



Sixteenth
Annual Report 2008



الضَّامِنُ
Al-Zāmin Leasing Modaraba

Sixteenth Annual Report 2008



الضَامِنُ

Al-Zāmin Leasing Modaraba

MANAGEMENT COMPANY

Al-Zāmin Modaraba Management (Private) Limited

101-108, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600, Pakistan.

Tel: 5873373, 5876651, 5876652, 5867102, 5374474, 5371725, 111-111-303

Fax : 5837586, 5870408 e-mail : contact@alzamin.com.pk Website : www.alzamin.com.pk

Modaraba Background

AI-Zamin Leasing Modaraba commenced its operation in August 1992 with a paid-up capital of Rs. 100 million. It was listed on the Karachi, Lahore and Islamabad Stock Exchanges in July 1992 through public offer which was seven times oversubscribed.

Modaraba's principal place of business is located at Karachi, whilst its' five zonal offices are situated at Karachi, Lahore, Islamabad, Faisalabad and Peshawar.

The promoters of the Modaraba included reputed financial institutions of the country, professional bankers, respectable businessmen and retired civil servants. Since inception, **AI-Zamin** has managed to establish itself as one of the most successful and growth oriented financial institution of the country.

The current status of **AI-Zamin** in the context of the Modaraba and Leasing sector is highlighted by the fact that its image in the market is that of a highly professional and progressive organization distinguished on the basis of its quality and stability. JCR-VIS Credit Rating Company has assigned a rating of "A-" (Single A Minus) for medium to long term & A-2 for short term finances. Whereas the Musharaka based TFC's have been awarded rating of 'A' (Single A).

As a part of its growth strategy **AI-Zamin** successfully completed two mergers by way of amalgamation of the operations, assets and liabilities of Ghandhara Leasing Company Limited and First Professionals Modaraba into **AI-Zamin Leasing Modaraba**. At present **AI-Zamin's** equity stands at Rs. 388 million and asset base at Rs. 3,899 million.

Mission Statement

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

Report Contents

Modaraba Background and Mission Statement	2
Corporate Information	4
Board of Directors and Management	5
Notice of Annual Review Meeting	6
Performance Comparison	7
Directors' Report	8
Statement of Compliance with the Code of Corporate Governance	12
Key Financial and Operating Data	13
Pattern of Certificate Holding	14
Categories of Certificate Holders	15
Auditors' Report to the Certificate Holders	16
Review Report to the Certificate Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	17
Balance Sheet	18
Profit and Loss Account	19
Cash Flow Statement	20
Statement of Changes in Equity	22
Notes to the Financial Statements	23

Corporate Information

MODARABA COMPANY

Al-Zamin Modaraba Management (Private) Limited

AUDITORS OF THE MODARABA

KPMG Taseer Hadi & Company, Chartered Accountants

BANKERS

Allied Bank Limited	National Bank of Pakistan
Askari Bank Limited	Saudi Pak Commercial Bank Limited
Emirates Global Islamic Bank Limited	Soneri Bank Limited
Faysal Bank Limited	Standard Chartered Bank (Pakistan) Limited
Meezan Bank Limited	The Bank of Khyber

LEGAL ADVISORS

Sharif & Company, Advocates	Kazim Hasan, Advocate
Mansoor Ahmed Khan & Company, Advocates	S.B Durrani Law Associates

REGISTERED OFFICE AND KARACHI ZONAL OFFICE

104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600.

Telephone : 5876651, 5876652, 5371725, 5873373, 5867102, 5374474, 111-111-303

Fax : 5870408, 5838304, 5837586

E-mail : contact@alzamin.com.pk

Website : www.alzamin.com.pk

LAHORE ZONAL OFFICE

Suite No. G-01, Rehman Business Centre, 32B-III, Gulberg-III, Lahore.

Telephone : 5878016, 5878017 Fax : 5878018

ISLAMABAD ZONAL OFFICE

52-E, Dohdy Building, Jinnah Avenue, Blue Area, Islamabad.

Telephone : 2270588, 2272835 Fax : 2272813

FAISALABAD ZONAL OFFICE

201, 2nd Floor, Faisal Complex, Bilal Road, Faisalabad.

Telephone : 2613466 Fax : 2613467

PESHAWAR ZONAL OFFICE

Tehmas Centre, Tehkal Payyan, University Road, Peshawar.

Telephone : 5711731-33 Fax : 5846034

SARGODHA BRANCH OFFICE

College Road, Opposite National Bank of Pakistan, Sargodha.

Telephone : 3222699 Fax : 3223199

SAHIWAL BRANCH OFFICE

Suite No. 01, 2nd Floor, Central Plaza, High Street, Sahiwal.

Telephone : 4228332 Fax : 4228337

SHEIKHUPURA BRANCH OFFICE

Office No. 8, 2nd Floor, Sharif Plaza, Main Sargodha Road, Sheikhpura.

Telephone : 3810593 Fax : 3810594

ABBOTABAD BRANCH OFFICE

Room # 1-3, Second Floor, Silk Plaza, Mansehra Road, Abbotabad.

Telephone : 343145 Fax : 343146

SHARE REGISTRAR OFFICE

Progressive Management Services (Pvt.) Limited.

10th Floor, Mehdi Towers, A-115, SMCHS, Shahrah-e-Faisal, Karachi.

Telephone : 4526983 - 84, 4393943 - 48 Fax : 4526985

Board of Directors

The Board of Directors of **Al-Zamin** comprises of eminent professionals and businessmen having rich experience and strong relationship in domestic and international banking circles. The members of the Board are as follows:

Mr. Zafar Iqbal	Chairman
Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Manzoor Hussain Shah Kazmi	Director
Mr. Mohammad Aslam Khan	Director
Mr. Shaikh Arshad Farooq	Director
Mr. Mohammad Imranul Haque	Director
Mr. Najib Amanullah	Director
Dr. Namoos Baquar	Director
Mr. Sohail Ansar	Director
Mr. Muhammad Kamal Abdul Nasir	Director
Mr. Muhammad Zahid	(Nominee of Zahidjee Fabrics (Pvt) Ltd.)
Mr. Rashid Ahmed	(Nominee of National Investment Trust)
Mr. Anis Wahab Zuberi	(Nominee of National Investment Trust)

Management

Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Mohammad Moizul Haque	Chief Operating Officer
Mr. Ansar Husain	Executive Director
Ms. Hamida Aqeel	Company Secretary
Mr. Mohammad Naim Ashraf	Chief Financial Officer
Ms. Roomana Nasir	Advisor

Zonal and Divisional Heads

Mr. Omer Farooq Khan	Karachi Zone
Mr. Hamayun Shabbir	Lahore Zone
Mr. Raja Imran Ashfaq	Islamabad Zone
Mr. Ameer Hamza Khawar Hasan	Faisalabad Zone
Mr. Hameed Rabbani	Peshawar Zone
Mr. Shiraz Butt	MSE Division
Mr. Mohammad Naim Ashraf	Finance & Accounts Division
Mr. Irfan Bashir	Risk Management Division
Mr. Mohammad Imran Khan	Credit Division
Mr. Zia Khalid	Internal Audit Division
Mr. Nomanul Haque	Information Technology Division
Mr. Mirza Zubair Baig	Treasury Operations
Mr. Rizwan Ibnul Hasan	Lease Management Division
Mr. Abdul Waheed	Recovery Division

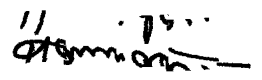
Notice Of Annual Review Meeting

The Board of Directors have approved a cash dividend of 10% (Re. 1 per certificate) for the financial year ended June 30, 2008.

The Certificate Transfer Books of the Modaraba will remain closed from Tuesday, October 7, 2008 to Tuesday, October 14, 2008 (both days inclusive). Transfers received by our Registrar Messrs Progressive Management Services (Pvt.) Limited, 10th Floor Mehdi Towers, A-115 S.M.C.H.S., Shahrah-e-Faisal, Karachi (Tel: 021-4526983-84 Fax: 021-4526985) by the close of business hours on Monday, October 6, 2008 and found in order will be entitled to the dividend.

Notice is hereby given that the Annual Review Meeting of the Certificate Holders of the Modaraba will be held on Tuesday, October 14, 2008 at 9:30 a.m. at Institute of Chartered Accountants, Accounts Avenue, Clifton, Karachi, to review the performance of the Modaraba for the year ended June 30, 2008.

Karachi:
3rd September, 2008


Hamida Aqeel
Company Secretary

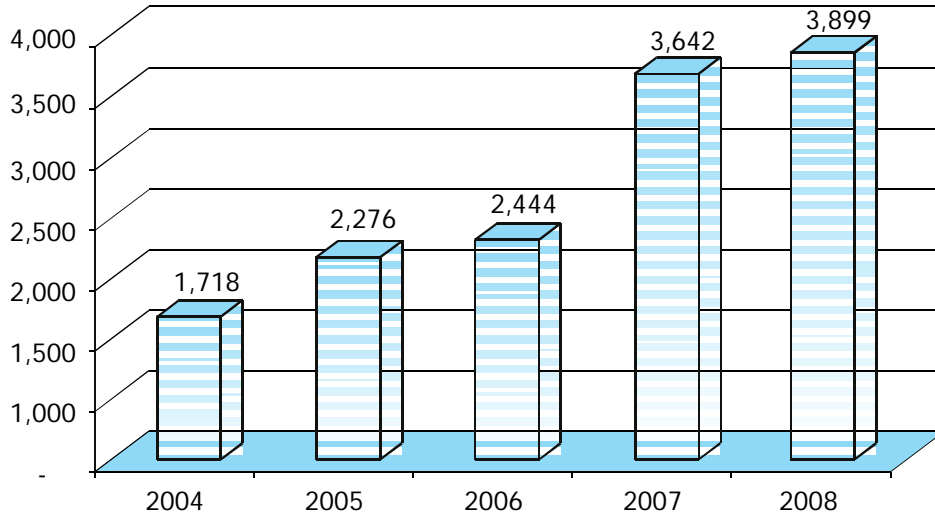
NOTE :

The Certificate Holders are advised to notify to the Registrar of Al-Zamin Leasing Modaraba, any change in their addresses. Certificates for transfer should also be lodged with the Registrar Messrs Progressive Management Services (Pvt) Limited, 10th Floor, Mehdi Towers, A-115, SMCHS, Shahrah-e-Faisal, Karachi. Phone : 4526983 - 84, 4393943 - 48 Fax : 4526985

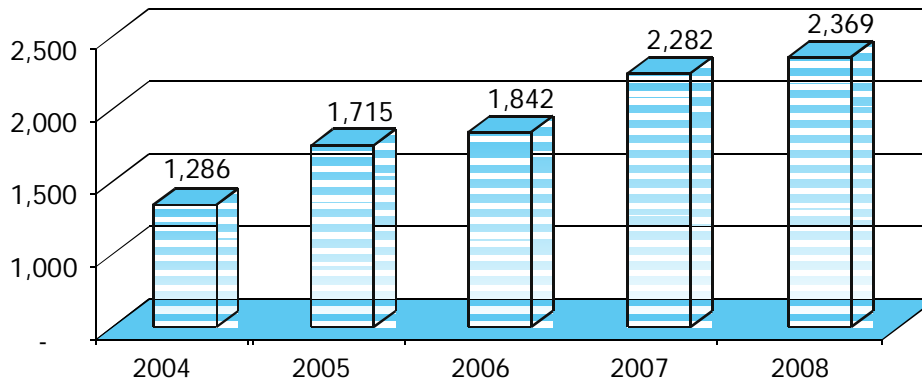
Performance Comparison

Total Assets

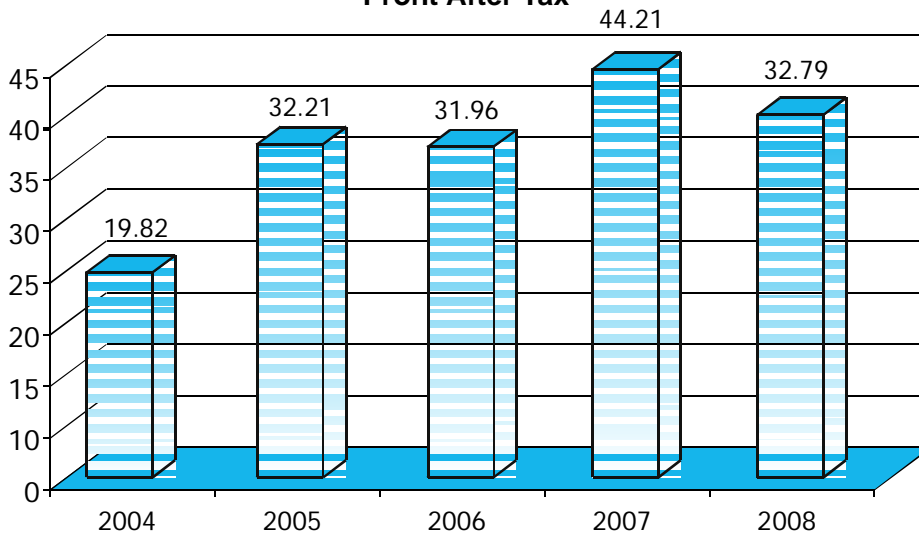
(Rupees in Million)



Net Investment In Leases



Profit After Tax



Directors' Report

For The Year 2007-2008

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited takes pleasure in presenting the annual audited accounts of Al-Zamin Leasing Modaraba as on 30th June, 2008 to the certificate holders.

Performance During the Year

The financial year ending on 30th June, 2008 was probably a unique period in the history of Pakistan. The political unrest starting in March, 2007 aggravated into many dimensions which, in turn, affected the business and financial activities seriously. By any standards, the year was a very difficult one with a consequential impact on financial sector's performance. In an overall environment of uncertainties, fresh investments and expansions in business were not forthcoming thereby making it difficult to procure business with acceptable risk and yield. It is a matter of great pleasure for the Board that, in spite of all adversities, your Modaraba continued its growth and maintained its quality of portfolio and profitability. The management team was able to realign the business strategies according to the changed circumstances and meticulously achieved the projected goals. Against an estimation of Rs.1,950 million projected at the beginning of the year for making fresh disbursements towards asset creation and direct resource mobilization, your Modaraba achieved Rs.2,161 million, indicating a performance of 111%. Out of the aforesaid figures, fresh disbursement of Rs.1,085 were made in leasing portfolio and Rs.496 million in Musharakah and Murabahah. An important aspect of the year's performance was that fresh resources amounting to Rs.580 million were generated through marketing of Al-Zamin's own Certificates of Musharakah (COMs) besides mobilizing long term credit lines from the financial institutions. Consequently, the total assets of the Modaraba increased from Rs.3,642 million as at 30th June, 2007 to Rs.3,899 million showing a growth of over 7%. The net investment in leasing portfolio increased from Rs.2,281 million to Rs.2,369 million and Musharakah/Murabahah from Rs.552 million to Rs. 739 million. The growth in the business portfolio was well-diversified with better risk profile of investments. It would be appreciated that maintaining a continued growth with added emphasis on the quality of portfolio was quite a difficult task in the context of the severe political and economic issues during the year for which the commitment and capability of the Modaraba team deserves due recognition.

Leasing remained a significant source of business but the focus was shifted towards such segments and categories of lessees which could provide acceptable returns but with better risk profile. Al-Zamin remains a significant lessor of the CNG stations, medium sized corporates and vehicles excluding commercial transport sector. Efforts to undertake further business in the healthcare, construction and growth-oriented companies were intensified. The Modaraba also increased its participation in the small and micro sector by augmenting its MSE structure through out the country. Al-Zamin believes that micro leasing is an effective tool for supporting entrepreneurs who are deprived of resources but have the capability to generate earnings through skilful usage of assets provided under the leasing arrangements. This, in many ways, is a better form of promoting micro credit which constitutes an important facet of the current policies of the government to enhance self sufficiency and poverty alleviation. Al-Zamin's entry in the micro lease was initiated through its participation in the Swiss Development Agency Program being coordinated by the Leasing Association of Pakistan. Al-Zamin is now the major component of the SDC micro lease program in Pakistan.

Your Board had developed specific strategies during the previous years to reduce reliance on leasing and take advantage of the opportunities available to the Modaraba being a multi-purpose and multi-functional entity. Your Board believes that, in view of the competition being faced with the commercial banks, net margins in the leasing business will keep on reducing for the leasing companies and, therefore, alternate sources of business need to be developed with careful assessment of risk management and development of appropriate infrastructure. The process of diversification which started two years back included entering into partnerships for or fully owning CNG stations at various locations in the country. So far, six CNG ventures have been undertaken of which three were fully functional at the beginning of the year. One more station has become operative during the year and the remaining two are likely to commence operation in four to six months' time. The earnings of four CNG stations have been a valuable addition to the profitability of the Modaraba. Full operations of the remaining two stations during the current financial year will create a recognizable impact on Modaraba's profit. It has been decided not to undertake fresh CNG ventures for the time being and to maintain Modaraba's focus on the existing six stations for realizing their full potential. Your Modaraba has also participated in property development projects which are abundantly secured and have been yielding better profits compared to the leasing business. The political and economic problems during the year under review slowed down the timely completion of some of the projects but it is encouraging to note that all projects in which your Modaraba holds investments are now progressing satisfactorily. In the meantime, a comprehensive and effective infrastructure has been developed to monitor the progress of such projects and to ensure protection of our investments. Besides property development, it has also been decided to participate in the healthcare sector for development of hospitalization facilities in the medium sized towns for the middle class patients. This is an ever growing sector and your Modaraba intends to increase its participation in collaboration with professionally capable counterparties to set up a chain of hospital units in carefully identified locations.

Resource mobilization during the year received special focus of your management. While short term funding always remained available which was used occasionally to undertake profitable businesses, your management has been consistently adhering to the policy of matching receivables and commitments. With the confidence and support of the financial sector, your management successfully issued a privately placed Musharakah TFC for Rs.700 million for a period of four years which was subscribed by eleven financial institutions. This was in addition to the long term credit lines mobilized by the Modaraba to fund its business operations. The two tranches of the listed Musharakah-based TFCs pioneered and launched by the Modaraba in years 2004 and 2005 are being repaid regularly as per the arrangements. The balance of the first tranche of Rs.102 million would be fully repaid in December 2008 whereas that of second tranche of Rs.221 million will be fully settled by May 2010. In addition to the short and long term borrowings mobilized from the financial sector, your Modaraba has been increasing its focus on issuance of its Certificates of Musharakah (COMs) to the individual and corporate investors. During the year under review, COMs worth of

Rs.580 million were issued. Special focus was maintained by your management to increase its recovery efforts in order to control the incidence of overdue and defaults. Your management is fully cognizant of the challenges being faced by the medium and small-sized clients in the current environment and has developed an effective infrastructure to manage and recover the exposures successfully. The current uncertainties on the socio-political horizon of the country are likely to continue for some time during which your Modaraba shall exercise extreme caution in undertaking fresh business and maintain a level of accelerated efforts for recoveries.

Income from the leasing operations increased from Rs.240 million to Rs.276 million during the year whereas the income on Musharakah investments increased from Rs.67 million to Rs.97 million. The stock market experienced an unprecedented decline during the year under review which resulted in an unrealized loss in investments in marketable securities amounting to Rs.15 million as at 30th June, 2008. On the other hand, a net gain on the sale of marketable securities of Rs.8.6 million was achieved as against Rs.2.3 million of the previous year. Also, a dividend income of Rs.11 million was realized during the year which was more than double the figure of dividend earned during the previous year. Consequently, the overall earnings increased from Rs.334 million to Rs.389 million during the year. The financial charges increased from Rs.205 million to Rs.269 million due to the upward revisions in the KIBOR during the year and increased level of borrowings which, inter-alia, were utilized to create earning assets. Net provisions of Rs.5.97 million were made for the non-performing leasing and Musharakah portfolio as against the net provision of Rs.7.14 million made during the previous year. Operating expenses of the Modaraba increased from Rs.82 million to Rs.95 million largely due to the inflationary impact and also for improvement of staff remunerations to bring their situation nearer to the competitive market. Profits on CNG operations made a healthy impact of Rs.11.9 million thereby achieving a net profit of Rs.36 million for the year. After payment of the Modaraba Company's management fee a distributable profit of Rs.33 million is available. The net profit of the current year is lower than the net profit of Rs.44 million earned during the year 2006-07. The major impact is that of unrealized loss in investments in marketable securities and increase in the financial charges. While the stock market position will undoubtedly improve when the current political uncertainties and economic situation of the country improve, the level of current borrowings will be maintained with added efforts to reduce the overall cost of borrowings. The operating expenses will indicate further increase due to the current inflation level but should be offset with the increased earnings to be generated through the diversification projects.

Dividend Distribution

Your Board is pleased to announce 10% (Re 1 per certificate) cash dividend to the certificate holders amounting to Rs. 25.472 million out of the net profits as at 30th June, 2008. It would be recognized that dividends of 10% were paid in 2006 and 12.5% in 2007. The ability of the Modaraba to distribute 10% dividend for the year which was riddled with multiple adversities reaffirms the inherent strength and resilience of management strategies. There is no doubt that, with the improvement of the overall circumstances, the certificate holders could look forward to better yields in the coming years.

Credit Rating

Credit rating of the Modaraba was maintained during the year by the JCR-VIS Credit Rating Company as A- (Single A Minus) for long term and A2 (Single A Two) for short term rating with the "stable" outlook. The instrument rating of the TFCs issued by Modaraba was maintained A (Single A). The credit report previously issued by the rating agency maintained that there had been significant growth and diversification in Modaraba's assets, with leveraging and profitability indicators remaining at acceptable levels. The report recognized positive results achieved by the management in monitoring and reinforcing recovery efforts to improve asset quality indicators. Also, the long term funds mobilized for improving maturity mismatch situation were duly recognized.

International Multi Leasing Corporation limited

As mentioned in the previous report, the merger of International Multi Leasing Corporation Limited with and into Al-Zamin Leasing Modaraba (Al-Zamin) and the relevant Scheme of Arrangement were approved in the 55th Board meeting and, consequently, the process of merger is being completed through various modalities. The Registrar Modarabas and SECP have approved the proposed merger and a no objection has also been issued by the Competition Commission of Pakistan. A petition for the merger has now been filed in the Honourable High Court of Sindh. The process would involve holding an extraordinary general meeting of the certificate holders of the Modaraba which will be completed when directed by the Court. The merger, when finally approved by the Honourable Court, would add a net equity of about Rs.80 million to the Modaraba without adding any liabilities.

Al-Zamin Leasing Corporation Limited

It would be recalled that acquisition of majority shareholding and management control of Crescent Leasing Corporation Limited arranged and spearheaded by your Modaraba was successfully completed in April, 2007. Since then, significant improvements have been made in streamlining the operations of the aforesaid Company. The merger of Universal Leasing Corporation Limited with Crescent Leasing Corporation Limited was successfully completed and the name of the merged entity changed to Al-Zamin Leasing Corporation Limited in February 2008. The Company has since filed an application for issuance of investment banking license which is under consideration of the SECP. In the meantime, the Company has not only converted its net loss of Rs.108 as at 30th June, 2007 into a net profit as at 30th June, 2008, it has also received a sub-ordinated loan of Rs.250 million from the majority shareholders in order to increase the equity base. The future operations of the Company and Al-Zamin Leasing Modaraba are being carefully viewed in the context of the current regulatory and business environments as the smaller financial institutions will find it difficult to meet the competition and maintain acceptable margins in the future.

Proposed Islamic Bank

Negotiations have been carried out with a respectable financial group to join the sponsoring shareholders of the proposed Islamic bank for which discussions have been held with State Bank of Pakistan. In view of the increasing equity requirements for commercial banks, efforts are being made to achieve maximum possible contributions from the sponsoring shareholders which will meet the market trends and competition.

Future Prospects

The overall economic indicators of the country have been deteriorating constantly for the past few months. The balance of payments and trade deficits have been increasing constantly along with the inflation which has touched the record level. Discount rate has been increased repeatedly by State Bank of Pakistan to curb the inflationary trends, the outcome of which is not yet visible. Pak Rupee has touched its lowest level against the US Dollar and constant outflow of funds is being experienced for quite some time. Stock markets have lost about 35% value since April, 2008 without any respite being visible at the moment. The overall political uncertainties being experienced before and after the elections are still persisting in spite of the exit of Mr. Pervez Musharaf. Increasing oil prices, shortage of essential commodities and deteriorating law and order situation are adding to the adversities of the nation. More importantly, a clear direction to face and resolve multifarious economic, political and social problems is not forthcoming as the ruling parties are still trying to consolidate and align their positions in the government. An atmosphere of expectation prevails through out the country in which no material investment or business activity can take place.

The financial sector has been badly hit due to the increase in delayed recoveries, lack of further opportunities for profitable investments, deteriorating stock market and increasing mark up rates. The challenge before an organization like Al-Zamin is to maintain the size and quality of its business portfolio on acceptable margins which are coming under constant pressure. Your team is taking a constant cognizance of the challenges and realigning its policies and operations in order to mitigate any adverse effects. The business strategies devised for 2008-09 place specific focus on maintaining the recovery levels and improving the risk profile of the portfolio by making necessary shift to the business and clients with better repayment capabilities. An essential principle of prudence during such times is to choose our business very carefully, intensify the monitoring capability and ensure prompt recovery of receivables. Your management is constantly implementing the aforesaid strategies to ensure that the current uncertainties do not affect the business portfolio of the Modaraba.

The scenario of changing rates results in various implications for the financial institutions like ourselves which have to rely on the borrowed resources whereas their receivables are generally determined on fixed IRR basis. This creates an adverse yield curve if resources and utilization are not met appropriately. Therefore, your Modaraba has been following a careful policy of linking its major commitments to the variable rates and also relying on the resources generated through the COMs. The efforts of your management during the current year would be to maximize the benefits of the diversification by utilizing the infrastructure developed during the previous years and also to increase its equity in order to improve its business handling capacity.

In an historic achievement, the Modaraba Association of Pakistan and the Registrar Modarabas procured approval of the Religious Board for twelve (12) new model agreements based on the agreements being used by Islamic banks. This has enlarged the scope and opportunities for the Modaraba sector to work closely with the Islamic banks besides entering into Shariah compliant modes like Istasna, Syndicate Musharakah or Murabahah, Salam and CFS transactions. Like the past, Al-Zamin will be a pioneer in implementing the expanded scope of operations through the aforesaid modules in order to implement its policy of diversification further.

Board of Directors

During the year under review four Board meetings were held and attended by the following Directors:-

Name of Member	No. of Meetings Attended
Mr. Zafar Iqbal	4
Mr. Basheer A. Chowdry	4
Mr. Manzoor Hussain Shah Kazmi	4
Mr. Mohammad Aslam Khan	4
Mr. Sheikh Arshad Farooq	4
Dr. Namoos Baquar	4
Mr. Muhammad Kamal Abdul Nasir	4
Mr. Rashid Ahmed	3
Mr. Sohail Ansar	2
Mr. Najib Amanullah	1
Mr. Anis Wahab Zuberi	1
Mr. Raza Abbas Jafri	1
Mr. Mohammad Imranul Haque	Nil
Mr. Muhammad Zahid	Nil

Audit Committee

The Audit Committee of the Board consists of the following members:-

- | | |
|--|----------------------------|
| 1. Mr. Mohammad Aslam Khan – Director | Chairman |
| 2. Mr. Mohammad Kamal Abdul Nasir – Director | Member |
| 3. Mr. Anis Wahab Zuberi - Director | Member |
| 4. Ms. Hamida Aqeel – Company Secretary | Secretary to the Committee |

The pattern of certificate holding is annexed to this report along with the operating data of the Modaraba for six years. A Statement of Compliance with the Code of Corporate Governance is also enclosed.

Compliance under Clause XIX of the Code

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

Staff Benefit Schemes

The Modaraba operates a Provident Fund Scheme for the staff, value of which is Rs.17 million as at 30th June, 2008. A Gratuity Scheme has also been implemented for the staff of the Modaraba w.e.f 1st July 2005.

Auditors

Your Board wishes to place on record its appreciations for the valuable assistance and guidance provided by KPMG Taseer Hadi & Company, Chartered Accountants, during the year.

Acknowledgements

The Directors are pleased to put on record their appreciation of the devoted efforts made by the staff for the successful operations of the Modaraba and valuable guidance provided by the Registrar Modarabas and Securities and Exchange Commission of Pakistan.

Karachi
Date : 3rd September, 2008

For and on behalf of the Board of Directors



Basheer A. Chowdry
Chief Executive

Statement Of Compliance

With The Code Of Corporate Governance

For the year ended 30 June 2008

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

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

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

1. The Modaraba Company has 13 directors which include 12 non-executive directors.
2. All the directors of the Modaraba Company have confirmed that they are not serving as a director in more than ten listed companies.
3. All the resident directors of the Modaraba Company have confirmed that they are registered as taxpayers and have not defaulted in payment of any loan to a banking company, a Modaraba, Development Financial Institution or a Non Banking Financial Institution, neither they are member of any stock exchange in Pakistan.
4. No casual vacancy occurred in the Board during the year.
5. The Modaraba Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Modaraba Company and employees of the Modaraba.
6. The Board has developed a mission statement and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained in the form of minutes of meetings of the board and internal circulars. The overall corporate strategy of the Modaraba is discussed from time to time in the Board meetings and documented in the minutes.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including changes in remuneration of the Chief Executive Officer and other executive director. However, no new appointment of the Chief Executive Officer and other executive director was made during the year.
8. The Board has met once in every quarter. All meetings of the Board were presided over by the Chairman. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. A detailed presentation by Messrs M. Yousuf Adil Saleem and Company was given on April 26, 2008 to the Board of Directors on the 'Code of Corporate Governance' with specific reference to the role of Board in strategy formulation and responsibilities of the Directors.
10. No new appointment of Chief Financial Officer, Company Secretary or Head of Internal Audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Chief Executive Officer, directors and other executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.

14. The Modaraba Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Modaraba.
15. The Board has formed an Audit Committee. It comprises of four members including secretary to the Audit Committee. Three members are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held once in every quarter as required by the Code prior to approval of interim and final results of the Modaraba. The terms of reference of the Committee have been framed and advised to the Committee for compliance, in earlier years.
17. The Board has set-up an Internal Audit function on a full time basis. Arrangements are being made to reinforce the department to make it more effective.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi
Date : 3rd September, 2008


Basheer A. Chowdry
 Chief Executive

Key Financial And Operating Data

	(Rupees in million)					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total Assets	3,899.217	3,641.733	2445.290	2276.263	1,718.177	1,192.547
Net Investment in Lease	2,369.108	2,281.534	1841.649	1715.463	1,286.088	828.966
Musharakah/Murabahah	740.333	555.971	181.005	192.449	143.885	165.489
Certificate Holder's Equity	388.285	391.65	372.679	353.452	320.547	318.560
Paid up Capital	254.721	254.721	254.721	254.721	254.721	254.721
Break-up value (Rs.)	15.244	15.375	14.630	14.660	12.580	12.516
Total Revenue	406.418	343.085	247.480	200.656	172.230	154.910
Financial Charges	268.828	204.627	141.242	108.524	85.105	75.581
Operating Expenses	95.185	84.840	52.955	46.788	38.943	36.391
Profit before tax	32.793	44.211	35.692	44.785	16.278	14.170
Profit after tax	32.793	44.211	31.963	32.905	19.817	10.310
Earning per certificate (Rs)	1.290	1.736	1.250	1.290	0.780	0.400

Pattern Of Certificate Holding

As On 30 June 2008

Number of Certificate Holders	Certificate Holding		Total Certificates	Percentage Held
	From	To		
2,316	1	100	116,595	0.46
1,706	101	500	410,417	1.61
1,298	501	1000	905,670	3.56
543	1001	5000	1,201,581	4.72
91	5001	10000	669,750	2.63
31	10001	15000	375,833	1.48
14	15001	20000	247,237	0.97
8	20001	25000	181,298	0.71
3	25001	30000	82,042	0.32
4	30001	35000	131,205	0.52
2	35001	40000	75,515	0.30
3	40001	45000	127,971	0.50
3	45001	50000	147,658	0.58
3	50001	55000	156,500	0.61
1	55001	60000	59,370	0.23
2	60001	65000	123,890	0.49
1	75001	80000	75,893	0.30
2	80001	85000	167,892	0.66
2	85001	90000	174,547	0.69
1	90001	95000	93,208	0.37
2	95001	100000	198,100	0.78
1	105001	110000	106,500	0.42
1	115001	120000	117,470	0.46
1	145001	150000	150,000	0.59
1	185001	190000	185,100	0.73
1	245001	250000	250,000	0.98
1	415001	420000	417,500	1.64
3	600001	1100000	2,854,108	11.20
2	1100001	1600000	2,790,107	10.95
1	1600001	2100000	1,769,000	6.94
1	2600001	3100000	3,015,519	11.83
2	3600001	4400000	8,094,636	31.78
6,051			25,472,112	100.00

Categories Of Certificate Holders

As On 30 June 2008

Categories of Certificate Holders	Number of Certificate Holders	Total Certificates Held	Percentage
Individuals	5,979	9,692,975	38.05
National Investment Trust	3	4,696,309	18.44
Investment Corporation of Pakistan	3	13,915	0.05
Modaraba Management Company	1	3,015,519	11.84
Public Sector Companies and Corporations	2	750	0.00
Banks	3	145	0.00
Development Financial Institutions	3	24,350	0.10
Insurance Companies	3	910,035	3.57
Mutual Funds	1	86,000	0.34
Modarabas	1	100	0.00
Joint Stock Companies	43	1,279,176	5.02
Directors, CEO & Their Spouses	5	5,660,959	22.22
Others	4	91,879	0.36
	6,051	25,472,112	100.00

Note : Holding of Directors, their spouses & minor children

Mr. Zafar Iqbal / Ms. Shehribano Iqbal	4,353,500	17.08
Mr. Mohammad Zahid & Huma Zahid	1,290,052	5.06
Mr. Basheer Ahmed & Mrs Nishat Basheer	10,000	0.04
Mr. Manzoor Hussain Shah Kazmi	7,287	0.03
Mr. Sohail Ansar	120	0.01
	5,660,959	22.22

Auditors' Report

To The Certificate Holders

We have audited the annexed balance sheet of **Al-Zamin Leasing Modaraba** ("the Modaraba") as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

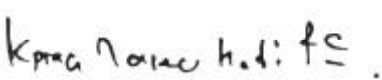
- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of Al-Zamin Leasing Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the 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 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

- d) in our opinion, Zakat deductible at source under 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 the Ordinance.

Karachi

Date: 03 September, 2008


KPMG Taseer Hadi & Co.
Chartered Accountants

Review Report To The Certificate Holders

On Statement Of Compliance With Best Practices Of Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al-Zamin Modaraba Management (Private) Limited (the Modaraba Company) in respect of Al-Zamin Leasing Modaraba (the Modaraba) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Modaraba is listed.

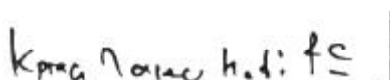
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

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 at 30 June 2008.

Karachi

Date : 03 September, 2008


KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet

As At 30 June 2008

	Note	2008	2007
Assets			
Current Assets			
Cash and bank balances	5	186,803,085	212,594,086
Short term investments	6	50,750,105	53,926,953
Takaful Reserve Fund Investments	7	44,727,900	47,298,558
Short term musharakah and murabahah	8	538,625,830	417,361,955
Advances and prepayments	9	44,328,221	36,608,179
Other receivables	10	74,295,639	60,531,660
Current maturity of long term receivables	11	1,010,720,405	97,104,232
Stock in trade	12	518,174	431,451
		1,950,769,359	1,806,857,074
Non-current assets			
Long term musharakah - secured	13	86,431,160	47,898,336
Net investment in finance leases	14	1,472,689,641	1,409,174,853
Long term investments	15	81,141,039	141,486,250
Long term security deposits and advances	16	24,598,909	10,681,366
Fixed assets	17	283,586,993	225,635,524
		1,948,447,742	1,834,876,329
Total assets		3,899,217,101	3,641,733,403
Liabilities			
Current Liabilities			
Short term musharakah borrowings and bank finance facilities	18	141,740,534	419,000,000
Short term certificates of musharakah borrowings	19	378,030,000	513,580,000
Creditors, accrued and other liabilities	20	87,495,882	69,807,327
Profit distribution payable		5,284,940	4,465,318
Current maturity of long term liabilities	21	664,540,627	548,035,260
		1,277,091,983	1,554,887,905
Long term and deferred liabilities			
Deferred liability for staff gratuity	4.7.1	4,438,122	2,565,685
Security deposits from lessees	22	717,761,911	663,357,098
Long term certificates of musharakah borrowings	23	289,010,000	85,345,000
Liabilities against assets subject to finance lease	24	8,557,042	10,136,359
Long term musharakah and murabahah borrowings	25	412,214,501	614,273,417
Musharakah term finance certificates	26	692,925,061	-
Redeemable capital - Musharakah Term Finance Certificates	27	108,933,086	319,522,228
		2,233,839,723	1,695,199,787
Total liabilities		3,510,931,706	3,250,087,692
NET ASSETS	Rupees	388,285,395	391,645,711
FINANCED BY			
Authorised certificate capital			
50,000,000 Mudarabah certificates of Rs.10 each	Rupees	500,000,000	500,000,000
Issued, subscribed and paid up certificates	28	254,721,120	254,721,120
Reserves		106,318,011	99,759,339
Share of surplus on revaluation of available for sale investments (including of an associated undertaking)	7.3	(4,085,769)	227,766
Unappropriated profit		31,332,033	36,937,486
	Rupees	388,285,395	391,645,711
Contingencies and commitments	29		

The annexed notes from 1 to 48 form an integral part of these financial statements.


Basheer A. Chowdry
 Chief Executive


Zafar Iqbal
 Chairman


Kamal A. Nasir
 Director

Profit And Loss Account

For The Year Ended 30 June 2008

	Note	2008	2007
INCOME			
Income from leasing operations	30	276,139,883	239,806,725
Profit on musharakah investments		96,515,439	67,465,249
Income on deposits with banks		2,626,902	1,358,191
Net gain on sale of marketable securities		8,594,082	2,262,853
Unrealised (loss)/gain on investment in marketable securities - net		(15,445,842)	3,469,207
Mark-up on term finance certificates		5,835,714	12,283,388
Mark-up on term deposit receipts		1,562,123	—
Dividend income		11,001,078	5,377,955
Income from trading operations	31	—	100,800
Income from Diesel / CNG filling stations - net	32	1,734,000	1,986,851
		388,563,379	334,111,219
EXPENSES			
Financial charges	33	(268,828,305)	(204,627,328)
Amortisation of assets leased out		—	(354,865)
		(268,828,305)	(204,982,193)
		119,735,074	129,129,026
(IMPAIRMENT LOSS) / REVERSALS			
Impairment loss against other lease receivables		(3,132,510)	(6,205,035)
Reversal of Impairment loss provision against doubtful finance lease receivables - net	14.1	4,450,350	2,658,964
Doubtful lease receivables written off		(5,336,644)	(1,607,295)
Other receivables written off	10.1	(641,878)	(721,981)
Reversal of impairment loss provision / impairment loss provision against long term / short term musharakah investment	13.2	185,897	(182,000)
Impairment loss against advances and prepayments	9	(200,000)	—
Impairment loss against other receivables	10.1	(1,294,366)	(1,081,464)
		(5,969,151)	(7,138,811)
		113,765,923	121,990,215
Operating expenses	34	(95,184,953)	(81,840,242)
		18,580,970	40,149,973
Other income	35	7,613,866	4,956,498
Share of profit of a joint venture and an associate - net	36	10,242,229	4,017,332
		36,437,065	49,123,803
Modaraba company's management fee		(3,643,707)	(4,912,380)
Profit for the year	Rupees	32,793,359	44,211,423
Earning per certificate - basic and diluted (Rupees)	38	1.29	1.74

The annexed notes from 1 to 48 form an integral part of these financial statements.


Basheer A. Chowdry
 Chief Executive


Zafar Iqbal
 Chairman


Kamal A. Nasir
 Director

Cash Flow Statement

For The Year Ended 30 June 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	32,793,359	44,211,423
Adjustment for non cash charges and other items:		
Amortisation of assets leased out	-	354,865
Depreciation on fixed assets in own use	12,470,697	8,696,879
Gain on disposal of fixed assets in own use	(1,482,209)	(1,073,665)
Provision against doubtful debts	(4,450,350)	(2,658,964)
Doubtful receivables written-off	5,336,644	1,607,295
Other receivables written-off	641,878	721,981
Provision against musharakah investment	(185,897)	182,000
Provision against other lease receivables	3,132,510	6,205,035
Provision against other receivable	1,294,366	1,081,464
Net gain on sale of marketable securities	(8,594,082)	(2,262,853)
Unrealised gain on investment in marketable securities-net	15,445,842	(3,469,207)
Provision for gratuity	2,299,187	1,639,400
Dividend income	(11,001,078)	(5,377,955)
Financial charges	268,828,305	204,627,328
	283,735,813	210,273,603
	316,529,172	254,485,026
(Increase) / decrease in operating assets		
Net investment in lease finance / Ijarah finances	(88,460,835)	(438,833,896)
Lease rentals receivable	-	25,617
Musharakah and murabahah receivables	(187,748,534)	(370,600,572)
Advances, deposit, prepayments & other receivable	(26,556,554)	(11,147,980)
	(302,765,923)	(820,556,831)
Increase / (decrease) in operating liabilities		
Creditors, accrued and other liabilities	5,667,841	(2,489,751)
Security deposits from lessees	34,442,329	177,865,827
	40,110,170	175,376,076
	53,873,418	(390,695,729)
Financial charges paid	(256,807,590)	(189,356,705)
Gratuity paid	(426,750)	(42,670)
Tax paid	(1,442,221)	(480,655)
Net cash flows from operating activities	(204,803,143)	(580,575,759)

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(75,671,832)	(204,434,042)
Purchase of investments-net of proceeds on sale	74,508,734	(3,634,771)
Proceeds from disposal of assets in own use	6,731,875	2,669,945
Dividend received	12,447,078	6,815,830
Stock in trade	(86,723)	1,258,349
Long term security deposits and advances	(13,917,543)	1,398,665
Net cash flows from investing activities	4,011,589	(195,926,024)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital raised -net of initial transaction cost	(204,089,142)	(92,921,862)
Musharakah Term Finance Certificate	692,925,061	-
Grant received (net of expenses)	-	(301,398)
Liabilities against assets subject to finance lease	(1,899,932)	10,370,824
Long term certificates of musharakah borrowings	209,742,157	42,758,510
Long term musharakah and murabahah borrowings	(77,848,607)	637,109,459
Short-term musharakah borrowings and bank finances	(277,259,466)	2,179,090
Certificates of musharakah borrowings	(135,550,000)	385,330,000
Profits paid to certificate holders	(31,020,518)	(24,763,902)
Net cash flows from financing activities	175,000,553	959,760,721
Net increase in cash and cash equivalents	(25,791,001)	183,258,938
Cash and bank balances at 1 July	212,594,086	29,335,148
Cash and bank balances at 30 June	186,803,085	212,594,086

Rupees

The annexed notes from 1 to 48 form an integral part of these financial statements.


Basheer A. Chowdry
 Chief Executive


Zafar Iqbal
 Chairman


Kamal A. Nasir
 Director

Statement Of Changes In Equity

For The Year Ended 30 June 2008

	Certificate capital	Reserve			Unappropriated profit	Certificate capital and reserves	Share of surplus on revaluation of available for sale investments (including of an associated undertaking)	Total
		*Statutory	Merger	General				
Balance as at 1 July 2006	254,721,120	59,060,932	6,856,122	25,000,000	27,040,460	372,678,634	-	372,678,634
Changes in equity for the year ended 30 June 2007								
Profit distribution for the year ended 30 June 2006	-	-	-	-	(25,472,112)	(25,472,112)	-	(25,472,112)
Net profit for the year ended 30 June 2007	-	-	-	-	44,211,423	44,211,423	-	44,211,423
Share in surplus on revaluation of available for sale in investments - associates (recognised directly in equity)	-	-	-	-	-	-	227,766	227,766
Total recognised income for the year	-	-	-	-	44,211,423	44,211,423	227,766	44,439,189
Transfer to statutory reserve for the year ended 30 June 2007	-	8,842,285	-	-	(8,842,285)	-	-	-
Balance as at 30 June 2007	254,721,120	67,903,217	6,856,122	25,000,000	36,937,486	391,417,945	227,766	391,645,711
Changes in equity for the year ended 30 June 2008								
Profit distribution for the year ended 30 June 2007	-	-	-	-	(31,840,140)	(31,840,140)	-	(31,840,140)
Net profit for the year ended 30 June 2008	-	-	-	-	32,793,359	32,793,359	-	32,793,359
Share in surplus on revaluation of available for sale in investments - associates (recognised directly in equity)	-	-	-	-	-	-	(4,313,535)	(4,313,535)
Total recognised income for the year	-	-	-	-	32,793,359	32,793,359	(4,313,535)	28,479,824
Transfer to statutory reserve for the year ended 30 June 2008	-	6,558,672	-	-	(6,558,672)	-	-	-
Balance as at 30 June 2008	254,721,120	74,461,889	6,856,122	25,000,000	31,332,033	392,371,164	(4,085,769)	388,285,395

* Statutory reserve represent appropriation @ 20% of profit after tax as per the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 48 form an integral part of these financial statements.


Basheer A. Chowdry
 Chief Executive


Zafar Iqbal
 Chairman


Kamal A. Nasir
 Director

Notes To The Financial Statements

For The Year Ended 30 June 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Al-Zamin Leasing Modaraba (the Modaraba) was formed in 1992 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (Modaraba Ordinance) and the Modaraba Companies and Modaraba Rules, 1981 (Modaraba Rules) and is managed by Al-Zamin Modaraba Management (Private) Limited (Modaraba Management Company), a company incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies and Modaraba (Registrar) under the Modaraba Ordinance. The Modaraba is listed on the Karachi, Lahore, and Islamabad Stock Exchanges. It is a multi purpose Modaraba and the principal business of the Modaraba is financing under leasing, musharakah and murabahah arrangements and operation of Compressed Natural Gas (CNG) / Diesel filling stations.

1.2 In respect of the CNG / Diesel related projects, the Modaraba, either directly or indirectly through joint venture operations, is engaged in the following projects:

Joint ventures

Centre Gas (Private) Limited and UMA Enterprises (partnership concern) (note 15.1).

Own projects (managed by the Modaraba as its integral part)

- Star Petroleum (Faisalabad)
- Al Zamin Services (Rawat, near Islamabad)
- Vigor CNG Station (Kamoki, near Lahore)

1.3 The registered office of the Modaraba Management Company is situated in Karachi.

1.4 The Modaraba along with its management company, has entered in a scheme of arrangement with International Multi Leasing Corporation Limited (IMLCL), a company listed by shares and a Non Banking Finance Company, for the amalgamation by way of merger of IMLCL with and into Al-Zamin Leasing Modaraba. The scheme of arrangement is under Section 284 to 288 read with section 503 (1) (c) of the Companies Ordinance, 1984. The scheme shall be effective from 31 December 2007 and as of that date all the assets and liabilities and obligations of IMLCL shall be vested with and assumed by the Modaraba. The Modaraba in consideration will issue at par 5.4 million Modaraba certificates to the shareholders of IMLCL on a swap ratio of 1:1. The Securities and Exchange Commission of Pakistan has approved the above merger, while the Competition Commission of Pakistan has also issued the no objection certificate to this matter. This scheme shall be subject to such modifications of condition as the Honourable High Court of Sindh may deem expedite to impose. Application with the Honourable High Court has been filed.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 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 International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountant of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981 shall prevail.

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

2.1.3 During the year 2007 Islamic Financial Accounting Standard (IFAS)-2 'Ijarah' was issued by the Institute of Chartered Accountants of Pakistan and the same was notified by the Securities and Exchange Commission of Pakistan (SECP) vide an SRO dated 22 May 2007. Under the IFAS 2, the 'Ijarah'

transactions are required to be accounted for as operating leases. The IFAS is operative for financial statements covering the period beginning on or after 1 July 2007 and is required to be followed on those ljarahs which commence after 1 July 2007. The Modaraba has not yet adopted the above standard due to implications relating to accounting of similar leases under two different practices (new leases as operating and old leases as finance lease), concurrent application with International Accounting Standard 17 and other requirements of the standard. The Modaraba Association of Pakistan has approached the SECP for the deferment of the IFAS.

2.1.4 New accounting standards, interpretations and amendments that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2008 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 certain increased disclosures:

- IFRS 2 (amendment) - Share based payments
- IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31-Interest in Joint Ventures.
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Operating Segments
- Revised IAS 23 - Borrowing costs
- IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements
- IFRIC 10 – Interim Financial Reporting and Impairment
- IFRIC 11 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programme
- IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction
- IFRIC 15 - Agreement for the Construction of Real Estate
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation

2.2 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amount of assets, 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 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. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed below.

Provision against non-performing leasing portfolio, musharakah and murabahah finances

The Modaraba reviews its loan portfolio of lease / ljarah finance, musharakah and murabahah financing to assess amount of non-performing portfolio and provision required there against on a regular basis. The provision is made in accordance with the requirements of the Prudential Regulations for Modarabas.

Income taxes

No provision has been made in these financial statements for income taxes (both current and deferred) as the Modaraba expects to distribute at least 90% of its profits to certificate holders in current and future years.

For the above purposes, and also in respect of making an estimate for income tax currently payable by the Modaraba (if so required), the management considers the current income tax laws and the decisions of the appellate authorities on certain issues.

Investments stated at fair value

Management has determined fair value of certain investments by using quotations from the active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and judgement (e.g. valuation, mark-up rates, etc.) and therefore, cannot be determined with precision.

Classification of investments

- In classifying investments as 'held for trading', the Modaraba has determined securities which are acquired with an intention to trade by taking advantage of short term market / mark-up rate movements.
- In classifying investments as 'held to maturity', the Modaraba follows the guidance given in the approved accounting standard on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the Modaraba evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading', as at fair value through profit or loss upon initial recognition, or 'held to maturity', are classified as available for sale.

Depreciation and amortisation of operating fixed assets

In making estimates of the depreciation / amortisation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Modaraba. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

3. BASIS OF PRESENTATION

3.1 These financial statements have been prepared under the historical cost convention, except that investments at fair value through profit or loss and available-for-sale, if any, are measured at fair values. These financial statements are presented in Pakistan Rupees, which is the functional currency of the Modaraba and have been rounded off to the nearest Rupee.

3.2 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in certain disclosures. The related disclosure have been made in note 43.4 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Investments

All investments are initially recognised at cost, being the fair value of the consideration given including the transaction costs associated with the investment except in case of held for trading investments, in which case these are charged off to the profit and loss account. All purchases and sale of investments are recognised / derecognised on the trade date. After initial recognition these are categorised and accounted for as follow:

4.1.1 Investments in joint ventures and associated undertakings

These investments are initially recognised at cost. Thereafter the Modaraba's share of the changes in the net assets of the joint ventures and associates are accounted for at the end of each period. Share of profit and loss of the joint ventures and associates are accounted for in the Modaraba's profit and loss account under the equity basis of accounting, where as changes in the joint ventures equity, which has not been recognised by them in their profit and loss account, are recognised directly in the equity of the Modaraba.

4.1.2 Financial asset at fair value through profit or loss

This category has two sub-categories, namely; financial instruments held for trading, and those designated at fair value through profit or loss upon initial recognition.

- Financial instruments held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

- Financial instruments designated at fair value through profit or loss upon initial recognition

Investments designated at fair value through profit or loss upon initial recognition include those group of investments which are managed and their performance evaluated on fair value basis in accordance with the entity's documented investment strategy.

After initial recognition, the above investments are remeasured at fair value determined with reference to the year-end quoted rates (equity shares and investments of closed ended funds at respective stock exchange rates, while units of open ended funds at their declared net asset value per unit). Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

4.1.3 Available-for-sale

Investments which do not fall under the above categories are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available-for- sale investments are recognized directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss.

All investments classified as available-for-sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments is estimated based on appropriate valuation method if it is practicable to determine it.

4.1.4 Held-to-maturity

Investments with fixed maturity where the management has both the intent and ability to hold till maturity are classified as held to maturity. These investments are stated at amortised cost.

4.2 Net investment in lease finance

Leases, where the Modaraba transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees, are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value. Provision for potential lease losses is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP and is charged to the profit and loss account currently.

4.3 Receivable from terminated / matured contracts

These are stated net of impairment losses, if any. Impairment loss is recognised for doubtful receivables on the basis of Prudential Regulations for Modarabas issued by the SECP or based on the judgment of management, whichever is higher. Bad debts are written off when identified.

4.4 Fixed assets and depreciation

4.4.1 Tangible

Owned

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Goodwill on the acquisition of CNG stations is adjusted in the carrying value of fixed assets as it is not material. Depreciation on fixed assets is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged from the month the asset is available for intended use up to the month of disposal.

Normal repairs and maintenance is charged to the profit and loss account as and when incurred. Major renewal and maintenance is capitalised as and when incurred. Gain or loss on disposal of assets, if any, is taken to the profit and loss account currently.

Leased

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation on assets subject to finance lease is recognised in the same manner as owned assets.

4.4.2 Intangible

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. These are amortized using the straight line method reflecting the pattern in which the economic benefits of the asset are consumed by the Modaraba.

4.5 Revenue recognition

4.5.1 Finance lease income

The financing method is used in accounting for income on finance leases. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is amortized to income over the term of the lease, so as to produce a constant periodic rate of return on net investment outstanding in the leases.

Front end fee, commitment charges, gain on termination of lease contracts, documentation charges, and other lease income are recognised as income when these are realised.

4.5.2 Income on debt investment securities, bank deposits, murabahah and musharakah investments and finances

Income on above assets is recognised on a time proportion basis under the effective yield method.

4.5.3 Dividend income

Dividend income from investments (other than investment in joint ventures) is recognised when the right to receive the same is established i.e. at the time of closure of share transfer books of the company declaring the dividend.

4.5.4 Gain on sale of investments

Gain or loss on sale of investments is taken to income in the period in which it arises.

4.5.5 Unrealised income on non-performing assets

Unrealized income is suspended, where necessary (on non-performing assets including the non-performing lease portfolio), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP. The unrealised suspended income is recognised in income on receipt basis.

4.5.6 Sale of CNG / Diesel

Income from the sale of CNG / Diesel are recognised on filling of the related vehicles, etc.

4.6 Taxation

Current

Provision for current taxation is made on taxable income at current rates of tax after taking into account the available tax credits, if any, and on income taxable under the presumptive tax regime at the applicable rate. The income of a modaraba from non-trading activities is exempt from tax provided that not less than 90% of its profits, as reduced by the amount transferred to statutory reserve, are distributed to the certificate-holders.

Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base. This is recognised on the basis of the expected manner of the realisation and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax liability or asset is not recognised if the management expects to continue to distribute at least 90% of its profit in future years (due to which no tax would be payable as explained above).

4.7 Staff retirement and other benefits

4.7.1 Employees' defined benefit scheme - gratuity

During the year ended 30 June 2006, the Modaraba introduced a defined benefit final basic salary based unfunded gratuity scheme with effect from 1 July 2005 (in respect of services rendered after this date). As per the scheme, an employee is entitled to gratuity equivalent to one month's basic salary for every completed year of service or part thereof in excess of six months.

4.7.2 Provident fund

Modaraba operates an approved contributory provident fund scheme for employees eligible under the scheme. Equal monthly contributions are made both by the Modaraba and the employees at 10% of the basic salary.

4.7.3 Compensated absences

The Modaraba also makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the balance sheet date in accordance with the service rules.

4.8 Off-Setting of financial assets and financial liabilities

A financial asset and a financial liability is set-off and the net amount is reported in the balance sheet if the Modaraba has a legal right to set-off the transactions and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.9 Financial instruments

All the financial assets and liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial asset and financial liabilities is taken to income directly.

4.10 Impairment

The carrying amount of the Modaraba's assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of assets is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

4.11 Provisions

A provision is recognised in the balance sheet when the Modaraba has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.12 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes comprises cash in hand and with banks including the term deposits.

4.13 Stock in trade

These are valued at lower of cost and net realisable value. Net realisable value signifies the estimated selling price in the ordinary course of the business less estimated cost of completion and selling expenses. Cost is determined under the First In First Out (FIFO) basis.

4.14 Murabahah borrowings and financing

Consequent to adoption of Islamic Financial Accounting Standards 1 - Murabahah, issued by the Institute of Chartered Accountants of Pakistan, the Modaraba accounts for murabahah as follows:

- Funds disbursed for purchase of goods are recorded as 'Advance for murabahah'. On the culmination of murabahah i.e. on sale of goods to the customers, murabahah financings are recorded at the deferred sale price net of profit.
- Goods purchased but remaining unsold at the balance sheet date are recorded as inventories.
- Profit on murabahah is recognised on accrual basis. However, profit for the period from the date of disbursement to the date of culmination of murabahah is recognised immediately upon the later date.
- Funds received against sale of goods are recorded as 'murabahah payable'. On the culmination of murabahah i.e. on purchase of goods from the counter party, murabahah payables are recorded at the deferred purchase price net of expense.
- Expense on murabahah is recognised on accrual basis. However, expense for the period from the date of receipt to the date of culmination of murabahah is recognised immediately upon the later date.

	2008	2007
5. CASH AND BANK BALANCES		
Cash in hand	209,472	388,175
Cash with State Bank of Pakistan - current account	46,234	51,916
Cash with banks:		
- Profit and loss sharing accounts	5.1 96,156,698	206,434,431
- Current accounts	390,681	5,719,564
- Term deposit receipts	5.2 90,000,000	-
	<i>Rupees</i> <u>186,803,085</u>	<u>212,594,086</u>

5.1 Profit and loss sharing accounts

These carry profit rates ranging from 2.4% to 7.5% (2007: 2.0% to 5.0% per annum).

5.2 Term deposit accounts

These carry profit at the rate of 9.25 % to 13.75% per annum having maturity period of 30 to 366 days. This includes Rs. 40 million held with a Islamic Bank, details and reasons of which are given in note 19.2 to these financial statements.

6. SHORT TERM INVESTMENTS

Held for trading	6.1 49,750,105	13,928,293
At fair value through profit or loss upon initial recognition	6.2 -	39,998,660
Available for sale	6.3 1,000,000	-
	<i>Rupees</i> <u>50,750,105</u>	<u>53,926,953</u>

6.1 Held for trading - listed securities

<u>Number of ordinary shares</u>			<u>Market value</u>	
2008	2007		2008	2007
35,800	2,000	Packages Limited	9,017,662	638,100
18,800	-	Arif Habib Limited	4,643,412	-
23,500	-	ICI Pakistan Limited	3,792,195	-
13,300	2,000	Engro Chemical Pakistan Limited	3,734,773	506,000
11,500	-	Mari Gas Company Limited	3,099,596	-
16,000	-	Tri-Pack Film Limited	2,755,520	-
5,000	-	Jahangir Siddiqui & Company Limited	2,650,750	-
27,000	-	JS Investment Limited	2,566,890	-
22,400	-	Netsole Technologies	2,179,072	-
9,500	-	Central Insurance Company Limited	1,546,600	-
42,500	-	Fauji Fertilizer Bin Qasim Limited	1,528,725	-
20,000	-	D.G Khan Cement	1,342,800	-
19,500	-	Azgard Nine Limited	1,200,420	-
20,000	-	Eye Television Network Limited	1,178,000	-
18,500	-	Javed Omer Vohra & Co.	987,530	-
150,000	120,000	Karachi Electric Supply Corporation Limited	820,500	810,000
3,000	-	Adamjee Insurance Company Limited	812,160	-
17,150	2,150	Sui Northern Gas Pipeline Limited	747,226	152,114
7,500	-	Lucky Cement Limited	734,475	-
12,500	-	Sitara Peroxide Limited	679,000	-
22,500	-	Hub Power Company Limited	643,500	-
1,500	11,500	Pakistan Oil Fields Limited	547,260	3,645,500
22,500	-	Invest & Finance Securities Limited	441,225	-
5,000	-	Pakistan Reinsurance Company Limited	434,050	-
35,000	20,000	Maple Leaf Cement Factory Limited	381,850	488,000
35,000	45,000	Fauji Cement Company Limited	354,200	886,500
2,000	-	Pakistan Refinery Limited	302,760	-
5,000	15,000	Pakistan Telecommunication Company Limited	193,200	855,000
58,500	133,500	AMZ Ventures Limited	161,460	921,150
11,250	-	Dewan Cement Limited	137,925	-
1,650	1,650	Bestway Cement Limited	66,165	135,218
15,000	-	Pakistan PTA Limited	63,450	-
300	-	Arif Habib Bank Limited	5,754	-
-	32,398	Pioneer Cement Limited	-	1,211,685
-	35,000	Dewan Farooq Motors Limited	-	556,500
-	4,000	Nishat Mills Limited	-	521,800
-	10,000	PICIC Commercial Bank Limited	-	440,000
-	20,000	Bosicor Pakistan Limited	-	355,000
-	2,500	Arif Habib Securities Limited	-	291,500
-	2,000	Allied Bank Limited	-	277,900
-	2,000	Fauji Fertilizer Company Limited	-	242,500
-	1,000	United Bank Limited	-	219,950
-	5,000	Nishat Chunian Limited	-	205,750
-	15,000	Dewan Hattar Cement Limited	-	192,000
-	2,500	Bank Al-Habib Limited	-	166,250
-	2,000	Faysal Bank Limited	-	148,000
-	400	Pakistan Industrial Credit & Investment Corporation	-	32,840
-	440	Meezan Bank Limited	-	14,080
-	75	Attock Refinery Limited	-	8,741
-	74	Bank Alfalah Limited	-	4,817
-	12	The Bank of Punjab	-	1,398
			49,750,105	13,928,293

Rupees

Above are investments in ordinary shares of Rs. 10 each except for the ordinary shares of Karachi Electric Supply Corporation Limited which is of Rs. 3.50 each.

6.2 At fair value through profit or loss upon initial recognition

<u>Number of ordinary units</u>			<u>Market value</u>	
2008	2007		2008	2007
<i>Open-ended mutual funds</i>				
-	100,000	Meezan Islamic Income Fund	-	5,220,000
-	50,950	NAFA Cash Fund	-	564,185
			<u>-</u>	<u>5,784,185</u>
<i>Closed-end mutual funds</i>				
-	2,000,000	NAMCO Balanced Fund	-	19,500,000
-	1,000,000	UTP Large Capital fund	-	8,450,000
-	435,275	First Dawood Mutual Fund	-	3,917,475
-	65,000	PICIC Growth Fund	-	2,197,000
-	20,000	PICIC Energy Fund	-	150,000
			<u>-</u>	<u>34,214,475</u>
			<u>-</u>	<u>39,998,660</u>
			<u><u>-</u></u>	<u><u>39,998,660</u></u>

6.3 Available for sale

<u>Number of ordinary shares</u>			<u>Market value</u>	
2008	2007		2008	2007
<u>100,000</u>	-	Dawood Family Takaful Limited	<u>1,000,000</u>	-
<u>100,000</u>	-		<u>1,000,000</u>	-
			<u><u>1,000,000</u></u>	<u><u>-</u></u>

6.3.1 The above company currently is not listed.

7. TAKAFUL RESERVE FUND INVESTMENTS

	2008	2007
Available for sale	44,727,900	-
At fair value through profit or loss upon initial recognition	-	47,298,558
	<u>44,727,900</u>	<u>47,298,558</u>
	<u><u>44,727,900</u></u>	<u><u>47,298,558</u></u>

7.1 Available for sale

<u>Number of units</u>			<u>Market value</u>	
2008	2007		2008	2007
<i>Open-ended mutual funds</i>				
91,022	-	Faysal Balanced Growth Fund	9,402,075	-
60,588	-	AKD Opportunity Fund	3,644,382	-
56,721	-	KASB Balanced Fund	2,828,701	-
45,942	-	National Investment Trust	2,405,064	-
145,856	-	Meezan Islamic Fund	8,758,673	-
			<u>27,038,895</u>	<u>-</u>
<i>Closed-end mutual funds</i>				
1,900,000	-	NAMCO Balanced Fund	17,689,005	-
			<u>44,727,900</u>	<u>-</u>
			<u><u>44,727,900</u></u>	<u><u>-</u></u>

7.2 At fair value through profit or loss upon initial recognition

<u>Number of units</u>			<u>Market value</u>	
2008	2007		2008	2007
<i>Open-ended mutual funds</i>				
-	118,871	Faysal Balanced Growth Fund	-	14,433,317
-	202,639	Pakistan International Islamic Fund	-	11,935,437
-	13,864	Atlas Stock Market Fund	-	9,647,264
-	79,681	Meezan Islamic Fund	-	6,022,290
			<hr/>	<hr/>
			-	42,038,308
<i>Closed-end mutual funds</i>				
-	500,000	UTP Large Capital Fund	-	4,225,000
-	101,000	Meezan Balanced Fund	-	1,035,250
			<hr/>	<hr/>
			-	5,260,250
			<hr/>	<hr/>
			-	47,298,558
			<hr/>	<hr/>
			<i>Rupees</i>	<i>Rupees</i>

7.3 As of 30 June 2008, unrealized loss on revaluation of above available for sale units amounted to Rs. 4.517 million. In addition at the year end, the Modaraba's share of surplus on revaluation of available for sale investment of an associated undertaking amounted to Rs. 0.196 million (2007: Rs. 0.228 million). Accordingly, the net balance of unrealised loss on revaluation of available for sale investments at 30 June 2008 amounted to Rs. 4.086 million (2007: Rs. 0.228 million).

7.4 Under clause 7(8) of part-II of the Prudential Regulations for Modarabas, the investment of the modaraba in listed securities shall not be more than 20% of the equity of the modaraba. However, the Securities and Exchange Commission of Pakistan vide its letter dated 20 January 2006 has relaxed the above limit to the extent of 30% of the equity of the Modaraba, with an advice that the additional listed securities of up to a maximum of 10% of the equity of the Modaraba shall always be kept separately and embarked against Takaful reserve Fund.

At 30 June 2008, the Modaraba's Takaful Reserve Fund investment was 11.52% of its Modaraba. Accordingly arrangements are being made to address the above restriction.

7.5 Refer note 27.2 for the details of these investments.

7.6 Above available-for-sale investment represents new purchase during the year.

		2008	2007
8. SHORT TERM MUSHARAKAH AND MURABAHAH			
Musharakah - unsecured (considered good)	8.1	315,000,000	290,000,000
Musharakah - secured			
- Considered good	8.2	222,573,710	121,449,295
- Impaired balance		3,915,484	3,915,484
		<hr/>	<hr/>
		541,489,194	415,364,779
Provision against impaired balances	8.3	(3,915,484)	(3,915,484)
		<hr/>	<hr/>
		537,573,710	411,449,295
Murabahah - considered good (secured)	8.4	1,052,120	5,912,660
		<hr/>	<hr/>
		<i>Rupees</i>	<i>Rupees</i>
		538,625,830	417,361,955

8.1 This represents unsecured financing for working capital for the periods ranging between 30 to 93 days and carries profit rates ranging between 12% to 15.5% (2007: 8.8% to 12.5%) per annum. The amount is due from the financial institutions.

8.2 This represents funds given (investments) for working capital purposes for the periods ranging between 61 to 366 days and are secured against mortgaged properties, hypothecation of stock, demand promissory notes and personal guarantee of sponsor directors and carries profit ranged between 10% to 43.35% (2007: 8.8% to 33.75%) per annum.

- 8.3 The above musharakah and murabahah finances include non-performing portfolio of Rs. 52.074 million (2007: Rs. 27.614), details of which are as follows:

Category of classification

	2008			2007		
	Principal outstanding	Provision required	Provision held	Principal outstanding	Provision required	Provision held
Other assets especially mentioned	612,797	-	-	313,017	-	-
Substandard	19,818,777	-	-	1,785,533	-	-
Doubtful	4,519,374	-	-	-	-	-
Loss	27,123,587	3,915,484	3,915,484	25,515,484	3,915,484	3,915,484
<i>Rupees</i>	52,074,535	3,915,484	3,915,484	27,614,034	3,915,484	3,915,484

	2008	2007
8.4 Murabahah - considered good (secured)		
Murabahah receivables - gross	1,600,828	7,906,299
Deferred morabahah income	-	(336,998)
Profit receivable shown in other receivable	(548,708)	(1,656,641)
Murabahah financings/receivables	1,052,120	5,912,660
<i>Rupees</i>		

Murabahah finances are for working capital purposes for the periods ranging between 92 to 365 days and are secured against hypothecation of stock, demand promissory notes and personal guarantee of sponsor directors and carries profit rate of 26% (2007: 26%) per annum.

9. ADVANCES AND PREPAYMENTS

Advance income tax		9,975,182	8,532,961
Staff advances	9.1	1,073,984	581,385
Advance against expenses / purchases	9.2	14,209,408	1,801,800
Advance against lease		1,275,000	-
Expenses recoverable in respect of the establishment of a proposed Islamic Bank	9.3	-	9,145,756
Advance lease rent payment against finance lease obligation		57,850	112,344
Prepayments		17,936,797	16,433,933
		44,528,221	36,608,179
Provision against doubtful advances		(200,000)	-
<i>Rupees</i>		44,328,221	36,608,179

- 9.1 The staff advances carry service charges at 5% per annum and are secured against the staff retirement benefits.

- 9.2 This includes a payment of Rs. 10 million to the other shareholder of Centre Gas (Private) Limited, a joint venture entity for the purchase of the remaining 50% equity of the company. Under the terms of agreement with the other shareholder, total purchase consideration was Rs. 38 million and the remaining balance was payable after the approval of Securities and Exchange Commission of Pakistan (SECP). As indicated in the note 15.1.1, the Modaraba is allowed to invest up to Rs. 39.56 million in the above company. Accordingly, while the actual cost of investment of the Modaraba (including the above payment of Rs. 10 million) is within the limit approved by the SECP, due to the recognition of income of Rs. 4.4 million (net of receipts) in the current year (which was received subsequent to the year end) under the equity basis of accounting, Modaraba's exposure to the above Company exceeded the aforesaid limit. The SECP has declined the Modaraba's request for the increase of its stake in the above company in excess of the above limit. Since the Modaraba had contracted for the purchase of the entire remaining shareholding of 50% (for Rs. 38 million) and as such the balance of Rs. 28 million was payable under the agreement, the Modaraba is having a discussion with the other shareholder for the refund of

the above payment of Rs. 10 million. The Modaraba's legal advisor has also indicated that in view of the above circumstances, the amount of Rs. 10 million is refundable to the Modaraba as currently in view of the matter discussed above, it cannot invest any amount in Centre Gas (Private) Limited. In the meantime, the existing shareholding has not been altered although the shares and transfer deeds of sellers are in the custody of the modaraba as was provided in the agreement.

9.3 This amount has been reimbursed by the Management Company to the Modaraba.

	2008	2007
10. OTHER RECEIVABLES		
Accrued profit on murabahah and musharakah investments	23,708,190	16,557,802
Assets to be repossessed	–	3,000,000
Profit receivable on term finance certificates	–	5,302,929
Profit receivable on profit and loss sharing accounts and term deposit receipt	1,336,928	–
Receivable against sale of equity shares	10.2 5,336,477	5,546,270
Dividend receivable	59,000	1,505,000
Others	10.3 77,259,712	57,597,451
	107,700,307	89,509,452
Provision against doubtful receivables	10.1 (33,404,668)	(28,977,792)
	<i>Rupees</i> 74,295,639	60,531,660
10.1 Movement of provision against doubtful receivables		
Opening balance	28,977,792	21,691,292
Charge for the year - terminated lease receivable balance	2,128,424	4,432,250
- other receivable	1,294,366	1,081,464
Transferred from provision against net investment in lease	362,208	1,050,805
Written off during the year	641,878	721,981
	4,426,876	7,286,500
Closing balance	<i>Rupees</i> 33,404,668	28,977,792
10.2 Subsequent to the year end, the amount was received.		
10.3 The details of other receivables are as follows:		
Insurance claims receivable	20,781,269	12,225,366
Repossessed assets (against terminated leases)	38,720,966	22,460,419
Other terminated lease / musharakah receivables	5,550,940	16,419,005
Insurance premium recoverable	2,968,303	3,975,943
Others	9,238,234	2,516,718
	77,259,712	57,597,451
Provision held	(33,404,668)	(25,829,635)
	<i>Rupees</i> 43,855,044	31,767,816

		2008	2007
11. CURRENT MATURITY OF LONG TERM RECEIVABLES			
Musharakah receivables	13	114,301,178	86,163,446
Net investment in finance leases	14	896,419,227	872,359,474
Investments-held-to-maturity term finance certificates		-	19,581,312
	<i>Rupees</i>	<u>1,010,720,405</u>	<u>978,104,232</u>

12. STOCK IN TRADE

Diesel / Petrol		<u>518,174</u>	<u>431,451</u>
-----------------	--	----------------	----------------

This represents stock of petrol and diesel as on 30 June 2008 held at Star Filling Station in Faisalabad.

13. LONG TERM MUSHARAKAH - secured

Non Banking Finance Companies		-	1,468,634
Other companies		98,390,517	102,049,698
Individuals		102,633,924	31,021,450
		<u>201,024,441</u>	<u>134,539,782</u>

Receivable within one year shown under current assets		<u>(114,301,178)</u>	<u>(86,163,446)</u>
		<u>86,723,263</u>	<u>48,376,336</u>

Provision against impaired balances	13.2	<u>(292,103)</u>	<u>(478,000)</u>
	<i>Rupees</i>	<u>86,431,160</u>	<u>47,898,336</u>

13.1 This represents investments under musharakah basis for working capital purposes. These are secured against musharakah finance (borrowing), hypothecation of stock, demand promissory note and personal guarantee of sponsor directors. Profit rates ranges between 11.5% to 42.42% (2007: 10% to 32.38%). These are payable in monthly / quarterly instalments by 30 May 2011.

13.2 Movement of provision against impaired balances

Opening balance		478,000	296,000
Charge for the year		<u>(185,897)</u>	<u>182,000</u>
Closing balance	<i>Rupees</i>	<u>292,103</u>	<u>478,000</u>

This represents provision against a non-performing receivable balance of Rs. 1.608 million (2007: 1.794 million) classified as loss.

14. NET INVESTMENT IN FINANCE LEASES

	2008			2007		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
Minimum lease payments receivable	1,008,251,037	946,356,463	1,954,607,500	897,692,753	1,010,296,397	1,907,989,150
Residual value of leased assets	138,274,858	717,371,192	855,646,050	158,236,982	663,117,099	821,354,081
Lease contracts receivable	1,146,525,895	1,663,727,655	2,810,253,550	1,055,929,735	1,673,413,496	2,729,343,231
Unearned lease income (including suspended income)	<u>(238,459,831)</u>	<u>(172,224,176)</u>	<u>(410,684,007)</u>	<u>(170,221,803)</u>	<u>(242,676,076)</u>	<u>(412,897,879)</u>
Provision for potential lease losses	<u>(11,646,837)</u>	<u>(18,813,838)</u>	<u>(30,460,675)</u>	<u>(13,348,458)</u>	<u>(21,562,567)</u>	<u>(34,911,025)</u>
	<u>(250,106,668)</u>	<u>(191,038,014)</u>	<u>(441,144,682)</u>	<u>(183,570,261)</u>	<u>(264,238,643)</u>	<u>(447,808,904)</u>
	<i>Rupees</i>	<u>896,419,227</u>	<u>1,472,689,641</u>	<u>872,359,474</u>	<u>1,409,174,853</u>	<u>2,281,534,327</u>

	2008	2007
14.1 Movement of provision for potential lease losses		
Opening balance	34,911,025	37,569,989
Charge for the year	4,783,517	4,159,615
Written off during the year	(1,426,636)	(370,301)
Transferred to provision against other receivable	(5,400,210)	(1,050,805)
Reversal during the year	(2,407,021)	(5,397,473)
	<u>(4,450,350)</u>	<u>(2,658,964)</u>
Closing balance	<i>Rupees</i> <u>30,460,675</u>	<u>34,911,025</u>

14.2 The Modaraba has entered into various lease agreements with profit rates ranging from 9% to 38.03% (2007: 8% 30%) per annum. The agreements usually are for three to five years period. These are generally secured against the leased assets, personal / corporate guarantees and promissory notes given by the lessees and other collaterals.

14.3 The above net investment in finance lease includes non-performing lease portfolio of Rs. 149.016 million (2007: Rs. 123.208 million). Details of these leases are as follows:

Category of classification

	2008			2007		
	Principal outstanding	Provision required	Provision held	Principal outstanding	Provision required	Provision held
Other assets especially mentioned	50,678,094	-	-	34,834,534	-	-
Substandard	26,446,941	1,409,272	1,409,272	9,086,573	1,162,334	1,162,334
Doubtful	26,965,913	2,160,084	2,160,084	22,957,783	2,131,798	2,131,798
Loss	44,925,284	26,358,268	26,358,268	56,329,357	31,616,893	31,616,893
<i>Rupees</i>	<u>149,016,232</u>	<u>29,927,624</u>	<u>29,927,624</u>	<u>123,208,247</u>	<u>34,911,025</u>	<u>34,911,025</u>

		2008	2007
15. LONG TERM INVESTMENTS			
Investment in related parties	15.1	67,807,706	59,652,249
Available for sale investments	15.2	13,333,333	10,000,000
Held to maturity investments		-	71,834,001
	<i>Rupees</i>	<u>81,141,039</u>	<u>141,486,250</u>

15.1 Investments in related parties

Joint ventures

CNG / Diesel filling stations

- Centre Gas (Private) Limited

15.1.1 **32,609,843** 28,260,894

- UMA Enterprises

15.1.2 **28,366,508** 25,000,000

Associated undertaking

- Al Zamin Leasing Corporation Limited (formerly Crescent Leasing Corporation Limited)

15.1.3 **6,831,355** 6,391,355

Rupees **67,807,706** 59,652,249

15.1.1 The summarised financial information and the share of profit given below are based on audited financial statements of Centre Gas (Private) Limited as of 30 June 2008 audited by another firm of auditors.

	Total current assets	Total assets	Total current liabilities	Total liabilities	Revenue for the year	Net profit for the year
Center Gas (Private) Limited	<i>Rupees</i> <u>22,466,386</u>	<u>41,086,755</u>	<u>2,165,805</u>	<u>3,363,504</u>	<u>37,556,702</u>	<u>10,885,622</u>

The company's paid-up share capital is Rs. 5 million comprising 5000 ordinary shares of Rs. 1000 each. The equity as at 30 June 2008 was Rs. 37.723 million.

Detail of the investment is as follows:

	2008	2007
Opening balance	28,260,894	29,903,656
Share of profit for the year / period	5,442,811	4,505,043
Dividend received	(1,093,862)	(6,147,805)
	<i>Rupees</i> <u>32,609,843</u>	<u>28,260,894</u>

Under clause 7(7) of part-II of the Prudential Regulations for Modarabas, the investment of the modaraba in unlisted securities shall not be more than 5% of the equity of the modaraba. However, the Securities and Exchange Commission of Pakistan vide its letter dated 1 April 2008 has relaxed the limit prescribed in regulation 7(7) of the Prudential Regulation to invest in the shares of Centre Gas (Private) Limited up to 10.6% of the equity of the Modaraba as of 31 December 2007 (a limit of Rs. 39.568 million). However, this approval is subject to bringing the investment of the Modaraba in Centre Gas (Private) Limited in line with regulation 7(7) of the Prudential Regulation for Modarabas within a period of one year i.e. upto 31 March 2009.

15.1.2 The summarised financial information and the share of profit given below are based on audited financial statements of UMA Enterprise as of 30 June 2008 audited by another firm of auditors.

	Total current assets	Total assets	Total current liabilities	Total liabilities	Revenue for the year	Net profit for the year
	----- Rupees in '000 -----					
UMA Enterprises						
<i>Rupees</i>	<u>11,159,432</u>	<u>46,836,877</u>	<u>4,216,812</u>	<u>14,950,607</u>	<u>39,985,153</u>	<u>11,406,044</u>

Detail of the investment is as follows:

	2008	2007
Opening balance	25,000,000	-
Investment made	-	25,000,000
Share of profit for the year	4,562,418	-
Profit received	(1,195,910)	-
	<i>Rupees</i> <u>28,366,508</u>	<u>25,000,000</u>

During the year ended 30 June 2006, the Modaraba entered into a partnership agreement with two other parties namely, Universal Textile Mills (Private) Limited (Universal) and Madni Petroleum & CNG Service (Private) Limited (Madni). Under the agreement, a partnership firm UMA Enterprises (UMA) has been established for a minimum period of 20 years with an option to renew the said partnership deed for a further period of 10 years with the mutual consent of all the parties. UMA is engaged in the business of procurement, instalment, maintenance and operation of a retail outlet / CNG station, etc. Under the terms of the agreement, Universal is responsible for providing land on which the CNG station has been established (for twenty years lease renewable for another ten years), Madni is responsible for the management of the project and the Modaraba was responsible for providing the finances up to Rs. 25 million required for the establishment of the project (which has already been provided). Financial control of the Enterprise vests with the Modaraba. The financial statements of UMA Enterprises as of 30 June 2008 have been audited by another firm of Chartered Accountants.

The profit and losses from the project are shared by the Modaraba at 40%. The project commenced its operations in July 2007.

15.1.3 During the year ended 30 June 2007, the Modaraba acquired 500,000 (1.1%) ordinary shares of Al-Zamin Leasing Corporation Limited (AZLCL) (formerly Crescent Leasing Corporation Limited) at an agreed price of Rs. 13 per share along with a group of other sponsors as part of the transfer of ownership of the controlling shares of 59.62% from the then sponsors of ALCL Limited under the approval of Securities and Exchange Commission of Pakistan (SECP) dated 22 March 2007. The investment has been accounted for under equity method due to the significant influence of the Modaraba over AZLCL. The Modaraba's Chief Executive is a Director of AZLCL.

During the year ended 30 June 2008, AZLCL issued 4,217,008 fully paid shares of Rs. 10 each amounting to Rs. 42,170,082 as consideration for merger with Universal Leasing Corporation Limited. Due to this merger, the Modaraba's stake in AZLCL reduced to 1.01% although it is still holding 500,000 ordinary shares in AZLCL.

The summarised financial information and the share of profit given below are based on the unaudited financial statements of Al-Zamin Leasing Corporation Limited as of 30 June 2008.

	Total current assets	Total assets	Total current liabilities	Total liabilities	Revenue for the year	Net profit for the year
	----- Rupees in '000 -----					
Al-Zamin Leasing Corporation Limited						
<i>Rupees</i>	<u>1,721,863</u>	<u>3,000,483</u>	<u>1,351,291</u>	<u>2,068,687</u>	<u>407,516</u>	<u>52,937</u>

AZLCL's paid-up share capital is Rs. 496.071 million comprising 49.607 million ordinary shares of Rs. 10 each. its equity as at 30 June 2008 based on the above unaudited financial statements was Rs. 931.796 million.

Detail of the investment is as follows:

	2008	2007
Opening balance	6,391,355	-
Investment made	-	6,651,300
Post acquisition share of gain / (loss)	237,000	(487,711)
Post acquisition share of reserve on revaluation of available-for-sale investments	203,000	227,766
	<i>Rupees</i> <u>6,831,355</u>	<u>6,391,355</u>

The market value of the Modaraba's holding in AZLCL at 30 June 2008 amounted to Rs. 1.85 million (2007: Rs. 4 million).

AZLCL's assets as of 31 December 2007 include assets acquired in satisfaction of finances provided amounting to Rs. 125 million. This represents exclusive rights of 114 Platinum Memberships of DA Country and Golf Club at Rs. 1.100 million per membership acquired in settlement of a liability owed by Crescent Standard Investment Bank Limited (CSIBL). The principal agreement between Sysmax (Private) Limited and CSIBL was terminated by Sysmax (Private) Limited. In accordance with the provisions of the said agreement, CSIBL referred the dispute to Arbitration. Arbitration proceedings are presently under progress. In order to protect its interest in the exclusive rights of 114 memberships, the AZLCL has filed an application with the Arbitrators for joining the Arbitration proceedings against Sysmax (Private) Limited as per the advice of its legal counsel. Further, the legal counsel has also advised that if the said application is not accepted, AZLCL may institute a suit claiming in alternative:

- i) a declaration of right, under section 42 of the Specific Relief Act, 1877, to become a party to the arbitration proceedings; and
- ii) for specific performance of the contract.

15.2 Available for sale

This represents investment of Rs. 13.33 million (30 June 2007: Rs. 10 million) in 1,333,333 ordinary shares of Rs. 10 each of First Dawood Islamic Bank Limited. Aforesaid shares are blocked with the State Bank of Pakistan and cannot be sold / transferred without the prior approval of the State Bank of Pakistan for a period of three years (from 30 November 2006, 31 January 2008 and 7 February 2008) or as specified by the State Bank of Pakistan. The Bank is not listed.

2008 2007

16. LONG TERM SECURITY DEPOSITS AND ADVANCES

Security deposits	16.1	9,177,649	9,656,366
Long term advances	16.2	15,421,260	1,025,000
	<i>Rupees</i>	<u>24,598,909</u>	<u>10,681,366</u>

16.1 This represents security deposits paid in respect of assets obtained under finance lease, for utility services, office premises, etc.

16.2 This represents expenditure incurred for the establishment of CNG Station at Faisalabad. The Modaraba has entered in a partnership agreement with another party as under:

- the Modaraba will provide equipments for the CNG station and 50% of the cost of construction;
- while the other party has agreed to provide land for the CNG station and shall bear remaining 50% of the cost of construction.

Currently the cost of construction is being borne by the Modaraba only as the above partner has agreed to settle its dues from the operation of the CNG station.

17. FIXED ASSETS

The following is a statement of assets in own use:

Operating assets	17.1	209,190,964	154,762,688
Capital work in progress	17.2	74,396,029	70,872,836
	<i>Rupees</i>	<u>283,586,993</u>	<u>225,635,524</u>

17.1 Operating assets

	2008									
	Cost				Accumulated depreciation				Net book	
	As at 01 July 2007	Additions/ (disposals) during the year	Transfers	As at 30 June 2008	As at 01 July 2007	For the year/(on disposals)	Transfers	As at 30 June 2008	value as at 30 June 2008	Rate %
Owned-tangible										
Freehold land	*100,691,189	-	-	100,691,189	-	-	-	-	100,691,189	-
Building	7,789,349	-	-	7,789,349	182,395	389,467	-	571,862	7,217,487	5
Office premises	6,922,600	28,169,074	-	35,091,674	2,365,221	1,578,771	-	3,943,992	31,147,682	5
Office equipment	9,982,474	2,419,652 (284,200)	-	12,117,926	5,411,259	1,692,127 (172,836)	-	6,930,550	5,187,376	20
Furniture and fixtures	14,211,059	137,755 (16,150)	-	14,332,664	5,054,863	1,205,260 (11,574)	-	6,248,549	8,084,115	10
Vehicles	15,385,796	12,790,571 (8,507,400)	(2,993,775)	16,675,192	6,528,760	3,234,880 (6,829,508)	580,227	3,514,359	13,160,833	20
Plant and machinery	15,264,961	17,812,529 (2,800,000)	-	30,277,490	1,853,748	1,361,358 (443,333)	-	2,771,773	27,505,717	10
	<u>170,247,428</u>	<u>61,329,581</u> (11,607,750)	<u>(2,993,775)</u>	<u>216,975,484</u>	<u>21,396,246</u>	<u>9,461,863</u> (7,457,251)	<u>580,227</u>	<u>23,981,085</u>	<u>192,994,399</u>	
Owned - intangible										
Computer software	736,800	-	-	736,800	515,762	147,360	-	665,122	73,678	20
Leased - tangible										
Vehicles	8,234,000	-	2,993,775	9,908,775	2,543,532	1,779,568 (219,833)	(580,227)	3,523,040	6,385,735	20
Plant and machinery	-	10,819,058	-	10,819,058	-	1,081,906	-	1,081,906	9,737,152	
	<u>179,218,228</u>	<u>72,148,639</u> (12,926,750)	<u>-</u>	<u>238,440,117</u>	<u>24,455,540</u>	<u>12,470,697</u> (7,677,084)	<u>-</u>	<u>29,249,153</u>	<u>209,190,964</u>	

Details of CNG / Diesel related projects, included above are as follows:

	2008									
	Cost				Accumulated depreciation / amortisation				Net book	Rate %
	As at 01 July 2007	Additions/ (disposals) during the year	Transfers	As at 30 June 2008	As at 01 July 2007	For the year/(on disposals)	Transfers	As at 30 June 2008	value as at 30 June 2008	
Owned - tangible										
Freehold land	*100,691,189	-	-	100,691,189	-	-	-	-	199,691,189	
Building	7,789,349	28,169,074	-	35,958,423	182,395	1,614,047	-	1,796,442	34,161,981	5
Plant and machinery	15,264,961	28,631,587 (2,800,000)	-	41,096,548	1,853,748	2,457,894 (443,333)	-	3,868,309	37,228,239	10
Furniture and fixture	42,400	101,900	-	144,300	1,936	11,407	-	13,343	130,957	10
Office equipment	36,628	15,500	-	52,128	6,715	9,651	-	16,366	35,762	20
Vehicles	-	70,890	-	70,890	-	3,545	-	3,545	67,345	20
	123,824,527	56,988,951 (2,800,000)	-	178,013,478	2,044,794	4,096,544 (443,333)	-	5,698,005	172,315,473	

Above details are in respect of the CNG / Diesel related projects namely Star Petroleum, Faisalabad, Al Zamin Services, Rawat near Islamabad. and Vigor CNG Station, Kamoki near Lahore.

* Freehold land of Rs. 61.576 million is mortgaged against a murabahah borrowing from a commercial bank.

	2007									
	Cost				Accumulated depreciation				Net book	Rate %
	As at 01 July 2006	Additions/ (disposals) during the year	Transfers	As at 30 June 2007	As at 01 July 2006	For the year (disposals)	Transfers	As at 30 June 2007	value as at 30 June 2007	
Owned - tangible										
Freehold land	-	*100,691,189	-	100,691,189	-	-	-	-	100,691,189	
Building	-	7,789,349	-	7,789,349	-	182,395	-	182,395	7,606,954	5
Office premises	6,922,600	-	-	6,922,600	2,019,092	346,129	-	2,365,221	4,557,379	5
Office equipment	7,881,477	2,350,968 (249,971)	-	9,982,474	4,370,571	1,217,109 (176,421)	-	5,411,259	4,571,215	20
Furniture and fixtures	6,912,841	7,298,218	-	14,211,059	4,238,325	816,538	-	5,054,863	9,156,196	10
Vehicles	5,182,550	6,697,575 (2,691,650)	6,197,321	15,385,796	3,014,279	1,927,937 (2,198,483)	3,785,027	6,528,760	8,857,036	20
Plant and machinery	-	15,953,711 (688,750)	-	15,264,961	-	1,888,185 (34,437)	-	1,853,748	13,411,213	10
	26899,468	140,781,010 (3,630,371)	-	170,247,428	13,642,267	6,378,293 (2,409,341)	3,785,027	21,396,246	148,851,182	
Owned - intangible										
Computer software	736,800	-	-	736,800	368,402	147,360	-	515,762	221,038	20
Leased - tangible										
Vehicles	10,812,321	4,014,000 (395,000)	(6,197,321)	8,234,000	4,177,083	2,171,226 (19,750)	(3,785,027)	2,543,532	5,690,468	20
2007 Rupees	38,448,589	144,795,010 (4,025,371)	-	179,218,228	18,187,752	8,696,879 (2,429,091)	-	24,455,540	154,762,688	

Details of CNG / Diesel related projects, included above are as follows:

	2007									
	Cost				Accumulated depreciation / amortisation				Net book	Rate %
	As at 01 July 2006	Additions/ (disposals) during the year	Transfers	As at 30 June 2007	As at 01 July 2006	For the year/(on disposals)	Transfers	As at 30 June 2007	value as at 30 June 2007	
Owned - tangible										
Freehold land	-	*100,691,189	-	100,691,189	-	-	-	-	199,691,189	
Building	-	7,789,349	-	7,789,349	-	182,395	-	182,395	7,606,954	5
Plant and machinery	-	15,953,711 (688,750)	-	15,264,961	-	1,888,186 (34,438)	-	1,853,748	13,411,213	10
Furniture and fixture	-	42,400	-	42,400	-	1,936	-	1,936	40,464	10
Office equipment	-	36,628	-	36,628	-	6,715	-	6,715	29,913	20
	-	124,513,277 (688,750)	-	123,824,527	-	2,079,232 (34,438)	-	2,044,794	121,779,733	

Above details are in respect of the CNG / Diesel related projects namely Star Petroleum, Faisalabad, Al Zamin Services, Rawat near Islamabad. and Vigor CNG Station, Kamoki near Lahore.

* Freehold land of Rs. 61.576 million is mortgaged against a murabahah borrowing from a commercial bank.

17.1.1 Disposal of fixed assets

Details	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)	Sold to / insurance claim	Address
Equipment							
Panasonic fax machine	26,000	24,700	1,300	6,575	5,275	Electronic office product	616, Clifton Centre Karachi
Panasonic fax machine	52,000	9,533	42,467	12,000	(30,467)	Net Line (pk)	40-E, Bl-6, PECHS Society, off
LG Split	9,700	9,377	323	1,500	1,177	Net Line (pk)	Shahra-e-Faisal, Karachi.
CNG Kit Daihatsu Core	26,500	17,667	8,833	10,000	1,167	Mrs. Saima Naveed	House # 5/4-A, Golden Town
CNG Kit Daihatsu Core	26,500	17,667	8,833	9,000	167	Insurance Claim	Karachi
CNG Kit Toyota GLI	35,500	23,075	12,425	10,500	(1,925)	Mr. Rizwan Ashfaq	1221-A, Al-Muslim Town, Rawalpindi.
CNG Kit Toyota XLI	37,000	24,467	12,333	14,000	1,667	Mr. Muhammad Zubair	F-4, 32-C, South Park Avenue, Phase II Ext. DHA, Karachi.
CNG Kit Toyota GLI	35,500	23,075	12,425	13,000	575	Mr. Zahreeruddin Babar	P 201 Khayber Colony, Kashmir Road Madina Town, Faisalabad.
CNG Kit Toyota GLI	35,500	23,075	12,425	13,000	575	Mr. Saeed Rabbani	House # 679 Street # 11, F-5, Ph. # 6, Hayatabad, Peshawar.
	284,200	172,836	111,364	89,575	(21,789)		
Vehicles							
Suzuki Cultus	565,000	452,000	113,000	250,000	137,000	Mrs. Fareha Butt	House # 12, Kanwal Rah Taj Bagh, Lahore Cantt.
Suzuki Cultus	555,000	518,000	37,000	210,000	173,000	Mrs. Sofia Haider	A-14, New Rizvia Society, Scheme 33, Karachi.
Suzuki Mehran	395,000	131,667	263,333	300,800	37,467	Mr. Wasim Mirza	A-32, Gulshan-e-Iqbal, Block 10-A, Karachi.
Daihatsu Cuore	399,000	332,500	65,500	125,000	58,500	Mr. Faraz Muhammad Faiz	House # R-358, Sector 7-D/2, North Karachi, Karachi.
Daihatsu Cuore	399,000	345,800	53,200	160,000	106,800	Mrs. Saima Naveed	5/4-A, Golden Town, Karachi.
Honda City EXI Saloon	795,000	596,250	198,750	397,500	198,750	Mrs. Fatima Omer	16/4 2nd Gizri Street DHA Karachi
Toyota Corolla GLI	1,055,000	879,167	175,833	517,000	341,167	Mr. Rizwan Ashfaq	1221-A, Al-Muslim Town, Rawalpindi.
Toyota Corolla XLI	849,000	778,250	70,750	410,500	339,750	Mr. Muhammad Zubair	F-4, 32-C, South Park Avenue, Phase II Ext. DHA, Karachi.
Daihatsu Cuore	399,000	352,450	46,550	291,000	244,450	Adamjee Insurance Company Limited (insurance company)	404-405 Shaheen Centre, Bl-7 KDA Scheme No. 5, Clifton Karachi.
Toyota Corolla GLI	1,055,000	879,167	175,833	514,500	338,667	Mr. Zahreeruddin Baber	P 201 Khayber Colony, Kashmir Road Madina Town, Faisalabad.
Yamaha Junoon 100	62,000	2,067	59,933	62,000	2,067	Adamjee Insurance Company Limited (insurance company)	404-405 Shaheen Centre, Bl-7 KDA Scheme No. 5, Clifton Karachi.
Suzuki Sprinter 110	62,200	46,650	15,550	17,000	1,450	Mr. Asif Ahmed	House # B265, Mehmoodabad, Karachi.
Suzuki Sprinter 110	62,200	46,650	15,550	17,000	1,450	Mr. Asif Ahmed	Karachi.
Honda CD 125	69,500	69,499	1	8,000	7,999	Mr. Mahmood Abbasi	1221-A, Al-Muslim Town, Rawalpindi.
Honda CD 70	58,500	51,675	6,825	10,000	3,175	Mr. Haroon Tahir	House NA 268, 7th Road, Satellite Town, Rawalpindi.
Suzuki Mehran	376,000	275,733	100,267	188,000	87,733	Mrs. Sara Ahmed	House # 80 J Aslam Shaheed Road Lalazar Rawalpindi.
Suzuki Mehran	376,000	275,733	100,267	188,000	87,733	Mr. Muhammad Yousuf	House # 80 J Aslam Shaheed Road Lalazar Rawalpindi.
Toyota Corolla GLI	975,000	796,250	178,750	474,500	295,750	Mr. Saeed Rabbani	House # 679 Street # 11, F-5, Phase # 6, Hayatabad Peshawar.
	8,507,400	6,829,508	1,677,892	4,140,800	2,462,908		
Plant & machinery (project)							
Disposal of Compressor (Al-Zamin Services/CNG Filling Stations)	2,800,000	443,333	2,356,667	1,200,000	(1,156,667)	M/s. Gas Syndicate	Khaata # 112/178, 179 117/189, Khasra # 449/362, GT Road, Peshawar.
Furnitures & fixtures							
Carpet	16,150	11,574	4,576	1,500	(3,076)	Asgar Ali	P846/2, Street 10 Nisar Colony Faisalabad.
Vehicles-Leased							
Toyota Altis	1,319,000	219,833	1,099,167	1,300,000	200,833	Mr. Farasat Ali Khan	House # 169, Haiderabad Colony Jail Road, Karachi.
2008 Rupees	12,926,750	7,677,084	5,249,666	6,731,875	1,482,209		
2007 Rupees	4,025,371	2,429,091	1,596,280	2,669,945	1,073,665		

17.1.2 Depreciation for the year have been allocated as follow:

	2008	2007
CNG / Diesel Operations	4,096,544	2,079,232
Others	8,374,153	6,617,647
Rupees	12,470,697	8,696,879

		2008	2007
17.2 Capital work-in-progress			
CNG Project			
- Civil works		-	21,218,875
- Plant and machinery		-	28,482,510
- Other direct cost	17.2.1	10,183,270	548,891
		10,183,270	50,250,276
Advances for the purchase of office premises at Faisalabad	17.2.2	62,645,259	20,622,560
Advance for the purchase of a vehicle	17.2.3	1,567,500	-
	<i>Rupees</i>	<u>74,396,029</u>	<u>70,872,836</u>

17.2.1 This represents capital expenditure incurred for the installation of a CNG dispenser and related equipments at Star Petroleum, Faisalabad.

17.2.2 This represents partial payment for the acquisition of office premises for Rs. 82.490 million. Remaining commitment as at the year-end was Rs. 19.845 million.

17.2.3 Subsequent to the year-end, the vehicle was received by the Modaraba.

18. SHORT TERM MUSHRAKAH BORROWINGS AND BANK FINANCE FACILITIES

Musharakah borrowings - unsecured

Financial institutions (other than leasing companies and modarabas)

- Associates		-	60,000,000
- Others		60,000,000	342,000,000
		60,000,000	402,000,000

Leasing companies and modarabas

- Associates	18.2	2,000,000	2,000,000
- Others		15,000,000	15,000,000
		17,000,000	17,000,000

Bank finance facilities

	18.3	64,740,534	-
	<i>Rupees</i>	<u>141,740,534</u>	<u>419,000,000</u>

18.1 Above finances have been obtained for 184 to 366 days at profit rates between 10.25% to 12.75% per annum (2007: 11% to 12.75% per annum).

18.2 This finance has been obtained for 184 days at a profit rate of 11% per annum (2007: 12.5% per annum) and is due for repayment by 1 September 2008.

18.3 The Modaraba has also arranged finance facilities from certain banks amounting to Rs. 95 million. The facilities carry mark-up rates ranging between 6 months KIBOR+3% to 3 months KIBOR+3.1% (with floor rates ranging between 7.5% to 11%) per annum (2007: 6 month KIBOR+3% to 3 months KIBOR+3.1% with a floor ranging between 7.5% to 11%) per annum and are secured against floating charge on leased assets.

19. SHORT TERM CERTIFICATES OF MUSHARAKAH BORROWINGS - unsecured

Financial institutions		135,000,000	275,000,000
Public and private companies		94,510,000	14,080,000
Individuals - key management personnel	19.3	1,000,000	200,000
- others		76,125,000	130,370,000
Others - associated undertaking	19.4	21,280,000	11,460,000
- others		50,115,000	82,470,000
	<i>Rupees</i>	<u>378,030,000</u>	<u>513,580,000</u>

19.1 Above finances have been obtained for 90 to 366 days at a profit rates ranging between 8.25% to 12.25% per annum (2007: 9.25% to 13.1% per annum).

19.2 Redemption Reserve Fund

Under the terms and conditions for the issuance of certificates of musharakah [both long term (note 23.3) and short term], the Modaraba is required to maintain a Redemption Reserve Fund equal to at least 5% of the contribution received, which may be utilised for redemption purposes. The amount so set aside in the Redemption Reserve Fund can be invested in a manner considered prudent by the Modaraba. Accordingly, at the year-end, Rs. 40 million had been invested in term deposit receipts with a Islamic Bank (refer note 5.2).

19.3 Certificate of musharakah borrowings from key management personnel carry rate of profit at 11% per annum (2007: 12% per annum) and is due for repayment on 7 March 2009.

19.4 Certificate of musharakah borrowings from associated undertaking carry rate of profit ranging between 10% to 11.25% per annum (2007: 10.75% to 12.5%) and is due for repayment on 27 September 2008.

		2008	2007
20. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Profit payable on			
- Long term Musharakah and Morabahah borrowings		5,319,636	6,540,134
- Short term Musharakah borrowings		2,476,153	8,160,256
- Musharakah term finance certificates borrowings		2,172,138	3,183,457
- Certificates of Musharakah borrowings		22,294,637	14,277,181
- Term Finance Certificates (privately placed) borrowings		11,919,178	-
Retention money payable		176,408	476,408
Provision for compensated absences		2,138,454	1,799,894
Provision for staff bonus		1,585,307	-
Advance lease rent / security deposits	20.1	20,258,790	26,892,823
Accrued expenses		1,883,985	329,868
Management fee	20.2	3,643,707	4,912,380
Others	20.3	13,627,489	3,234,926
	<i>Rupees</i>	87,495,882	69,807,327

20.1 This represents the amount of lease rentals received in advance and security deposits received against the leases approved but not disbursed as at 30 June 2008.

20.2 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The fee is being recognised at 10% per annum.

20.3 This includes gratuity balance of Rs. 121,930 (2007: Rs. 121,930) pertaining to the staff of former First Professional Modaraba (FPM - note 1) and is due for payment at the time of separation / retirement from the Modaraba.

21. CURRENT MATURITY OF LONG TERM LIABILITIES

Security deposits from lessees	22	138,274,858	158,237,342
Certificates of musharakah borrowings	23	20,475,000	14,396,843
Liabilities under finance lease arrangements	24	4,790,764	5,111,379
Long term musharakah borrowings	25	288,500,005	164,289,696
Musharakah Term Finance Certificates	27	212,500,000	206,000,000
	<i>Rupees</i>	664,540,627	548,035,260

22. SECURITY DEPOSITS FROM LESSEES

Deposit on lease contracts		856,036,769	821,594,440
Current portion	21	(138,274,858)	(158,237,342)
	<i>Rupees</i>	717,761,911	663,357,098

These represent security deposits received against lease contracts and are repayable / adjustable on the expiry of lease period.

		2008	2007
23. LONG TERM CERTIFICATES OF MUSHARAKAH BORROWINGS - unsecured			
Certificates of Musharakah - associated undertaking	23.2	12,420,000	6,650,000
- others		297,065,000	93,091,843
		309,485,000	99,741,843
Payable within one year shown under current liabilities		(20,475,000)	(14,396,843)
	<i>Rupees</i>	289,010,000	85,345,000

23.1 These represent the mobilization of funds under the scheme of certificates of musharakah introduced by the Modaraba. These carry profit rates ranging between 10.25% to 14.25% per annum. (2007: 11.25% to 16% per annum) and are due for repayment between 19 July 2009 and 30 June 2013.

23.2 This carry profit rates ranging between 11.5% to 12.25% per annum (2007: 13% per annum) and due for repayment between 19 July 2009 to 31 January 2010..

23.3 Refer note 19.2 for the details of Redemption Reserve Fund.

24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2008			2007		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
Minimum lease payments	6,016,029	9,048,974	15,065,003	6,653,243	11,387,224	18,040,467
Finance charge for future periods	(1,225,265)	(491,932)	(1,717,197)	(1,541,864)	(1,250,865)	(2,792,729)
Principal outstanding <i>Rupees</i>	4,790,764	8,557,042	13,347,806	5,111,379	10,136,359	15,247,738

24.1 These liabilities carry profit rates ranging between 6.27% to 14.02% per annum (2007: 6.27% to 14.02% per annum) and are repayable by October 2010 in monthly / quarterly instalments.

24.2 The company intends to exercise its option to purchase the leased vehicles upon expiry of the respective lease periods against the security deposit.

		2008	2007
25. LONG TERM MUSHARAKAH AND MORABAHAH BORROWINGS - secured			
Musharakah			
Commercial banks	25.1	100,000,000	–
Leasing companies and modarabas		–	2,373,031
Others	25.2	5,000,000	10,000,000
		105,000,000	12,373,031
Morabahah (note 25.3)			
Commercial banks - associate		–	49,999,996
- others	25.4	311,547,843	336,249,998
Other financial institutions - associates		–	41,666,666
- others	25.5	284,166,663	338,273,422
		595,714,506	766,190,082
		700,714,506	778,563,113
Payable within one year shown under current maturity	21	(288,500,005)	(164,289,696)
	<i>Rupees</i>	412,214,501	614,273,417

- 25.1** These finances carry rate of profit ranging from 3 months KIBOR+1.5% per annum (2007: Nil) and are payable in quarterly instalments. These are secured against hypothecation of specific leased assets, floating charge on the assets of the modaraba,. The principal repayment will start from September 12, 2008 on quarterly basis. The maturity date is June 12, 2011.
- 25.2** The finance carries rate of profit of 7% (2007: 7%) per annum and is payable in equal half-yearly instalments. This finance is secured against hypothecation of specific leased assets of the modaraba.

	2008	2007
25.3 Morabahah borrowings		
Morabahah payable - gross	739,558,438	1,042,262,582
Deferred morabahah expense	(139,262,351)	(269,674,637)
Profit payable shown in creditors, accrued and other liabilities	(4,581,581)	(6,397,863)
Morabahah payable	595,714,506	766,190,082

- 25.4** These finances carry rate of profit ranging from six months average KIBOR plus 2.5% to 3.75% per annum and three months KIBOR plus 2.5% to 2.75% per annum (2007: six month average KIBOR plus 2.5% to 3.75% per annum and three months KIBOR 2.5% to 2.75% per annum) payable in monthly and quarterly instalments. These are secured against hypothecation of specific leased assets, floating charge on the assets of the modaraba and corporate guarantee by the management company of the modaraba. The facility is due for repayment between 21 September 2007 to 05 February 2012.
- 25.5** These finances carry rate of profit ranging from six months average KIBOR plus 3% to 3.25% per annum and three months KIBOR plus 3% per annum (2007: six months average ask KIBOR plus 3% to 3.25% per annum and three month KIBOR plus 3% per annum) payable in monthly, quarterly and half yearly instalments. These are secured against hypothecation of specific leased assets, floating charge on the assets of the modaraba and corporate guarantee by the management company of the modaraba. The facility is due for repayment between 16 July 2008 and 5 February 2012.

**26. MUSHARAKAH TERM FINANCE
CERTIFICATES (privately placed)**

Commercial banks	345,000,000	-
Other financial institutions	355,000,000	-
	700,000,000	-
Total initial transaction cost	7,400,000	-
Amortization to date	(325,061)	-
	7,074,939	-
	692,925,061	-

These finances carry rate of profit at 6 months KIBOR+ 1.9% per annum (2007: Nil) and are payable in half yearly instalments. At the year-end profit rate was 12.43% per annum. These are secured against first pari passu charge of specific leased assets and associated lease receivables. The principal repayment will start from 12 November 2009 on half yearly basis in equal instalments of Rs. 116.667 million. The maturity date is 12 May 2012.

		2008	2007
27. REDEEMABLE CAPITAL - MUSHARAKAH TERM FINANCE CERTIFICATES (MTFCs)			
Balance as on 1 July		529,000,000	625,000,000
Paid during the period		(206,000,000)	(96,000,000)
		323,000,000	529,000,000
Current maturity	21	(212,500,000)	(206,000,000)
		110,500,000	323,000,000
Total initial transaction cost		10,383,663	10,383,663
Amortization to date		(8,816,749)	(6,905,891)
		1,566,914	3,477,772
	<i>Rupees</i>	108,933,086	319,522,28

The MTFCs are secured by a floating charge on the un-encumbered leased assets and associated lease receivables of the Modaraba. The MTFCs are listed on the Karachi Stock Exchange and currently carry an instrument rating of A (Single A) by JCR VIS Credit Rating Company Limited dated 11 July 2007.

27.1 Profit and loss sharing

The minimum profit expected on 1st tranche of MTFCs is 8% per annum and on the second tranche at 9.5% per annum to be paid on half yearly basis (after considering the initial costs, the effective yield is 8.5% and 9.9% per annum respectively). The basis of profit sharing will be the sum of the revenue from Modaraba's lease and musharakah investment portfolio after adjusting for operating expenses and provision for lease losses (but excluding financial charges, provision for diminution in value of investments and other provisions).

If the Modaraba generates profit in excess of minimum 8% on the 1st tranche and 9.5% on the 2nd tranche as mentioned above, the MTFC investors will have a share in the excess profit in the same ratio as have been the basis of sharing minimum expected profit.

If the Modaraba suffers any business loss in any given year during the tenor of MTFCs, the loss will be allocated to the MTFCs investors in the ratio of capital provided by all the long term funds providers to the Modaraba including the equity holders. The share in loss of each MTFC investors will be first applied against the Takaful Fund (discussed below) maintained by the Modaraba for this purpose. However, at the time of repayment of principal, if the loss remains unadjusted then the loss will be adjusted against the principal amount of the respective MTFCs.

The balance of 1st tranche is due for repayment on 22 December 2008 and 2nd tranche is due for repayment between 30 May 2009 to 30 May 2010.

In addition, a commercial bank is entitled to remuneration for the financial advisory and placement services rendered in connection with the issuance of 2nd tranche of MTFC.

27.2 Takaful Reserve Fund

Under the Scheme of Musharakah based Term Finance Certificates (MTFC) issued by the Modaraba, a Takaful Reserve Fund (Takaful) is required to be maintained for the purpose of mitigating the risk of losses attributable to the MTFC investors.

At 30 June 2008 investments of Rs.44.727 million were being held in Takaful Reserve Fund as explained in note 7 to these financial statements. In addition, the Modaraba will arrange to contribute, on behalf of the MTFC holders, to the Takaful Reserve Fund an amount equal to 1/10th of the excess of the minimum profit every year during which MTFCs remains outstanding. In case 1/10th of the minimum expected profit or, the excess profit is insufficient, then whatever the excess profit will be transferred to the Takaful Reserve Fund as the contribution of the MTFC investors. The contribution, thus calculated, shall be made in the form of admissible securities.

Upon repayment of the principal amount at each maturity of the MTFC, the balance of Takaful Fund, if any will be distributed amongst the MTFC investors and the Modaraba in the ratio of their contribution in the Takaful Reserve Fund.

28. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATES

Number of certificates			2008	2007
2008	2007			
10,000,000	10,000,000	Mudarabah certificates of Rs. 10 each fully paid in cash	100,000,000	100,000,000
2,650,000	2,650,000	Mudarabah certificates of Rs. 10 each issued as fully paid bonus certificates	26,500,000	26,500,000
5,054,752	5,054,752	Mudarabah certificates of Rs. 10 each issued as fully paid up under scheme of arrangement of amalgamation with Ghandhara Leasing Company Limited	50,547,520	50,547,520
7,767,360	7,767,360	Mudarabah certificates of Rs.10 each issued as fully paid up under scheme of arrangement of amalgamation with First Professionals Modaraba	77,673,600	77,673,600
<u>25,472,112</u>	<u>25,472,112</u>	<i>Rupees</i>	<u>254,721,120</u>	<u>254,721,120</u>

28.1 Following certificates are held by associated companies:

		Name of the associated company		
3,015,519	3,015,519	Al Zamin Modaraba Management (Private) Limited (Modaraba's management company)	30,155,190	30,155,190
<u>3,015,519</u>	<u>3,015,519</u>	<i>Rupees</i>	<u>30,155,190</u>	<u>30,155,190</u>

29. CONTINGENCIES AND COMMITMENTS

29.1 Tax contingencies

29.1.1 Appeal in respect of former Ghandhara Leasing Limited (merged with Al-Zamin Leasing Modaraba in 2001) before the Commissioner of Income Tax (Appeal) relating to the assessment years 1999-2000 and 2000-2001 against certain disallowances have been set aside for reassessment. In case of adverse decision, additional tax liability of Rs. 11.03 million (30-June-2007 Rs 11.03 million) may arise which has not been provided in these financial statements as the management expects favourable outcome of these appeals.

29.1.2 Appeals in respect of former First Professionals Modaraba (merged with Al-Zamin Leasing Modaraba in 2003) for the assessment year 1998-1999, 1999-2000, 2000-2001, 2001-2002 and 2002-2003 were filed with the Commissioner of Income Tax (Appeals) (CIT (A)). Appeals filed with the CIT (A) have been decided in Modaraba's favour but the appeal effect order has not been passed as yet by the assessing officer.

29.2 Others

29.2.1 Aggregate amount of guarantee given by a bank on behalf of the Modaraba in respect of the performance of contract aggregated Rs. 4.2 million (2007: Rs. 3 million) to Sui Northern Gas Pipeline Limited in respect of Centre Gas (Private) Limited.

29.3 Commitments

29.3.1 Lease financing contracts committed but not executed at the balance sheet date amounted to Rs. 187.198 million (2007: Rs. 129.490 million).

29.3.2 Letters of comfort issued against Letter of Credits (in respect of Leases / Musharakah investments) to the counter parties as at 30 June 2008 amounted to Rs. 26.717 million (2007: Rs. 58.211 million).

		2008	2007
29.3.3	Commitments in respect of capital expenditure	<i>Rupees</i> 19,845,141	64,556,869

30. INCOME FROM LEASING OPERATIONS

Lease income		264,891,130	229,170,131
Gain on early termination of lease contracts		1,646,109	1,758,085
Others		9,602,644	8,878,509
	<i>Rupees</i>	276,139,883	239,806,725

	2008	2007
31. INCOME FROM TRADING OPERATIONS		
Sales - CNG Storage Cylinders	–	825,000
Cost of goods sold		
Opening Stock - CNG storage cylinders	–	(1,689,800)
Purchase - CNG storage cylinders	–	–
Transfer for own use	–	965,600
Closing Stock - CNG storage cylinders	–	–
	–	(724,200)
	<u>–</u>	<u>100,800</u>
	<i>Rupees</i>	
32. INCOME FROM DIESEL / CNG FILLING STATIONS		
Sale of Diesel / CNG	68,483,028	39,636,582
Cost of Diesel / CNG sold	(51,925,045)	(27,483,667)
Plant repair and maintenance	(1,013,246)	(2,331,469)
Depreciation	<i>17.1</i> (4,096,544)	(2,079,232)
Other expenses	(9,714,193)	(5,755,363)
	(66,749,028)	(37,649,731)
	<u>1,734,000</u>	<u>1,986,851</u>
	<i>Rupees</i>	
33. FINANCIAL CHARGES		
Profit on long term musharakah and murabahah borrowings	92,815,618	41,540,653
Profit on short term musharakah borrowings	33,672,709	62,895,145
Profit on redeemable capital - musharakah term finance certificates	46,147,486	56,310,379
Profit on - musharakah term finance certificates	12,244,239	–
Profit on assets subject to finance lease	1,798,214	711,433
Front end fee and bank charges	898,560	532,670
Profit on certificates of musharakah borrowings	81,251,479	42,637,048
	<u>268,828,305</u>	<u>204,627,328</u>
	<i>Rupees</i>	

		2008	2007
34. OPERATING EXPENSES			
Salaries and benefits	39	49,656,938	38,324,748
Rent, rates and taxes		8,404,330	6,342,477
Telecommunication		2,484,471	2,363,674
Printing and stationery		1,346,994	1,649,823
Fees and subscription		4,249,632	5,820,197
Electricity and gas		1,770,274	1,680,181
Insurance		977,080	808,159
Legal and professional		2,604,019	1,560,741
Postage and stamps		1,147,209	1,674,691
Repairs and maintenance		2,699,219	2,048,256
Vehicles running and maintenance		2,755,354	2,610,809
Travelling and conveyance		1,401,370	1,278,197
Advertisement		376,850	1,292,391
Auditor's remuneration	34.1	503,889	446,069
Staff training and seminars		1,705,106	1,196,719
Newspapers and periodicals		105,352	174,943
Entertainment		2,849,027	2,544,950
Depreciation	17.1.2	8,374,153	6,617,647
Brokerage and commission		1,466,349	3,074,070
Zakat		2,538	34,122
Others		304,799	297,378
	<i>Rupees</i>	<u><u>95,184,953</u></u>	<u><u>81,840,242</u></u>
34.1 Auditor's remuneration			
Audit fee		235,000	214,500
Half yearly review		150,000	125,500
Other certifications		60,000	60,000
Out of pocket expenses		58,889	46,069
	<i>Rupees</i>	<u><u>503,889</u></u>	<u><u>446,069</u></u>
35. OTHER INCOME			
Gain on sale of fixed assets	17.1.1	2,638,875	1,073,665
Others		4,974,991	3,882,833
	<i>Rupees</i>	<u><u>7,613,866</u></u>	<u><u>4,956,498</u></u>
36. SHARE OF PROFIT OF A JOINT VENTURE AND ASSOCIATE - net			
Centre Gas (Private) Limited	15.1.1	5,442,811	4,505,043
UMA Enterprise	15.1.2	4,562,418	-
Al Zamin Leasing Corporation Limited	15.1.3	237,000	(487,711)
	<i>Rupees</i>	<u><u>10,242,229</u></u>	<u><u>4,017,332</u></u>

37. TAXATION

37.1 No provision for tax on the Modaraba's income has been made in view of the exemption available if not less than 90% of the Modaraba's profit are distributed to the certificates holders. Refer note 47 for the distribution of profit.

37.2 The income tax assessment of the Modaraba have been finalised up to and including the financial year ended 30 June 2002. Returns of income for the financial years ended on 30 June 2003, 2004, 2005 and 2006 and 2007 have been filed which are deemed to be assessed under section 120 of the Income Tax ordinance, 2001 unless selected for audit under the Ordinance.

37.3 At 30 June 2008, Modaraba had not recognised deferred tax asset balance against the net deductible temporary differences of Rs 33.19 million due to the exemption available to the Modaraba if not less than 90 % of its profit from non-trading activities is distributed. The Modaraba expects to so distribute the profit in future.

38. EARNING PER CERTIFICATE - basic and diluted

		2008	2007
Profit after taxation	<i>Rupees</i>	32,793,359	44,211,423
Weighted average number of ordinary certificates	<i>Number</i>	25,472,112	25,472,112
Earning per certificate	<i>Rupees</i>	1.29	1.74

There is no dilutive effect on the basic earning per certificate.

39. REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2008			2007			
	Executive	Other Employees	Total	Executive	Other Employees	Total	
Basic Salary	7,081,500	14,889,100	21,970,600	3,970,200	14,397,607	18,367,807	
Bonus	1,538,000	2,730,707	4,268,707	498,000	1,452,270	1,950,270	
Provident fund	708,150	1,289,677	1,997,827	397,020	1,163,597	1,560,617	
House rent allowance	3,186,599	6,565,011	9,751,610	1,786,400	6,149,935	7,936,335	
Utility allowance	363,900	729,162	1,093,062	257,400	764,857	1,022,257	
Fuel Allowance	-	3,418,386	3,418,386	-	2,199,721	2,199,721	
Leave encashment	239,500	1,130,694	1,370,194	98,750	825,183	923,933	
Medical	459,641	1,378,923	1,838,564	236,941	859,247	1,096,188	
Gratuity	590,125	1,709,062	2,299,187	394,970	1,245,430	1,640,400	
Contribution to E.O.B.I	26,496	370,764	397,260	11,520	284,520	296,040	
Others	308,197	943,344	1,251,541	166,520	1,164,660	1,331,180	
	<i>Rupees</i>	14,502,108	35,154,830	49,656,938	7,817,721	30,507,027	38,324,748
Number of persons	<i>Number</i>	8	136	144	4	115	119

39.1 Certain executives and officers are also provided with free use of vehicles maintained by the Modaraba.

40. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

The Modaraba attempts to control the credit risk and concentration of credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continuously assessing the credit worthiness of counter parties.

The Modaraba follows its operating policy approved by the Board of Directors of the Modaraba Management Company.

Details of the industry sector analysis of Modaraba's credit portfolio is given below :

	2008	%	2007	%
Individuals	764,163,339	25.52	845,527,940	29.85%
Energy, oil and gas	776,007,504	25.91	496,302,769	17.52%
Transport	216,827,669	7.24	328,095,964	11.58%
Banks and development financial institutions	118,735,513	3.97	256,468,635	9.05%
Construction	335,795,604	11.21	173,073,421	6.11%
Textile and cotton	160,653,165	5.37	108,125,011	3.82%
Printing	48,336,571	1.61	42,026,278	1.48%
Engineering	41,383,344	1.38	38,961,083	1.38%
General trading	31,086,503	1.04	36,135,167	1.28%
Chemicals and pharmaceutical	74,980,424	2.50	35,746,389	1.26%
Health care	70,254,923	2.35	24,717,615	0.87%
Advertising and recording	22,707,124	0.76	21,006,756	0.74%
Cement	14,606,727	0.49	16,119,965	0.57%
Information technology and communication	3,055,877	0.10	15,743,727	0.56%
Electrical	-	-	12,891,450	0.46%
Plastic industries	9,137,401	0.31	9,559,527	0.34%
Packaging	6,558,136	0.22	9,527,234	0.34%
Food and beverages	6,814,092	0.23	9,431,698	0.33%
Paper and board	30,518,837	1.02	8,651,468	0.31%
Education	3,991,776	0.13	5,655,432	0.20%
Travel services	2,192,570	0.07	4,082,848	0.14%
Sugar	-	-	3,901,926	0.14%
Dairy & Poultry- Live Stock	2,135,437	0.07	-	-
Glass and Ceramics	2,925,000	0.10	2,925,000	0.10%
Hotels	1,875,310	0.06	576,134	0.02%
Others	249,715,115	8.34	327,704,627	11.57%
	<i>Rupees</i>			
	<u>2,994,457,961</u>	<u>100.00</u>	<u>2,832,958,064</u>	<u>100%</u>
Net Investment in finance lease / Ijarah	2,369,108,868	79.12	2,281,534,327	80.54
Short term musharakah and murabahah	538,625,830	17.99	417,361,955	14.73
Long term musharakah	86,723,263	2.90	134,061,782	4.73
	<i>Rupees</i>			
	<u>2,994,457,961</u>	<u>100.00</u>	<u>2,832,958,064</u>	<u>100.00</u>

41. MATURITIES OF ASSETS AND LIABILITIES

2008

	Total	Up to one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years
Assets									
Bank balances	186,803,085	46,700,771	28,020,463	65,381,080	46,700,771	-	-	-	-
Short-term investments	50,750,105	12,687,526	7,612,516	17,762,537	12,687,526	-	-	-	-
Takaful reserve fund investments	44,727,900	11,181,975	6,709,185	15,654,765	11,181,975	-	-	-	-
Short-term Musharakah	538,625,830	134,656,458	80,793,875	188,519,041	134,656,458	-	-	-	-
Advances and prepayments	44,328,221	8,582,055	5,149,233	22,014,877	8,582,055	-	-	-	-
Other receivables	74,295,639	18,573,910	11,144,346	26,003,474	18,573,910	-	-	-	-
Stock in trade	518,174	518,174	-	-	-	-	-	-	-
Long term musharakah - secured	200,732,338	11,430,118	28,575,295	28,575,295	45,720,471	25,929,348	30,250,906	30,250,906	-
Net investment in finance leases	2,369,108,868	134,462,884	179,283,846	268,925,768	313,746,729	294,537,928	441,806,892	736,344,821	-
Long term investments	81,141,039	-	-	-	-	-	13,333,333	-	67,807,706
Long term security deposits and advances	24,598,909	-	-	-	-	7,379,673	7,379,673	9,839,564	-
Fixed assets	283,586,993	-	-	-	28,358,699	56,717,398	113,434,797	85,076,098	-
Total Assets	3,899,217,101	378,793,871	347,288,758	632,836,837	620,208,594	384,564,347	606,205,601	861,511,389	67,807,706
Liabilities									
Short term musharakah borrowings and bank facilities	141,740,534	35,435,134	21,261,080	49,609,187	35,435,134	-	-	-	-
Short term certificates of musharakah borrowings	378,030,000	94,507,500	56,704,500	132,310,500	94,507,500	-	-	-	-
Creditors, accrued and other liabilities	87,495,882	21,874,645	13,124,787	30,624,504	21,871,945	-	-	-	-
Profit distribution payable	5,284,940	5,284,940	-	-	-	-	-	-	-
Deferred liability for staff gratuity	4,438,122	-	-	-	-	-	1,775,249	1,553,343	1,109,531
Security deposits from lessees	856,036,769	13,827,486	34,568,715	55,309,943	34,568,715	215,328,573	287,104,764	215,328,573	-
Liabilities against assets subject to finance lease	13,347,806	958,153	1,916,306	958,153	958,153	3,422,961	2,567,221	2,566,861	-
Long term certificates of musharaka borrowings	309,485,000	2,047,500	5,118,750	8,190,000	5,118,750	86,703,000	115,604,000	86,703,000	-
Long term musharakah and murabahah borrowings	700,714,506	28,850,001	86,550,002	115,400,002	57,700,001	103,053,625	144,275,075	164,885,800	-
Musharakah Term Finance Certificates	692,925,061	-	-	-	-	138,585,012	415,755,037	138,585,012	-
Redeemable capital - Musharakah Term Finance Certificates	321,433,086	-	-	102,000,000	110,500,000	108,933,086	-	-	-
	3,510,931,706	202,785,358	219,244,139	494,402,288	360,660,197	656,026,258	967,081,346	609,622,589	1,109,531
Net Assets / (Liabilities) Rupees	388,285,395	176,008,513	128,044,618	138,434,548	259,548,396	(271,461,911)	(360,875,745)	251,888,799	66,698,175

2007

	Total	Up to one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years
Assets									
Bank balances	212,594,086	53,148,522	31,889,113	74,407,930	53,148,522	-	-	-	-
Short-term investments	53,926,953	13,481,738	8,089,043	18,874,434	13,481,738	-	-	-	-
Takaful Reserve Fund investments	47,298,558	11,824,640	7,094,784	16,554,495	11,824,640	-	-	-	-
Short term musharakah and murabahah	417,361,955	91,819,630	75,125,152	133,555,826	116,861,347	-	-	-	-
Advances and prepayments	36,608,179	9,152,045	5,491,227	12,812,863	9,152,045	-	-	-	-
Other receivables	60,531,660	15,132,915	9,079,749	21,186,081	15,132,915	-	-	-	-
Stock in trade	431,451	431,451	-	-	-	-	-	-	-
Long term musharakah - secured	134,061,782	17,232,689	25,849,034	25,849,034	17,232,689	9,579,667	16,764,418	21,554,251	-
Net investment in finance leases	2,281,534,327	130,853,921	305,325,816	200,642,679	235,537,058	281,834,971	493,211,199	634,128,684	-
Long term investments	161,067,562	-	-	91,415,313	-	-	10,000,000	-	59,652,249
Long term security deposits and advances	10,681,366	-	-	-	-	3,738,478	2,670,342	4,272,546	-
Fixed assets	225,635,524	-	-	-	22,563,552	45,127,105	90,254,210	67,690,657	-
Total Assets	3,641,733,403	343,077,550	467,943,917	595,298,654	494,934,506	340,280,221	612,900,167	727,646,139	59,652,249
Liabilities									
Short term musharakah borrowings and bank facilities	419,000,000	104,750,000	62,850,000	146,650,000	104,750,000	-	-	-	-
Short term certificates of musharakah borrowings	513,580,000	107,851,800	97,580,200	179,753,000	128,395,000	-	-	-	-
Creditors, accrued and other liabilities	69,807,327	17,451,832	9,074,953	24,432,564	18,847,978	-	-	-	-
Profit distribution payable	4,465,318	4,465,318	-	-	-	-	-	-	-
Deferred liability for staff gratuity	2,565,685	-	-	-	-	-	1,026,274	897,990	641,421
Security deposits from lessees	821,594,440	34,812,215	44,306,456	23,735,601	55,383,070	132,671,420	179,106,416	351,579,262	-
Liabilities against assets subject to finance lease	15,247,738	920,048	1,380,072	1,277,845	1,533,414	3,344,998	3,040,908	3,750,453	-
Long term certificates of musharaka borrowings	99,741,843	2,879,369	3,599,211	3,311,274	4,606,990	21,336,250	38,405,250	25,603,500	-
Long term musharakah and murabahah borrowings	778,563,113	29,572,145	36,143,733	54,215,600	44,358,218	135,140,152	214,995,696	264,137,569	-
Redeemable capital - Musharakah Term Finance Certificates	525,522,228	-	-	102,000,000	104,000,000	100,840,743	109,340,743	109,340,742	-
Total Liabilities	3,250,087,692	302,702,727	254,934,624	535,375,884	461,874,669	393,333,563	545,915,287	755,309,516	641,421
Net Assets / (liabilities) Rupees	391,645,711	40,374,823	213,009,293	59,922,770	33,059,837	(53,053,342)	66,984,880	(27,663,377)	59,010,828

42. PROFIT / MARKUP RATE RISK MANAGEMENT

The Modaraba manages this risk by matching the repricing of assets and liabilities. The Modaraba's mark-up / profit rate sensitivity position, based on the earlier of contractual repricing or maturity dates, is as follows:

	2008				Non-profit/ mark-up bearing	Total
	Profit / mark-up bearing			Sub-total		
	Less than one year	One to five years	Over five years			
Cash and bank balances	96,156,698	-	-	96,156,698	90,646,387	186,803,085
Short term investments	-	-	-	-	50,750,105	50,750,105
Takaful reserve fund investment	-	-	-	-	44,727,900	44,727,900
Short term Musharakah and Murabahah	538,625,830	-	-	538,625,830	-	538,625,830
Advances and prepayments	1,073,984	-	-	1,073,984	43,254,237	44,328,221
Other receivables	-	-	-	-	74,295,639	74,295,639
Long term Musharakah	114,301,178	86,431,160	-	200,732,338	-	200,732,338
Net investment in finance lease	758,144,369	755,318,449	-	1,513,462,818	855,646,050	2,369,108,868
Long term investments	-	81,141,039	-	81,141,039	-	81,141,039
Long term security deposits and advances	-	-	-	-	24,598,909	24,598,909
	1,508,302,059	922,890,648	-	2,431,192,707	1,183,919,227	3,615,111,934
Short term Musharakah borrowings	141,740,534	-	-	141,740,534	-	141,740,534
Short term certificates of Musharakah borrowings	378,030,000	-	-	378,030,000	-	378,030,000
Creditors, accrued and other liabilities	-	-	-	-	87,495,882	87,495,882
Profit distribution payable	-	-	-	-	5,284,940	5,284,940
Security deposits from lessees	-	-	-	-	856,036,769	856,036,769
Long term certificates of Musharakah borrowings	20,475,000	289,010,000	-	309,485,000	-	309,485,000
Liabilities against assets subject to finance lease	4,790,764	8,557,042	-	13,347,806	-	13,347,806
Long term Musharakah and Murabahah borrowings	288,500,005	412,214,501	-	700,714,506	-	700,714,506
Long term musharakah term finance certificate	-	692,925,061	-	692,925,061	-	692,925,061
Redeemable capital - Musharakah term finance certificate	212,500,000	108,933,086	-	321,433,086	-	321,433,086
	1,046,036,303	1,511,639,690	-	2,557,675,993	948,817,591	3,506,493,584
On balance sheet gap 2008 (a) <i>Rupees</i>	462,265,756	(588,749,042)	-	(126,483,286)	235,101,636	108,618,351

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

2007

	Profit / mark-up bearing			Sub-total	Non-profit/ mark-up bearing	Total
	Less than one year	One to five years	Over five years			
Cash and bank balances	206,434,431	-	-	206,434,431	6,159,655	212,594,086
Short term investments	-	-	-	-	53,926,953	53,926,953
Takaful reserve fund investment	-	-	-	-	47,298,558	47,298,558
Short term Musharakah and Murabahah	394,445,955	-	-	394,445,955	22,916,000	417,361,955
Advances and prepayments	581,385	-	-	581,385	17,791,061	18,372,446
Other receivables	-	-	-	-	60,531,660	60,531,660
Long term Musharakah	86,163,446	47,898,336	-	134,061,782	-	134,061,782
Net investment in finance lease	714,122,492	746,057,754	-	1,460,180,246	821,354,081	2,281,534,327
Long term investments	19,581,312	69,092,093	59,652,249	148,325,654	12,741,908	161,067,562
Long term security deposits and advances	-	-	-	-	10,681,366	10,681,366
	<u>1,421,329,021</u>	<u>863,048,183</u>	<u>59,652,249</u>	<u>2,344,029,453</u>	<u>1,053,401,242</u>	<u>3,397,430,695</u>
Short term Musharakah borrowings	419,000,000	-	-	419,000,000	-	419,000,000
Short term certificates of Musharakah borrowings	513,580,000	-	-	513,580,000	-	513,580,000
Creditors, accrued and other liabilities	-	-	-	-	69,807,328	69,807,328
Profit distribution payable	-	-	-	-	4,465,318	4,465,318
Security deposits from lessees	-	-	-	-	821,594,440	821,594,440
Long term certificates of Musharakah borrowings	14,396,843	85,345,000	-	99,741,843	-	99,741,843
Liabilities against assets subject to finance lease	5,111,379	10,136,359	-	15,247,738	-	15,247,738
Long term Musharakah and murabaha borrowings	164,289,696	614,273,417	-	778,563,113	-	778,563,113
Redeemable capital - Musharakah term finance certificate	206,000,000	323,000,000	-	529,000,000	-	529,000,000
	<u>1,322,377,918</u>	<u>1,032,754,776</u>	<u>-</u>	<u>2,355,132,694</u>	<u>895,867,086</u>	<u>3,250,999,780</u>
On balance sheet gap 2007 (a) Rupees	<u>98,951,103</u>	<u>(169,706,593)</u>	<u>59,652,249</u>	<u>(11,103,241)</u>	<u>157,534,156</u>	<u>146,430,915</u>

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

(b) Rates of profit / mark-up on financial assets and liabilities are as follows:

	2008 %	2007 %
Bank balances	1.9-7.5	1.5-3.5
Short term Musharakah and Murabahah investments	10-43.35	8.8-33.75
Long term Musharakah investments	11.5-42.42	10-32.38
Net investment in lease finance	9-38.03	8-30
Long term investments- held to maturity	-	12.01-13.06
Short term Musharakah borrowings	10.25-12.75	11-12.75
Short term certificates of Musharakah borrowings	8.25-12.25	9.25-13.1
Long term certificates of Musharakah borrowings	10.25-14.25	11.25-16
Liability against assets subject to finance lease	6.27-14.02	6.27-14.02
Long term Musharakah and Murabahah borrowings	7-17.15	7-17
Redeemable capital - Musharakah term finance certificates [effective rates being 8.03% & 9.9% (2006: 8.03% & 9.9%)]	8-9.5	8 -9.5
Private placed TFCs	12.43	-

43. FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIQUIDITY RISK, MARKET RISK AND CAPITAL RISK MANAGEMENT

43.1 Fair values of financial assets and liabilities

In the opinion of the Management, fair values of financial assets and liabilities, other than those which are short term in nature, cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The Modaraba's short term financial instruments are expected to be settled in short term, hence their carrying amount is not considered to be materially different from their fair values.

43.2 Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. To guard against this risk the Modaraba's assets are managed with liquidity in mind, maintaining a balance of financial assets. The maturity profile is monitored to ensure that adequate liquidity is maintained.

43.3 Market risk

The Modaraba recognises market risk as the exposure created by the potential changes in market prices and rates. The Modaraba manages this risk through continuous monitoring of the market prices, market mark-up/profit rates and its mark-up/profit rates sensitivity position.

43.4 Capital risk management

The Modaraba's objective when managing capital is to safe guard the Modaraba's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and benefits of other stake holders and to maintain a strong capital based to support the sustained development of its businesses.

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintaining or adjust the capital structure, the Modaraba may adjust the amount of dividend paid to certificate holders or issue new certificates.

44. RELATED PARTY TRANSACTIONS

The related parties comprise of Al-Zamin Modaraba Management (Private) Limited, being the modaraba management company, major certificate holders and their close family members, directors of the modaraba management company and their close family members, key management personnel of the Modaraba and the management company and their close family members, the provident fund and entities with common directors or under common management.

Contribution to the provident fund is made in accordance with the services rules. The details of remuneration to key management personnel are given in note 38 to these financial statements (executives). The remuneration is in accordance with the term of their employment. Other transactions are at agreed terms.

44.1 Balances outstanding at year end:			2008	2007
<i>Associates</i>				
Musharakah and murabahah borrowings from associate	18	Rupees	<u>2,000,000</u>	<u>151,668,662</u>
Certificate of Musharakah borrowing from trust under common directorship/trusteeship	19 & 23	Rupees	<u>33,700,000</u>	<u>18,110,000</u>
Musharakah Term Finance Certificate borrowings		Rupees	<u>18,740,800</u>	<u>18,761,200</u>
Investment in Term Finance Certificates of Dewan Cement Limited		Rupees	<u>-</u>	<u>81,977,571</u>
Modaraba management fee payable to the management company	20.2	Rupees	<u>3,643,707</u>	<u>4,912,380</u>

			2008	2007
Investment in Al-Zamin Leasing Corporation Limited (formerly Crescent Leasing Corporation Limited)	15.1.3	Rupees	<u>6,831,355</u>	<u>6,391,355</u>
Joint ventures				
Investment in shares of Centre Gas (Private) Limited	15.1.1	Rupees	<u>32,609,843</u>	<u>28,260,894</u>
Investment in UMA Enterprises	15.1.2	Rupees	<u>28,366,508</u>	<u>25,000,000</u>
Guarantee given to SNGPL in favour of Centre Gas (Private) Limited - off balance sheet item	29.2.1	Rupees	<u>4,200,000</u>	<u>3,000,000</u>
Other related parties				
Certificate of musharakah borrowings from key management personnel	19.3	Rupees	<u>1,000,000</u>	<u>200,000</u>

For the year ended 30 June

			2008	2007
44.2 Transactions during the year				
Associates				
Modaraba management fee		Rupees	<u>3,643,707</u>	<u>4,912,380</u>
Musharakah borrowings receipt from financial institution		Rupees	<u>4,000,000</u>	<u>149,000,000</u>
Repayment of musharakah borrowings to financial institution		Rupees	<u>4,000,000</u>	<u>149,000,000</u>
Mark-up / expense on musharakah and murabahah borrowings- financial insitution under common directorship		Rupees	<u>147,178</u>	<u>13,931,614</u>
Mark-up / expense on certificate of musharakah borrowings - trust under common directorship / trusteeship		Rupees	<u>3,208,159</u>	<u>1,870,786</u>
Mark-up / expense on musharakah term finance certificates borrowings		Rupees	<u>2,617,804</u>	<u>2,419,436</u>
Profit / (income) on Term Finance Certificates of Dewan Cement Limited		Rupees	<u>5,835,714</u>	<u>4,743,322</u>
Share of profit/(loss) under the equity basis of accounting from Al-Zamin Leasing Corporation Limited	15.1.3	Rupees	<u>237,000</u>	<u>(487,711)</u>
Share of profit/(loss) under the equity basis of accounting from Al-Zamin Leasing Corporation Limited	15.1.1	Rupees	<u>5,442,811</u>	<u>4,505,043</u>
Cash dividend received from Centre Gas (Private) Limited	15.1.1	Rupees	<u>1,093,862</u>	<u>6,147,805</u>
Share of profit from UMA Enterprise	15.1.2	Rupees	<u>4,562,418</u>	<u>-</u>
Cash received from UMA Enterprise	15.1.2	Rupees	<u>1,195,910</u>	<u>-</u>
Other related parties				
Remuneration of key management personnel		Rupees	<u>14,502,108</u>	<u>7,817,721</u>
Contribution to the provident fund		Rupees	<u>1,997,827</u>	<u>1,560,617</u>
Guarantee given to SNGPL in vaour of Centre Gas (Private) Limited - off balance sheet item		Rupees	<u>1,200,000</u>	<u>-</u>

45. INFORMATION ABOUT BUSINESS SEGMENTS

	2008			
	Investments	Lease, Musharakah & Murabahah	Diesel / CNG Filling Station	Consolidated
REVENUE	<u>20,227,261</u>	<u>372,655,322</u>	<u>68,483,028</u>	<u>461,365,611</u>
RESULT				
Segment result	20,227,261	4,471,127	1,734,000	26,432,388
Income on deposits with bank	-	-	-	2,626,902
Mark-up on term deposit receipts	-	-	-	1,562,123
Income from trading operations	-	-	-	-
Profit on assets subject to finance lease	-	-	-	(1,798,214)
Other income	-	-	-	7,613,866
Modaraba company's management fee	-	-	-	(3,643,707)
Profit for the year			<i>Rupees</i>	<u>32,793,359</u>
OTHER INFORMATION				
Capital expenditure	-	79,372,447	67,172,221	146,544,668
Depreciation and amortisation	-	8,374,153	4,096,544	12,470,697
Non cash expense	-	5,969,151	-	5,969,151
ASSETS AND LIABILITIES				
Segment assets	182,157,314	3,317,511,132	201,313,642	3,700,982,088
Unallocated corporate assets	-	-	-	188,235,013
Consolidated total assets			<i>Rupees</i>	<u>3,889,217,101</u>
Segment liabilities	-	3,486,812,244	2,596,595	3,489,408,839
Unallocated corporate liabilities	-	-	-	21,522,867
Consolidated total liabilities			<i>Rupees</i>	<u>3,510,931,706</u>

	2007			
	Investments	Lease, Musharakah & Murabahah	Diesel / CNG Filling Station	Consolidated
REVENUE	<u>27,410,735</u>	<u>307,271,974</u>	<u>39,636,582</u>	<u>374,319,291</u>
RESULT				
Segment result	27,410,735	14,022,161	1,986,851	43,419,747
Income on deposits with bank	-	-	-	1,358,191
Mark-up on term deposit receipts	-	-	-	-
Income from trading operations	-	-	-	100,800
Profit on assets subject to finance lease	-	-	-	(711,433)
Other income	-	-	-	4,956,498
Modaraba company's management fee	-	-	-	(4,912,380)
Profit for the year			<i>Rupees</i>	<u>44,211,423</u>
OTHER INFORMATION				
Capital expenditure	-	40,904,293	174,763,553	215,667,846
Depreciation and amortisation	-	6,617,647	2,079,232	8,696,879
Non cash expenses	-	7,138,811	-	7,138,811
ASSETS AND LIABILITIES				
Segment assets	255,203,460	3,031,422,475	132,410,082	3,419,036,017
Unallocated corporate assets	-	-	-	222,697,386
Consolidated total assets			<i>Rupees</i>	<u>3,641,733,403</u>
Segment liabilities	-	3,231,031,653	55,868	3,231,087,521
Unallocated corporate liabilities	-	-	-	19,000,171
Consolidated total liabilities			<i>Rupees</i>	<u>3,250,087,692</u>

46. The above mentioned segments do not necessarily match with the organisational structure of the Modaraba.

47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved dividend at the rate of Re. 1 per certificate for the year ended 30 June 2008, resulting in a total distribution of profit amounting to Rs. 25.472 million, in their meeting held on 3rd September, 2008 which is more than 90% of the profit for the year ended 30 June 2008. These financial statements do not reflect this proposed issue of dividend, in compliance with circular no 6/2006 dated 19 June 2006 of Institute of Chartered Accountants of Pakistan (which will be recognised in the next period's financial statements).

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on 3rd September, 2008.


Basheer A. Chowdry
Chief Executive


Zafar Iqbal
Chairman


Kamal A. Nasir
Director

