



**Half Yearly Accounts**  
**December 31, 2008**  
**(Unaudited)**



الضَامِنُ  
Al-Zāmin Leasing Modaraba

## **DIRECTORS' REPORT**

### **Market Conditions**

The overall circumstances reported in our previous accounts as at 30th September, 2008 persisted during the period under review. The banking sector is still suffering from the liquidity crunch and availability of resources to the financial intermediaries like ourselves remains difficult. Money market and short term credit lines are no more available and mobilization of investments from the public is becoming difficult due to the intense competition being offered by the national savings schemes and also commercial banks. Due to its prudent liquidity management and careful matching of resources and commitments, your Modaraba has so far been able to meet its financial obligations. This is an important factor in the context that some of the NBFCs had to seek roll over or re-profiling of their short term commitments, involving substantial amounts. Due to the overall depression in the market, almost every business is suffering in one way or the other thereby making recoveries of receivables harder, thereby indicating a visible increase in the NPLs of the financial sector. Therefore, your Modaraba has maintained its intense focus on effecting maximum recoveries of the lease and Musharakah receivables, to safeguard its inflows. Only some Musharakah investments related to the property development projects are facing delays though fully secured and efficiently managed.

With the participation of IMF and visible management of the macro economic factors, some improvement in the overall economic viability of the country is likely to come but at a rather slower pace, as is being experienced all over the world. In the context of such difficult environment, it is neither possible nor prudent to undertake any substantial business due to extreme difficulties in assessing the viability of the investment risks of various sectors. Your management, therefore, has decided to conserve its resources, meet its financial obligations, curtail operating expenses and maintain a continuous and intense effort on recoveries. This policy shall continue until visible improvements in the overall financial and economic scenarios take place.

### **Review of Reporting Period**

In the above circumstances, the half year ending 31st December, 2008 witnessed important developments for Al-Zamin Group. The merger of International Multi Leasing Corporation (IMLC) with and into Al-Zamin Leasing Modaraba as previously endorsed by the certificate-holders was approved by the Honourable High Court of Sindh w.e.f. 19th December, 2008. All formalities to implement amalgamation of the assets and liabilities of the Company have since been completed. The merger has provided an additional equity of about Rs.74 million and assets of Rs.132 million to the Modaraba. Mr. Afzal Rashid previously Chief Executive of International Multi Leasing Corporation Limited (IMLC) has been opted to the Board as was provided in the Scheme of Arrangement approved by the Honourable Court. He is an experienced banker and would add value to your Board.

The half year under review witnessed substantial depletion of the stock market investments, which have resulted in a total diminution of about Rs.74 million in the Modaraba's portfolio of which Rs.29 million has been recognized in the Profit and Loss Account and Rs.45 million in the equity according to the procedures approved by Securities and Exchange Commission of Pakistan (SECP). The total portfolio of the marketable investments, before diminution, was of the value of Rs.178 million which constituted only 5.03% of our total assets.

The core operations of leasing and Musharakah investments continued to perform satisfactorily even in the current depressed market. Earnings from the CNG stations were affected due to the gas shortages which have since been rectified. Consequently, revenue of Rs.168 million was generated during the half year under review as compared to Rs.189 million of the comparable period. The financial charges increased due to the substantial upward revision of the mark up rates over the last year. Provisions worth Rs.24.5 million have been made against doubtful receivables. A negative goodwill of Rs.43 million became available during the period whereas the operating expenses indicated a marginal increase. After all adjustments, a net loss of Rs.23.6 million as at 31st December, 2008 has been shown as against a net loss of Rs.16.8 million as at 30th September, 2008.

### **Possibilities of Mergers**

In view of the prevailing circumstances in the financial sector, your Board and Management have been examining various possibilities of mergers and consolidation to create a large equity and operational base. While substantial progress has been made to achieve the merger of Al-Zamin Leasing Modaraba and Al-Zamin Leasing Corporation Limited planned earlier, other possibilities of amalgamations within NBFC and commercial banking sectors have also been explored. Accordingly, negotiations were carried out with Emirates Global Islamic Bank Limited (EGIBL) to examine the benefits of the amalgamation of Al-Zamin Leasing Modaraba and Al-Zamin Leasing Corporation in the bank. After seeking an initial clearance from the regulatory authorities, a Memorandum of Understanding has been signed with the bank to carry out due diligence and valuation of the entities involved by an independent firm of Chartered Accountants. On availability of the report, the matter will be further examined by the Board of Directors and placed before the certificate-holders and placed before the regulatory authorities for further processing. Being an organization operating on the Shariah compliant financial module, the transition of your Modaraba to become a part of an Islamic commercial bank would expectedly be for the benefit of all stakeholders. Further developments in this regard would be communicated to the certificate-holders.

### **Transfer of Management Rights of Trust Modaraba**

Your management is also happy to report that the SECP has transferred the management rights of Trust Modaraba to Al-Zamin Modaraba Management (Pvt) Limited based on its track record and

competence as a Management Company. Trust Modaraba has a paid up capital of Rs.273 million with a net equity of Rs.230 million and total assets of Rs.247 million as at 31st December, 2008. Trust Modaraba will operate independently for the time being and its inclusion in Al-Zamin's Management is an important milestone.

**Credit Rating**

Owing to the ongoing due diligence process for the possible amalgamation of the Modaraba with EGIBL, the credit rating of the Modaraba has been placed under "Watch List – Developing Status" by JCR-VIS Credit Rating Agency which has placed the issuer and issue ratings of 'A-/A-2' (Single A Minus/A-Two) and 'A' (single A) respectively. This is a normal procedure adopted by the rating agency in cases of mergers.

**Emphasis of Matter**

The Review Report of the External Auditors draws attention to Note 14.1.1 in respect of Modaraba's exposure to unlisted securities. As clarified in the Note, the investment of Modaraba in unlisted securities is primarily in Centre Gas (Pvt) Limited which is well within the limits prescribed by the Securities and Exchange Commission of Pakistan. An investment of Rs. 14.333 million was made in the Pre-IPOs of two Public Limited Companies which are to be listed. For all intent and purposes, this investment is clearly distinct from the investment in an unlisted entity as the very purpose of subscribing to the Pre-IPO determines the actual nature of the investment.

**Acknowledgements**

The Directors wish to place on record their appreciations of the devoted efforts made by the staff for successful operations of the Modaraba and completing the merger of IMLC. The Board is also grateful to the Registrar Modarabas and Securities and Exchange Commission of Pakistan for their valuable guidance.

For and on behalf of the Board of Directors

Karachi  
Date: 5th March, 2009

  
**Basheer A. Chowdry**  
Chief Executive

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**REVIEW REPORT TO THE CERTIFICATE HOLDERS**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of Al-Zamin Leasing Modaraba ("the Modaraba") as at 31 December 2008 and the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the six months period then ended (here-in-after referred to as the "interim financial information"). Management of Modaraba Company (Al-Zamin Modaraba Management (Private) Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the annexed condensed interim financial information as at and for the six months period ended 31 December 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

We draw attention to note 2.1.3 to the interim financial information relating to adoption of Islamic Financial Accounting Standard.

The figures for the quarter ended 31 December 2008 and 2007 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

**Emphasis of Matter**

Without modifying our conclusion we draw attention to note 14.1.1 which indicates that the Modaraba has exposure in unlisted companies in excess of the permissible limits.

Karachi  
Date: 5th March, 2009

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Amin Pirani

**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
**AS AT 31 DECEMBER 2008**

	Note	31 December 2008 Rs. in '000	30 June 2008 Rs. in '000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and bank balances	6	70,796	186,803
Short term investments	7	19,677	50,750
Takaful Reserve Fund Investments	8	34,239	44,728
Short term musharakah and murabahah		286,773	538,626
Advances and prepayments	9	54,539	44,328
Other receivables	10	77,030	74,296
Current maturity of long term receivables	11	1,050,575	989,702
Stock in Trade		288	518
		<b>1,593,917</b>	1,929,751
<b>Non-current assets</b>			
Long term musharakah -secured	12	175,552	86,431
Net investment in finance leases	13	1,326,631	1,493,708
Long term investments	14	108,756	81,141
Long term security deposits and advances		29,794	24,599
Fixed assets	15	294,346	283,587
		<b>1,935,079</b>	1,969,466
<b>Total assets</b>		<b>3,528,996</b>	3,899,217
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Short term musharakah borrowings and bank finance facilities	16	141,894	141,741
Short term certificates of musharakah borrowings	17	294,640	378,030
Creditors, accrued and other liabilities		107,482	87,496
Profit distribution payable		6,260	5,284
Current maturity of long term liabilities	18	831,250	664,541
		<b>1,381,526</b>	1,277,092
<b>Long term and deferred liabilities</b>			
Grant		1,214	-
Deferred Liability for staff gratuity		6,290	4,438
Security deposits from lessees		650,013	717,762
Long term certificates of musharakah borrowings		168,260	289,010
Liabilities against assets subject to finance lease	19	3,589	8,557
Long term musharakah and murabahah borrowings	20	304,541	412,215
Musharakah Term Finance Certificates - privately placed	21	577,451	692,925
Redeemable capital - Musharakah Term Finance Certificates	22	109,689	108,933
		<b>1,821,047</b>	2,233,840
<b>Total liabilities</b>		<b>3,202,573</b>	3,510,932
<b>NET ASSETS</b>		<b>326,423</b>	388,285
<b>FINANCED BY</b>			
<b>Authorised certificate capital</b>			
50,000,000 Mudarabah certificates of Rs.10 each		500,000	500,000
Issued, subscribed and paid up certificates	23	308,721	254,721
Reserves		83,683	106,318
Deficit on revaluation of available for sale securities (Accumulated loss)/unappropriated profit	8.1	(48,125)	(4,086)
		(17,811)	31,332
		<b>326,423</b>	388,285
Contingencies and commitments	24		

The investments in certain listed equity shares and mutual funds held as Available for Sale are valued at the prices quoted on the stock exchange as of 31 December 2008 and the resulting decline in market value below cost is reported in the 'Deficit on revaluation of available for sale securities' in equity. Had the impairment loss been transferred to profit and loss account, the deficit on revaluation of Available for Sale securities would have been lower by Rs. 47.351 million with consequential effect on 'accumulated loss' (See note 4.2).

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

  
**Basheer A. Chowdry**  
 Chief Executive

  
**S. M. H. Kazmi**  
 Director

  
**M. Kamal A. Nasir**  
 Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
(UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2008**

Note	Six months period ended		Three months period ended	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000
<b>Income</b>				
Income from leasing operations	143,430	134,796	73,049	65,646
Profit on musharakah investments	48,264	47,590	16,449	29,416
Income on deposits with banks	2,394	665	1,818	317
Net (loss)/gain on sale of marketable securities	(810)	11,805	-	11,427
Unrealised loss on investment in marketable securities-net	(28,571)	(20,747)	(10,066)	(13,333)
Dividend income	3,986	9,988	1,491	609
(Loss)/income from Diesel/CNG stations - net	(2,842)	152	(3,018)	(223)
Mark-up on term finance certificates	-	5,016	-	2,474
Mark-up on term deposit receipt	2,239	-	590	-
	<b>168,090</b>	189,265	<b>80,313</b>	96,333
<b>Expenses</b>				
Financial charges	(173,014)	(132,531)	(90,178)	(69,687)
	<b>(4,924)</b>	56,734	<b>(9,865)</b>	26,646
<b>(Impairment loss) / reversals</b>				
- against other receivables	(419)	-	-	-
- doubtful lease receivable written off	(809)	(3,903)	(499)	(765)
- against doubtful finance lease receivables and lease rentals - net	(18,391)	1,093	(16,093)	1,640
- against other lease receivables	(3,653)	(1,798)	(3,653)	(1,798)
- against advances and prepayments	(300)	-	(300)	-
- against long/term short term musharakah investment	(959)	-	(959)	-
	<b>(24,531)</b>	(4,608)	<b>(21,504)</b>	(923)
	<b>(29,455)</b>	52,126	<b>(31,369)</b>	25,723
Other income	25 54,695	4,689	51,111	685
Operating expenses	(53,719)	(46,587)	(27,131)	(24,710)
Share of profit of joint ventures and an associate-net	26 4,809	3,733	521	1,583
	<b>(23,670)</b>	13,961	<b>(6,868)</b>	3,281
Modaraba company's management fee	-	(698)	-	370
<b>(Loss)/profit for the period</b>	<b>(23,670)</b>	13,263	<b>(6,868)</b>	3,651
(Loss)/earning per certificate - basic & diluted Rupees	<b>(0.77)</b>	0.52	<b>(0.22)</b>	0.14

In accordance with SRO 150(1)2009 dated 13 February 2009, the impairment loss on equity securities has been reported in equity. In case the impairment loss was charged to Profit and Loss account, loss for the period would have been higher by Rs. 47.351 million and loss per certificate would have been higher by Rs. 1.53 (See note 4.2).

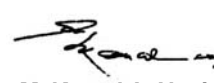
The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.



**Basheer A. Chowdry**  
Chief Executive



**S. M. H. Kazmi**  
Director



**M. Kamal A. Nasir**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT  
(UNAUDITED)**

**FOR THE SIX MONTHS PERIOD  
ENDED 31 DECEMBER 2008**

**31 December  
2008**      31 December  
2007  
Rs. in '000      Rs. in '000

**CASH FLOWS FROM OPERATING ACTIVITIES**

(Loss)/profit for the period	<b>(23,670)</b>	13,263
<b>Adjustment for non cash charges and other items:</b>		
Depreciation on fixed assets in own use	<b>7,986</b>	5,629
Impairment loss/(gain)-net	<b>24,531</b>	4,608
Net loss/(gain) on sale of marketable securities	<b>810</b>	(11,805)
Goodwill	<b>(42,966)</b>	-
Gain on disposal of fixed assets in own use	<b>(179)</b>	(516)
Unrealised loss on investment in marketable securities-net	<b>28,571</b>	20,747
Provision for gratuity	<b>1,868</b>	1,397
Dividend income	<b>(3,986)</b>	(9,988)
Financial charges	<b>173,014</b>	132,531
	<b>189,649</b>	142,603
	<b>165,979</b>	155,866

**(Increase) / decrease in operating assets**

Net investment in lease finance/ijarah finances	<b>59,460</b>	(52,862)
Musharakah and murabahah receivable	<b>208,132</b>	83,773
Advances, deposit, prepayments & other receivables	<b>(17,412)</b>	(30,991)
Long term deposits and advances	<b>(5,195)</b>	(192)
	<b>244,985</b>	(272)

**Increase/(decrease) in operating liabilities**

Creditors, accrued and other liabilities	<b>15,860</b>	(732)
Security deposits from lessees	<b>5,281</b>	20,757
	<b>21,141</b>	20,025
	<b>432,105</b>	175,619

Financial charges paid	<b>(168,888)</b>	(126,208)
Gratuity paid	<b>(16)</b>	(146)
Tax paid	<b>701</b>	(1,094)
<b>Net cash flows from operating activities</b>	<b>263,902</b>	48,171


**CASH FLOWS FROM INVESTING ACTIVITIES**

Fixed capital expenditure	<b>(18,815)</b>	(46,105)
Proceeds from disposal of assets in own use	<b>1,062</b>	1,767
Purchase of investments-net of proceeds on sale	<b>(59,456)</b>	(3,297)
Dividend received	<b>4,020</b>	11,486
Stock in trade	<b>230</b>	76
<b>Net cash flows used in investing activities</b>	<b>(72,959)</b>	(36,073)

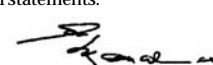
**CASH FLOWS FROM FINANCING ACTIVITIES**

Redeemable capital raised-net of initial transaction cost	<b>(101,244)</b>	(100,838)
Certificates issued	<b>54,000</b>	-
Musharakah term finance certificates	<b>1,193</b>	-
Grant received (net of expenses)	<b>1,214</b>	-
Liabilities against assets subject to finance lease	<b>(3,921)</b>	1,039
Long term certificates of musharakah	<b>(133,675)</b>	130,533
Long term musharakah and murabahah borrowings	<b>(100,174)</b>	(92,523)
Short term musharakah borrowings and bank finances	<b>153</b>	(33,000)
Profits paid to certificate holders	<b>(24,496)</b>	(29,977)
<b>Net cash flows used in financing activities</b>	<b>(306,950)</b>	(124,766)
Net increase/(decrease) in cash and cash equivalents	<b>(116,007)</b>	(112,668)
Cash and bank balances at 01 July	<b>186,803</b>	212,594
Cash and cash equivalents at 31 December	<b>70,796</b>	99,926

The annexed notes from 1 to 29 form an integral part of these financial statements.

  
**Basheer A. Chowdry**  
Chief Executive

  
**S. M. H. Kazmi**  
Director

  
**M. Kamal A. Nasir**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

**FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2008**

Rs. in '000

	Reserves				Un- ap- pro- priated profit	Certificate capital and reserves	Deficit on revaluation of available for sale securities	Total
	Certificate Capital	*Statutory	Merger	General				
Balance as at 01 July 2007	254,721	67,903	6,856	25,000	36,937	391,417	228	391,645
Changes in equity for the six months period ended 31 December 2007								
Profit distribution for the year ended 30 June 2007	-	-	-	-	(31,840)	(31,840)	-	(31,840)
Profit for the period from 01 July 2007 to 31 December 2007 recognised income and expense for the period	-	-	-	-	13,263	13,263	-	13,263
Surplus on revaluation of available for sale securities	-	-	-	-	-	-	218	218
Transfer to special reserve	-	2,653	-	-	(2,653)	-	-	-
Balance as at 31 December 2007	254,721	70,556	6,856	25,000	15,707	372,840	446	373,286
Changes in equity for the six months period ended 30 June 2008								
Profit for the period from 01 January 2008 to 30 June 2008	-	-	-	-	19,530	19,530	-	19,530
Surplus on revaluation of available for sale securities	-	-	-	-	-	-	(4,532)	(4,532)
Recognised income and expenses for the period	-	-	-	-	19,530	19,530	(4,532)	14,998
Transfer to special reserve	-	3,906	-	-	(3,906)	-	-	-
Balance as at 1 July 2008	254,721	74,462	6,856	25,000	31,331	392,370	(4,086)	388,284
Changes in equity for the six months period ended 31 December 2008								
Certificate issued during the period (refer note 1.3)	54,000	-	-	-	-	54,000	-	54,000
Deficit arising on issue of shares due to amalgamation (refer note 1.3)	-	-	(22,680)	-	-	-	-	(22,680)
Profit distribution for the year ended 30 June 2008	-	-	-	-	(25,472)	(25,472)	-	(25,472)
Loss for the period from 01 July 2008 to 31 December 2008	-	-	-	-	(23,670)	(23,670)	-	(23,670)
Deficit in revaluation of available for sale securities	-	-	-	-	-	-	(44,039)	(44,039)
Recognised income and expenses for the period	-	-	-	-	(23,670)	(23,670)	(44,039)	(67,709)
Transfer to special reserve	-	-	-	-	-	-	-	-
Balance as at 31 December 2008	308,721	74,462	(15,824)	25,000	(17,811)	397,228	(48,125)	349,103

\* 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 29 form an integral part of these condensed interim financial statements.



**Basheer A. Chowdry**  
Chief Executive



**S. M. H. Kazmi**  
Director



**M. Kamal A. Nasir**  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 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, is engaged in the following projects:

Joint ventures

Centre Gas (Private) Limited and UMA Enterprises (partnership concern) (note 14.1).

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)

In addition to the above, the Modaraba is also setting up a similar project in Jhang. As up to 31 December 2008, a total expenditure of Rs. 20.654 million had been incurred on this project.

**1.3** The Modaraba along with its management company, had 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 was under Section 284 to 288 read with section 503 (1) (c) of the Companies Ordinance, 1984. Pursuant to the process previously approved by the Board and the Securities and Exchange Commission of Pakistan, the merger was sanctioned by the Hon'ble High Court of Sindh, effective from 19 December 2008, thereby amalgamating all assets and liabilities of IMLCL with the assets and liabilities of AZLM. Necessary steps to complete the process of the merger have since been taken and all shareholders of IMLCL were allocated the Modaraba certificates of AZLM, according to the swap ratio of 1:1 as approved. The CDC shares have been duly transferred while the process of replacement of certificates to the holders of physical shares of IMLCL is in hand.

Although the effective date of merger is 19 December 2008, the Modaraba has merged the financial statements of IMLCL as of 31 December 2008 as it is of the opinion that no significant transactions have occurred during the intervening period. The details and effect of the merger is as follows:

	<b>Rs in '000</b>
Assets of IMLCL as of 31 December 2008 merged with and into Al-Zamin Leasing Modaraba	<b>124,831</b>
Liabilities of IMLCL as of 31 December 2008 merged with and into Al-Zamin Leasing Modaraba	<b>(50,545)</b>
Net assets of IMLCL as of 31 December 2008	<b>74,286</b>
Market value of the certificates of the modaraba as of 31 December 2008 (5.4 million certificates @ Rs. 5.8 per certificate)	<b>(31,320)</b>
Negative goodwill	<b>42,966</b>
Difference between the face value of the modaraba certificates and the market value of the certificates (5.4 million certificates @ 4.2 per certificate)	<b>22,680</b>

**1.4** The management is exploring various options including the consolidation and mergers in the interest of all Stakeholders. Negotiations with Emirates Global Islamic Bank Limited (EGIBL) have been carried out as a consequence of which material developments took place and MoU was signed on 3 February, 2009 for processing the merger of Al-Zamin Leasing Modaraba, Al-Zamin Leasing Corporation Limited (an associated undertaking) and Saudi Pak Leasing Company Limited with and into EGIBL. A firm of Chartered Accountants has been appointed to conduct the due diligence of all the institutions involved and to determine the swap ratio after which necessary formalities will be completed with regard to the amalgamation including the approvals of Securities and Exchange Commission of Pakistan, State Bank of Pakistan and Competition Commission of Pakistan. Stock Exchanges and the Credit Rating Agency have been advised of the commencement of the exercise.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

**2.1.1** These interim financial statements have been presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Modaraba as at and for the year ended 30 June 2008.

**2.1.2** These condensed interim financial statements are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.

**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 Ijarahs 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 (invoicing of goods, recording of inventories, etc). The Modaraba Association of Pakistan has approached the SECP for the deferment of the IFAS.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied for the preparation of these condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Modaraba for the year ended 30 June 2008.

Negative goodwill arising on the merger of International Multi Leasing Corporation Limited (IMLCL) has been recognised in the profit and loss account as per the requirements of International Financial Reporting Standards 3 (dealing with Business Combination). Refer note 1.3 for more details.

## **4. ESTIMATES**

**4.1** The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the period ended 30 June 2008.

**4.2** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of 'floor mechanism' by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated 29 January 2009.

Furthermore, SECP vide SRO 150(1)/2009 dated 13 February, 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009. The amount taken to equity at 31 December 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Modaraba.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have had the following effect on these financial statements:

	<b>31 December 2008 Rs in '000</b>
Increase in 'Impairment Loss' in Profit and Loss Account	<u><u>47,351</u></u>
Increase in loss for the year	<u><u>47,351</u></u>
Increase in loss per certificate	<u><u>1.53</u></u>
Decrease in Deficit on revaluation of Available for Sale Securities	<u><u>47,351</u></u>
Increase in accumulated loss	<u><u>47,351</u></u>

#### 5. RISK MANAGEMENT POLICIES

Risk management policies are consistent with those disclosed in the financial statements for the year ended 30 June 2008.

#### 6. CASH AND BANK BALANCES

	<b>31 December 2008 Rs in '000</b>	30 June 2008 Rs in '000
Cash in hand	<b>1,115</b>	209
Cash with State Bank of Pakistan - current account	<b>47</b>	46
Cash with Banks		
- Profit and loss sharing accounts	<b>68,836</b>	96,157
- Current account	<b>798</b>	391
- Term deposit account	-	90,000
	<u><u>70,796</u></u>	<u><u>186,803</u></u>

#### 7. SHORT TERM INVESTMENTS

<b>Investments</b>			
Held for trading	7.1	<b>18,677</b>	49,750
Available for sale	7.2	<b>1,000</b>	1,000
		<u><u>19,677</u></u>	<u><u>50,750</u></u>

## 7.1 Held-for-trading - listed securities

Number of ordinary shares			Market value	
31 December 2008	30 June 2008		31 December 2008 Rs. in '000	30 June 2008 Rs. in '000
35,800	35,800	Packages Limited *	2,907	9,018
16,000	16,000	Tri-Pack Film Limited	1,994	2,756
23,500	23,500	ICI Pakistan Limited *	1,615	3,792
18,800	18,800	Arif Habib Limited *	1,606	4,643
13,300	13,300	Engro Chemical Pakistan Limited *	1,283	3,735
27,000	27,000	JS Investment Limited	1,170	2,567
11,500	11,500	Mari Gas Company Limited *	1,138	3,100
17,189	5,000	Jahangir Siddiqui & Company Limited *	899	2,651
10,450	9,500	Central Insurance Company Limited	778	1,547
20,000	20,000	Eye Television Network Limited *	685	1,178
26,880	22,400	Netsole Technologies *	679	2,179
42,500	42,500	Fauji Fertilizer Bin Qasim Limited *	548	1,529
20,000	20,000	D.G Khan Cement *	425	1,343
17,150	17,150	Sui Northern Gas Pipeline Limited	368	747
19,500	19,500	Azgard Nine Limited *	317	1,200
22,500	22,500	Hub Power Company Limited *	317	644
150,000	150,000	Karachi Electric Supply Company Limited	311	821
12,500	12,500	Sitara Peroxide Limited	227	679
2,000	2,000	Pakistan Refinery Limited	197	303
20,350	18,500	Javed Omer Vohra & Co.	185	988
1,800	1,500	Pakistan Oil Fields Limited *	184	547
35,000	35,000	Fauji Cement Company Limited	165	354
5,000	7,500	Lucky Cement Limited *	156	734
22,500	22,500	Invest & Finance Securities Limited	142	441
5,000	5,000	Pakistan Reinsurance Company Limited	118	434
5,000	5,000	Pakistan Telecommunication Company Limited	84	193
1,650	1,650	Bestway Cement Limited	53	66
58,500	58,500	AMZ Ventures Limited	41	161
11,250	11,250	Dewan Cement Limited	34	138
6,500	35,000	Maple Leaf Cement Factory Limited	27	382
15,000	15,000	Pakistan PTA Limited	24	63
-	3,000	Adamjee Insurance Company Limited	-	812
-	300	Arif Habib Bank Limited	-	6
			<b>18,677</b>	<b>49,750</b>

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

\* Shares given as collateral are pledged with Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO) (against a borrowing from them). These shares were mostly pledged before the period end and these details have been updated for shares pledged after the period end.

## 7.2 Available-for-sale - unlisted

Number of ordinary shares			Carrying value	
31 December 2008	30 June 2008		31 December 2008 Rs. in '000	30 June 2008 Rs. in '000
100,000	100,000	Dawood Family Takaful Limited	1,000	1,000
			<b>1,000</b>	<b>1,000</b>

The fair value of the above shares cannot be determined with reasonable accuracy. However, the management is of the view that it is not expected to be significantly different from its carrying value.

## 8. TAKAFUL RESERVE FUND INVESTMENTS

### Available-for-sale-listed

Number of units		Market value/carrying value		
31 December 2008	30 June 2008	31 December 2008 Rs. in '000	30 June 2008 Rs. in '000	
<i>Open-end mutual funds</i>				
94,021	91,022	Faysal Balanced Growth Fund	6,293	9,402
66,078	60,588	AKD Opportunity Fund	1,949	3,644
56,721	56,721	KASB Balance Fund	2,034	2,829
45,942	45,942	National Investment Trust	1,073	2,405
174,998	145,856	Meezan Islamic Fund	3,990	8,759
		<b>15,339</b>	<b>27,039</b>	
<i>Closed-end mutual funds</i>				
2,000,000	1,900,000	NAMCO Balanced Fund	18,900	17,689
		<b>34,239</b>	<b>44,728</b>	
		<b>51,854</b>	<b>49,244</b>	

**8.1** As of 31 December 2008, unrealized loss on revaluation of above available for sale units amounted to Rs. 17.615 million (30 June 2008: Rs. 4.517 million). In addition at period end, the Modaraba's share of surplus on revaluation of available for sale investment of an associated undertaking amounted to Rs 0.459 million (30 June 2008: Rs 0.431 million) and unrealized loss on long term available for sale shares / certificates (refer note 14.2) amounted to Rs. 30.969 million (30 June 2008: Nil). Accordingly, the net balance of unrealised loss on revaluation of available for sale investments at 31 December 2008 amounted to Rs 48.125 million (30 June 2008: Rs 4.086 million).

**8.2** 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 advise that the additional listed securities up to a maximum of 10% of the equity of the Modaraba shall always be kept separately and embarked against Takaful Reserve Fund.

At 31 December 2008, the Modaraba's Takaful Reserve Fund investment was 10.49% of its equity as of 31 December 2008. However on exclusion of deficit on revaluation of available - for-sale investments from the balance of equity as reported in the balance sheet, the above ratio amounts to 9.14%.

31 December 2008 Rs in '000	30 June 2008 Rs in '000
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## 9. ADVANCES AND PREPAYMENTS

Advance income tax-net of provision		9,274	9,975
Staff advances		745	1,074
Advance against expenses / purchases	9.1	13,518	14,209
Advance against lease		17,881	1,275
Advance lease rent payment against finance lease obligation		-	58
Prepayments		13,621	17,937
		<b>55,039</b>	<b>44,528</b>
Provision against doubtful advances		(500)	(200)
		<b>54,539</b>	<b>44,328</b>

**9.1** 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). 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 SECP's refusal, the amount of Rs. 10 million is refundable to the Modaraba. 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.

		<b>31 December 2008 Rs in '000</b>	30 June 2008 Rs in '000
<b>10. OTHER RECEIVABLES</b>			
Accrued profit on murabahah and musharakah investments		<b>30,716</b>	23,708
Grant receivable from Swiss Agency for Development and Cooperation	10.1	<b>8,000</b>	-
Profit receivable on profit and loss sharing accounts		<b>615</b>	1,337
Receivable against sale of equity shares		-	5,336
Dividend receivable		<b>25</b>	59
Others	10.2	<b>74,732</b>	77,260
		<b>114,088</b>	107,700
Provision against doubtful receivables		<b>(37,058)</b>	(33,404)
		<b>77,030</b>	74,296
<b>10.1</b> Received subsequent to the period end. Qualifying terms for the receipts of grant was net before the period end.			
<b>10.2</b> The details of other receivables are as follows:			
Insurance claims receivable		<b>24,423</b>	20,781
Repossessed assets-(against terminated leases)		<b>8,046</b>	5,551
Other terminated lease / musharakah receivables		<b>29,853</b>	38,722
Insurance premium recoverable		<b>2,684</b>	2,968
Others		<b>9,726</b>	9,238
		<b>74,732</b>	77,260
Provision held		<b>(37,058)</b>	(33,404)
		<b>37,674</b>	43,856
<b>11. CURRENT MATURITY OF LONG TERM RECEIVABLES</b>			
Musharakah receivables	12	<b>67,523</b>	114,301
Net investment in finance leases	13	<b>983,052</b>	875,401
		<b>1,050,575</b>	989,702
<b>12. LONG TERM MUSHARAKAH - secured</b>			
Companies		<b>139,456</b>	98,390
Individuals		<b>104,330</b>	102,634
		<b>243,786</b>	201,024
Receivable within one year shown under current assets		<b>(67,523)</b>	(114,301)
		<b>176,263</b>	86,723
Provision against impaired balances		<b>(711)</b>	(292)
		<b>175,552</b>	86,431
<b>12.1</b> 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 15% to 42.42% (30 June 2008: 11.5% to 42.42%). These are payable in monthly / quarterly instalments by 5 July 2012.			

**13. NET INVESTMENT IN FINANCE LEASES/IJARAH FINANCE**

	31 December 2008			30 June 2008 2008		
	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
	----- Rs. in '000 -----					
Minimum lease payments receivable	1,045,994	854,003	1,899,997	1,008,251	946,356	1,954,607
Residual value of leased assets	211,185	649,862	861,047	138,275	717,371	855,646
Lease contracts receivable	1,257,179	1,503,865	2,761,044	1,146,526	1,663,727	2,810,253
Unearned lease income (including suspended income)	(231,828)	(165,025)	(396,852)	(244,524)	(166,160)	(410,684)
Provision for potential lease losses	(42,299)	(12,209)	(54,508)	(26,601)	(3,859)	(30,460)
	<b>(274,127)</b>	<b>(177,234)</b>	<b>(451,360)</b>	<b>(271,125)</b>	<b>(170,019)</b>	<b>(441,144)</b>
	<b>983,052</b>	<b>1,326,631</b>	<b>2,309,684</b>	<b>875,401</b>	<b>1,493,708</b>	<b>2,369,109</b>

31 December  
2008  
Rs in '000

30 June  
2008  
Rs in '000

**13.1 Movement of provision for potential lease losses**

Opening balance (includes IMLCL provision)	36,117	34,911
Charge for the year	19,424	4,784
Written off during the year	-	(1,427)
Transferred to provision against other receivables	(21)	(5,400)
Reversal during the year	(1,012)	(2,408)
	<b>18,391</b>	<b>(4,451)</b>
Closing balance	<b>54,508</b>	<b>30,460</b>

**13.2** The Modaraba has entered into various lease agreements with profit rates ranging from 9% to 35% (30 June 2008: 9% to 38.03%) per annum. The agreements usually are for three to five years period. These are generally secured against leased assets, personal / corporate guarantees and promissory notes given by the lessees and other collaterals.

**13.3** The above net investment in finance lease includes non-performing lease portfolio of Rs. 181.081 million (30 June 2008: Rs. 149.016 million). Details of these leases are as follows:

Category of classification	31 December 2008			30 June 2008		
	Principal outstanding	Provision required	Provision held	Principal outstanding	Provision required	Provision held
	----- Rs. in '000 -----					
Other assets especially mentioned	34,707	-	-	50,678	-	-
Substandard	47,653	3,562	3,562	26,447	1,409	1,409
Doubtful	35,628	5,329	5,329	26,966	2,160	2,160
Loss	63,093	45,617	45,617	44,925	26,891	26,891
	<b>181,081</b>	<b>54,508</b>	<b>54,508</b>	<b>149,016</b>	<b>30,460</b>	<b>30,460</b>

		<b>31 December 2008 Rs in '000</b>	30 June 2008 Rs in '000
<b>14. LONG TERM INVESTMENTS</b>			
Investment in related parties	14.1	<b>69,963</b>	67,808
Available-for-sale investments	14.2	<b>38,793</b>	13,333
		<u><b>108,756</b></u>	<u>81,141</u>
<b>14.1 Investment in related parties</b>			
In joint ventures (CNG/Diesel filling stations)			
-Centre Gas (Private) Limited	14.1.1	<b>33,634</b>	32,610
-UMA Enterprises	14.1.2	<b>29,769</b>	28,367
		<u><b>63,403</b></u>	<u>60,977</u>
Associated undertaking - Al-Zamin Leasing Corporation Limited (formerly Crescent Leasing Corporation Limited)			
	14.1.3	<b>6,560</b>	6,831
		<u><b>69,963</b></u>	<u>67,808</u>
<b>14.1.1 Centre Gas (Private) Limited</b>			
Details of the investment is as follows (under equity basis of accounting)			
Opening balance		<b>32,610</b>	28,261
Share of profit for the period		<b>1,024</b>	5,443
Dividend received		-	(1,094)
		<u><b>33,634</b></u>	<u>32,610</u>
Under clause 7(7) of part-II of the Prudential Regulations for Modarabas, the exposure of a 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. up to 31 March 2009.			
At 31 December 2008, the Modaraba's total exposure in unlisted entities amounted to Rs. 57.967 million including the above investments and investments of Rs. 14.333 million in Pre-IPO's of Dawood Islamic Bank Limited and Dawood Family Takaful Limited which are public limited companies and are expected to be listed. This is in excess of the above limit of Rs. 39.568 million.			
Share of profit in the above entity for the period is based on the audited financial statements as of 31 December 2008 audited by another firm of Chartered Accountants. The Modaraba has 50% share in the Company.			
<b>14.1.2 UMA Enterprises (partnership concern)</b>			
Details of the investments is as follows (under equity basis of accounting):			
Opening balance		<b>28,367</b>	25,000
Share of profit for the period		<b>4,084</b>	4,562
Profit received		<b>(2,682)</b>	(1,195)
		<u><b>29,769</b></u>	<u>28,367</u>
Share of profit in the above entity is based on the audited financial statements as of 31 December 2008 audited by another firm of Chartered Accountants.			
The project commenced its operations in July 2007. Modaraba's share in the profit and loss of the above partnership concern is at 40%.			

		<b>31 December 2008</b>	30 June 2008
		<b>Rs in '000</b>	Rs in '000
<b>14.1.3AI-Zamin Leasing Corporation Limited - listed</b>			
Details of the investment is as follows (under the equity basis of accounting):			
Opening balance		<b>6,831</b>	6,391
Post acquisition share of (loss)/gain		<b>(299)</b>	237
Post acquisition share of reserve on revaluation of available-for-sale investments		<b>28</b>	203
		<b>6,560</b>	6,831
The above movements are based on the reviewed financial statements of AZLCL as of 31 December 2008. The Modaraba has 1.01% shares in the above Company.			
<b>14.2 Available for sale</b>			
<u>Number of shares/certificates</u>		<u>Carrying value/Market value</u>	
<b>31 December 2008</b>	30 June 2008	<b>31 December 2008</b>	30 June 2008
		<b>Rs. in '000</b>	Rs. in '000
<i>Unlisted</i>			
<b>1,333,333</b>	1,333,333	Dawood Islamic Bank Limited	<b>13,333</b> 13,333
<i>Listed</i>			
<b>47,400</b>	-	Pakistan Oil Fields Limited *	<b>4,858</b> -
<b>22,500</b>	-	Pakistan State Oil Limited	<b>3,253</b> -
<b>32,500</b>	-	Engro Chemical Pakistan Limited *	<b>3,135</b> -
<b>27,805</b>	-	Pakistan Petroleum Limited	<b>2,798</b> -
<b>17,200</b>	-	Arif Habib Limited *	<b>1,469</b> -
<b>24,375</b>	-	Arif Habib Securities Limited *	<b>1,025</b> -
<b>15,000</b>	-	Attock Refinery Limited *	<b>898</b> -
<b>60,000</b>	-	Hub Power Company Limited *	<b>845</b> -
<b>25,000</b>	-	Lucky Cement Limited *	<b>782</b> -
<b>7,000</b>	-	Mari Gas Company Limited *	<b>693</b> -
<b>12,500</b>	-	Oil & Gas Development Corporation *	<b>625</b> -
<b>5,000</b>	-	Adamjee Insurance Company Limited *	<b>509</b> -
<b>5,000</b>	-	Pakistan Refinery Limited	<b>492</b> -
<b>25,000</b>	-	Pakistan Telecommunication Company Limited	<b>422</b> -
<b>17,500</b>	-	Nishat Mills Limited *	<b>396</b> -
<b>10,000</b>	-	Eye Television Network Limited *	<b>343</b> -
<b>20,000</b>	-	Azgard Nine Limited *	<b>326</b> -
<b>4,000</b>	-	Packages Limited *	<b>325</b> -
<b>25,000</b>	-	Fauji Fertilizer Bin Qasim Limited *	<b>323</b> -
<b>15,000</b>	-	D.G Khan Cement Company Limited *	<b>319</b> -
<b>5,000</b>	-	Fauji Fertilizer Company Limited *	<b>294</b> -
<b>4,100</b>	-	ICI Pakistan Limited *	<b>282</b> -
<b>2,100</b>	-	EFU General Insurance Limited	<b>279</b> -
<b>50,000</b>	-	Maple Leaf Cement Factory Limited	<b>205</b> -
<b>3,437</b>	-	Jahangir Siddiqui & Company Limited *	<b>180</b> -
<b>5,000</b>	-	Pakistan Reinsurance Company Limited	<b>118</b> -
<b>2,500</b>	-	JS Investment Limited	<b>108</b> -
<b>5,000</b>	-	Sui Northern Gas Pipeline Limited	<b>107</b> -
<b>19,268</b>	-	First Fidelity Modaraba	<b>51</b> -
		<b>38,793</b>	13,333
Cost of purchase		<b>50,316</b>	13,333
* Shares given as collateral are pledged with Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO)(against a borrowing from them). These shares were mostly pledged before the period end and these details have been updated for shares pledged after the period end.			

		<b>31 December 2008 Rs in '000</b>		30 June 2008 Rs in '000	
<b>15. ASSET IN OWN USE</b>					
The following is a statement of assets in own use:					
Operating assets		<b>217,700</b>		209,191	
Capital work in progress		<b>76,646</b>		74,396	
		<b>294,346</b>		<b>283,587</b>	
		<b>Six months period 31 December 2008</b>		Year ended 30 June 2008	
		<b>Owned</b>	<b>Leased</b>	<b>Owned</b>	<b>Leased</b>
		<b>Rs in '000</b>	<b>Rs in '000</b>	<b>Rs in '000</b>	<b>Rs in '000</b>
<b>Operating Assets</b>					
<b>Additions (Cost)</b>					
Office equipment		1,137	-	2,420	-
Furniture and fixture		56	-	138	-
Plant and machinery		876	-	-	-
Land and building		8,412	-	28,169	10,819
15.1	Vehicles	5,378	-	12,791	-
		<b>15,859</b>	<b>-</b>	<b>43,518</b>	<b>10,819</b>
<b>Disposal (Cost)</b>					
Plant and machinery		-	-	2,800	-
Office equipment, furniture and fixtures		120	-	300	-
Vehicles		186	1,288	8,507	1,319
		<b>306</b>	<b>1,288</b>	<b>11,607</b>	<b>1,319</b>
<b>Capital Work in progress</b>					
<b>Additions (Cost)</b>					
		<b>2,956</b>	<b>-</b>	<b>74,396</b>	<b>-</b>
CNG Projects					
- Civil works		-	-	755	-
- Plant and machinery		2,956	-	9,428	-
		<b>2,956</b>	<b>-</b>	<b>10,183</b>	<b>-</b>
Advance for the purchase of office premises at Faisalabad		-	-	62,645	-
Advance for the purchase of a vehicle		-	-	1,568	-
		<b>2,956</b>	<b>-</b>	<b>74,396</b>	<b>-</b>
<b>15.1</b> The above land and building have been acquired from defaulting lessees in settlement of overdue lease rentals. This has been recognised at the lower of the carrying value and market value of the land and building.					
		<b>31 December 2008 Rs in '000</b>		30 June 2008 Rs in '000	
<b>16. SHORT TERM MUSHARAKAH BORROWINGS AND BANK FINANCE FACILITIES</b>					
<b>Musharakah borrowings - unsecured</b>					
Financial institutions (other than leasing companies and modarabas)		<b>85,000</b>		60,000	
		<b>85,000</b>		60,000	
Leasing Companies and modarabas					
	- Associates	16.2	<b>2,000</b>	2,000	
	- Others		<b>10,000</b>	15,000	
		<b>12,000</b>		17,000	
Bank finance facilities		16.3	<b>44,894</b>	64,741	
		<b>141,894</b>		<b>141,741</b>	
<b>16.1</b> Above finances have been obtained for 30 to 366 days at profit rates between 11% to 25% (30 June 2008: 10.25% to 12.75%).					

**16.2** This finance has been obtained for 181 days at a profit rate of 16% per annum (2008: 11% per annum) and is due for repayment by 28 February 2009.

**16.3** The Modaraba has also arranged finance facilities from certain banks amounting to Rs. 95 million which at period end had not been fully utilized. The facilities carry mark-up rates ranging between 3 months KIBOR+3% to 3 months KIBOR+3.1% (with a floor rate ranging between 7.5% to 11%) (30 June 2008: 6 months 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.

**17. SHORT TERM CERTIFICATES OF MUSHARAKAH BORROWINGS - unsecured**

These musharakah certificates are for periods, ranging between 90 to 365 days (30 June 2008: 90 to 366 days) and carry expected profit rates ranging between 12.5% to 24% (30 June 2008: 8.25% to 12.25%) per annum.

<b>31 December 2008</b>	30 June 2008
<b>Rs in '000</b>	Rs in '000

**18. CURRENT MATURITY OF LONG TERM LIABILITIES**

Security deposits from lessees		<b>211,305</b>	138,275
Certificates of musharakah		<b>90,940</b>	20,475
Liabilities under finance lease arrangements		<b>5,838</b>	4,791
Long term musharakah	20	<b>296,000</b>	288,500
Musharakah Term Finance Certificates (Privately Placed)	21	<b>116,667</b>	-
Musharakah Term Finance Certificates	22	<b>110,500</b>	212,500
		<b>831,250</b>	664,541

**19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

These liabilities (for vehicles obtained under leasing arrangements) carry profit rates ranging between 18.7% to 18.74% per annum (30 June 2008: 6.27% to 14.02% per annum) and are repayable by October 2010 in monthly / quarterly instalments.

**20. LONG TERM MUSHARAKAH AND MURABAHAH BORROWINGS - secured**

<b>Musharakah</b>			
Commercial Banks	20.1	<b>83,333</b>	100,000
Others		-	5,000
		<b>83,333</b>	105,000
<b>Murabahah (note 20.2)</b>			
Commercial Banks	20.3	<b>297,208</b>	311,548
Other financial Institutions	20.4	<b>220,000</b>	284,167
		<b>517,208</b>	595,715
		<b>600,541</b>	700,715
Payable within one years shown under current maturity		<b>(296,000)</b>	(288,500)
		<b>304,541</b>	412,215

**20.1** These finances carry rate of profit ranging from 3 months KIBOR+1.5% (30 June 2008: 3 months KIBOR+1.5%) per annum and are payable in quarterly instalments. These are secured against hypothecation of specific leased assets, floating charge on the assets of the Modaraba. The repayment is on quarterly basis and will mature on 12 June, 2011.

**20.2 Murabahah borrowings**

Murabahah payable - gross		<b>649,945</b>	739,558
Deferred murabahah expense		<b>(125,886)</b>	(139,262)
Profit payable shown in creditors, accrued and other liabilities		<b>(6,851)</b>	(4,581)
		<b>517,208</b>	595,715

**20.3** 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 1.9% to 2.75% per annum (30 June 2008: six month average KIBOR plus 2.5% to 3.75% per annum and three months KIBOR plus 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 15 January 2009 to 05 February 2012.

**20.4** These finance 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 (30 June 2008: 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 15 January 2009 and 5 February 2012.

	<b>31 December 2008</b>	30 June 2008
	<b>Rs in '000</b>	Rs in '000

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

Commercial banks	<b>345,000</b>	345,000
Other financial institutions	<b>355,000</b>	355,000
	<b><u>700,000</u></b>	<u>700,000</u>
Total initial transaction cost	<b>7,400</b>	7,400
Amortization to date	<b>(1,518)</b>	(325)
	<b><u>5,882</u></b>	<u>7,075</u>
	<b><u>694,118</u></b>	<u>692,925</u>
Payable within one year shown under current maturity	<b>(116,667)</b>	-
	<b><u>577,451</u></b>	<u>692,925</u>

These finances carry rate of profit at 6 months KIBOR+1.9% per annum (30 June 2008: 6 months KIBOR+1.9% per annum) and are payable in half yearly instalments. At the year-end profit rate was 17.66% 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.

**22. REDEEMABLE CAPITAL - MUSHARAKAH  
TERM FINANCE CERTIFICATES (MTFCs)**

Balance as on 1 July	<b>323,000</b>	529,000
Paid during the period	<b>(102,000)</b>	(206,000)
	<b><u>221,000</u></b>	<u>323,000</u>
Current maturity	<b>(110,500)</b>	(212,500)
	<b><u>110,500</u></b>	<u>110,500</u>
Total initial transaction cost	<b>10,384</b>	10,384
Amortization to date	<b>(9,573)</b>	(8,817)
	<b><u>811</u></b>	<u>1,567</u>
	<b><u>109,689</u></b>	<u>108,933</u>

During the period, first tranche of MTFCs was redeemed on 23 December 2008.

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 30 September 2008.

## 23. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATES

<u>Number of certificates</u>				
<b>31 December</b>	30 June		<b>31 December</b>	30 June
<b>2008</b>	2008		<b>2008</b>	2008
			<b>Rs. in '000</b>	Rs. in '000
<b>10,000,000</b>	10,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	<b>100,000</b>	100,000
<b>2,650,000</b>	2,650,000	Modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	<b>26,500</b>	26,500
<b>5,054,752</b>	5,054,752	Modaraba certificate of Rs. 10 each issued as fully paid up under scheme of arrangement of amalgamation with Ghandhara Leasing Company Limited	<b>50,548</b>	50,548
<b>7,767,360</b>	7,767,360	Modaraba certificate of Rs. 10 each issued as fully paid up under scheme of arrangement of amalgamation with First Professional Modaraba	<b>77,673</b>	77,673
<b>5,400,000</b>	-	Modaraba certificate of Rs. 10 each issued as fully paid up under scheme of arrangement of amalgamation with International Multi Leasing Company Limited (refer note 1.3)	<b>54,000</b>	-
<b><u>30,872,112</u></b>	<u>25,472,112</u>		<b><u>308,721</u></b>	<u>254,721</u>

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 Tax contingencies

#### 24.1.1 Ghandhara Leasing Limited

Appeal in respect of former Ghandhara Leasing Limited (merged with Al-Zamin Leasing Modaraba in 2001) before the Commissioner of Income Tax (Appeal) (CIT (A)) 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 2008: Rs 11.03 million) may arise which has not been provided in these financial statements as the management expects favourable outcome of these appeals.

#### 24.1.2 First Professionals Modaraba

Appeals in respect of former First Professionals Modaraba (merged with Al-Zamin Leasing Modaraba in 2003) for the assessment year 1998-1999 was filed with the Commissioner of Income Tax (Appeals) (CIT (A)) against the tax demand of Rs. 0.73 million. Appeals filed with the CIT (A) has been decided in the Modaraba's favour but the appeal effect order has not been passed as yet by the assessing officer.

#### 24.1.3 International Multi Leasing Corporation Limited

The assessment for the assessment years 1999-2000 and 2000-2001 of International Multi Leasing Corporation Limited (IMLCL) (merged with Al-Zamin Leasing Modaraba, refer note 1.3) have been finalized and demand of Rs. 1.66 million and Rs. 1.978 million (net of provision held by Modaraba) were created respectively. The Company filed appeals before Commissioner Income Tax Appeals (CIT (A)), against the aforesaid orders, which were decided in favour of the Company. The department has filed appeal, against the order of CIT (A) before Income Tax Appellate Tribunal (ITAT). The Tribunal has agreed with the decision of CIT (A) and rejected the contention of the department.

Assessment for the assessment year 2001-2002 of IMLCL has been finalized and demand of Rs. 2.373 million was created (net of provision held by Modaraba). The Company filed appeal before CIT (A), against the aforesaid orders, which was decided in favour of the Company. The department has filed appeal against the order of CIT (A) before Income Tax Appellate Tribunal (ITAT), outcome of which is still pending.

Assessment for the assessment year 2002-2003 of IMLCL has been finalized and demand of Rs. 1.185 million was created (net of provision held by Modaraba). The Company filed appeal before CIT (A), outcome of appeal is still pending.

Assessment for the assessment year 2002-2003 of IMLCL has been finalized and demand of Rs. 4.55 million was created. The Company filed appeal before CIT (A) and outcome of

appeal is still pending. Adequate provision is held by the Modaraba against the above demand.

The Modaraba is hopeful of final settlement of its appeals in its favour and consider that adequate provisions are held by the Modaraba against the above orders / pending orders. Assessment for the tax years 2004, 2005, 2006, 2007 and 2008 are pending for assessment.

**24.1.4 Al-Zamin Leasing Corporation Limited**

Modaraba's share of tax related contingencies of an associated undertaking at 31 December 2008 amounted to Rs. 0.232 million.

**24.2 Others**

**24.2.1** 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 (30 June 2008 : Rs. 4.2 million). This guarantee was given to Sui Northern Gas Pipeline Limited on 1 August 2006 in respect of Centre Gas (Private) Limited.

**24.3 Commitments**

**24.3.1** Lease financing contracts committed but not executed at the balance sheet date amounted to Rs. 24.776 million (30 June 2008: Rs. 187.198 million).

**24.3.2** Letters of comfort issued against Letter of Credits (in respect of Leases / Musharakah investments) to the counter parties as at 31 December 2008 amounted to Rs. 21.952 million (30 June 2008: Rs. 26.717 million).

	<b>31 December 2008</b>	30 June 2008
	<b>Rs in '000</b>	Rs in '000
<b>24.3.3 Commitments in respect of capital expenditure</b>	<b>19,845</b>	19,845
	<b>31 December 2008</b>	31 December 2007
	<b>Rs in '000</b>	Rs in '000

**25. OTHER INCOME**

Gain on sale of fixed assets		<b>179</b>	516
Goodwill		<b>42,966</b>	-
Commission income		<b>1,718</b>	3,935
Others	25.1	<b>9,832</b>	238
		<b>54,695</b>	4,689

**25.1** Includes incentive amount of Rs. 8 million received from Swiss Agency for Development and Cooperation.

**26. SHARE OF PROFIT OF JOINT VENTURES & AN ASSOCIATE - NET**

Centre Gas (Private) Limited	14.1.1	<b>1,024</b>	2,407
UMA Enterprises	14.1.2	<b>4,084</b>	1,407
Al-Zamin Leasing Corporation Limited (formerly Crescent Leasing Corporation Limited)	14.1.3	<b>(299)</b>	(81)
		<b>4,809</b>	3,733

**27. TAXATION**

**27.1** The income tax assessment of the Modaraba have been finalised up to and including financial year ended 30 June 2002. Returns of income for the financial years ended on 30 June 2003, 2004, 2005, 2006, 2007 & 2008 have been filled which are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 unless selected for audit under ordinance.

**27.2** At 31 December 2008, Modaraba had not recognized deferred tax asset balance against the net deductible temporary differences of Rs. 81.746 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.

**28. 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 remuneration is in accordance with the term of their employment. Other transactions are at agreed terms.

Details of transactions with related parties and balances with them as at the period-end, if not mentioned else where, are as follows:

	Note	<b>31 December 2008 Rs. in '000</b>	30 June 2008 Rs. in '000
<b>28.1 Balances outstanding at period end:</b>			
<b>Associates</b>			
Musharakah and Murabahah borrowings from associate	16	<u>2,000</u>	<u>2,000</u>
Certificate of Musharakah borrowing from trust under common directorship/trusteeship		<u>32,440</u>	<u>33,700</u>
Musharakah Term Finance Certificate borrowings		<u>18,720</u>	<u>18,741</u>
Modaraba Management fee payable to the management company		<u>-</u>	<u>3,644</u>
Investment in Al-Zamin Leasing Corporation Limited (formerly Crescent Leasing Corporation Limited)	14.1.3	<u>6,560</u>	<u>6,831</u>
<b>Joint ventures</b>			
Investment in shares of Centre Gas (Private) Limited	14.1.1	<u>33,634</u>	<u>32,610</u>
Investment in UMA Enterprises	14.1.2	<u>29,769</u>	<u>28,367</u>
Guarantee given to SNGPL in favour of Centre Gas (Private) Limited - off balance sheet item	24.2.1	<u>4,200</u>	<u>4,200</u>
<b>Other related parties</b>			
Certificate of musharakah borrowings from key management personnel		<u>4,000</u>	<u>1,000</u>
<b>28.2 Transactions during the period</b>			
	Note	<b>Six months period ended 31 December 2008 Rs. in '000</b>	31 December 2007 Rs. in '000
<b>Associates</b>			
Modaraba management fee		<u>-</u>	<u>698</u>
Musharakah borrowings receipt from financial institution		<u>2,000</u>	<u>60,000</u>
Repayment of musharakah borrowings to financial institution		<u>2,000</u>	<u>72,500</u>
Mark-up/expense on musharakah and murabahah borrowings - financial institution under common directorship		<u>218</u>	<u>3,696</u>

	Note	<b>Six months period ended</b>	
		<b>31 December 2008</b>	<b>31 December 2007</b>
		<b>Rs. in '000</b>	<b>Rs. in '000</b>
Mark-up/expense on certificate of musharakah borrowings-Trust under common directorship/trusteeship		<b>3,990</b>	1,333
Mark-up/expense on musharakah term finance certificate borrowings		<b>890</b>	774
Profit/(income) on term finance certificates of Dewan Cement Limited		-	5,016
Share of profit/(loss) under the equity basis of accounting from Al-Zamin Leasing Corporation Limited	14.1.3	<b>(299)</b>	(81)
Share of unrealised deficit from or revaluation of available-for-sale investment of Al-Zamin Leasing Corporation Limited (under the equity basis of accounting)	14.1.3	<b>28</b>	218
Share of profit/(loss) under the equity basis of accounting from Centre Gas (Private) Limited	14.1.1	<b>1,024</b>	2,407
Cash dividend received from Centre Gas (Private) Limited	14.1.1	-	1,094
Share of profit/(loss) under the equity basis of accounting from UMA Enterprises	14.1.2	<b>4,084</b>	1,407
Cash received from UMA Enterprises	14.1.2	<b>2,682</b>	-
Other related parties			
Remuneration of key management personnel		<b>4,722</b>	3,945
Contribution to the providend fund		<b>1,189</b>	967

**29. DATE OF AUTHORIZATION FOR ISSUE**

These Financial statements were authorised by the Board of Directors of the Management Company in their meeting held on 5th March, 2009.



**Basheer A. Chowdry**  
Chief Executive



**S. M. H. Kazmi**  
Director



**M. Kamal A. Nasir**  
Director

## **BOARD OF DIRECTORS**

The Board of Directors of Al-Zamin Modaraba Management (Pvt) Limited 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. Sohail Ansar	Director
Mr. Mohammad Aslam Khan	Director
Mr. Najib Amanullah	Director
Mr. Shiekh Arshad Farooq	Director
Mr. Muhammad Kamal Abdul Nasir	Director
Mr. Mohammad Imranul Haque	Director
Dr. Namoos Baquar	Director
Mr. Afzal Rashid	Director
Mr. Anis Wahab Zuberi	(Nominee of National Investment Trust)
Mr. Muhammad Zahid	(Nominee of Zahidjee Fabrics (Pvt) Ltd.)
Mr. Rashid Ahmed	(Nominee of National Investment Trust)

## **Management**

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

## **Registered Office**

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