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Our Vision

To be in the forefront for providing Islamic products in the financial sector.

Our Mission

To provide competitive shariah compliant solutions for our clients and investors through an inspirationally committed team of professionals and, in so doing, create maximal value for all stakeholders.

Core Values

- **GOOD GOVERNANCE** - such that highest premium is set on best business practices and uncompromising professionalism.
- **INTEGRITY** - such that there is zero tolerance for unethical conduct.
- **TEAM WORK** - such that there exists camaraderie amongst team members who are both trustworthy and trusted.
- **CREATIVITY** - such that there pervades a spirit to explore and innovate in the nascent Islamic financial sector.
- **TRUST** - such that all stakeholders can readily repose and vouch for.



Corporate Profile

Board of Directors

Punjab Modaraba Services (Pvt.) Ltd.

Khalid Siddiq Tirmizey	Chairman
Khaqan Hasnain Ibrahim	Chief Executive
Mujahid Eshai	Director
Nadeem Amir	Director
Tariq Maqbool	Director

Chief Financial Officer &

Company Secretary
Mudassar Kaiser Pal

Audit Committee

Mujahid Eshai	Chairman
Nadeem Amir	Member
Tariq Maqbool	Member

Auditors of the Modaraba

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Auditors Management Company

Hameed Chaudhry & Co.
Chartered Accountants

Bankers

The Bank of Punjab
Bank Alfalah Limited
Al Baraka Bank (Pakistan) Limited

Registrar

Hameed Majeed Associates (Pvt) Ltd.
H.M. House, 7-Bank Square,
The Mall, Lahore
Tel: 7235081-2

Registered Office

233-A, New Muslim Town, Lahore, Pakistan.
PABX: (+92-42) 35865032-37
Fax: (+92-42) 35865039
E-mail: info@punjabmodaraba.com.pk
URL: www.punjabmodaraba.com.pk



Six Years at a Glance

(Amounts in '000)

	June-07	June-08	June-09	June-10	June-11	June-12
BALANCE SHEET						
Authorized Capital	500,000	500,000	500,000	500,000	500,000	500,000
Equity:						
Issued, Subscribed & Paid Up Capital	340,200	340,200	340,200	340,200	340,200	340,200
Reserves	105,578	110,683	110,683	114,199	114,199	128,065
Loss on re-valuation of Investment	(4,129)	(21,079)	-	-	-	-
Un-appropriated Profit / (loss)	22,329	13,830	(87,885)	(84,370)	(157,954)	(325,567)
Total	463,978	443,634	362,998	370,030	296,446	142,698
Liabilities:						
Redeemable Capital	937,880	1,381,345	743,722	693,688	1,046,762	429,715
Musharikhah Arrangements	213,591	938,710	1,092,682	885,036	878,487	1,041,532
Morabaha Arrangements	-	388,668	392,093	102,000	38,810	17,296
Diminishing Musharikhah	-	-	-	160,000	-	-
Accrued, Deferred & Other Liabilities	182,700	442,247	454,546	454,344	367,849	279,438
Total	1,334,171	3,150,970	2,683,043	3,224,574	2,331,908	1,767,981
Total Equity & Liabilities	1,798,149	3,594,604	3,046,041	3,594,604	2,628,354	1,910,680
Operating Assets:						
Ijarah Assets	792,315	1,802,881	1,633,184	1,447,816	1,187,331	721,624
Short Term Investments-Available for sale	106,756	94,737	58,739	-	-	-
Musharikhah Investment	-	23,059	52,505	45,175	91,328	78,305
Morabaha Investment	662,972	1,379,620	960,715	686,743	677,414	497,785
Sub Total	1,562,043	3,300,297	2,705,143	2,179,734	1,956,072	1,297,714
Other Assets:						
Assets in own use	5,915	53,424	55,694	54,532	57,156	67,610
Deposits, Prepayments & other receivables	181,970	202,273	258,765	388,580	432,710	486,841
Cash & Bank Balances	48,221	38,610	26,434	42,247	182,411	58,509
Sub Total	236,106	294,307	340,893	485,359	672,276	612,960
Total Assets	1,798,149	3,594,604	3,046,037	2,665,093	2,628,353	1,910,680
PROFIT & LOSS ACCOUNT						
Operating Income	432,133	668,910	1,093,793	939,756	831,529	571,751
Other Income	3,181	47,075	33,664	50,510	22,203	45,603
Total Income	435,314	715,985	1,127,457	990,266	853,732	617,354
Operating Expenses	287,517	471,129	834,607	701,441	652,924	567,876
Financial Charges	118,675	225,948	383,679	281,013	270,990	217,091
Management Fee	2,912	1,890	-	781	-	-
Total Expenses	409,104	698,967	1,218,286	983,235	923,914	784,967
Profit before Taxation	26,210	17,018	(90,829)	7,031	(70,182)	(167,613)
Taxation	-	-	-	-	-	-
Profit for the year	26,210	17,018	(90,829)	7,031	(70,182)	(167,613)
DISTRIBUTION:						
Cash Dividend(%)	6.00	3.20	-	1.00	-	-
Bonus (%)	-	-	-	-	-	-
RATIOS:						
Breakup Value (Rs.)	13.64	13.04	10.67	10.88	8.71	4.19
Earning per Certificate (Rs.)	0.77	0.50	(2.67)	0.21	(2.06)	(4.93)
Return on Equity (Rs.)	(20.47)	1.94	1.90	1.90	(23.67)	(117.46)



Directors' Report

The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the Management Company of First Punjab Modaraba (the Modaraba) is pleased to present the 19th Directors' Report of the Modaraba, together with audited financial statements and auditors' report for year ended June 30, 2012.

Review of Operations

During the year under review, the national economy remained under pressure due to growing energy shortages, rising fiscal deficit and a depreciating rupee. The impact of floods for second consecutive year also hampered the economic growth. The sharp increase in government borrowing had its bearing on macro stability, monetary management and restricted private sector credit.

Despite impairment in debt servicing capacity of several customers, Modaraba remained successful in reducing its infected portfolio on year to year basis by way of recoveries and regularization of accounts. However, the impact was more than offset by ageing impact of old NPLs requiring hefty provisioning of 104.11 million. Notwithstanding the quantum of the said provisioning under prudential regulations for modarabas, the fair value of collaterals held against NPLs are expected to provide favorable outcome.

The shortage of liquidity restricted extension of fresh credit to Rs. 180 million that was inadequate to absorb the impact of redemption in lending book. The reduction of lending portfolio also led to decrease in operating revenues which remained behind operating costs resulting in operating loss.

However, owing to declining profit rates, the Modaraba was able to reduce its financial cost in comparison with corresponding year.

Financial Results

The financial results of the Modaraba are summarized below:

	2012 Rupees	2011 Rupees
Profit / (Loss) for the year	(167,613,052)	(70,182,027)
Un-appropriated Profit – Brought Forward	(157,953,556)	(87,771,529)
Profit available for appropriation	-	-
Appropriations		
Profit Distribution in cash @ Rs:Nil (2011@Rs:Nil)	-	-
Transfer to statutory reserve	-	-
Un-appropriated profit / (loss) - carried to balance sheet	(325,566,608)	(157,153,556)
(Loss) / Earning per certificate	(4.93)	(2.06)



Profit Distribution

The Board at its meeting held on December 28, 2012 has approved Rs. Nil distribution of profit and Rs. Nil transfer to statutory reserve for the year ended June 30, 2012 keeping in view the Loss incurred during the year.

Economic Outlook and Future Prospects

The risks to macroeconomic stability are stemming from the external sector and continued weaknesses in fiscal management. On the positive side some improvement has been witnessed in the performance of the real sector. However, the economy is expected to grow only in the range of 3 to 4 percent. The burden of financing fiscal deficit will fall on the banking system, specifically on commercial banks impacting on the supply of loanable funds for the private sector.

Going forward, Punjab Modaraba Services (Pvt.) Limited, the management company, with the support of The Bank of Punjab is engaged in devising a plan whereby the operations of the Modaraba and the assets and liabilities of the Modaraba will be transferred to and merged with The Bank of Punjab, through a scheme of arrangement subject to completion of legal formalities.

Explanation of qualified opinion

As fully explained in Note 6.1 to the financial statements, after the demutualization process, the members of Lahore Stock Exchange (LSE) have been issued ordinary shares and Trading Rights Entitlement Certificates (TREC)s. As informed by LSE, the value of ordinary shares and TREC)s has not been determined yet.

The last auctions of membership and room, resulting from default by members, as per record of LSE, was Rs. 19.25 million. The management is of the view that such auctions are forced in nature which, in absence of any active market, are not representative of fair value.

In view of the above factors, management is not currently in a position to determine the extent of impairment required. Hence, no provision for impairment has been recorded.

FPM Financial Strength Rating

The Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) has downgraded the Modaraba's long term rating to "BBB" and short term rating to "A3" with negative outlook, based on its potential of growth and sustainability.

Corporate and Financial Reporting Framework

- 1 The financial statements, prepared by the Management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 1 Proper books of account of the Modaraba have been maintained.
- 1 Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 1 International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- 1 The system of internal control is sound in design and has been effectively implemented and monitored.



- 1 As more fully explained in note 1 to the financial statements, there is no doubt about the Modaraba's ability to continue as a 'going concern'.
- 1 There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 1 Key operating and financial data of the Modaraba for the last six years in summarized form is annexed.
- 1 There are no outstanding demands of statutory payments on account of taxes, duties, levies and charges as at 30 June, 2012, except for those disclosed in financial statements.
- 1 The value of investments of the staff provident fund, based on audited accounts, was Rs.4,830,000/- as at 30 June, 2012.
- 1 During the year, seven meetings of the Board of Directors were held. Attendance by each director was as follow:

Name of Directors	No. of Meetings Attended
Mr. Khalid Siddiq Tirmizey	7
Mr. Mujahid Eshai	7
Mr. Nadeem Amir	7
Mr. Abdul Razzaq	2
Mr. Khaqan Hasnain Ibrahim	7

- 1 An amount of Rs.35,000/- was paid to one of the directors for attending meetings of the

Board of Directors.

- 1 The pattern of the holding by the certificate holders is included in this annual report.
- 1 No trades in certificates of the Modaraba were carried out by the Directors, Executives or their spouses and minor children during the year ended June 30, 2012.

Role of Certificate-Holders

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

Auditors

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed auditors of the Modaraba for financial year ending June 30, 2013, subject to the approval of Registrar Modaraba.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore, and Islamabad stock exchanges in their listing regulations, relevant for year ended June 30, 2012 have been duly complied with.



Staff

The hard work and efforts of staff of the Modaraba during adversity and the continued support extended by management of the Bank of Punjab during the year remained the hallmark of the Modaraba.

Statement of Ethics and Business Practices

The Board has adopted The Bank of Punjab's Code of Conduct that sets out core values relating to lawful and ethical conduct of business. All employees have a copy of this code of conduct and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulations. This forms a part of the Modaraba's compliance structure as advised by the Bank of Punjab.

Social, Ethical and Environmental Responsibilities

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

Acknowledgments

The Board acknowledges the invaluable guidance and support extended by the Registrar Modarabas and the Securities & Exchange Commission of Pakistan during the year and wishes to enjoy the same in future as well.

The Board is also thankful to its valued certificate holders and investors for their patronage and trust reposed in the Modaraba.

For and on behalf of the Board

Khaqan Hasnain Ibrahim
Chief Executive

Lahore: December 28, 2012



Statement of Compliance

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

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

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

1. The management company has 5 directors which include 4 non-executive directors. All directors are nominated by The Bank of Punjab, the holding company of the Modaraba's Management Company.
2. The directors have confirmed that none of them is serving as a director in seven or more listed companies, including the management company.
3. All the directors of the management company are registered as tax payers and to the best of our knowledge none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. The casual vacancies occurring in the Board were filled up by the directors within the stipulated time.
5. A Statement of Ethics and Business Practices' has been adopted by the Modaraba, which has been duly signed by all the directors of the Management Company and employees of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and policies of the Modaraba. However, the Modaraba policies, procedures and systems are being reviewed for updating/revision wherever required.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CFO/Company Secretary and Head of Internal Audit have been taken by the board.
8. The Meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter, written notices of the Board meetings, along-with agenda and working papers, were circulated.
9. The directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Modaraba on behalf of the certificate holders. Modaraba could not conduct any orientation course during the year due to non availability of all directors.
10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



11. The Financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
12. The CEO, directors and executives do not hold any interest in the certificates of the Modaraba other than the disclosed in the pattern of certificate holding.
13. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises three members, who are non-executive directors of the Management company including the Chairman of the Committee.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The Board has employed adequate personnel for internal audit function to ensure the establishment and maintenance of sound and effective internal controls, compliance and review policies and procedures.
17. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. All material information, as described in clause (xx) of the code is disseminated to the stock exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
20. The Modaraba has complied with requirements as stipulated in the clause (x) relating to related party transactions.
21. We confirm that all other material principles contained in the code have been complied with.

For and on behalf of the Board

Khaqan Hasnain Ibrahim
Chief Executive

Lahore: December 28, 2012



Review Report to the Certificate Holders

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Punjab Modaraba Services (Private) Limited ("the Modaraba Company") in respect of First Punjab Modaraba ("the Modaraba") to comply with the listing regulations of the stock exchanges where the Modaraba is listed.

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

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

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

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended 30 June 2012.

Lahore: December 28, 2012

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
(Farooq Hameed)



Notice of Book Closure & Annual Review Meeting

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from 16.01.2013 to 22.01.2013 (both days inclusive), for the purpose of attending Annual Review Meeting. All transfers received in order upto the close of business hours on January 15, 2013 with our Registrars' office, M/s. Hameed Majeed Associates (Pvt.) Ltd., H.M. House, 7-Bank Square, Lahore, will be considered in time.

The Annual Review Meeting (ARM) of the Certificate-holders will be held at 10:30 a.m. on Tuesday, January 22, 2013 at Noorjahan Banquet Hall, 10-A-Aibak Block, Main Boulevard New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2012 in terms of Prudential Regulation No. 11, Part IV for Modarabas.

By the Order of
Board of Directors

Mudassar Kaiser Pal
Company Secretary



Pattern of Certificate Holders as at June 30, 2012

Number of Certificate holders	Certificate Holding		Total No. of Certificates held	Percentage of total capital
	From	To		
927	1 -	100	42,631	0.13
1515	101 -	500	420,539	1.24
1154	501 -	1000	940,637	2.76
725	1001 -	5000	1,648,034	4.84
128	5001 -	10000	939,457	2.76
40	10001 -	15000	496,150	1.46
33	15001 -	20000	585,277	1.72
26	20001 -	25000	587,673	1.73
6	25001 -	30000	164,477	0.48
8	30001 -	35000	249,634	0.73
7	35001 -	40000	258,568	0.76
1	40001 -	45000	45,000	0.13
5	45001 -	50000	242,647	0.71
2	50001 -	55000	106,000	0.31
3	55001 -	60000	172,111	0.51
1	60001 -	65000	61,127	0.18
3	65001 -	70000	204,050	0.60
2	70001 -	75000	147,020	0.43
2	75001 -	80000	156,616	0.46
3	80001 -	85000	254,248	0.75
1	85001 -	90000	90,000	0.26
1	90001 -	95000	90,990	0.27
4	95001 -	100000	399,926	1.18
2	100001 -	105000	200,318	0.59
1	105001 -	110000	106,000	0.31
3	110001 -	115000	336,788	0.99
3	115001 -	120000	352,346	1.04
1	135001 -	140000	135,809	0.40
1	140001 -	145000	141,000	0.41
2	145001 -	150000	299,801	0.88
1	150001 -	155000	151,000	0.44
1	160001 -	165000	160,020	0.47
1	175001 -	180000	178,500	0.52
1	185001 -	190000	188,000	0.55
2	195001 -	200000	397,644	1.17
1	205001 -	210000	208,693	0.61
1	220001 -	225000	225,000	0.66
1	245001 -	250000	249,935	0.73
1	275001 -	280000	275,984	0.81
2	295001 -	300000	600,000	1.76
1	300001 -	305000	302,000	0.89
1	320001 -	325000	325,000	0.96
1	325001 -	330000	330,000	0.97
1	345001 -	350000	350,000	1.03
2	365001 -	370000	735,500	2.16
1	380001 -	385000	380,523	1.12
1	395001 -	400000	400,000	1.18
1	455001 -	460000	460,000	1.35
1	595001 -	600000	595,224	1.75
1	905001 -	910000	906,497	2.66
1	970001 -	975000	971,101	2.85
1	1165001 -	1170000	1,168,034	3.43
1	1265001 -	1270000	1,265,777	3.72
1	5230001 -	5235000	5,232,194	15.38
1	8085001 -	8090000	8,088,500	23.78
4638			34,020,000	100.00



Categories of Certificate Holders As at June 30, 2012

Categories of Shareholders	Category Wise No. of Certificates Holders	Certificates Held	Percentage
INDIVIDUALS	4,561	15,707,440	46.17
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES	4		
PUNJAB MODARABA SERVICES (PVT) LTD.		8,088,500	23.7757
THE BANK OF PUNJAB		4,788	0.0141
PUNJAB MODARABA SERVICES (PVT) LTD.		5,232,194	15.3798
THE BANK OF PUNJAB, TREASURY DIVISION		249,935	0.7347
		13,575,417	39.90
MUTUAL FUND	2		
PRUDENTIAL STOCKS FUND LIMITED		100	0.0003
SECURITY STOCK FUND LTD.		3,100	0.0091
		3,200	0.01
JOINT STOCK COMPANIES	33	1,104,517	3.2467
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS	22	3,403,071	10.0031
OTHERS	14	223,547	0.6571
PUBLIC SECTOR COMPANY & CORPORATIONS	2	2,808	0.0083
GRAND TOTAL	4,638	34,020,000	100.0000



Financial Statements

As at June 30, 2012



Auditor's Report to the Certificate Holders



We have audited the annexed balance sheet of First Punjab Modaraba ("the Modaraba") as at 30 June 2012 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. The financial statements for the year ended 30 June 2011 have been audited by another auditor. We state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

Except as discussed in the following paragraph, 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 assessing the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba management 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:

Basis for qualified opinion

As referred to in Note 6.1, the management was unable to determine the fair value of the intangible assets, consequently we were unable to satisfy ourselves with regard to the extent of impairment that may be required there against.

Except for the effect, if any, of the matter described above:

- a) in our opinion, proper books of account have been kept by the Modaraba management company in respect of the Modaraba as required by Modaraba Companies & Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies & Modaraba Rules, 1981.
- b) in our opinion:
 - i. The balance sheet and the profit & loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies & Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies & Modaraba Rules, 1981 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in note 3.1, with which we concur;
 - ii. The expenditure incurred during the year was for the purpose of the Modaraba's business and;
 - iii. The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, Islamic Financial Accounting Standards issued by Institute of Chartered Accountants of Pakistan, and give the information required by the Modaraba Companies & Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies & 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 2012 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Without qualifying our opinion we draw attention to note 1 to the financial statements which indicates that the Modaraba incurred a loss of Rs. 167,613,052 while the accumulated losses, net of capital reserve, as at 30 June, 2012 amount to Rs. 197,501,943 which exceed fifty percent of the total amount subscribed by the holders of the Modaraba Certificates. Further the current liabilities of the modaraba exceeded its current assets by Rs. 523,231,920 as at 30 June, 2012. These conditions, along with other matters as explained in Note 1, indicate the existence of material uncertainty which may cast significant doubts about the Modaraba's ability to continue as a going concern.

Lahore:
December 28, 2012

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Audit Engagement Partner: Farooq Hameed



Balance Sheet

As at June 30, 2012

ASSETS	Note	2012 Rupees	2011 Rupees
Non current assets			
Tangible fixed assets			
- Ijarah assets	5	721,624,239	1,187,330,576
- Assets in own use		21,833,357	11,119,379
Intangible assets	6	45,776,574	46,036,142
Long term musharikhah investment - secured	7	21,622,127	38,721,907
Long term deposits		656,944	656,944
		811,513,241	1,283,864,948
Current assets			
Short term morabaha investment - secured	8	497,784,821	677,414,151
Current maturity of long term investments	9	56,682,963	52,605,670
Property acquired against satisfaction of claim	10	46,050,000	6,050,000
Advances, deposits, prepayments and other receivables	11	439,269,313	425,369,678
Tax refundable		869,896	638,712
Cash and bank balances	12	58,509,315	182,410,708
		1,099,166,308	1,344,488,919
TOTAL ASSETS		1,910,679,549	2,628,353,867
EQUITY AND LIABILITIES			
Capital and reserves			
Certificate capital	13	340,200,000	340,200,000
Reserves	14	(197,501,943)	(43,754,388)
		142,698,057	296,445,612
Non current liabilities			
Security deposits	15	145,583,264	175,460,664
Long term morabaha finances - secured	16	-	11,751,556
Redeemable capital - participatory and unsecured	17	-	7,200,000
		145,583,264	194,412,220
Current liabilities			
Current maturity of non current liabilities	18	87,304,755	188,840,975
Deferred morabaha income		8,163,234	6,810,367
Short term musharikhah finance secured	19	1,041,532,173	878,487,257
Redeemable capital - participatory and unsecured	20	422,515,082	963,061,760
Mark up payable	21	34,103,874	27,930,643
Trade and other payables	22	16,596,331	60,035,721
Unclaimed profit		12,182,779	12,329,312
		1,622,398,228	2,137,496,035
Contingencies and commitments	23		
TOTAL EQUITY AND LIABILITIES		1,910,679,549	2,628,353,867

The annexed notes 1 to 35 form an intergral part of these financial statements.

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Profit and Loss Account

For the year ended June 30, 2012



	Note	2012 Rupees	2011 Rupees
Income			
Ijarah rentals	24.1	532,507,577	777,268,113
Profit on morabaha investment	24.2	34,377,249	48,516,066
Profit on musharikhah investment	24.3	4,865,812	5,745,294
Gain on disposal of fixed assets		7,771,395	-
Other income	25	37,831,750	22,202,801
		617,353,783	853,732,274
Expenses			
Operating expenses	26	33,706,382	32,608,221
Depreciation of assets leased out	5.1	429,969,482	531,448,540
Gain on disposal of fixed assets		-	1,425,425
Finance cost	27	217,091,004	270,990,466
		680,766,868	836,472,652
Operating profit / (loss) before provision and impairment		(63,413,085)	17,259,622
Provision for morabaha investment	8.3	47,312,604	46,729,988
Provision for impairment of ijarah assets	5.1	51,086,240	28,159,752
Provision for musharikhah investment	7.2	7,726,674	4,537,514
Other provisions	11.4	(1,925,551)	8,014,395
		104,199,967	87,441,649
Operating loss after provision and impairment		(167,613,052)	(70,182,027)
Modaraba Company's management fee		-	-
Profit / (Loss) for the year		(167,613,052)	(70,182,027)
Earnings / (loss) per certificate - basic and diluted	28	(4.93)	(2.06)

The attached notes 1 to 35 form an intergral part of these financial statements.

Chief Executive
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(Private) Limited

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(Private) Limited

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(Private) Limited



Cash Flow Statement

For the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
Cash flow from operating activities			
Cash generated from operations	32	551,677,451	388,668,834
Profit on redeemable capital paid		(112,898,768)	(100,866,276)
Profit paid on morabaha / musharikhah finances		(90,328,437)	(197,632,616)
Income tax paid		(231,184)	(101,236)
Net cash generated from operating activities		348,219,062	90,068,706
Cash flow from investing activities			
Proceeds from disposal of fixed assets		83,120	1,162,511
Fixed capital expenditure		(369,735)	(5,418,283)
Purchase of intangible assets		-	(1,295,000)
Cash margin L/G refund/paid		(1,467,305)	(16,593,711)
Investment in morabaha		-	2,700,000
Investment in musharikhah - net		5,295,813	(50,689,843)
Net cash generated / (used in) from investing activities		3,541,893	(70,134,326)
Cash flow from financing activities			
Finances under musharikhah arrangements		163,044,916	(6,548,602)
Finances under morabaha		(21,514,053)	(223,189,778)
Redeemable capital		(617,046,678)	353,073,356
Profit distribution to certificate holders		(146,533)	(3,105,441)
Net cash (used in) / generated from financing activities		(475,662,348)	120,229,535
Net (decrease) / increase in cash and cash equivalents		(123,901,393)	140,163,915
Cash and cash equivalents at the beginning of the year		182,410,708	42,246,793
Cash and cash equivalents at the end of the year	12	58,509,315	182,410,708

The annexed notes 1 to 35 form an intergral part of these financial statements.

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Statement of Comprehensive Income

For the year ended June 30, 2012



	2012 Rupees	2011 Rupees
Income/ (Loss) for the year	(167,613,052)	(70,182,027)
Total comprehensive loss for the period	-	-
Total comprehensive Income / (loss) for the period	(167,613,052)	(70,182,027)

The attached notes 1 to 35 form an intergral part of these financial statements.

Chief Executive
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(Private) Limited

Director
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(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited



Statement of Changes in Equity

For the year ended June 30, 2012

	Certificate capital	Capital reserve	Unappropri- ated profit/(accum- ulated loss)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2010	340,200,000	114,199,168	(84,369,529)	370,029,639
Total comprehensive loss for the year	-	-	(70,182,027)	(70,182,027)
Profit distribution for the year 2010	-	-	(3,402,000)	(3,402,000)
Balance as at 30 June 2011	<u>340,200,000</u>	<u>114,199,168</u>	<u>(157,953,556)</u>	<u>296,445,612</u>
Total comprehensive loss for the year	-	-	(167,613,052)	(167,613,052)
Surplus on revaluation of fixed assets	-	13,865,497	-	13,865,497
Balance as at 30 June 2012	<u>340,200,000</u>	<u>128,064,665</u>	<u>(325,566,608)</u>	<u>142,698,057</u>

The attached notes 1 to 35 form an intergral part of these financial statements.

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
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(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Notes to the Financial Statements

For the year ended June 30, 2012



1. LEGAL STATUS AND NATURE OF BUSINESS

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at 233 A, New Muslim Town, Lahore. The Modaraba commenced its operations from 23 December 1992. The Modaraba is listed on all stock exchanges in Pakistan.

The Modaraba is a perpetual and multi dimensional Modaraba and is primarily engaged in the business of Ijara, Musharikah and morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam.

During the year the Modaraba has incurred a loss of Rs. 167,613,052 while the accumulated losses net of capital reserve, as at 30 June 2012 amount to Rs. 197,501,943 which exceed fifty percent of the total amount subscribed by the holders of the Modaraba Certificates. Further the current liabilities of the Modaraba exceeded its current assets by Rs. 523,231,920 as at 30 June 2012.

Going forward, Punjab Modaraba Services (Private) Limited, the management company, with the support of The Bank of Punjab is engaged in devising a plan whereby the operations of the Modaraba and the assets and liabilities of the Modaraba will be transferred to and merged with The Bank of Punjab, through a scheme of arrangement subject to completion of legal formalities.

The above matters indicate existence of material uncertainty with regard to Modaraba's ability to continue as a going concern. However, the management is confident about the successful completion of the proposed merger transaction accordingly these financial statements have been prepared on going concern basis.

2. BASIS OF PREPARATIONS

2.1 Statement of compliance

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

The SECP has issued directive (vide SRO 431 (1) / 2007 dated 22 May 2007) that Islamic Financial Accounting Standard 2 (IFAS_2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Ijarah (Lease) transactions as defined by the said standard. The Modaraba has adapted the said standard.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the office premises which have been carried at fair value.



2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Modaraba’s functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

3. Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements

3.1 Standards, amendments or interpretations which became effective during the year

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 – Financial Instruments: Disclosures (Amendment)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

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

3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

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

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 7 – Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial Assets and financial liabilities	01 January 2013
IAS 1– Presentation of Financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 12– Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19– Employee Benefits –(Amendment)	01 January 2013
IAS 32– Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014



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

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

Standard	IASB Effective date (annual periods Beginning on or after)
IFRS 9– Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10– Consolidated Financial Statements	01 January 2013
IFRS 11– Joint Arrangements	01 January 2013
IFRS 12– Disclosure of Interests in Other Entities	01 January 2013
IFRS 13– Fair Value Measurement	01 January 2013

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in accounting policy

During the current year, the Modaraba changed its method of measuring the value of office premises. The Modaraba was previously stating the office premises at cost less accumulated depreciation and any identified impairment loss which has now been changed to revaluation model under which the asset shall be carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Had the aforementioned change in accounting policy not been made, the value of tangible fixed assets and revaluation surplus would have been lower by Rs. 13.865 million. Comparative information in respect of prior periods cannot be determined due to impracticability.

4.2 Tangible fixed assets

Assets in own use

Fixed assets except freehold land and office premises are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Office premises is stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation on all fixed assets is charged to profit on "straight line method", so as to write off the historical cost of an asset over its estimated useful life at annual rates mentioned in note 5.

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

The Modaraba assesses at each balance sheet date whether there is any indication that fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.



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

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

Ijarah Assets

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

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

4.3 Impairment

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

4.4 Cards and rooms

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

4.5 Cash and cash equivalents

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

4.6 Financial instruments

Financial assets

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

Financial liabilities

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



Recognition and derecognition

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

Offsetting of financial assets and financial liabilities

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

4.7 Provisions

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

4.8 Staff retirement benefit

Defined contribution plan

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

4.9 Provision against non performing financing (Suspense income)

The Modaraba reviews its overdue Ijarah rentals at each reporting date to assess whether provision should be recorded in profit and loss account, in addition to the mandatory provisions required in accordance with the Prudential Regulations issued by the SECP. In particular, judgment by management is required in the estimation of the amount and the timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.10 Revenue recognition

Ijarah

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

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

Morabaha transaction

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



Musharikhah Finance

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

Capital gain or losses on sale of investment

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

Dividend income

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

Commission income

Commission income is recognized on accrual basis.

4.11 Trade date accounting

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase/sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within three working days after the transaction date as per stock exchange regulations.

4.12 Ijarah rentals and Musharikhah investments

Ijarah rentals and Musharikhah investments are stated net of provision and suspense income. Provision is recognized for Ijarah rentals receivable and musharikhah investment, in accordance with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan (SECP). Bad debts are written-off when identified.

4.13 Finance arrangements including Certificates of Musharikhah

These are carried on the balance sheet at their principal amount.

Profits on these arrangements are recognized as expense in the period in which they are incurred.

Profit on Musharikhah finance is accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of each year after determination of the actual rate.

4.14 Profit distribution and appropriations

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

4.15 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.



Deferred

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

4.16 Morabaha Investments

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

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

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

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

4.17 Related party transaction

All transactions with the related parties are priced on arm's length basis. Prices for those transactions are determined on the basis of admissible valuation methods.

	Note	2012 Rupees	2011 Rupees
5. TANGIBLE FIXED ASSETS			
Ijarah assets	5.1	721,624,239	1,187,330,576
Assets in own use	5.2	21,833,357	11,119,379
		743,457,596	1,198,449,955



5.1 Ijarah assets

2012

Description	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE				
	As at 1 July 2011	Additions	Transfer	As at 1 July 2011	Charge for the year	Transfer	As at 30 June 2012	As at 1 July 2011	Charge for the year	Transfer	As at 30 June 2012	As at 30 June 2012	Depreciation Rate - %	
Plant and machinery	2,137,363,880	89,310,275	(580,304,689)	1,646,369,466	1,138,830,986	338,373,894	(441,354,757)	1,035,850,123	31,077,319	50,699,948	(2,959,906)	78,817,361	531,701,982	As per term
Vehicle	348,955,377	78,176,600	(61,635,400)	365,496,577	144,114,212	83,187,617	(44,140,653)	183,161,176	131,425	386,292	-	517,717	181,817,684	As per term
Cessna aircraft	13,552,604	-	-	13,552,604	797,524	6,738,530	-	7,536,054	-	-	-	-	6,016,550	As per term
Consumer products	5,056,661	1,378,100	(68,800)	6,365,961	2,784,655	1,571,804	(37,983)	4,318,476	-	-	-	-	2,047,485	As per term
Consumer products to staff	534,900	-	(37,900)	497,000	396,725	97,637	(37,900)	456,462	-	-	-	-	40,538	As per term
	2,505,463,422	168,864,975	(642,046,789)	2,032,281,608	1,286,924,102	429,969,482	(485,571,293)	1,231,322,291	31,208,744	51,086,240	(2,959,906)	79,335,078	721,624,239	

2012

Description	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE				
	As at 1 July 2011	Additions	Transfer	As at 1 July 2011	Charge for the year	Transfer	As at 30 June 2012	As at 1 July 2011	Charge for the year	Transfer	As at 30 June 2012	As at 30 June 2012	Depreciation Rate - %	
Plant and machinery	2,261,185,554	299,474,760	(423,296,434)	2,137,363,880	1,014,838,121	439,735,443	(315,742,578)	1,138,830,986	13,632,803	17,444,516	-	31,077,319	967,455,575	As per term
Vehicle	366,858,225	125,539,300	(143,442,148)	348,955,377	168,328,642	82,130,014	(106,344,444)	144,114,212	131,425	-	-	131,425	204,709,740	As per term
Cessna aircraft	35,000,000	13,552,604	(35,000,000)	13,552,604	22,073,786	6,650,861	(27,927,123)	797,524	-	-	-	-	12,755,080	As per term
Consumer products	18,759,629	1,565,154	(15,268,122)	5,056,661	15,225,940	2,826,837	(15,268,122)	2,784,655	-	-	-	-	2,272,006	As per term
Consumer products to staff	557,900	-	(23,000)	534,900	314,340	105,385	(23,000)	396,725	-	-	-	-	138,175	As per term
	2,682,361,308	440,131,818	(617,029,704)	2,505,463,422	1,220,780,829	531,448,540	(465,305,267)	1,286,924,102	13,764,228	17,444,516	-	31,208,744	1,187,330,576	

5.1.1 Transfers represent the assets disposed through negotiation after expiry/termination of ijarah. However, in view of large number of disposals, detail of each disposal has not been given.

5.2 Assets in own use

Description	COST				DEPRECIATION				NET BOOK VALUE		Depreciation Rate - %
	As at 1 July 2011	Additions	Revaluation	Disposal	As at 30 June 2012	As at 1 July 2011	Charge for the year	Disposal	As at 30 June 2012	As at 30 June 2012	
Office premises	6,937,864	-	13,865,497	-	20,803,361	5,109,197	694,164	-	5,803,361	15,000,000	10%
Office equipment	3,830,349	255,051	-	(278,500)	3,806,900	2,463,445	562,255	(257,082)	2,768,618	1,038,282	15% & 30%
Furniture and fixtures	1,355,686	63,584	-	-	1,419,270	651,063	150,316	-	801,379	617,891	15%
Vehicles	5,383,706	51,100	-	(54,000)	5,380,806	1,532,202	1,041,058	(54,000)	2,519,260	2,861,546	20%
Leasehold improvement	4,845,045	-	-	-	4,845,045	1,477,364	1,052,043	-	2,529,407	2,315,638	As per term
	22,352,650	369,735	13,865,497	(332,500)	36,255,382	11,233,271	3,499,836	(311,082)	14,422,025	21,833,357	
2011											
Description	COST				DEPRECIATION				NET BOOK VALUE		Depreciation Rate - %
	As at 1 July 2010	Additions	Revaluation	Disposal	As at 30 June 2011	As at 1 July 2010	Charge for the year	Disposal	As at 30 June 2011	As at 30 June 2011	
Office premises	6,937,864	-	-	-	6,937,864	4,416,931	692,266	-	5,109,197	1,828,667	10%
Office equipment	3,685,162	218,055	-	(72,868)	3,830,349	1,938,940	571,284	(46,779)	2,463,445	1,366,904	15% & 30%
Furniture and fixtures	1,158,656	200,030	-	(3,000)	1,355,686	476,846	177,217	(3,000)	651,063	704,623	15%
Vehicles	4,848,923	2,461,293	-	(1,926,510)	5,383,706	2,472,329	813,798	(1,753,925)	1,532,202	3,851,504	20%
Leasehold improvement	3,485,923	2,538,905	-	(1,179,783)	4,845,045	1,279,668	1,346,274	(1,148,578)	1,477,364	3,367,681	As per term
	20,116,528	5,418,283	-	(3,182,161)	22,352,650	10,584,714	3,600,839	(2,952,282)	11,233,271	11,119,379	



5.2.1 Disposal of assets in own use

	2 0 1 2						
	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Disposed to
	Rupees	Rupees	Rupees	Rupees	Rupees		
Office equipment	278,500	257,085	21,418	64,120	42,702	Negotiation	Time Digital & Sufyan Computers
Vehicle	54,000	54,000	-	19,000	19,000	Negotiation	M. Abid Hussain
	332,500	311,082	21,418	83,120	61,702		

	2 0 1 1						
	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of Purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles	606,000	606,000	-	367,000	367,000	Auction	Sajjad Dogar
Vehicles	713,303	713,303	-	471,011	471,011	Auction	Ch. Muhammad Asghar
Vehicles	607,207	434,622	172,585	300,000	127,415	As per terms of employment	Shafqat Pervaiz
Office equipment	3,000	3,000	-	2,800	2,800	Negotiation	Shabir Ahmed
Office equipment	7,300	6,724	576	500	(76)	Negotiation	Sufyan Computers
Office equipment	6,500	5,344	1,156	500	(656)	Negotiation	Sufyan Computers
Office equipment	59,067	34,709	24,358	20,700	(3,658)	Auction	Asif Awan
	2,002,377	1,803,702	198,675	1,162,511	963,836		

5.2.2 Surplus on revaluation of fixed assets

Revaluation of office premises has been carried out on 30 June 2012 by Harvester Services Pvt Limited, professional valuers, on the basis of market value prevailing in that area as on that date. The revaluation has resulted in a surplus of Rs. 13.865 million. Had there been no revaluation, the carrying amount of office premises would have been as follows:

	Note	2012 Rupees	2011 Rupees
Office premises		1,134,503	1,828,667

6. CARD AND ROOM

Corporate membership of Lahore Stock Exchange		37,100,000	37,100,000
Less: Impairment		(1,100,000)	(1,100,000)
		36,000,000	36,000,000
Room at Lahore Stock Exchange		9,000,000	9,000,000
		45,000,000	45,000,000
Almanac software	6.1	776,574	1,036,142
	6.2		
		45,776,574	46,036,142

6.1 After the demutualization process, the members of Lahore Stock Exchange (LSE) have been issued ordinary shares and Trading Rights Entitlement Certificates (TRECs). As informed by LSE, the value of ordinary shares and TRECs has not been determined yet.

The last auctions of membership and room, resulting from default by members, as per record of LSE, was Rs. 19.25 million. The management is of the view that such auctions are forced in nature which, in absence of any active market, are not representative of fair value.

In view of the above factors, management is not currently in a position to determine the extent of impairment required. Hence, no provision for impairment has been recorded.



	Note	2012 Rupees	2011 Rupees
6.2 Computer software			
Net Carrying value as at 01 July		1,036,142	-
Purchasing during the year		-	1,295,000
Amortization Charged		(259,568)	(258,858)
Balance as at 30 June (NBV)		776,574	1,036,142
Rate of amortization		20%	20%
Gross Carrying value			
Cost		1,295,000	1,295,000
Accumulated Amortization		(518,426)	(258,858)
Net Book Value		776,574	1,036,142
7. LONG TERM MUSHARIKAH INVESTMENT - SECURED			
Musharikhah investment		93,186,478	98,482,291
Less: Current portion of long term musharikhah investment	9	(56,682,963)	(52,605,670)
Less: Provision against musharikhah investment	7.2	(14,881,388)	(7,154,714)
		21,622,127	38,721,907
7.1	The profit charged on these facilities ranged from 14.02% to 20.07% (2011:14.37% to 20.07%). These facilities are secured by way of personal guarantees and mortgage of properties.		
	Note	2012 Rupees	2011 Rupees
7.2 Provision against musharikhah investment			
Opening balance		7,154,714	2,617,200
Additions during the year		7,726,674	4,537,514
Transferred / reversed during the year		-	-
		7,726,674	4,537,514
Closing balance		14,881,388	7,154,714
8. SHORT TERM MORABAHA INVESTMENT - SECURED			
Gross Morabaha Investment		828,729,348	962,398,941
Add: Unearned morabaha income	8.2	8,163,234	6,810,367
		836,892,582	969,209,308
Less: Provision for doubtful morabaha investment	8.3	(339,107,761)	(291,795,157)
		497,784,821	677,414,151
8.1	These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 15.23% to 18.87% (2011: 15.23% to 18.78%).		



8.2 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin.

	Note	2012 Rupees	2011 Rupees
8.3 Provision for doubtful morabaha investment			
Opening balance		291,795,157	244,365,169
Additions during the year		47,312,604	49,991,628
Transferred / reversed during the year		-	(2,561,640)
		47,312,604	47,429,988
Closing balance		339,107,761	291,795,157

9. CURRENT MATURITY OF LONG TERM INVESTMENT

Morabaha investment	9.1	-	-
Unearned morabaha income		-	-
		-	-
Musharikah investment		56,682,963	52,605,670
		56,682,963	52,605,670

9.1 Morabaha investment

Morabaha Investment		8,800,000	8,800,000
Less: Provision for doubtful morabaha investment	9.1.1	(8,800,000)	(8,800,000)
		-	-

9.1.1 Provision for doubtful morabaha investment

Opening balance		8,800,000	9,500,000
Reversed during the year		-	(700,000)
Closing balance		8,800,000	8,800,000

10. PROPERTY ACQUIRED AGAINST SATISFACTION OF CLAIM

Opening balance		6,050,000	22,850,000
Addition during the year		40,000,000	-
Deletion during the year		-	(16,800,000)
Closing balance	10.1	46,050,000	6,050,000

10.1 This represents three plots (2011: one plot) acquired from parties against satisfaction of morabaha investment. These plots are not held for appreciation in value or for earning rentals and are to be sold to recover the amount in near future having the fair value of Rs. 46.050 million (2011: Rs. 6.050 million).



	Note	2012 Rupees	2011 Rupees
11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Profit receivable			
Morabaha investment	11.1	6,335,014	17,792,098
Musharikah investment	11.2	467,335	1,955,955
		6,802,349	19,748,053
Ijarah rental receivables	11.3	390,605,630	373,346,204
Prepayments		273,006	273,024
Other receivables		52,009,813	44,349,433
		449,690,798	437,716,714
Less: Provision for non performing assets	11.4	(10,421,486)	(12,347,036)
		439,269,312	425,369,678
11.1 Morabaha profit receivable			
Morabaha profit receivable		44,593,192	55,647,326
Less: Income transferred to suspense	11.1.1	(38,258,178)	(37,855,228)
		6,335,014	17,792,098
11.1.1 Income transferred to suspense			
Opening balance		37,855,228	33,697,910
Addition / (Reversal) during the year		402,950	4,157,318
Closing balance		38,258,178	37,855,228
11.2 Musharikah profit receivable			
Musharikah profit receivable		18,952,025	13,754,546
Less: Income transferred to suspense	11.2.1	(18,484,690)	(11,798,591)
		467,335	1,955,955
11.2.1 Income transferred to suspense			
Opening balance		11,798,591	6,526,973
Addition / (Reversal) during the year		6,686,099	5,271,618
Closing balance		18,484,690	11,798,591



	Note	2012 Rupees	2011 Rupees
11.3 Lease rental receivables			
Lease rental receivables		491,724,416	468,824,246
Less: Income transferred to suspense	11.3.1	(101,118,786)	(95,478,042)
		390,605,630	373,346,204
11.3.1 Income transferred to suspense			
Opening balance		95,478,042	84,332,374
Addition during the year		5,640,744	11,145,668
Closing balance		101,118,786	95,478,042
11.3.2 Future lease rentals receivables			
Aggregate amount of future lease rentals receivable on the basis of agreements executed upto 30 June 2012 are as follows:			
	Note	2012 Rupees	2011 Rupees
Upto one year		320,758,883	607,166,190
Above one year and upto five year		431,041,256	777,297,647
		751,800,139	1,384,463,837
11.4 Provision for non performing assets			
Opening balance		12,347,036	4,332,641
Additions during the year		1,430,864	8,014,395
Reversed during the year		(3,356,415)	-
		(1,925,551)	8,014,395
Closing balance		10,421,485	12,347,036



	Note	2012 Rupees	2011 Rupees
12. CASH AND BANK BALANCES			
Cash with banks			
Current accounts	12.1	21,125,990	18,704,195
Deposit accounts	12.2	27,000,000	68,700,000
Saving accounts	12.3	10,375,033	95,006,067
Current account with State Bank of Pakistan	12.4	7,700	361
		58,508,723	182,410,623
Cash in hand		592	85
		58,509,315	182,410,708

12.1 The balance of Rs.0.902 million (2011: Rs. 7.442 million) is maintained with The Bank of Punjab (the holding Company of the Modaraba's Management Company).

12.2 Under the terms and condition for the issuance of certificates of musharikhah (both long & short term) , the Modaraba is required to maintain a Redemption Reserve Fund equal to at least 5% of the contribution received, which may be utilized for redemption purposes.The balance has been placed in liquid, shariah compliant instruments to comply with the requirement.

12.3 The rate of profit on deposit and saving accounts ranges between 5% to 11.75% (2011: 5% to 13.15%).

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

	2012 Rupees	2011 Rupees
13. CERTIFICATE CAPITAL		
Authorized certificate capital		
50,000,000 modaraba certificates of Rs.10 each.	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital		
20,000,000 modaraba certificates of Rs 10 each fully paid up in cash	200,000,000	200,000,000
14,020,000 modaraba certificates of Rs 10 each issued as fully paid bonus certificates	140,200,000	140,200,000
	340,200,000	340,200,000

13.1 As at 30 June 2012, The Punjab Modaraba Services (Private) Limited (The management company) held 13,320,694 (2011: 13,320,694) certificates of Rs. 10 each.



	Note	2012 Rupees	2011 Rupees
14. RESERVES			
Capital reserve			
Statutory reserve	14.1	114,199,168	114,199,168
Surplus on revaluation of fixed assets	5.2.2	13,865,497	-
Revenue reserves			
Accumulated loss		(325,566,608)	(157,953,556)
		(197,501,943)	(43,754,388)

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

	Note	2012 Rupees	2011 Rupees
15. SECURITY DEPOSITS			
Long term security deposits against Ijarah	15.1	207,389,550	258,273,368
Less: Current maturity of security deposits	18	(62,808,586)	(85,282,309)
		144,580,964	172,991,059
Margin against LG		1,002,300	2,469,605
		145,583,264	175,460,664

15.1 This includes security deposit amounting to Rs. 82.7 million (2011: Rs. 57.84 million) against those Ijarahs where the customer has defaulted payments of rentals and the Modaraba has filed suits for recovery. The Modaraba expects the settlement of these security deposits after one year subject to the decision of court cases and therefore calssified these security deposits as long term.

	Note	2012 Rupees	2011 Rupees
16. LONG TERM MORABAHA FINANCE-SECURED			
Opening balance		38,810,222	-
Additions during the year		9,073,000	40,588,000
Less: Paid during the year		(30,587,053)	(1,777,778)
		17,296,169	38,810,222
Less: Current maturity	18	(17,296,169)	(27,058,666)
Closing balance		-	11,751,556

16.1 Modaraba has availed morabaha finance facilities from Al-Baraka bank having approved limits of Rs.80 million (2011: Rs.80 million). This facility is secured by way of hypothecation charge over present and future book debts and receivables of Modaraba for an amount of Rs. 267 million. The estimated share of profit payable on morabaha facility ranges from 14.30% to 14.36% (2011: 14.32% to 14.35%).



	Note	2012 Rupees	2011 Rupees
17. REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED			
Redeemable capital -Long term	17.1	7,200,000	83,700,000
Less: Current portion of long term Redeemable capital	18	(7,200,000)	(76,500,000)
		-	7,200,000
		-	7,200,000
17.1	The share of profit payable on certificates of Musharikhah ranges from 13.75% to 14% (2011: 13% to 15%).		
18. CURRENT MATURITY OF NON CURRENT LIABILITIES			
Security deposits	15	62,808,586	85,282,309
Morabaha finance	16	17,296,169	27,058,666
Redeemable capital	17	7,200,000	76,500,000
		87,304,755	188,840,975
		87,304,755	188,840,975
19. SHORT TERM MUSHARIKAH FINANCE SECURED			
Opening balance		878,487,257	-
Additions during the year		2,868,118,774	878,487,257
Less: Paid during the year		(2,705,073,858)	-
		163,044,916	878,487,257
	19.1	1,041,532,173	878,487,257
		1,041,532,173	878,487,257
19.1	During the year the Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs.1,060 million (2011: Rs.1,160 million). These facilities are secured by way of hypothecation charge over present and future book debts and receivables of Modaraba for an amount of Rs. 1,900 million. The estimated share of profit payable on musharikhah facilities ranges from 11.91% to 13.54% (2011: 14.09% to 15.28%).		
20. REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED			
Opening balance		963,061,760	609,988,404
Issued during the year		1,337,354,284	2,153,777,639
Less: Redeemed during the year		(1,877,900,962)	(1,800,704,283)
		(540,546,678)	353,073,356
Closing balance	20.1	422,515,082	963,061,760
		422,515,082	963,061,760
20.1	The share of profit payable on certificates of Musharikhah ranges from 10.51% to 15.50% (2011: 11.20% to 15.50%).		



	Note	2012 Rupees	2011 Rupees
21. MARKUP PAYABLE			
Musharikhah finances		26,735,342	-
Morabaha finances		1,884,385	9,618,185
Redeemable capital		5,484,147	18,312,458
		34,103,874	27,930,643
21. TRADE AND OTHER PAYABLES			
Accrued expenses		596,459	351,000
Advance ijarah rentals		-	279,070
Lease participation money		40,500	40,500
Tax deducted at source		293	1,049,355
Margin against LG	22.1	77,550	50,357,067
Other payables	22.2	15,881,529	7,958,729
		16,596,331	60,035,721

21.1 These include Rs.1,210,190 (2011: Rs.162,000) charged as penalty @ Rs 0.05 per thousand rupees on daily product basis on amount not paid by the clients in time, as required by the provisions of morabaha agreements. This amount shall be utilized for charitable and religious purposes as recognized by the Shariah.

23. CONTINGENCIES AND COMMITMENTS

23.1 Commitments

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

23.1.2 Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2003 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and made additions on account of provision for bad debts, which resulted in a tax liability of Rs. 27,410,608. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%, resultantly the rectification order passed by the tax department and reduced the tax liability to Rs. 14,580,110. The Modaraba also filed an appeal before the CIR (Appeals) for tax year 2003 against the order of ACIR. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 14,580,110 vide order No. 31 dated 27 June 2009. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which is pending for adjudication.



- 23.1.3** Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2005 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance in an arbitrary manner and assessing the taxable income at Rs. 49,845,335 and tax liability at Rs. 17,667,886. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%. Further, the Modaraba has filed an appeal before the CIR (Appeals) for tax year 2005 against this order. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 17,667,886. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which is pending for adjudication.
- 23.1.4** Additional Commissioner Inland Revenue (ACIR) has issued notice under section 122 (9) read with section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2006 intending to amend the assessment by rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance. The Modaraba has made compliance to the said notice, however, no order has been issued by the ACIR.
- 23.1.5** Aggregate amount of guarantee given by a bank on behalf of the Modaraba in respect of the Bid Bond, Performance, Advance Payment and Payment Guarantee aggregated Rs. 7.199 million. (2011: Rs. 225.022 million)

23.2 Commitments

- 23.1.1** Ijarah commitments approved but not disbursed as on balance sheet date amount to Rs. Nil (2011 : Rs. 50.90 million).
- 23.1.2** Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs. Nil (2011 : Rs. 25.00 million).

	2012 Rupees	2011 Rupees
24. OPERATING INCOME		
24.1 Income from ijarah		
Ijarah Income	538,148,321	788,413,781
Less: Rentals suspended	(5,640,744)	(11,145,668)
Total Income from ijarah	532,507,577	777,268,113
24.2 Profit earned on Morabaha investment		
Morabaha investment	34,780,199	52,673,384
Less: Suspension	(402,950)	(4,157,318)
Total Income from Morabaha investment	34,377,249	48,516,066



	Note	2012 Rupees	2011 Rupees
24.3 Profit earned on Musharikah investment			
Musharika investment		11,551,911	11,016,912
Less: Suspension		(6,686,099)	(5,271,618)
Total Income from Musharikah investment		4,865,812	5,745,294
		571,750,638	831,529,473
25 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		4,833,729	4,707,541
Financial charges		7,690,565	-
Income from other than financial assets			
Processing fee		22,557,083	12,481,997
Commission income		931,561	3,869,276
Miscellaneous income		1,818,812	1,143,987
		25,307,456	17,495,260
		37,831,750	22,202,801
26. OPERATING EXPENSES			
Salaries, wages and other benefits	26.2	18,269,765	16,601,011
Depreciation on fixed assets - owned	5.2	3,499,836	3,600,838
Amortization of computer software	6.2	259,568	258,858
Travelling and conveyance		191,512	222,716
Legal and professional		1,326,233	2,000,934
Printing and stationery		656,031	954,544
Insurance		258,459	215,527
Brokerage & Commission		-	112,000
Fee and subscription		539,343	600,312
Auditors' remuneration	26.3	525,437	568,000
Repair and maintenance		1,125,140	993,198
Vehicle running & maintenance		2,974,826	2,484,348
Power & utilitiles		1,575,240	1,415,315
Entertainment		456,424	378,650
Advertisement		69,120	126,780
Telephone and postage		648,346	903,217
Corporate Expenses		296,027	563,578
Staff training		380,000	4,000
Rent, rates and taxes		162,604	62,654
Security charges		312,600	302,518
Miscellaneous		179,871	239,224
		33,706,382	32,608,222



- 26.1** Office space expenses are borne by Punjab Modaraba Services (Private) Limited (the management company).
- 26.2** Salaries and other benefits include Rs. 1.530 million (2011: Rs.1.201 million) on account of provident fund contribution.

	2012 Rupees	2011 Rupees
26.3 Auditors' remuneration		
Audit fee	300,000	300,000
Half yearly review and others	200,000	200,000
Out of pocket expenses	25,437	68,000
	525,437	568,000

27. FINANCE COST

Profit on morabaha finances	4,885,658	23,954,721
Profit on musharikah finances	112,134,886	137,619,068
Profit on redeemable capital	99,276,824	107,998,545
Bank and other charges	793,636	1,418,132
	217,091,004	270,990,466

28. (LOSS)/EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit / (loss) for the year	Rupees	(167,613,052)	(70,182,027)
Weighted average number of ordinary certificates	Numbers	34,020,000	34,020,000
Earnings / (loss) per certificate	Rupees	(4.9)	(2.06)



29. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise of Bank of Punjab and Punjab Modaraba Services (Pvt) Limited. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

	2012 Rupees	2011 Rupees
29.1 Balance outstanding at the end of period		
29.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)		
Musharikhah finances	1,041,532,170	878,487,255
Profit payable on musharikhah finances	26,735,342	-
Net book value of the assets leased to employees	5,670,464	10,227,581
Lease security deposits	1,669,570	2,497,970
Certificates of musharikhah	300,000,000	300,000,000
Profit payable on certificates of musharikhah	3,143,836	3,688,767
29.1.2 BOP Employee Provident Fund		
Certificates of musharikhah	60,000,000	75,000,000
Profit payable on certificates of musharikhah	1,260,816	171,375
29.1.3 Punjab Modaraba Services (Pvt) Limited (Modaraba's Management company)		
Due to management company	-	-
29.2 Transactions during the year		
29.2.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)		
Ijarah rentals income	4,566,553	7,526,598
Profit charged on finances	112,134,886	137,619,068
Profit charged on certificates of musharikhah	25,635,206	41,671,918
29.2.2 BOP Employee Provident Fund		
Profit charged on certificates of musharikhah	9,381,969	10,425,000

**30. REMUNERATION OF OFFICERS AND EXECUTIVES**

	2012		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	14,359,666	904,088	15,263,754
Medical allowance	932,006	53,433	985,439
Utility allowance	932,016	53,433	985,449
Provident Fund contribution	734,940	30,408	765,348
Expenses reimbursed	54,000	-	54,000
	17,012,628	1,041,362	18,053,990
Number of employees at the year end	23	7	30

	2011		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	12,718,069	785,978	13,504,047
Medical allowance	790,607	37,818	828,425
Utility allowance	790,607	37,818	828,425
Provident Fund contribution	1,165,474	35,840	1,201,314
Expenses reimbursed	46,800	-	46,800
	15,511,557	897,454	16,409,011
Number of employees at the year end	26	8	34



31. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

31.1 Credit risk

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

	2012 Rupees	2011 Rupees
Cash and bank balances	58,508,723	182,410,623
Musharika investment	78,305,090	91,327,577
Morabaha investment	497,784,821	677,414,151
Advances, deposits and other receivables	438,996,307	425,096,654
Long term deposits	656,944	656,944
	1,074,251,885	1,376,905,949

31.1.1 Bank balances

The Modaraba kept its surplus funds with banks having good credit rating. Currently the surplus funds are kept with banks having medium to long term rating from AAA to A and short term rating from A1+ to A1.

31.1.2 Description of Collateral held

The Company's Ijarah leases are secured against assets leased out and personal guarantees. In a few leases additional collateral is also obtained in the form of mortgaged property.

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

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



31.1.3 Aging Analysis of Morabaha receivables

<u>Past due</u>	2012			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	6,016,889	6,016,889	-	-
1 day - 179 days	318,125	318,125	-	-
180 days - 364 days	-	-	402,950	402,950
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	14,627,621	14,627,621
3 year or more	-	-	23,227,607	23,227,607
Total	6,335,014	6,335,014	38,258,178	38,258,178

<u>Past due</u>	2011			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	6,428,925	6,428,925	-	-
1 day - 179 day	6,162,624	6,162,624	-	-
180 days - 364 days	3,200,549	3,200,549	-	-
1 year - less than 2 year	2,000,000	2,000,000	14,627,621	14,627,621
2 year - less than 3 year	-	-	14,742,264	14,742,264
3 year or more	-	-	8,485,343	8,485,343
Total	17,792,098	17,792,098	37,855,228	37,855,228

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

31.1.4 Aging Analysis of Morabaha investment

<u>Past due</u>	2012			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
	-----Rupees-----			
0 days	211,413,234	211,413,234	-	-
1 day -179 days	-	-	-	-
180 days- 364 days	60,003,200	46,510,000	14,000,000	506,800
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	136,700,354	72,000,000	112,500,000	47,799,646
3 year or more	89,668,033	2,651,685	386,617,663	299,601,315
Total	497,784,821	332,574,919	513,117,663	347,907,761



<u>Past due</u>	2011			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
	-----Rupees-----			
0 days	208,234,367	208,234,367	-	-
1 day -179 days	164,505,593	164,505,593	-	-
180 days- 364 days	82,285,714	12,000,000	72,000,000	1,714,286
1 year - less than 2 year	138,481,803	-	173,787,500	35,305,697
2 year - less than 3 year	9,174,232	-	39,712,500	30,538,268
3 year or more	74,732,442	22,151,685	285,617,663	233,036,906
Total	677,414,151	406,891,645	571,117,663	300,595,157

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

31.1.5 Aging Analysis of Ijarah receivables

<u>Past due</u>	2012			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	25,402,418	25,402,418	-	-
1 day -179 days	24,101,756	24,101,756	-	-
180 days - 364 days	2,507,533	2,507,533	3,699,126	3,699,126
1 year - less than 2 year	37,290,809	37,290,809	3,105,138	3,105,138
2 year - less than 3 years	67,573,934	67,573,934	28,230,405	28,230,405
3 year or more	203,916,088	203,916,088	66,084,117	66,084,117
Total	360,792,538	360,792,538	101,118,786	101,118,786

<u>Past due</u>	2011			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	14,083,531	14,083,531	-	-
1 day -179 days	58,599,189	58,599,189	-	-
180 days - 364 days	28,912,263	28,912,263	2,504,100	2,504,100
1 year - less than 2 year	80,713,258	80,713,258	30,473,036	30,473,036
2 year - less than 3 years	107,211,092	107,211,092	40,200,046	40,200,046
3 year or more	83,826,874	83,826,874	22,300,860	22,300,860
Total	373,346,207	373,346,207	95,478,042	95,478,042

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



31.1.6 Aging Analysis of Musharikhah receivables

<u>Past due</u>	2012			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	176,854	176,854	-	-
1 day -179 days	290,480	290,480	-	-
180 days - 364 days	-	-	3,984,913	3,984,913
1 year - less than 2 year	-	-	298,279	298,279
2 year - less than 3 year	-	-	204,210	204,210
3 Year or more	-	-	13,997,288	13,997,288
	467,334	467,334	18,484,690	18,484,690

<u>Past due</u>	2011			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	783,482	783,482	-	-
1 day -179 days	1,172,473	1,172,473	-	-
180 days - 364 days	-	-	282,332	282,332
1 year - less than 2 year	-	-	196,236	196,236
2 year - less than 3 year	-	-	11,320,023	11,320,023
	1,955,955	1,955,955	11,798,591	11,798,591

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

31.1.7 Aging Analysis of Musharikhah investment

<u>Past due</u>	2012			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
	-----Rupees-----			
0 days	12,921,040	12,921,040	-	-
90 days - 179 days	21,255,726	21,255,726	-	-
1 day -364 days	19,500,000	19,500,000	-	-
1 year - less than 2 year	1,767,916	-	2,209,895	441,979
2 year - less than 3 year	649,908	-	1,299,817	649,909
3 Year or more	22,210,500	-	36,000,000	13,789,500
Total	78,305,090	53,676,766	39,509,712	14,881,388

<u>Past due</u>	2011			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
	-----Rupees-----			
0 days	21,136,651	21,136,651	-	-
1 day - 179 days	37,835,927	37,835,927	-	-
180 days - 364 days	2,209,895	2,209,895	-	-
1 year - less than 2 year	1,039,854	-	1,299,818	259,964
2 year - less than 3 year	29,105,250	-	36,000,000	6,894,750
	91,327,577	61,182,473	37,299,818	7,154,714

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



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

Break down of credit risk exposure by class of business as at 30 June 2012 is as follows:

	Asset leased out Rupees	Morabaha investment Rupees	Musharikhah investment Rupees	2012 Total Rupees	% age
Banks and NBFIs	6,478,160	-	-	6,478,160	0.50
Textiles spinning and composite	126,294,982	85,210,932	-	211,505,914	16.30
Sugar and allied	226,535,568	31,907,637	-	258,443,205	19.92
Electric goods	39,620,309	155,190,599	-	194,810,908	15.01
Chemicals and Pharmaceuticals	9,849,565	125,440,521	-	135,290,086	10.43
Paper and board	35,721,065	12,328,783	-	48,049,848	3.70
Food and allied	34,171,098	16,556,899	50,350,235	101,078,232	7.79
Individuals	51,453,671	12,862,501	3,326,531	67,642,703	5.21
Jute	-	-	22,210,500	22,210,500	1.71
Oil and Gas	1,674,008	7,176,776	-	8,850,784	0.68
Miscellaneous	106,916,320	21,629,820	2,417,824	130,963,964	10.09
Aviation and transport	6,768,037	29,480,353	-	36,248,390	2.79
Engineering, Steel & Construction	62,765,063	-	-	62,765,063	4.84
Cement	13,376,393	-	-	13,376,393	1.03
	721,624,239	497,784,821	78,305,090	1,297,714,150	100

	Asset leased out Rupees	Morabaha finance Rupees	Musharikhah finance Rupees	2011 Total Rupees	% age
Banks and NBFIs	11,236,035	-	-	11,236,035	0.57
Textiles spinning and composite	191,937,226	92,437,399	-	284,374,625	14.54
Sugar and allied	328,560,350	-	-	328,560,350	16.80
Electric goods	-	69,346,250	-	69,346,250	3.55
Chemicals and Pharmaceuticals	27,448,388	152,861,591	-	180,309,979	9.22
Paper and board	27,204,011	26,256,742	-	53,460,753	2.73
Food and allied	51,090,796	29,595,000	57,335,927	138,021,723	7.06
Individuals	75,849,685	42,869,061	1,636,629	120,355,375	6.15
Jute	-	-	29,105,272	29,105,272	1.49
Oil and Gas	28,841,942	7,700,000	-	36,541,942	1.87
Miscellaneous	164,371,854	121,525,146	3,249,749	289,146,749	14.78
Aviation and transport	14,775,497	-	-	14,775,497	0.76
Engineering	250,047,282	134,822,962	-	384,870,244	19.68
Cement	15,967,510	-	-	15,967,510	0.82
	1,187,330,576	677,414,151	91,327,577	1,956,072,304	100



31.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2012					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	-----Rupees-----					
Financial liabilities						
Redeemable capital	429,715,082	441,265,091	432,665,091	1,400,000	7,200,000	
Morabaha finance	17,296,169	17,296,169	16,792,111	504,056		
Security deposits against lease	207,389,550	207,389,550	124,297,337	22,194,733	18,843,770	42,053,710
Margin against LG	1,002,300	1,002,300	1,002,300	-	-	-
Musharika finance	1,027,330,894	1,089,218,433	1,089,218,433	-	-	-
Deferred morabaha income	8,163,234	8,163,234	8,163,234	-	-	-
Unclaimed profit distribution	12,186,163	12,186,163	12,186,163	-	-	-
Trade and other payable	18,654,155	18,654,155	18,654,155	-	-	-
Markup payable	34,103,874	34,103,874	34,103,874	-	-	-
	1,767,981,492	1,839,661,256	1,747,464,985	24,098,789	26,043,770	42,053,710
<hr/>						
	2011					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	-----Rupees-----					
Financial liabilities						
Redeemable capital	1,046,761,760	1,113,661,421	805,022,031	300,508,716	8,130,674	-
Morabaha finance	38,810,222	43,540,821	16,081,627	15,113,069	12,346,125	-
Security deposits against lease	260,742,973	260,742,973	58,501,000	84,120,788	52,598,446	65,522,739
Musharika finance	-	1,054,333,931	-	1,054,333,931	-	-
Deferred morabaha income	6,810,367	6,810,367	6,810,367	-	-	-
Unclaimed profit distribution	12,329,312	12,329,312	12,329,312	-	-	-
Trade and other payable	60,035,721	60,010,657	60,010,657	-	-	-
Markup payable	27,930,643	27,930,643	27,930,643	-	-	-
	1,453,420,998	2,579,360,125	986,685,637	1,454,076,504	73,075,245	65,522,739

31.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and profit payable thereon).

31.3 Market risk

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

**31.3.1 Interest rate risk**

At the reporting date the interest rate profile of Modaraba's significant interest bearing financial instruments and the periods in which they mature is as follows:

	2012	2011	2012	2011
	Effective interest rate (Percentage)		Carrying amount (Rupees)	
Financial assets				
Musharikhah investment	14.02 - 20.07	14.37 - 20.07	78,305,090	91,327,577
Morabaha investment	15.23 - 18.87	15.23 - 18.78	518,090,822	677,413,972
Cash and bank balances	5.00 - 11.75	5.00 - 13.00	58,509,315	182,410,708
			654,905,227	951,152,257
Financial liabilities				
Redeemable Capital	10.51 - 14.00	11.20 - 15.50	429,715,082	1,046,761,760
Morabaha finances	14.30 - 14.36	12.28 - 14.35	17,296,169	38,810,222
Musharikhah finances	11.91 - 13.54	14.09 - 15.28	1,041,532,173	878,487,257
Deferred morabaha income	15.23 - 18.87	15.23 - 18.78	8,163,234	6,810,367
Markup payable	10.51 - 14.36	11.20 - 15.50	34,103,874	27,930,643
			1,530,810,532	1,998,800,249

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the basis for 2012.

	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial assets	10,436,210	(10,510,182)
Cash flow sensitivity-Variable rate financial liabilities	(16,429,682)	16,279,671
Net effect	(5,996,472)	5,769,491
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial assets	16,194,995	(16,422,781)
Cash flow sensitivity-Variable rate financial liabilities	(19,463,033)	19,343,033
Net effect	(3,268,038)	2,920,252

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



31.3.2 Currency risk

As at 30 June 2012 there is no foreign exchange exposure on Morabaha's balance sheet.

31.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Modaraba's activities.

- The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.
- The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management company. This responsibility encompasses the controls in the following areas:
 - requirements for appropriate segregation of duties between various functions, roles and responsibilities;
 - requirements for the reconciliation and monitoring of transactions;
 - compliance with regulatory and other legal requirements;
 - documentation of controls and procedures;
 - requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
 - ethical and business standards;
 - risk mitigation, including insurance where it is effective.

31.5 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs

31.6 Capital risk management

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



	2012 Rupees	2011 Rupees
32. Cash generated from operations		
Loss before taxation	(167,613,052)	(70,182,027)
Adjustment for non cash expenses and other items:		
Provision for morabaha investment	47,312,604	46,729,988
Provision for musharikhah investment	7,726,674	4,537,514
Provision for impairment of ijarah assets	51,086,240	28,159,752
Other provisions	(1,925,551)	8,014,395
Depreciation of assets leased out	429,969,482	531,448,540
Depreciation on owned assets	3,499,836	3,600,838
Amortization on Intangible assets	259,568	258,858
Profit on redeemable capital	99,276,824	109,416,677
Bank and other charges	793,636	
Profit on morabaha/musharikhah finances	117,020,544	161,573,789
Gain on disposal of fixed assets	(7,771,395)	1,425,425
Reversal of financial charges	(7,690,565)	-
Other expenses	-	1,504,238
Operating profit before working capital changes	571,944,845	826,487,987
Working capital changes		
Decrease / (Increase) in operating assets		
Musharikhah investment	-	-
Morabaha investment	133,669,593	(52,529,591)
Purchase of assets under ijarah arrangements	(168,864,975)	(440,131,818)
Proceeds from disposal of assets under ijara arrangement	161,225,284	138,760,750
Long term deposits	-	(491,884)
Proceeds against banking claim	(40,000,000)	16,200,000
Advances, deposits, prepayments and other receivables	(11,974,084)	(69,631,798)
	74,055,818	(407,824,341)
(Decrease) / Increase in operating liabilities		
Trade and other payables	(43,439,390)	(3,305,359)
Security deposit received against ijarah arrangements	6,305,760	31,764,055
Security deposit refunded against ijarah arrangements	(57,189,578)	(65,064,229)
	(94,323,208)	(29,994,815)
Net changes in operating assets and liabilities	(20,267,394)	(437,819,153)
Cash generated from/ (used in) operations	551,677,451	388,668,834



33. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

33.1 Provision against non-performing loans and advances

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

33.2 Income taxes

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. However, due to loss for the year, no provision for taxation has been made in these financial statements.

34. DATE OF AUTHORIZATION FOR ISSUE

The financial statements of Modaraba were approved by the directors of Modaraba Management Company and authorized for issue on 28 December 2012.

35. GENERAL

- Figures have been rounded off to the nearest rupee.

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

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