,783	120,176,388	-	184,008,171	6.95
Paper and board	77,818,431	29,848,922	-	107,667,353	4.07
Food and allied	74,542,632	-	-	74,542,632	2.82
Individuals	87,374,865	-	1,996,448	89,371,313	3.38
Jute	-	-	36,000,000	36,000,000	1.36
Oil and Gas	82,372,997	-	-	82,372,997	3.11
Miscellaneous	128,133,550	22,359,583	6,272,475	156,765,608	5.92
Aviation and transport	19,656,210	-	-	19,656,210	0.74
Engineering	367,383,026	-	-	367,383,026	13.88
Cement	15,649,880	-	-	15,649,880	0.59
	1,633,184,559	960,715,745	52,505,471	2,646,405,775	100

	Assets leased out	Morabaha finance	Musharikhah finance	2008 Total	% age
	Rupees	Rupees	Rupees	Rupees	
Banks and NBFIs	35,805,508	-	-	35,805,508	1.117
Textiles spinning and composite	131,584,470	427,747,856	-	559,332,326	17.449
Sugar and allied	436,242,298	287,280,141	-	723,522,439	22.571
Electric goods	122,132,816	163,879,766	-	286,012,582	8.922
Chemicals and Pharmaceuticals	65,380,107	205,324,196	-	270,704,303	8.445
Paper and board	45,232,306	74,883,793	-	120,116,099	3.747
Food and allied	-	13,685,403	-	13,685,403	0.427
Individuals	249,876,176	-	3,059,822	252,935,998	7.891
Jute	-	38,292,137	-	38,292,137	1.195
Oil and Gas	110,353,112	13,235,714	-	123,588,826	3.855
Miscellaneous	239,997,406	69,206,513	-	309,203,919	9.646
Aviation and transport	9,130,339	-	-	9,130,339	0.285
Engineering	317,097,981	86,086,053	20,000,000	423,184,034	13.202
Cement	40,049,037	-	-	40,049,037	1.249
	1,802,881,556	1,379,621,572	23,059,822	3,205,562,950	100

33.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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. The following are the contractual maturities of financial liabilities, including interest payments:

Financial liabilities

	2009					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
-----Rupees-----						
Redeemable capital	743,722,305	796,583,928	478,952,559	230,274,479	85,565,249	1,791,641
Morabaha finance	392,093,000	423,009,533	158,767,923	264,241,610	-	-
Security deposit against lease	279,984,308	279,807,000	14,648,221	19,555,183	63,379,207	182,401,697
Musharikhah finance	1,092,682,385	1,435,966,768	68,464,900	123,810,314	1,243,691,554	-
Deferred morabaha income	26,463,835	26,463,835	26,124,154	339,681	-	-
Unclaimed profit distribution	12,103,092	12,103,092	12,103,092	-	-	-
Trade and other payable	135,994,324	135,994,324	135,994,324	-	-	-
	2,683,043,249	3,109,928,480	895,055,173	638,221,267	1,392,636,010	184,193,338

Financial liabilities

	2008					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
-----Rupees-----						
Redeemable capital	1,381,345,000	1,451,424,493	1,072,338,190	247,351,508	131,734,795	-
Morabaha finance	388,668,139	410,720,033	410,720,033	-	-	-
Security deposit against lease	272,871,298	272,871,298	15,031,424	19,525,544	32,572,173	205,742,157
Musharikhah finance	938,710,559	1,190,001,927	184,634,814	59,808,913	386,458,680	559,099,520
Deferred morabaha income	63,059,825	63,059,825	48,021,113	12,254,114	1,413,600	1,370,998
Unclaimed profit distribution	11,152,513	11,152,513	11,152,513	-	-	-
Trade and other payable	95,162,584	95,162,584	95,162,584	-	-	-
	3,150,969,918	3,494,392,673	1,837,060,671	338,940,079	552,179,248	766,212,675

33.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and profit payable thereon). The rates of mark-up have been disclosed in notes 17, 18, 21 and 22 to these financial statements.

33.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Modaraba's income or the value of its holdings of financial instruments.

	2008
Financial assets	
Bank balances	1.75 to 12.5 percent per annum
Musharika investment	14.4 to 16.93 percent per annum
Morabaha investment	8.5 to 19.15 percent per annum
Financial liabilities	
Redeemable Capital	9.5 to 16 percent per annum
Musharika finances	11.22 to 15.63 percent per annum
Morabaha finances	11.21 to 15.61 percent per annum

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial assets	10,965,497	(10,965,497)
Cash flow sensitivity-Variable rate financial liabilities	(3,836,791)	3,836,791
Net effect	7,128,706	(7,128,706)
As at 30 June 2008		
Cash flow sensitivity-Variable rate financial assets	6,689,118	(6,689,118)
Cash flow sensitivity-Variable rate financial liabilities	(2,259,484)	2,259,484
Net effect	4,429,634	(4,429,634)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Modaraba.

33.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

33.5 Capital Risk Management

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

	2009 Rupees	2008 Rupees
34. Cash generated from operations		
Profit / (loss) before taxation	(90,829,058)	17,018,518
Adjustment for non cash expenses and other items:		
Provision for morabaha finance	17,870,509	10,860,870
Provision / (Reversal) for impairment of assets under Ijarah arrangement	2,809,755	(11,891,026)
Other provisions	1,231,631	-
Write off of bad debts	-	21,742,609
Impairment loss recognized	59,370,242	3,490,671
Impairment on assets	1,100,000	-
Depreciation / amortization	730,416,810	429,969,815
Financial charges	140,774,490	141,601,231
Profit on morabaha/musharikhah finances	242,904,634	84,347,196
Gain on disposal of assets under Ijarah arrangements	(7,043,208)	(13,215,677)
Gain on sale of investment	(741,643)	(3,112,761)
Loss on disposal of fixed assets in own use	35,869	-
Return on investments	(63,580)	(16,496,568)
Operating profit before working capital changes	1,097,836,451	664,314,878
Working capital changes		
Decrease / (Increase) in operating assets		
Finances under musharikhah arrangements	20,000,000	(20,000,000)
Finances under morabaha arrangements	322,401,043	(619,911,917)
Purchase of assets under Ijarah arrangements	(658,678,489)	(1,489,125,325)
Proceeds from disposal of assets under Ijarah arrangements	107,603,158	52,643,179
Long term deposits	(60,560)	-
Advances, deposits, prepayments and other receivables	(61,148,927)	(102,112,376)
	(269,883,775)	(2,178,506,439)
Increase in operating liabilities		
Trade and other payables	27,167,971	13,176,593
Security deposits received against Ijarah arrangements	53,616,705	163,897,209
Security deposits refunded against Ijarah arrangements	(46,503,695)	(34,088,662)
	34,280,981	142,985,140
Net changes in operating assets and liabilities	(235,602,794)	(2,035,521,299)
Cash generated from/ (used in) operations	862,233,657	(1,371,206,421)

35. Accounting estimates and judgments

Provision against non-performing loans and advances

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

Income taxes

The income of non-trading modaraba is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders.

However, due to loss for the year, no provision for taxation has been made in these financial statements.

36. Date of authorization for issue

The financial statements of Modaraba were approved by the directors of Modaraba's Management Company and authorized for issue on October 22, 2009.

37. General

- Figures have been rounded off to the nearest rupee.

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited



First Punjab Modaraba

Managed by:

Punjab Modaraba Services (Pvt) Ltd.

(A wholly subsidiary of The Bank of Punjab)

152, Abu Bakar Block, New Garden Town, Lahore.

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