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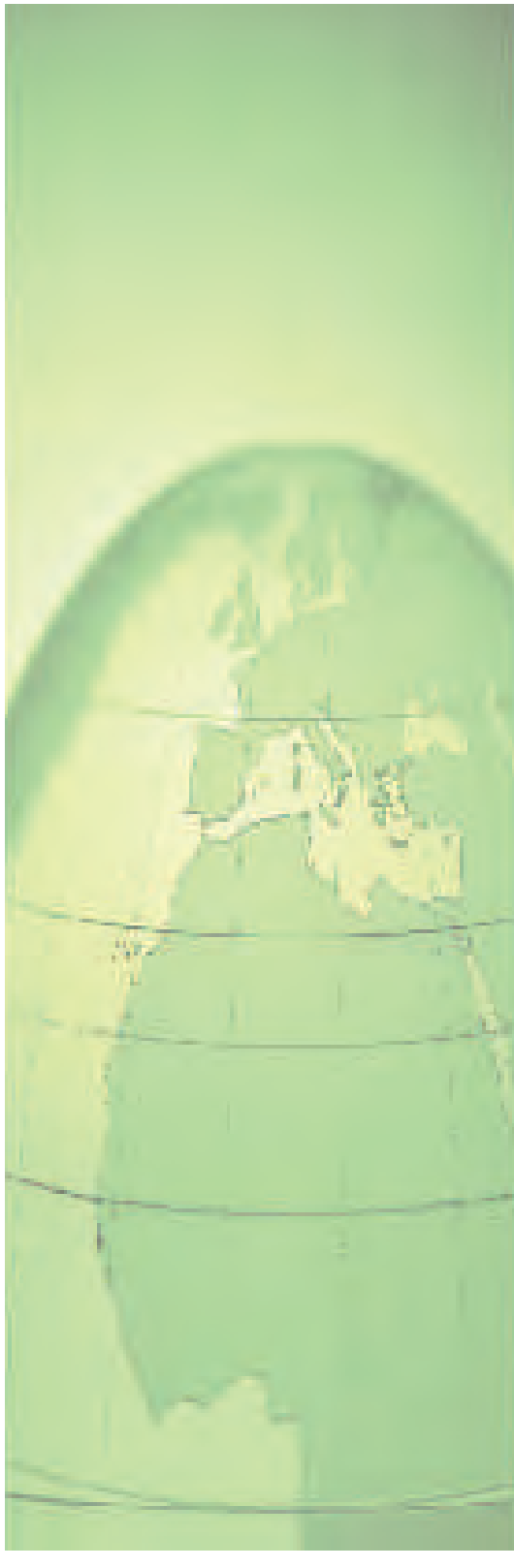

INTERNATIONAL & REGIONAL LEASING ASSOCIATIONS

AFRICAN LEASING ASSOCIATION (AFROLEASE)

C/o Leasafric Ghana Limited,
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P.O. Box CT 2430,
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E-mail:
afrolease@yahoo.com,
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Website: www.afrolease.net

ASIAN FINANCIAL SERVICES ASSOCIATION (AFSA)

Plaza Sentral Building,
14th Floor, Jl. Jend.
Sudirman No. 47,
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Indonesia.

Tel: (62-21) 5288 0113
/ 5288 0124,
Fax: (62-21)- 5288 0114
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secretariat@afsaworld.org
Website: www.afsaworld.org

FEDERACION LATINOAMERICANA DE LEASING - FELALEASE

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INSTITUTE OF INTERNATIONAL CONTAINER LESSORS (IICL)

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NBFI & MODARABA ASSOCIATION OF PAKISTAN

602, Progressive Centre,
30-A, Block-6, PECHS,
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association@nbfi-modaraba.com.pk
Website:
www.nbfi-modaraba.com.pk

THE EUROPEANS FEDERATION OF LEASING COMPANY ASSOCIATIONS (LEASE EUROPE)

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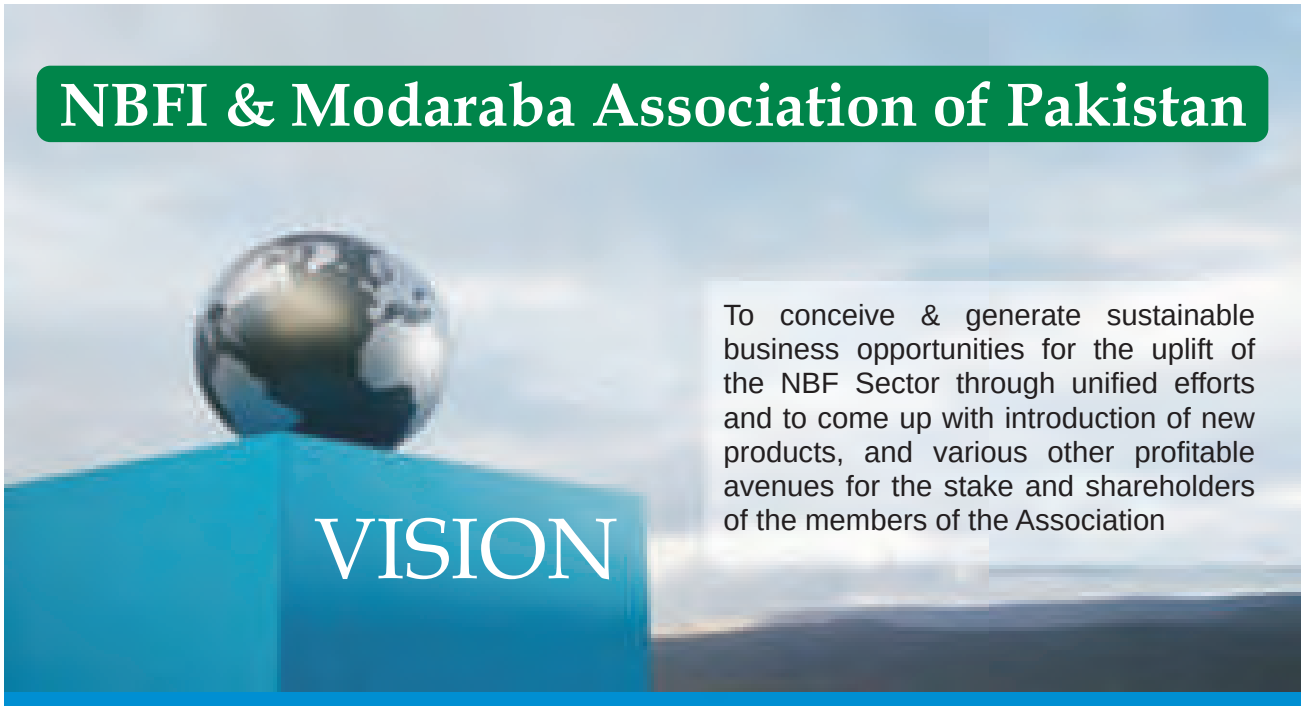
Fax: + 32 2 778 05 78
E-mail:
i.vermeersch@leaseurope.org
Website: www.leaseurope.org

NBFI & Modaraba Association of Pakistan



VISION

To conceive & generate sustainable business opportunities for the uplift of the NBF Sector through unified efforts and to come up with introduction of new products, and various other profitable avenues for the stake and shareholders of the members of the Association

MISSION STATEMENT

- To be the source of providing an intellectual platform to members, so as to address & redress business issues & concerns through collective efforts.
- To assist and guide members through joint forums for achieving consistent growth for the NBFC Sector.
- To be able to create an atmosphere of trust and confidence amongst the regulators and members.
- To get facilitated and manage to resolve regulatory and compliance issues with the regulators as and when faced by the members generally.
- To receive, assess and make implementation, recommendation of the research on remodeled business avenues and opportunities from members and consultants.
- To liaise with the regulators on seeking amendments to unnecessary restrictive business modules of the Leasing, Modarabas and Investment Finance Services.
- To hold special brain storming meetings to conceive new products for the uplift of the sector.

ASSOCIATION'S SECRETARIAT

Secretariat

Mr. Muhammad Samiullah
Secretary General

Registered Office

602, Progressive Centre, 30-A,
Block-6, P.E.C.H.S., Shahrah-e-Faisal,
Karachi-75400, Pakistan.

Phone: (92-21) 34389774, 34322440
Fax: (92-21) 34389775
E-mail: association@nbfi-modaraba.com.pk
Website: www.nbfi-modaraba.com.pk

Auditors

Baker Tilly Mehmood Idrees Qamar & Co.
Chartered Accountants

Tax Advisor

Shekha & Mufti
Chartered Accountants

Legal Advisor

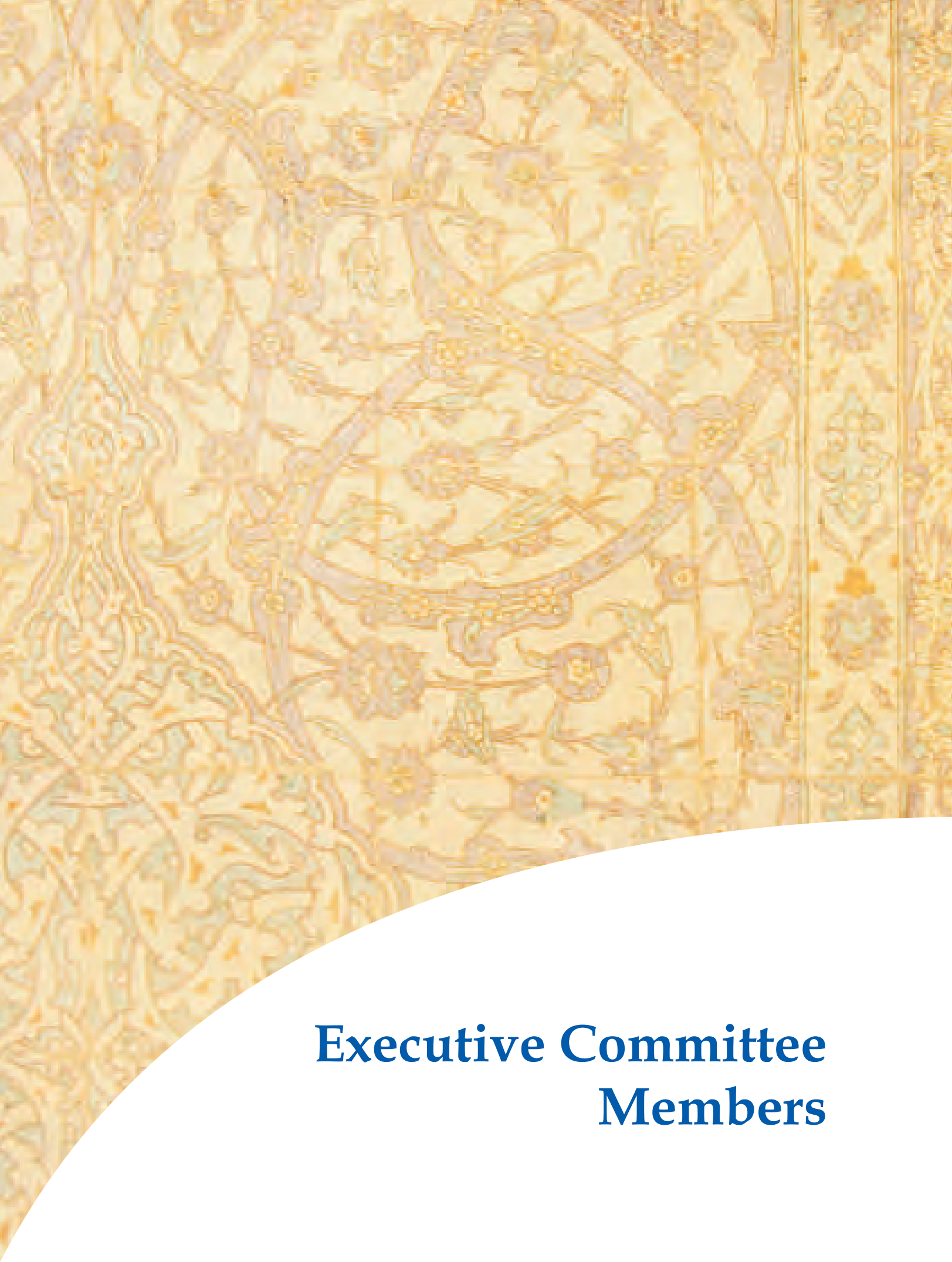
Mohsin Tayebaly & Co.
Advocates & Legal Consultants

Shariah Advisor

Mufti Abdul Sattar Laghari

Bankers

BankIslami Pakistan Limited



Executive Committee Members

EXECUTIVE COMMITTEE 2012-2013

Raheel Q. Ahmad
Chairman

Raheel Q. Ahmad was appointed as Managing Director/ Chief Executive of Standard Chartered Services of Pakistan (Private) Limited with effect from June 01, 2011. He has 21 years of diversified corporate and investment banking experience with both local and international organisations. He is an Engineer from UET, Lahore and has completed MBA from Illinois Institute of Technology, Chicago, USA. He has held senior positions in Mashreqbank psc, United Bank Limited and Allied Bank Limited. Prior to this assignment, he was heading the Local Corporates segment in Origination and Client Coverage (OCC) SCBPL from January 2009.

Mohammed Khalid Ali
Vice Chairman

Mr. Ali is an MBA (Finance & Accounting) from the Institute of Business Administration, Karachi. He is an Investment Banker by profession who has worked in senior positions for more than 35 years with industrial and trading conglomerates in Pakistan and United Arab Emirates. His career highlights include working for Wardlay Middle East Limited, Dubai, which was the Merchant Banking arm of Hong Kong & Shanghai Banking Group, HSBC Treasury. Presently he is Chief Executive of Security Leasing Corporation Limited.

Muhammad Samiullah
Secretary General

Mr. Muhammad Samiullah, Secretary General, holds a master degree in Economics, L.L.B, DIABP, PGD in Islamic Finance & Banking having a vast experience of banking and financial sector. Prior to joining Modaraba Association of Pakistan in 2001, he was Company Secretary, First Habib Bank Modaraba. He also officiated as Chief Executive of First Habib Bank Modaraba for quite some time. He is working as Secretary General of the Association.

Jalaluddin Ahmed
Member

Mr. Ahmed holds degree in B.A. Economics Statistics and has over 27 years of experience in Commercial Banking and Islamic Financial products. His commercial banking experience including 10 years of International exposure by serving United Bank Limited in various countries in the Middle East. Mr. Jalal is CEO of First Al-Noor Modaraba

Naveed Amin
Member

Mr. Naveed Amin fellow member of Institute of Chartered Accountants of Pakistan, serving the NBFC sector since 2008, presently he is serving to Invest Capital Investment Bank Ltd as Chief Executive officer.

He has wide experience in the financial and industrial sectors. Before joining the Invest bank he served Grays Leasing Limited as CEO and also spent about ten years in Textile sector (Pakistan largest industrial sector) at top managerial position.

Hassan Shahzad Abidi
Member

Mr. Shahzad Abidi has more then 20 years of industrial work experince with national and multinationals. He is fellow member of Institute of Chartered Accountants of Pakistan. He is also CEO of Allied Precision Engineering Products (Pvt.) Ltd.

Shuja Malik
Member

Mr. Shuja Malik is an Accounting and Finance graduate from the University of East London. He has experience of over 14 years in banking, sales and marketing of agro chemicals, stock market trading, pharmaceuticals, etc. He had previously been on the boards of two public limited companies, namely, Searle Pakistan Limited and United Brands Limited. Currently he is on the board of First UDL Modaraba

M. Rizwan-ul-Haque
Member

Mr. Muhammad Rizwan-ul Haque is an MBA from 'Punjab University, Lahore' with a major in finance. He has got 20-years of Investment, Corporate & Commercial Banking experience. Mr. Haque is working for about eight years as 'SEVP' and as senior-most person in First Dawood Investment Bank Ltd. Mr. Haque is also a director and elected Chairman of 'DFTL' (an Islamic Life Insurance Company).

Ramon Alfrey
Member

Mr. Alfrey is Fellow Member of the Institute of Chartered Accountant of Pakistan. He has served ORIX Leasing Pakistan Limited in various capacities in Pakistan and abroad over the past 21 years. Presently he is working as CFO with ORIX Leasing Pakistan Limited.

Syed Arif Raza
Member

Mr. Raza joined Standard Chartered Leasing Ltd in October 2009 as a Head of Remedial and Recovery / Collection. He has over 20 years of experience in Finance, Marketing, Credit, Recovery, Treasury and Risk Management. He worked in senior positions in different Leasing companies / Brokerages House/ Investment Advisory Company. Raza did MBA, CPA from US, ORACLE financial from Pakistan, and IFRS certifications from Institute of Chartered Accountant Canada.

Ayaz Ahmed
Member

Mr. Ayaz Ahmed is serving as Company Secretary of all companies of Treet Group of Companies. The Group is engaged in manufacturing and selling of Double Edge Blades, Disposable Razors, Corrugated Cartons, Paper and Board Products, soaps and assembling and selling of motorcycles. He is a Graduate and has more than twenty years experience in Corporate Matters & Secretarial Practices.

Qazi Obaid Ullah
Member

Mr. Obaidullah is a MBA- Banking & Finance and CA Intermediate, having more than 21 years of experience of Finance and Accounts, Audit, Fund Management, Corporate & Legal Affairs, Capital Market Operations, having a diversified experience of IT and Financial Sector. Presently he is working as CFO, First Equity Modaraba.

Shabbir Ahmed Jamsa
Member

Mr. Shabbir Ahmed Jamsa, Company Secretary & G.M. Taxation has 36 years vast experience in Taxation & Corporate Affairs, working with First Imrooz Modaraba for the last 18 years. Prior to this, he was associated with Mahmood Law Associates.

Messages

Dr. Abdul Hafeez Shaikh

Minister for Finance, Revenue, Economic Affairs, Statistics, Planning & Development, Government of Pakistan

I am pleased to note that NBFI & Modaraba Association of Pakistan are bringing out the Year Book - 2012. Such publication will help review and assess the performance of the sector on regular basis which is essential for public awareness, comparative analysis and policy formation.

The contribution of NBFI & Modaraba Sectors is supplementing the banking sector in credit delivery and popularizing Islamic modes of financing in the country is indeed commendable. Moreover, NBFIs and Modarabas are playing an important role in the development of Small and Medium Enterprises. The Government recognizes the importance of investment banks, leasing companies and modaraba as effective financial intermediaries which work alongside other traditional institutions, mobilize investments and expand credit regime.

Pakistan is still at a developmental stage where sustainable acceleration in the growth rate is of paramount importance. The primary focus is towards development of a self- reliant economy, restoration of investors' confidence and continuity of economic and fiscal policies. Concrete measures in these areas will stimulate investment and will ultimately give boost to industrial and economic activities.

The Government is fully aware of the problems being faced by the NBFI and Modaraba Sectors and assures its members that full support and cooperation will be extended to them.

I hope that NBFI & Modaraba Association of Pakistan will continue playing its due role in the evolution of a vibrant and progressive financial sector of the country.

Mr. Muhammad Ali

Chairman,
SECP

I am pleased to know that the NBFI & Modaraba Association ("Association") is bringing out its third year book for the year 2012 which is a comprehensive publication on the issues and performance of NBFIs and Modaraba sectors in Pakistan.

The entities within the Association i.e. leasing companies, investment banks and modarabas,owing to their unique nature, have immense potential to support the overall financial system. However, these entities are facing a variety of challenges such as absence of level playing field, limited resource mobilization, inability to tap debt and equity markets, high cost of borrowings, liquidity problems, dearth of skilled human resource, limited branch network, etc.

In view of the above, it was a widely held belief that to ensure development of these segments of the non-bank financial("NBF") sector, there was a need for in-depth review of the entire business model and prevalent regime for these entities, with the objective of getting a fresh perspective. Considering this, the SECP constituted a Reform Committee, comprising of twelve leading market professionals possessing requisite expertise and four members from the SECP.

The task of reviewing these entities was challenging, not only because the issues faced by them were significant, but also owing to their unique and diversified characteristics. Instead of following a one-size-fits-all strategy, a careful and detailed study was needed.The Reform Committee reviewed the NBFI regulatory regime, permissible activities and available products vis-à-vis the best International practices and after detailed discussions have arrived at a comprehensive set of recommendations for sustainable growth of these entities. The major recommendations of the Committee are as under:

1. Introduction and implementation of the concept of activity based regulatory.
2. Implementation of revised investment finance services model comprising of stock brokerage services, investment advisory services, corporate advisory services, securities financing services and securities underwriting services.
3. Introduction of separate regulatory regime with reduced equity requirements to encourage non-deposit taking leasing, investment finance and housing finance companies.
4. Formation of SECP's shariah board
5. Introduction of new deposit taking products/ schemes for modarabas.

The report of the Committee will be rolled out for public consideration shortly and it is expected that the industry will positively take the concepts introduced by the committee and will give their valued feedback for finalization of the revised regulatory regime for the NBF sector in Pakistan. I appreciate the significant support of Association as it has been actively engaged with SECP in comprehensive remodelling of the sector with the view to make it a vibrant and progressive component of our financial industry. I also expect that the revised NBF Regime will transform the scope and future of NBFIs and Modaraba Sector and will also result in emergence of various conventional and Islamic NBFIs.

I wish that the NBFI & Modaraba Association continues to play its due role in enhancing strength, vision and professionalism of NBFI and Modaraba Sector and promoting good corporate governance which will further strengthen its role in the growth of our national economy.

Mr. Jawed Hussain

Registrar Modaraba,
SECP

I congratulate the NBFI & Modaraba Association of Pakistan on launching its Year Book - 2012. The book has a history for providing resource information on Islamic finance & products and individual performance of modarabas.

The Securities and Exchange Commission of Pakistan (SECP) endeavors to introduce and promote Islamic finance activities in the country. The Modaraba being the pioneering Islamic financial institution in Pakistan has to play a greater role in achieving the ultimate goals of familiarizing and marketing the Islamic financial products according to the desire of the masses interested in the Shariah compliant modes of financing.

The SECP while looking at the governance arrangements, systems and controls employed by a Modaraba and to ensure Shari'ah compliance, has issued a formal Shariah Compliance and Shariah Audit Mechanism (SCSAM) last year for modaraba companies and modarabas. The role of the association is appreciable in providing valuable input for finalization of SCSAM. SCSAM is expected to complement the governance, Shariah control and compliance functions of modarabas. An independent Shariah audit and certification is expected to provide greater level of comfort to the stake holders that the business conducted by a modaraba is in conformity with the Shariah. I expect that implementation of SCSAM in true letter and spirits would improve the image of the modaraba sector in the capital and financial markets as a true Islamic financial institution.

In order to provide more avenues for resource mobilization, SECP is exploring the possibility of introducing two new fund raising products namely; Certificate of Investment (Modaraba) and Commodity Finance Certificates. It is expected that the said products would cater the liquidity needs of the Modaraba sector.

In an earlier circular of 1995, a restriction was imposed on the Modaraba Companies not to charge the management fee from the operating profit of the modaraba unless the accumulated losses of the modaraba, if any, are wiped off. In light of the practical difficulties faced by the modaraba sector and to bring the charging of management fee in line with the Islamic concept of Modaraba, the said restriction was withdrawn.

Keeping in view the practical difficulties faced by the Modarabas, a new document namely "Letter of Agreement to Ijarah" was approved for the Modaraba sector. The said document would ethically and legally bind the customers of modarabas to obtain Ijarah assets as and when delivered by the manufacture. The agreement would work as a risk mitigating

tool for Ijarah transactions to be undertaken by modarabas with their clients.

In order to facilitate modarabas in minimizing unnecessary and lengthy documentation while carrying out multiple Ijarah transactions with the same client, another new agreement namely “Short Form Ijarah (lease) Agreement” was introduced which will be used by modarabas in place of the model Ijarah (lease) agreement in the cases where more than one Ijarah transactions are involved with the same client.

During the last two decades notwithstanding the challenges of deeply entrenched interest-based financing system, fiscal restraints and resource mobilization constraints, the sector has performed reasonably well. The sector has been declaring quite good payouts providing an excellent investment opportunity based on dividend yield. It is heartening to note that out of 26 operational modarabas, 18 declared dividend to their certificate holders for the year ended June 30, 2012.

Transparency is a key principle of good governance. The role of the modaraba company as “Modarib” and “Ameen” has increased the importance of governance which ensures that an organizational system is in place to safeguard the interests of all concerned. Like in a conventional company, I believe that the certificate holders’ right to monitor the performance of their investment should be recognized at this stage. I shall appreciate the contribution of the sector’s players in providing their input, especially in suggesting enabling provisions in the statute to provide legal rights to the certificate holder to participate in the decisions making processes of a modaraba.

The SECP is committed to evolution and growth of the Modaraba Sector by providing amicable solutions to the difficulties and problems faced by the modaraba sector. A soft environment has been created for discussing and addressing the regulatory issues faced by the modaraba companies. However, this should not be construed undermining the regulatory authority of the SECP as mishandling of the public money will not be tolerated on any ground. I expect that modaraba companies would discharge their role as “Ameen” in a true spirit enshrined in the Shariah.

The Modarabas have great potential to grow through covering the untapped markets i.e. SMEs and micro-finance. By moving beyond the boundaries, the modarabas can further improve their profitability and returns to the certificate holders. Innovative ideas are needed to strengthen and improve performance of modarabas through introduction of more Shariah compliant financial products capable of delivering maximum returns so that they can play their due role of organizing business activities in line with Islamic principles.

I wish the NBFI & Modaraba Association of Pakistan and its members all the best in their concerted efforts.

Chairman Review

Chairman's Review

It gives me immense pleasure to present the 3rd Year Book of the NBFI & Modaraba Association of Pakistan for the year ended 30th June 2012. The year book presents critical information on the Modaraba and Leasing Sectors, which, as you are aware, is a key component of the financial industry and the main conduit for SME financing in the country. It also covers overview of the members' individual performance as well as their activities.

ECONOMY OF PAKISTAN

Pakistan's economy continues to face challenges which are impacting the prospects of economic recovery and macro economic stability. Energy shortages, volatile law and order and very low FDI continue to hamper any significant improvement with real GDP growing by 3.7 percent during the year, compared with 3.0 percent in FY11.

There were some glad tidings; The SBP says that the growth was more broad-based compared to FY11, as it was evenly distributed across agriculture, industry and the services sector and driven by private consumption, with strong worker remittances, a vibrant informal economy and higher fiscal spending. Food prices have remained relatively stable during FY12, with inflation

coming down to 11 percent – better than the 12 percent projected earlier and it was this easing that allowed the central bank to reduce the policy rate by 200 bps during the year.

With inflows drying up, the burden of financing the current account deficit and external debt has fallen on the country's FX reserves. The Pak Rupee devalued against the US Dollar by 9%.

This year also saw continued reluctance by commercial banks to extend credit to the private sector. In the presence of a risk-free dominant borrower, average bank lending rates fell by only 112 bps, which suggest that banks remain apprehensive about (or uninterested in lending to) the private sector,

and were willing to accept lower earnings on government securities,

A recent SBP report observed that the structural problems in the energy sector, PSEs and the fiscal side, may not be tackled in the near-term. However, since the government paid-off the accumulated subsidies in FY12, the same level of fiscal pressure is not expected this year.

PERFORMANCE OF NBFIs & MODARABAS

Despite these challenges, the NBFI & Modaraba sectors have performed well during the year in review. The Modaraba sector booked a profit of Rs.1,310 million as compared to a profits of Rs1,127 million last year. 22 out of 24 Modarabas declared profits whereas 18 announced cash dividends ranging from 1% to 65%.

The sectoral asset base increased by PKR 3 b (an 11% increase y-o-y) and the yearly payout to certificate holders increased to PKR 924 M (from PKR 773 M last year). The significant names like Allied Rental Modaraba, First Habib Modaraba, Standard Chartered Modaraba and First Paramount Modaraba all featured in the above 15% and over PKR 50M dividend territory.

The leasing sector had a mixed year. Whilst ORIX, Standard Chartered Leasing and Security Leasing all declared profits but one large company loss in the industry created a net loss of PKR 400 M in the industry.

The investment banking sector has been particularly affected by the sluggish economy and this year also was no different. Only one member Invest Capital Investment Bank showed a turn around and a small profit whilst the sector booked a large loss.

The market capitalization of the members of the Association, as on 31st December 2012 is almost PKR 11 B.

The majority of the association's members are credit rated by JCR-VIS and PACRA. According to their ratings ten members enjoy ratings between A and AA+ ratings whereas other enjoy investment grade.

MAJOR EVENTS OF THE YEAR

LAUNCHING OF YEAR BOOK – 2011

Launching ceremony of 2nd Year Book of NBFI & Modaraba Association of Pakistan was held on 21st May 2012 at Marriot Hotel, Karachi. Mr. Jawed Hussain, Registrar Modaraba was the Chief Guest while Mr. Imran Hussain Minhas, Mr. Shahid Nasim, Executive Director, SECP attended the ceremony. Chief Executives of Modarabas, Leasing and Investment Banks and other dignitaries from the financial sector also participated. Mr. Basheer A. Chowdry, Chairman presented the Year Book to the Chief Guest.

SECOND ANNUAL GENERAL MEETING OF THE ASSOCIATION

Second Annual General Meeting of NBFI & Modaraba Association of Pakistan was held on 25th September 2012 at the Conference Hall of the Association. The Audited accounts for the year ended 30th June 2012 were approved by the General Body. The General Body also approved the Auditors for the year ending 30th June 2013 and fix their remuneration. Moreover, in the said AGM the General Body approved an increase of 25% in the Annual Subscription of the Association.

An overwhelming majority of the members attended the meeting.

MEETING WITH WORLD BANK TEAM ON CONSUMER PROTECTION

A world Bank team comprising of Ms. Sau-Ngan Wong, Senior Counsel and Ms. Sarwat Aftab, Senior Financial Sector Development Specialist, held an engagement session on 7th December 2012 with members of the Executive Committee of the NBFI & Modaraba Association comprising of Mr. Raheel Q. Ahmad, Chairman, Mr. Mohammad Khalid Ali, Vice Chairman, Mr. Jalaluddin Ahmed, Member EC, Mr. Ramon Alfrey, Member EC and Mr. Muhammad Samiullah, Secretary General on the topic of Consumer Finance and Protection.

The World Bank delegation was given a short briefing in the manner in which these institutions conduct their respective business operations and the ethical treatment of consumers.

THE AFSA GOVERNING COUNCIL MEETING

The Asian Financial Services Association governing council meeting was held in Bangkok, Thailand on the 30th of November 2012. It was attended by Raheel Q. Ahmad, the Chairman NBFI and MAP on behalf of Pakistan. This meeting was well attended by representatives of Indonesia, Thailand, India, Bangladesh and Oman. Several relevant topics including the regulatory regimes, default scenarios and country updates were presented and discussed in this meeting. The next meeting of the AFSA members assembly is likely to be held in April 2013.

ENGAGEMENT WITH SECP

The association is firmly engaged with the regulators and provides its input to process with a view to create an enabling environment for its members. Some of the recent interactions includes:

DRAFT "RISK MANAGEMENT GUIDELINES FOR MODARABAS"

The Association has forwarded its suggestions during November 2012 on the "Risk Management Guidelines for Modarabas", which was a project jointly sponsored by the Association and the Registrar Modaraba. After finalization of these guidelines, the Modaraba sector would be further strengthened with adoption of world class practices.

AMENDMENTS IN PRUDENTIAL REGULATIONS FOR MODARABAS

The association has also forwarded its suggestions on amendments in "Prudential Regulations for Modarabas" to the Registrar Modaraba In December 2012, a long standing demand of the Association members. We expect the regulator to take into account the suggestions that are based on actual experiences and the requirement for an enabling environment with the right set of controls.

DRAFT "SUKUK REGULATIONS, 2012"

The Association also submitted its comments on the Draft "Sukuk Regulations – 2012" during December 2012.

SHARIAH COMPLIANCE MECHANISM

MEETING WITH REGISTRAR MODARABA

During the year under review, an intense and continuous interaction has taken place between the Association and the Registrar Modaraba to address the operational issues relating to the implementation of Shariah Compliance and Shariah Audit Mechanism.

APPOINTMENT OF SHARIAH ADVISORS

In order to comply with the circular issued by the Registrar Modaraba the association compiled an approved list of Shariah Advisors, to facilitate the Modarabas in selecting their own Shariah Advisor. This has strengthened the day to day transactions of the Modarabas in accordance with the shariah principles.

As a result of this development, all the Islamic financial institutions particularly Islamic banks have accepted the Modarabas as a shariah compliant entity and developed business relations with them.

MEETING WITH SHARIAH ADVISORS

A meeting of the Shariah Advisors on the panel of NBFI & Modaraba Association was arranged on 21st May 2012 at Marriot Hotel, Karachi to introduce them with the Registrar Modaraba, Mr. Jawed Hussain. The agenda of the meeting was to discuss the Shariah Compliance and Shariah Audit Mechanism and adoption of a uniform policy for Modarabas. A detailed discussion took place and various aspect of the Shariah Compliance and Shariah Audit Mechanism were discussed. Mr. Imran Hussain Minhas, Joint Registrar gave a brief presentation on the Shariah Compliance. Mr. Basheer A. Chowdry, Mr. Murtaza Ahmed Ali, Mr. Zulfiqar Ali and Mr. Muhammad Samiullah also participated in the meeting with the Shariah Advisors.

SHARIAH COMPLIANCE GUIDE FOR MODARABAS

In order to give clear understanding of the implementation of the Shariah Compliance and Shariah Audit Mechanism to the Staff of Modarabas and the Shariah Advisors, the Association compiled a “Shariah Compliance Guide for Modarabas”, which has been circulated to the members .

MODEL FINANCING AGREEMENTS

The Association has compiled all the Model Agreements approved by the Religious Board, in a booklet form for ready reference to all the stakeholders. This has also been circulated to the members

AMENDMENTS IN MODEL AGREEMENTS

Some of the Modarabas have suggested changes/amendments in the approved Model Financing Agreements which are being reviewed by a Committee constituted for the purpose in the Association.

FEEDBACK FROM SHARIAH ADVISORS

Meetings were held with Shariah advisors on behalf of the association attended by Raheel Q. Ahmad, Chairman and

Muhammad Samiullah Secretary General on January 03rd in Karachi and via teleconference on the 17th January in Lahore, courtesy of Ayaz Ahmed, EC member to ascertain the level of support given by the managements of the Modarabas to the Shariah advisors and any outstanding issues left to comply with Shariah compliance guidelines. The Shariah Advisors feedback was positive and has been shared with the Registrar Modaraba.

TAXATION ISSUES

SINDH SALES TAX ON SERVICES ACT, 2011

After the promulgation of Sindh Sales Tax on Services Act, 2011, there were a number of issues being faced by the members which were dealt with the Sindh Revenue Board through Sales Tax Advisor. Subsequently an amendment in the Sindh Sales Tax on Services Act, 2011 were brought by the SRB, according to which the Management Fee earned by the Modaraba Management Company is now being interpreted as being liable to tax. The Association took up the matter with SRB and several representations were put up to the SRB which are still pending. For the purpose, services of M/s. Mohsin Tayebaly & Company, Legal Counsel were also acquired by the Association.

PUNJAB SALES TAX ON SERVICES ACT, 2012

In the year 2012, Punjab Government also promulgated Punjab Sales Tax on Services Act, 2012 and imposed sales tax on various services, details of which have been given in the Act. The Association in consultation with the Sales Tax Advisor, is planning to arrange a workshop to educate the staff of the members of the Association.

FEDERAL EXCISE DUTY

Last year a number of leasing companies received demand notices from Inland Revenue for payment of hitherto uncalled for arrears of federal excise duty accumulating to substantial amounts. Since the demand were unjustified, individual leasing companies went into appeal and took stay orders from the Honourable High Court. The matter is still pending.

TRAINING AND DEVELOPMENTS

WORKSHOPS ON "REVISED CODE OF CORPORATE GOVERNANCE"

A workshop on "Revised Code of Corporate Governance" was organized by the Association on 21st May 2012 at Marriot Hotel, Karachi. Syed Asad Ali Shah, Managing Partner, Delloitte Pakistan Limited conducted the workshop, who is a well known authority on the subject.

Another workshop on "Revised Code of Corporate Governance" was organized on 25th September 2012 at the Conference Hall of the Association. Mr. Abdul Rahim Suriya, Partner, A. R. Suriya & Co. Chartered Accountants conducted the workshop.

WORKSHOP ON DEFAULT & DELAY MANAGEMENT

A full day workshop on "Default and Delay Management" was arranged by the Association on January 22, 2013 at the Conference Hall of the Association. 20 participants from Modaraba and Leasing sectors attended the workshop. The workshop was conducted by Shariah Scholars, Head of Recoveries & Litigation from Modaraba and Leasing Company and a Lawyer who deals with the legal cases in the court.

WORKSHOPS / SEMINARS

The Association has prepared a plan to conduct various workshops/seminars during the year which were approved by the Executive Committee. In this connection the first workshop for full day on "Default & Delay Management" was organized in the month of January, 2013.

ACKNOWLEDGEMENT

On behalf of NBFI & Modaraba Association of Pakistan and myself, I thank Mr. Muhammad Ali, Chairman, Securities & Exchange Commission of Pakistan, Mr. Asif Jalal Bhatti, Executive Director, Mr. Shahid Nasim, Executive Director, Mr. Jawed Hussain, Registrar Modaraba, Mr. Nasir Askar, Director, NBFC and other Executives of SECP for their continued support and guidance.

I express my gratitude to the members of NBFI & Modaraba Association and members of the Executive Committee for supporting me in my endeavour, as Chairman of the Association for the current year, to create a stronger engagement with the regulator as well as to turn around the association into a profitable venture and a powerful voice for the industry.

SUB-COMMITTEES REPORTS

1. Publication/Image Building Committee

NBFI & Modaraba Association of Pakistan is publishing its Year Book every year since 1997 (NBFI & MAP was established in 2010, prior to that two separate Associations namely Modaraba Association and Leasing Association were operating).

2. RULES & REGULATIONS COMMITTEE:

A. The Committee proposed certain amendments in the Prudential Regulations for Modarabas and submitted to the Registrar Modaraba for their approval.

B. The Association also took up the following matters with SECP:

a. Amendment in NBFI Regulations 2008 regarding Provisioning for NPLs.

Schedule XI to NBFI Regulations No.25 dealing with the provisioning of non-performing assets have been revised by the SECP, pursuant to the presentations made by the Association.

b. Minimum Equity Requirements for the Leasing Sector:

Revision in the Minimum Equity Requirements for the leasing companies have been linked with the announcement of the NBFI Reforms Committee Report.

c. NBFI Reforms Committee:

SECP constituted a Committee comprising representatives of the Sector Associations and SECP Executives for furnishing recommendations for promotion and growth of sustainable NBFI Sector to compliments the overall financial industry and for an in-depth review of the whole business model and prevalent regime for this sector. Mr. Basheer A. Chowdry and Mr. Teizoon Kisat were the members of the said committee from the NBFI & Modaraba Association of Pakistan. The Committee has submitted its recommendations to the SECP for their approval.

SECP issued Report of Non-Bank Financial Sector Reform Committee for the comments of the stakeholders and general public. SECP has given a month's time for receiving comments and thereafter the report will be finalized and instructions/guidelines may be issued for its implementation.

3. TAXATION COMMITTEE:

Sindh Sales Tax on Services Act, 2011 was promulgated in June, 2011 and subsequent amendments in the Act was announced by the Sindh Revenue Board (SRB) in November, 2011 when certain additional services were added in the ambit of service including the sales tax on Management Fee earned by the Modaraba Management Company. The Association

took up the matter with SRB through its Sales Tax Advisor and submitted numerous representations against the levy of the sales tax on Management Fee.

In this connection, a delegation of the Association met with Mr. Mushtaque Kazmi, Member, Operations and its team and discussed various aspects of the issue and tried to convince them that management fee does not come under the ambit of the services. For the purpose supports from the Registrar modaraba and Legal Counsel Mr. Irfan M. Tayebaly were also sought. After a great deal of discussion, SRB required clarifications on some points which are being submitted to the SRB through the Sales Tax Advisor of the Association.

4. TRAINING & WORKSHOP COMMITTEE:

A. A full day Workshop on "Default & Delay Management" was arranged by the Association on 22nd January, 2013 which was attended by 20 participants from Modaraba and Leasing Sector. The workshop was conducted by the following :

- Mufti Abdul Sattar Laghari
- Mufti Muhammad Ibrahim Essa
- Mr. Intisar H. Usmani, First Habib Modaraba
- Mr. Mohsin Siraj, ORIX Leasing Pakistan Limited
- Mr. Muhammad Ayub Khan, ORIX Leasing Pakistan Limited
- Mr. Faiz Durrani, Advocate.

The participants appreciated the quality of the workshop and keeping in view the importance of the subject matter, it was suggested that one more workshop in Karachi and another in Lahore may be organized by the Association.

B. The Association is planning to hold various seminars/workshops on different topics during the year. The Association will keep informed the members from time to time as and when the these programs are finalized.

5. BEST PERFORMANCE AWARD COMMITTEE:

Based on the results for the period ended 30th June, 2012, the Association shall announce the Best Performer of NBFI & Modaraba Sectors in accordance with the criteria already approved by the Executive Committee.

6. SHARIAH RELATED ISSUES COMMITTEE:

Modarabas followed the Shariah Compliance and Shariah Audit Mechanism issued by the Registrar Modaraba vide Circular No.8 of 2012 dated 3rd February, 2012 in letter and spirit.

In order to get feedback from the Shariah Advisors, two meetings were arranged with Shariah

Advisors based at Karachi and Lahore separately. The Shariah Advisors informed that by and large compliance is seen in the Sector as under:-

- All accounts with conventional banks have been closed and new accounts with the Islamic banks have been opened. However, some of the Modarabas are maintaining current accounts with the conventional banks for business purposes.

- Almost all the Modarabas are following model agreements approved by the Religious Board for different Islamic modes of financing.

- Most of the Modarabas have introduced internal Shariah Compliance and Shariah Audit Mechanism and established a proper Shariah Internal Audit Department, in-spite of cost implications.

- The responsiveness from Modarabas has been good and the Shariah Advisors have been allowed access to information and record although there were some apprehensions in the beginning on the part of certain Modarabas.

- Takaful usage in place of conventional insurance companies is catering, however, where there are large insurance coverage by Corporate clients, the progress is a little slow.

- Staff have been trained and now understand the concept of Islamic financing. This has been brought about by both the Modarabas themselves as well as the Association is providing training platform through seminars and workshops.

- The one area where progress has been extremely slow is the divestment of non-compliant share held by various Modarabas. Some of these are held as investment whilst some are held as holding company group stock. The time given by the Registrar Modaraba to divest the shares is not enough as such the Association has requested the Registrar Modaraba to extend the time uptill 31st December, 2013.

Articles

RESILIENCE OF ISLAMIC FINANCIAL SYSTEM

By Imran Hussain Minhas

Financial institutions are the financial intermediaries that play a key role in the economy of any country by directing the flow of savings of the people towards large corporations and enterprises. The financial institutions provide trust and confidence to the savers of money and bridge the gap between savers and the users of the money.

Confidence and trust of the savers on the financial system and intermediaries are critical for the economy and capital formation of a country. Where the element of distrust arises on the financial system it leads to the financial crises in the economy and the shattered confidence on a financial institution leads to the loss of that institution. In case of failure of any financial institution people tend to be more cautious about strength of the financial system and the security of their hard earned money. In the state of distrust the Government or government's regulatory arms need to play their role for confidence building of the stakeholders and depositors by different regulatory tools which could adequately minimize the risk of loss and ultimately the failure of any financial institution.

When an Islamic Financial Institution (IFI) fails people more rapidly lose trust on the Islamic financial system as compared to the conventional one. Reason being, the conventional financial industry due to its long existence, performance and strong regulatory framework is mature enough to keep the confidence of depositors and answer the causes of failure of any financial institution. On the other side the modern Islamic financial industry is at its epoch and is still considered at its takeoff phase. The failure of any Islamic financial institution raises lots of doubts and questions on the future, viability and adoptability of Islamic finance, especially from its critics. Therefore, it is crucial for the regulators and the users of the Islamic financial products to understand the root causes of the failure of any financial institution. To the larger extent the causes of failure of IFIs are similar to the conventional counterparts yet the IFIs may also fail if the people realize that they are not working according to the principles of Shariah. In general a financial institution fails when:

- It is mismanaged due to greed and carries huge portion of infected portfolio.
- It is undercapitalized and fails to fetch low cost funding.
- It lacks competent management.
- The systems, procedures and internal controls do not work as required.

A large number of financial institutions start operations and majority of the takeoffs get smooth flight toward their ultimate destination but only a few meets bad fate. Among the failed institutions the above reasons are common. Now the question is 'can we consider the above factors as key to the failures'? The answer might be 'yes', as in number of cases the IFIs failed due to multiple reasons coupled with the above reasons. Let's take the example of twenty three closed Non-Banking Islamic financial institutions in Pakistan, out of which eight were totally failed and wound up whereas the rest of the entities were merged with the other existing financial institutions.

In Pakistan, Islamisation of the economy was started in early 80's and the concept of Modaraba was legalized to conduct the business of Islamic finance under the umbrella of Modaraba Management Companies, registered as Mudarib with the Registrar Modaraba, Securities and Exchange Commission of Pakistan. These Management companies manage 'Modarabas' (NBIFIs), which are pooled with the general publics' money, who are called certificate holders (the Rabb-ul-Maal) of the Modarabas. The concept and structure of the NBIFIs attracted the major business groups of the country due to a major tax incentive which was announced by the Government of Pakistan. These entities provided a very good platform to conduct Shariah compliant business and emerged as small and medium sized financial institutions. In the initial fifteen years a rapid growth in this business of Modaraba was recorded and total numbers of registered MMCs were reached at 51 and the floated NBIFIs were also over 50. In terms of numbers it was peak time of the NBIFIs whereas their assets had grown to US$ 425 million whereas the total profits had touched to US$ 108 million.

Unfortunately the NBIFI sector could not continue its growth for a longer period and soon after the 1996 the fall back of NBIFIs started and a large number of closures were witnessed in the country during the next fifteen years. Twenty three of the NBIFIs stopped their operations in Pakistan and the reasons were heavy losses, mismanagement and misappropriation of the certificate holders' money by the Mudarib. Out of the closed NBIFIs:

1- Fifteen of the NBIFIs were merged into the existing operative NBIFIs to stop further losses and create synergies to give some benefits to their certificate holders.

2- Seven NBIFIs were wound up due to mismanagement, misappropriation of funds and greed of the Mudaribs.

3- One of the NBIFI was fully involved in the stock market operations and wound up due to heavy losses by investing in the highly volatile scripts.

Why the Islamic Financial Institutions Failed – Major Causes

There are multiple factors which lead to the winding up of eight NBIFIs in Pakistan. A study of the failed NBIFIs reveals that there was no single overriding factor to the failure of these financial institutions. However, some common and major causes of the failure were noticed, which are:

1- **Incompetency of Board of Directors (BoD) and Senior Management –** It is imperative for the success of any business that, the BoD and senior management, who are entrusted to run the operations of the business, must be competent enough. A competent management is expected to perform the following functions for the business, which were never performed by the management of the failed NBIFIs:

   a) Provide vision and prudent future planning.

   b) Implement proper risk management policies.

   c) Sincerely involve in major decision making.

   d) Ensure effective internal control and regulatory compliance.

Thirty years back, when the NBIFIs were established in Pakistan there was no fit and proper criterion from the regulator, for the directors and senior management of the NBIFIs due to which most of the management companies were headed by the close relatives of the sponsors. The CEOs and directors of the Board were family members of the sponsors and were incompetent to run the business of NBIFIs.

2 **Under-capitalization -** Undercapitalization is a state where any institution does not have sufficient funds or access to the required funds to pay its obligations, or to expand and operate business profitably. In lots of cases low capital base or under capitalization of the financial institutions may pour cold water on the investment. The financial entities having low capital base are always at high risk of default as they don't have sufficient cash flows to meet their obligations and resilience against the losses.

Most of the failed NBIFIs were undercapitalized as there was no minimum capital or capital adequacy requirement from the regulator. Soon after the start of business it was realized that these NBIFIs were undercapitalized and facing the problem of sheer capital inadequacy. The increasing operational costs and losses made the NBIFIs unable to offset their future profits with the present losses. The low capitalization had weakened the shock absorbance capacity of the NBIFIs and had stopped the growth of their business.

3 **High ratio of Infected and Classified Portfolio –** Infected or classified portfolio means a pool of investments and facilities which is questionable in terms of the full recovery of principal balances and accrued profit thereon. The high risk facilities, which were extended by the incompetent management especially to their associates, started defaults which were mostly willful. The management, instead of making recovery efforts, wrote them as bad debts which turned into a huge bad portfolio that reversed the growth of the NBIFIs and the resultant losses eroded all the equity and reserves of NBIFIs. The shocks were so bigger that the NBIFIs could not bear them and ultimately went into bankruptcies and winding ups.

4 **Weak internal Controls, Absence of Risk Management Policies and Ruthless Spending –** Internal controls are the techniques, methods and procedures which are adopted to safeguard the business assets and to ensure compliance and accuracy of the data and information submitted to the management, stakeholders and the regulator. Weak internal control can never ensure a longer life to any organization; it ultimately opens path to fraud, forgeries and mismanagement of funds.

Weak internal controls and absence of risk management policies were another cause of the failure of those NBIFIs. Inaccuracy in financial statement and data, non-segregation of duties, absence of risk management policies and one man show in the business are the sign of weak internal controls and all these issues were common in the failed NBIFIs. For the weak internal controls, which were apparent from the misreporting, presenting false statement of accounts and other regulatory violations, these NBIFIs were penalized by the regulator at number of times.

The effective risk management policies ensure better internal control and security to the investor's money but there were no such policies in those NBIFIs. Without any risk management policies and prudential regulations from the regulator these visionless managers extended facilities to associated undertakings and family business of the director and the CEOs without any collateral and put the NBIFIs to high risk of counterparty default.

The management in these entities was centralized and autocratic and all the decisions were taken by a single person mainly the CEO which remains unchecked and unquestionable as the Rabb-ul-Maal had no right to vote and elect their directors. This gave a free hand to the CEOs' to fix their high remuneration and spent lavishly the hard earned money of the investors on their personal needs of luxury nature and frivolous activities.

5- **High Leveraging, Asset Liability Mismatch and Non-availability of low cost funds –** When the bad portfolio of one highly leveraged institution increases it ceases its ability to pay off its obligation toward the other financial institutions at one end and it affects the liquidity of the lending institution on the other end. If the lending institution does not prepare any contingency plan for such situation it hampers its ability to pay off its obligation to its lending institution and so on. Such a chain creates a systemic risk which threatens the stability of the financial markets.

Sometimes financial institutions borrow heavily to finance their investments. In such financing the spread is normally very low therefore a small bubble in the investments disturbs the cash flows of the financial institutions. The unplanned institutions do not make any arrangements for such bubbles which lead to the bankruptcy of the institution. This actually happened with the unsuccessful NBIFIs.

Another problem to these entities was the non-availability of low cost funds. Due to disparity between the liabilities and assets, the NBIFIs were forced to recall and stop rollovers of their short term facilities to fund their long term investments but most of the clients were unable to repay the facilities on the call and resultantly the NBIFIs made defaults in repayments of their obligations. The situation was further deteriorated when a huge amount of facilities got stuck up due to non-payment of profits and principles.

6 **Moral Hazards – Frauds and Greed –** Another major cause of the failure of the NBIFIs was the fraud, corruption and greed of the management. The management intentionally deceived the Rabb-ul-Maal for personal gains. The management breached the trust of certificate holders and looted their money by illegal lending to their associated companies and businesses by violating the regulatory provisions. In all such financing they were aware of the facts that this investment will never come back. Consequently most of the associates made both; natural and willful defaults and the NBIFIs lost their total investments.

The Management showed inflated Balance Sheets by creating fictitious financial assets without any real economic activity. They deceived the certificate holders by transferring the real assets of the NBIFIs to their personal businesses. They kept on enjoying on the funds of Rabb-ul-Maal by investing them into their personal business and showing continuing losses to the NBIFIs. Their extreme greed dominated all the ethical considerations and finally a large number of NBIFIs were wound up and the certificate holders lost their money in these ventures.

7 **Regulatory Failure and Non-Compliance of Shariah –** We must admit that weak regulatory framework had also played a key role in the failure of large number of NBIFIs. It provided the opportunity to the Mudarib to play with the money of general public. Due to non availability of Shariah compliance mechanism improper regulatory control; incompetent and corrupt management of NBIFIs exposed the financial institutions to high category of regulatory risk.

Excess and less both type of regulations are dangerous for the financial institutions. In case of excessive regulations the financial institutions lose their legitimate business due to excessive regulatory requirements like investment in Government securities, cash reserve and capital adequacy requirements, restriction on certain types of investments, caps on per party exposure and restrictions of taking exposures of certain types of ventures etc. But in case of insufficient regulations the financial institutions lose their money by investing in the high risk ventures.

At that time the NBIFI sector of the country was operating with the insufficient regulation as there was no capital adequacy or minimum equity requirements, no cash reserves, no fit and proper criteria for the promoters and directors, no Shariah compliance, no risk management guidelines and no prudential regulations etc. Taking the benefit of regulatory failure the management operated the NBIFIs in high risk and held insufficient, fictitious and low quality assets, showing them as high quality assets in the books.

The management of those NBIFIs operated the entities against the injunctions of Islam whereas the money from the public was collected in the name of Islam. This was the cruelest part of the whole picture as due to the un-Islamic practices these NBIFIs lost their trust, reputation and ability to raise further funds as Islamic financial institutions.

It is also true that no institution can survive where the management is greedy, dishonest and corrupt. All risk management and regulations are failed before such management. The regulator can only introduce some check and balances but it is not a guarantee for the fool proof system.

The above seven factors are not the only ones that affect the success or failure of an Islamic financial institution, but in number of studies and reports they appear near or at the top of the list of failures of NBIFIs and the same is true for all financial institutions. The above factors of failure are interlinked and apparently are not very technical issues but require prudence, experience and training to overcome. Besides above factors, research and development, review of existing product lines and introduction of new products are also important factor for the promotion and growth of a financial institution. It is necessary that the existing product lines be reviewed and new products be launched to meet the customer needs. The failed NBIFIs never changed themselves according to the needs of fast and ever changing Islamic financial market of the world. Incapacity of the management was also one of the reasons for no research work.

Was it a failure of Islamic Finance?

It is also true that during 90's the Islamic financial industry of Pakistan was at evolving stage and the concept of IFIs and Islamic products was new to the people. The entrepreneur failed to correctly understand and implement the NBIFI's model as a vehicle to their business. There is no doubt that a successful institution is the result of untiring hard work of a competent BoD and top management. The top management needs to be involved from the start as their continuous effort is a key throughout the development of an institution. The failed IFIs were actually the failure of the BoD and top management as they never involved in the major decision making of the NBIFIs. It is imperative that professional directors set a clear vision, objective and Shariah compliance mechanism for the IFI. Experience showed that only those NBIFIs were failed whose managements were incompetent, corrupt and least concerned towards Shariah compliance and benefit of the certificate holders. This was one of the major causes of their failure.

Most of the failed NBIFIs were also undercapitalized and they were facing the problem of capital inadequacy which had weakened their shock absorbance capacity. The failed NBIFIs were unable to offset their future profits with the present losses due to undercapitalization which lead to the forced defaults and bankruptcy of the NBIFIs. Had those institutions been properly capitalized the results might have been different.

Absence of risk management policies and weak internal controls were the other causes of failure of those NBIFIs. Weak internal controls open path to fraud, forgeries and mismanagement of funds which happened with the failed NBIFIs. This was also the failure of the management and not the Islamic financial system.

In the financial decisions, a good manager very well knows that lending to someone who is bankrupt and has no collateral to offer, has a high probability of default as compared to a debtor with good standing and acceptable good credit and security. The managers of NBIFIs never followed the principles of lending which turned the portfolio into contagion and non-recovery of facilities created asset liability mismatches here again it was the failure of the management and not of the system.

We must admit that the weak regulations of that era, non-existence of Sharia compliance structure, were also responsible for the defaults but this area has now sufficiently been addressed to strengthen the NBIFIs in Pakistan.

Another major reason of the above failures of NBIFIs was their handsome investment in the listed securities which lost the value due to stock exchange crash. The stock market performed very well till the year 1995 but in 1995-1996 the stock market lost 27 percent of its value due to political unrest and discouraging economic outlook of the country.

Due to the above reasons we cannot say that it was failure of the Islamic financial system rather it was a failure of the management. We get further support to our conclusion as a large number of Islamic financial institutions which started their operations over 25 years back are still working in Pakistan. The rapid expansion and growth of Islamic Banking and finance in the last decade, with the compound rate of around 20 percent in Pakistan and rest of the world is also a clear indication of the viability of the system and its ability to face the modern challenges of financial sector. Moreover, eagerness of the people towards Islam, their hatter to Riba, inherent strength and roots of Islamic financial system and untiring hard work of the efficient Mudarib have still kept the twenty six NBIFIs alive in the country. These IFIs are performing and growing day by day. The assets of NBIFIs have touched a high figure of US$ 300 million at the end of March 2012. The Dividend payout history is tremendous and 70 percent NBIFIs every year pay dividends to their certificate holders and some of NBIFIs have a track record of over 20 years of continuous payment of dividend. The dividend payout ratio varies from 2 percent to 70 percent annually on case to case basis. We can hardly found any other sector with such a consistent payout to their share holders.

In addition to the NBIFIs, the Islamic banking and finance, its outreach and client network is growing in multiple dimensions at a very rapid pace in Pakistan. During the last decade Islamic banks, Islamic Mutual funds, Islamic Pension Funds, sukuk and Takaful have also started their operations in Pakistan and are growing with a fast pace of over 20 percent per annum. At present the total Shariah compliant assets (Islamic Banking, Non-Banking, Takaful and Sukuk) of Pakistan are over US$ 11 billion.

The regulators have also strengthened the regulatory regime for the Islamic financial institutions as well. Due to the strong regulatory framework now there is not even a single default, except the cases discussed above, in the Banking and nonbanking Islamic financial sector.

Mr. Imran Hussain Minhas is a Joint Director in SECP. He is Masters in Finance, DAIBP, PGD in Cost and Management Accounting and Islamic Banking and Finance, Certified Islamic Microfinance Manager and Certified in Capital Market Regulations from United Nations Institute of Training and Research. He can be reached at hussain.minhas@gmail.com

"These views and opinions are my own, and not that of my employer"

ACCOUNTING PARADOXES

PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS

By Adil A. Ghaffar

Funds and companies with financial assets either listed or unlisted on stock exchanges are required to provide for any diminution in the value of its investment at the reporting period, under International Accounting Standard (IAS) 39 nowadays referred to as IFRS 9. Failure to do so would require external auditors' to qualify their opinion.

International Accounting Standards, as the name suggest itself, has prima facie objective of uniform accounting policies throughout the world. Whether a fund is registered in USA or Pakistan, the accounting policies should be such that the user of the financial statements, in any country, would arrive at the same conclusion for their investment decisions.

Modarabas, a homemade peculiar business industry, being fund, has investments in both listed and unlisted securities, are severely affected by this particular IAS.

Modarabas governing law requires that, it has to distribute 90% of what it earns during a year. Let me be very clear on this, initially it was to claim income tax exemption but later on, due to inclusion of words "shall" in the Prudential Regulations specifically for modarabas, it became mandatory on every modaraba to distribute whether or not it claims income tax exemption, flexible to exclude uneconomical distribution.

If a modaraba provides for diminution in the value of investment in year 1 and in year 2 able to sell the same below its original cost of acquisition then it should tantamount to distribution from capital, contradicting the basic accounting principle/companies law for distribution from profits only.

We will take the following example to understand the issue.

A Modaraba invest Rs. 80 m in listed securities in Year 1 and sells those in Year 2. At end of year 1, the market value of the investment is Rs. 35 m resulting in an unrealized loss of Rs. 45 m which, under the existing rules, has to be provided in the profit and loss account as per Table A:

Table A	**Year 1**
Profit and loss account	Rupees
Provision for diminution in the value of investments	(45,000,000)
Loss for the year	(45,000,000)
Management fee	0
Net loss	(45,000,000)
Statutory Reserves @ 20%	0
Distributable profit	0
Loss c/f to balance sheet	(45,000,000)

In year 2, market improves and Modaraba sells the entire investment (original cost: Rs 80m) at Rs. 70 m and under the existing rules, it has to distribute 90% of the profit for the year as per Table B:

Table B	**Year 2**
Profit and loss account	Rupees
Capital gain on sale of investments	35,000,000
Net profit available for distribution	35,000,000
Management fee	3,500,000
Profit available for appropriation	31,500,000
Statutory Reserves @ 20% (minimum)	6,300,000
Distributable profit	25,200,000
Distribution minimum 90%	22,680,000
Profit carried forward	2,520,000
Accumulated losses brought forward – Year 1	(45,000,000)
Accumulated loss carried to balance sheet	(42,480,000)

By simple combining two years, it will be clearly evident that in real terms Modaraba incurred a loss of Rs. 10 m as per Table C, yet provided management fee Rs. 3.5m, statutory reserves and has distributed profit, in shape of cash dividend, to its certificate holders amounting to Rs. 23 m i.e. total of Rs. 26m from its own sources without any cash inflow and/or real gain/profit. It is clearly evident that this payment has actually been made from the capital fund of the Modaraba.

Table C	**Year 1 & 2** Rupees
Cost of investment	80,000,000
Sale proceeds	70,000,000
Loss on sale	10,000,000

Did we noticed that merely a book entry at the reporting date compelled modaraba to distribute what it never earned and that distribution is from capital fund?

Furthermore, if modaraba invest in unlisted securities or float its own unlisted public limited company than the gravity is much more than the aforesaid investment in listed securities.

Unlisted securities are accounted for using break-up value at the reporting date. Reductions, if any, from the par value, are required to be charged to profit and loss account and appreciations, are taken to equity.

Now if a modaraba purchase, say 25m shares @ Rs. 10 each of an unlisted company and at the reporting date the break-up value comes to Rs. 4 per share than it has to provide Rs. 150m as provision for impairment in value of investments. Similarly, in year 2 if the break-up value at the reporting date comes to Rs. 9 per share than it has to show reversal of Rs. 125m in its profit and loss account and by compulsion has to distribute 90% of it, after management fee and statutory reserves which is 65% or Rs. 81m from Rs. 125m.

Did we noticed that merely a book entry at the reporting date compelled modaraba to distribute what it neither earned nor received? No cash movement at all yet cast outflow of Rs. 81m.

Last but not the least, modarabas are also not allowed to adjust carry forward losses of Year 1 and in its presence are compelled to distribute 90% without any consideration of prudence as to the financial health of the fund. These accumulated losses carried to balance sheet would only be adjusted from the future profit for the year after adjustment of management fee, statutory reserves and distribution which as shown in the above Table 2 is a meager sum of Rs. 2.5 m only and will take years' to restore.

This accounting treatment gives rise to the following unattended factors:

1. Basic accounting concept of Prudence is being jeopardized;

2. How can a Modaraba distribute what has not been earned;

3. Just a book entry that has forced Modaraba to distribute dividend;

4. No cash inflows through true profitability;

5. How can dividends be paid out of capital;

Furthermore, currently, if a Modaraba does not take provision in P&L and take it to Equity than the External Auditors qualify their opinion for non compliance of IAS. Hence, Modarabas suffer on both sides. If it provides in P&L and than reverse subsequently, it is required to pay cash dividends out of its own sources and capital. If it does not provide than External Auditors qualify their opinion on the financial statements.

The dilemma is that SECP has adopted IAS 39 as amended upto year 2009 and has not considered latest amendments translated in IFRS 9. Had this been proposed by ICAP and adopted by SECP this issue would have been resolved.

It is the IASB's intention that IFRS 9 will ultimately replace IAS 39 in its entirety. Although Board deferred the mandatory effective date from 1 January 2013 to annual periods beginning on or after 1 January 2015 with early application encouraged.

Governments all over, adopts IAS generally but flexible enough to put in abeyance applicability of those standards which are detrimental to it s local homemade industry.

In view of the above, it is strongly recommended that to save our peculiar homemade industry from this accounting fiction:

1. IFRS 9 be adopted as amended upto date; or

2. Applicability of IAS 39 be put in abeyance; or

3. Certain relaxation on the applicability of IAS is given by the regulators.

Modarabas may be given special permission to account for any impairment in the value of investments as part of Equity rather than charging off and/or reversals in profit and loss account. This treatment would also address the true and fair view of the financial statement.

Mr. Adil A. Ghaffar, Chief Executive Officer and Director of First Equity Modaraba. He is a fellow member of the Institute of Chartered Accountants of Pakistan and fellow member of the Institute of Corporate Secretaries with experience in financial and fund management, capital market operations and public accounting.

SHARIAH COMPLIANCE IN MODARABAS

By Muhammad Samiullah

The concept of Modaraba as a shariah compliant mode of financing was evolved and introduced as an institutional framework in Pakistan with proper legislation, regulatory and monitoring structure and operating guidelines as back as in 1980. This privilege of translating the concept into an institutional and properly regulated structure is unique to Pakistan. In fact, the Modarabas, as Islamic financial institutions are the fore-runners of Islamic banking and mutual funds in Pakistan.

The Modaraba Companies & Modaraba (Floatation & Control) Ordinance, 1980 was promulgated in June, 1980. Initially the Modarabas were also regulated by the Central Bank like other financial institutions. Later on, the responsibility was entrusted to the Securities & Exchange Commission of Pakistan. The office of the Registrar Modaraba, being a part of SECP, monitors and controls the sector through rules, regulations and guidelines. The Modarabas are subjected to reporting requirement, prudential disciplines and on site audit like the rest of the financial institutions. A properly constituted Religious Board approves and guide the functional integrity of the Modarabas for shariah compliance. No modaraba can undertake any modes of business or execute any form of agreements other than those which are specifically approved by the Religious Board.

The Modaraba sector being the pioneer in providing Islamic financial services in Pakistan is an important segment of the financial sector. However, the immense potential of the modaraba concept has not been fully utilized primarily due to lack of awareness on the part of the investors and lack of enthusiasm by most of the market operators.

Initially the business of the modaraba sector was restricted to only three basic products i.e. Ijarah, Musharaka and Murabaha. No efforts were made to innovate and design new products neither by the market operators nor by the regulators. There was a need to design new innovative Islamic business products to capture the market for a consistent growth of the Modaraba Sector.

The first modaraba was floated in July, 1980 and then came a boom and total number of Modarabas at one time went up to as high as 52. These Modarabas were not only trend setters of Islamic modes of financing in a pre-dominant conventional financial system in Pakistan but also built confidence among the general public regarding the practice of Islamic modes of financing.

Though Modarabas had been working since 1980 as Islamic Financial Institution in Pakistan, the real boost to the Islamic financial sector came when the Islamic Banks as well as Islamic windows of the Conventional banks started operating in Pakistan. The Modaraba sector could not project its presence due to its small size and operational variety even to the extent that Al-Meezan Investment Management Limited included Modarabas in the list of Shariah non-compliant entities o for the Islamic institutions to do business with or to make any investment in them. As a result, Islamic Banks did not allow Modarabas to avail any financing facilities from them.

Under the circumstances, Modaraba Association of Pakistan took an initiative and adopted various measures to project the real and functional strengths of Modarabas and to neutralize the ill-founded negative perception about them, particularly the Islamic banks and mutual funds:

- Arranged meetings with the management and Shariah Advisor of Al-Meezan Investment Management Limited and arranged removal of the name of the modaraba from the list of prohibited companies displayed on their website.

- Revised the existing agreements of Ijarah, Musharaka and Murabaha.

- Introduced Nine model agreements included Diminishing Musharaka, Ijarah, Salam, Istisna, mudarabah, musawamah, Musharaka, Murabaha, Syndicate Mudarabah, Syndicate Musharaka and Islamic CFS Murabaha and submitted to the Registrar Modaraba for the approval of the Religious Board.

On 19th March, 2008, a delegation of Modaraba Association of Pakistan made a detailed presentation to the Religious Board chaired by Justice (R) Mian Mahboob Ahmed. After detailed deliberations, nine agreements were approved by the Religious Board, the texts of these agreements were issued by the Registrar Modaraba through Circular No.6 of 2008 dated May 08, 2008. The Religious Board also approved the conceptual framework for issuance of Sukuk by Modarabas.

Inspite of all these efforts by the Association, l there were still reservations, particularly on the part of Islamic banks, on the plea that day to day transactions of Modarabas were not sufficiently transparent without a specific certification from a recognized Shariah scholar although no Modaraba could execute any contracts except those duly approved by the SECP Religious Board.

In this backdrop, Registrar Modaraba took an historic initiative and issued a comprehensive Shariah Compliance and Shariah Audit Mechanism (SCSAM) in February 2012 after extensive consultations with the Association and market operators which provided a detailed framework for compliance of Shariah principles, involvement of competent Shariah scholars for verification of business operations and publication of a certificate of Shariah compliance in the financial accounts of Modarabas. It was recognized that the need for Shariah compliance for Modarabas is of paramount importance to give credibility and respectability to the Modaraba sector as an active component of the Islamic financial regime. In order to ensure that the inflows and outflows of the resources of Modarabas are free from Riba, Qimar and Gharrar the guidelines were finalized and issued by the Registrar Modaraba through Circular No.08 of 2012 dated 3rd February, 2012.

These guidelines will improve the quality of existing compliance and eliminate the risk of any inadvertent violation of shariah principles by the Modarabas. It is an important step towards the enhancement of the image of Modarabas as a responsible component of Islamic Financial Industry and will help build their business links with Islamic Banks, mutual Funds and Takaful Companies.

SHARIAH COMPLIANCE GUIDE

In terms of “Shariah Compliance & Shariah Audit Mechanism” Modarabas are required to appoint a Shariah Advisor who will look after their shariah issues and provide them guidelines on an on-going basis. The mechanism also requires setting up shariah compliance structure by Modarabas which can ensure compliance at every stage on a continuous basis. Keeping this need in view, NBFI & Modaraba Association of Pakistan prepared a “Shariah Compliance Guide for Modarabas” to help Modarabas in setting up their shariah compliance mechanism. This Guide is meant for the use of management and functionaries of Modarabas and its objective is to provide guidelines for the policies, procedures and strategies that help in ensuring Shariah compliance in business operations of the Modarabas.

This Guide will also explain the functions of Internal Shariah Auditors and Shariah Advisors and their mutual coordination so as to ensure a systematic and uniform pattern of Shariah Compliance throughout the sector.

OBJECTIVES

The objectives of the "Shariah Compliance & Shariah Audit Mechanism" are:

- Introduction of mechanism for strengthening the shariah compliance by the Modarabas, in letter and spirit;
- Assurance of Shariah compliance in the systems, procedures, policies adopted by the Modarabas, financial products or services offered by Modarabas, agreements entered into by the Modarabas, and the screening process for the investment in shares/securities;
- Assurance of the use of the standard agreements approved by the Religious Board;
- Mitigation of the reputational and operational risk and enhancing the image and operational framework of Modaraba as Islamic Financial Institution;
- Introduction of the process for purifications of dividend income, the mechanism for the management of charity, procedure for appointment of Shariah Advisor, and to identify the avenues for the investment of surplus funds;
- Assurance of Shariah objectives of Islamic Laws in financial transaction made by Modarabas through introduction of internal shariah audit system;

To achieve these objectives, this Guide would serve as an operating tool for the Modaraba.

SHARIAH CPOMPLIANCE FUNCTIONS:

As per Shariah Compliance Mechanism, the functions will be carried out at two levels:

a. Appointment of Shariah Advisor:

   The appointment of Shariah Advisor is an important step forward to improve Shariah Compliance of Modarabas. Within the overall policies, guidelines and documentation prescribed by the SECP Religious Board, the Shariah advisors shall ensure and provide guidance on operational level and also assist in searching solutions for product structuring and development of practical procedures for execution of transactions according to Shariah discipline.

b. For strengthening Shariah compliance in the daily transactions internally, it has been provided that the Internal Auditor should be equipped with proper shariah training to perform shariah audit on a continuous basis in coordination with Shariah Advisor. The Internal Shariah Auditor would perform shariah compliance functions in terms of practical application of the guidelines of Religious Board and Shariah Advisor to perform his supervisory duties.

ROLE OF NBFI & MODARABA ASSOCIATION OF PAKISTAN:

The co-ordination role of NBFI & Modaraba Association of Pakistan is an important factor in assurance of regulatory and shariah compliance by the Modaraba Sector in a uniform and sustained manner. The Association plays a pivotal role in this regard, in coordination wit h the members and the Registrar Modaraba:

(a) Image Building of the NBFI & Modaraba Sector:

The Association firmly believes that the meticulous implementation of Shariah Compliance Mechanism shall help in image building of the sector as a responsible component of the Islamic financial regime which, in turn, will gain confidence of all stakeholders, Islamic banks, mutual funds and especially the general public.

(b) Co-ordination amongst the Shariah Advisors :

The Association co-ordinates with and amongst the Shariah Advisors of Modarabas, to ensure implementation of the Shariah Compliance Mechanism and to formulate guiding policies and procedures for satisfactory and easy abidance of requirements of shariah.

(c) Periodical Review of the Sector :

The Association shall review the progress of the Shariah Compliance Mechanism based on the observations and recommendations of Shariah Advisors and the feedback received from its members.

(d) Arrangement of training programs:

The Association believes in a continuous skill development process. For this, training and refresher programs for staff and management of Modarabas would be conducted from time to time.

(e) Dispute Resolution:

The Association facilitates in resolution of any disagreement between the management and the Shariah Advisors on any specific issues in line with the decisions and directions of the Registrar Modaraba in the similar cases.

(f) Publications

(i) The Association has published “Shariah Compliance Guide” for Modarabas. This Guide is a consultative document to facilitate and promote a culture of shariah compliance in the Modaraba Sector.

(ii) The Association has also compiled all the agreements approved by the Religious Board, in a booklet form, titled “Model Financing Agreements for Modarabas”

(iii) It is the endeavor of the Association to disseminate more and more information to the stakeholders to strengthen the knowledge base about the shariah compliance.

With the implementation of “Shariah Compliance and Shariah Audit Mechanism” (SCSAM), the Modaraba Sector has achieved the following:-

- Transparency and clarity has been witnessed in the day to day transactions of the Modarabas.
- Uniform agreements are being used by the Modarabas for undertaking various types of Islamic modes of financing.
- To a great extent, elements of Riba, Qimar, Gharrar have been eliminated from their transactions.
- Dealing with the conventional banks and institutions have been eliminated to a greater extent and are being shifted to the Islamic Banks
- Islamic Banks, Islamic Mutual Funds and Takaful Companies have accepted Modarabas as a shariah compliant entity and started developing business relationships with the Modarabas thereby extending financing facilities to the modaraba sector.

FUTURE OF MODARABA SECTOR:

In view of the acceptance of Modaraba Sector as a responsible shariah compliant entity by the Islamic Banks, Islamic Mutual Funds and Takaful Companies, a vast niche market has been opened to this sector which will help resolve its issue of resource mobilization. In addition Modarabas would be able to enhance their scope of work and diversify their activities.

One of the important task ahead us is to get the names of all Modarabas included in KMI-100 index and KMI-30 Index so that Modarabas may be traded in the stock market as a shariah compliant entity thereby accepting the sector in the Islamic world.

This Article has been written by Mr. Muhammad Samiullah, Secretary General, NBFI & Modaraba Association of Pakistan. He holds a Masters degree in Economics, Law Graduate, DIABP and PGD in Islamic Finance & Banking from CIE.

A PROMISING MARKET FOR ISLAMIC FINANCE

By Muhammad Shoaib Ibrahim

pakistan, with a large Muslim population of over 180 million, remains at the forefront in promoting Islamic finance. The country has important strategic endowments and great potential growth. located in the heart of asia, pakistan is a gateway to both the energy-rich central Asian states, financially liquid Gulf states and economically advanced asian region. this strategic advantage, coupled with rich source of minerals and a large and highly productive agricultural region makes pakistan a marketplace with ample business opportunities.

The evolution of Islamic finance industry in Pakistan started on the same path as the global Islamic financial industry in 1977, when the local Council of Islamic Ideology submitted its report along with recommendations. As a result the Government of Pakistan (GOP) started its journey towards practicing Islamic finance and took various steps for the Islamization of the economy. One of the major decisions of the GOP was the promulgation of the Modaraba Companies & Modaraba (Floatation & Control) Ordinance 1980, through presidential orders. After the issuance of said Ordinance, the Modarabas started their operations as pioneering Islamic financial institutions. Modarabas were allowed to operate as corporate entities under the regulatory framework of the Security Exchange Commission of Pakistan (SECP). This is a unique model and no such example exists in the rest of the world. The model gained widespread popularity and by the 1990s the total number of Modaraba entities had reached 52.

In 2002 the State Bank of Pakistan (SBP) allowed the establishment of commercial Islamic banking institutions (IBIs) and introduced a comprehensive Shariah compliance framework. At present the market consists of commercial Islamic banking institutions, Islamic microfi- nance banks, Islamic mutual funds, Modarabas and Takaful companies. Commercial Islamic banking institutions and Islamic microfi- nance banks operate under the SBP while the rest of the sector is controlled by the SECP. Besides the above institutions, the Islamic capital market operating under the SECP is also expanding.

2012: A Review

In Pakistan, Islamic finance institutions are gradually enhancing their market share. Islamic banking institutions have been growing at an average rate of 30% over the past six years. Currently Pakistan has five fully-fledged commercial Islamic banking institutions and 12 standalone Islamic banking branches within conventional commercial banks. The total branch network of the 17 Islamic banking institutions is around 960 branches. The asset size of all Islamic banking institutions has reached around US$8 billion, or almost 9% of the overall banking industry's assets. It is expected that the industry will double its market share over the next five years. The growth of non-banking Islamic financial institutions is also very encouraging. Within the non-banking sector, the performance of Islamic mutual funds and Mudarabah has also been excellent. At present, 30 Islamic mutual funds and 26 Mudarabah are operating in Pakistan. The asset size of Islamic funds has witnessed considerable growth. The Mudarabah sector, which is a unique model in Pakistan's Islamic financial market, has been showing a good performance despite the challenging and highly competitive banking and non-banking business environment within the country.

During 2012 the Islamic finance market showed an expansion in asset base due to high growth of investment in Shariah compliant government securities. Following the global financial crisis the

Pakistani economy saw a significant slowdown, and financing in the private sector started declining due to risk averse behavior from Islamic financial institutions, resulting in a shift of private sector financing towards investment in Shariah compliant government securities. This growth is in line with the trend of the overall banking industry to invest in government securities. The continuous high growth in investments has resulted in an improvement in the Islamic banking institutions share of overall assets.

Challenges

In Pakistan, despite the impressive growth, the industry is facing a number of challenges that are preventing it from attaining an even higher pace of growth. Some of the challenges are identified below.

- Management of short-term liquidity due to non-availability of shortterm Shariah compliant government securities;
- Limited financing to private sector due to economic slowdown;
- Taxation issues due to non-availability of some necessary tax exemptions for Islamic financial institutions and non-availability of separate tax computation for Islamic financial institutions;
- Scarcity of well-trained human resources in Islamic finance due to absence of efforts in capacity-building;
- Non-availability of Islamic profit benchmarks which has resulted in negative marketing for Islamic financial institutions;
- Lack of awareness regarding Islamic banking practices which has resulted less acceptance of Islamic banking practices among masses.

The financial literacy of the masses is also one of the main hindrances of the overall growth of financial sector, particularly Islamic finance. Widespread public financial literacy and awareness is now considered an important tool to promote savings and expand financial security. Pakistan is characterized as having very low rates of savings and investments and low penetration of financial products and services. In order to cope with this issue, the SBP has taken an initiative to encourage a Nationwide Financial Literacy Program (NFLP). This program will work towards improving financial inclusion and also serve the interests of financial institutions and support for enhancement of financial awareness at root level.

The way forward

Modern Islamic banking and finance has spread over the last almost four decades and the industry now has great importance in global financial market. In Pakistan, SBP has played a leading role for promotion and development of the Industry and has gained international recognition for its regulatory role. SBP fully owns the Islamic banking and closely work with the industry. So far, SBP has been taken number of initiatives to strengthen the legal, regulatory and Shariah compliance framework of the sector.

Recently SBP has issued standardized framework on distribution of profit and pool management mechanism for the IBIs in Pakistan to achieve the uniformity and transparency in the profit distribution by all IBIs and that the procedure of financial reporting and general disclosure could be

streamlined. The new guidelines will support to further improve public confidence in Islamic banking.

Efforts are also being made for development of a comprehensive liquidity management solution that include development of Islamic interbank money market, development of Islamic Interbank Offered Rate (IIBOR) for use as a benchmark for pricing of Islamic finance products.

The SBP has also planned to develop a five-year plan, 2013-2017 for Pakistan's Islamic banking sector. According to SBP new plan will set the strategic direction for the Islamic banking industry. This would define the strategies and action plans to move the industry to the next level of growth.

There are negligible presence of Islamic Finance in small and medium-sized enterprises (SMEs) and agriculture sectors which not only are strategically important for the economy but also promise huge growth opportunities for IBIs to diversify their products and target markets and sectors. The IBIs are encouraged to build portfolios in non-traditional sectors such as agriculture and SME.

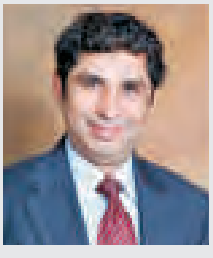
On other front, the SECP is also putting its strenuous efforts for developing of Islamic finance within the non-banking financial sector (NBFIs) and capital market. Various steps have been taken for promotion of Modarabas, Takaful, Islamic Mutual Fund and Islamic capital market.

A significant move was made from Registrar Modaraba, SECP, through issuance of detailed guidelines for Shariah Compliance and Shariah Audit Mechanism for Modarabas first time since inception of Modaraba sector. This was a remarkable effort from the office of Registrar of Modaraba for promotion of Modaraba sector as an Islamic Financial Institutions and it is expected that this sector will further progress.

Recently, SECP has also issued draft regulation on issuance of Sukuk bonds. The regulations will facilitate issuers and provide comfort to Sukuk investors. Sukuk is a very important instrument for liquidity management. During last two years sovereign Sukuk USD 4 billion approx., have been issued that has largely addressed the liquidity management issue of the industry. Furthermore, the revisedTakaful rules of 2012 (draft) have also been issued. The revise rules will support for enhancement of Takaful business in Pakistan market.

Conclusion

Islamic finance has made impressive progress globally and domestically. However, it is still in an evolutionary phase and more efforts are required to confront challenges in keeping the growth momentum of the industry. Pakistan is the world's second most populous Muslim nation and has great potential for expansion of Islamic finance as it is largely untapped. There is a need for a diversification of assets and the tapping of non-traditional sectors. In light of the rising demand, and the increasing acceptability of Islamic finance among both providers and users, the growth prospects of the industry in Pakistan are very promising.



The above report has been published in Country Guide 2013 issued by Islamic Finance News Malaysia in March, 2013. The writer of the report is Mr. Muhammad Shoaib Ibrahim, CEO & Managing Director of First Habib Modaraba.

"MUSHARAKAH"

By Maulana Muhammad Taqi Usmani

'Musharakah' is a word of Arabic origin which literally means sharing. In the context of business and trade it means a joint enterprise in which all the partners share the profit or loss of the joint venture. It is an ideal alternative for the interest-based financing with far reaching effects on both production and distribution. In the modern capitalist economy, interest is the sole instrument indiscriminately used in financing of every type. Since Islam has prohibited interest, this instrument cannot be used for providing funds of any kind. Therefore, *'Musharakah'* can play a vital role in an economy based on Islamic principles.

'Interest' predetermines a fixed rate of return on a loan advanced by the financier irrespective of the profit earned or loss suffered by the debtor, while *'Musharakah'* does not envisage a fixed rate of return. Rather, the return in *Musharakah* is based on the actual profit earned by the joint venture. The financier in an interest-bearing loan cannot suffer loss while the financier in *Musharakah* can suffer loss, if the joint venture fails to produce fruits. Islam has termed interest as an unjust instrument of financing because it results in injustice either to the creditor or to the debtor. If the debtor suffers a loss, it is unjust on the part of the creditor to claim a fixed rate of return; and if the debtor earns a very high rate of the profit, it is injustice to the creditor to give him only a small proportion of profit leaving the rest for the debtor.

In the modern economic system, it is the banks which advance depositors' money as loans to industrialists and traders. If industrialists having only ten million of their own acquire 90 million from the banks and embark on a huge profitable project, it means that 90% of the project has been created by the money of the depositors while only 10% has been created by their own capital. If this huge project brings enormous profits, only a small proportion i.e. 14 or 15% will go to the depositors through the bank, while all the rest will be gained by the industrialists whose real contribution to the project is no more than 10%. Even this small proportion of 14 or 15% is taken back by the industrialists, because this proportion is included by them in the cost of their production. The net result is that all the profits of their enterprise is earned by the persons whose own capital does not exceed 10% of the total investment, while the people owning 90% of the investment get no more than the fixed rate of interest which is often repaid by them through the increased prices of the products. On the contrary, if in an extreme situation, the industrialists go insolvent, their own loss is no more than 10%, while the rest of the 90% is totally borne by the bank, and in some cases, by the depositors. In this way, the rate of interest is the main cause for imbalances in the system of distribution, which has a constant tendency in favour of the rich and against the interests of the poor.

Conversely, Islam has a clear cut principle for the financier. According to Islamic principles, a financier must determine whether he is advancing a loan to assist a debtor on humanitarian grounds or he desires to share his profits. If he wants to assist the debtor, he should resist from claiming any excess on the principal of his loan, because his aim is to assist him. However, if he wants to have a share in the profits of his debtor, it is necessary that he should also share him in his losses. Thus the returns of the financier in *Musharakah* have been tied up with the actual profits accrued through the enterprise. The greater the profits of the enterprise, the higher the rate of return to the financier. If the enterprise earns enormous profits, all of it cannot be secured by the

industrialist exclusively, but they will be shared by the common people as depositors in the bank. In this way, *Musharakah* has a tendency to favour the common people rather than the rich only.

This is a basic philosophy which explains why Islam has suggested *Musharakah* as an alternative to the interest based financing. No doubt, *Musharakah* embodies a number of practical problems in its full implementation as a universal mode of financing. It is sometimes presumed that *Musharakah* is an old instrument which cannot keep pace with the ever-advancing need for speedy transactions. However, this presumption is due to the lack of proper knowledge concerning the principles of *Musharakah*. In fact, Islam has not prescribed a specific form or procedure for *Musharakah*. Rather, it has set some broad principles which can accommodate numerous forms and procedures. A new form or procedure in *Musharakah* cannot be rejected merely because it has no precedent in the past. In fact, every new form can be acceptable to the Shar'iah in so far as it does not violate any basic principle laid down by the Holy Qur'an, the Sunnah or the consensus of the Muslim jurists. Therefore, it is not necessary that *Musharakah* be implemented only in its traditional old form.

The present chapter contains a discussion of the basic principles of *Musharakah* and the way in which it can be implemented in the context of modern business and trade. This discussion is aimed at introducing *Musharakah* as a modern mode of financing without violating its basic principles in any way. *Musharakah* has been introduced with reference to the books of Islamic jurisprudence, and basic problems which may be faced in implementing it in a modern situation. It is hoped that this brief discussion will open new horizons for the thinking of Muslim jurists and economists and may help implementing a true Islamic economy.

The Concept of Musharakah

"Musharakah" is a term frequently referred to in the context of Islamic modes of financing. The connotation of this term is a little limited than the term "Shirkah" more commonly used in the Islamic jurisprudence. For the purpose of clarity in the basic concepts, it will be pertinent at the outset to explain the meaning of each term, as distinguished from the other. "Shirkah" means "Sharing" and in the terminology of Islamic Fiqh, it has been divided into two kinds:

1. *Shirkat-ul-milk:* It means joint ownership of two or more persons in a particular property. This kind of "Shirkah" may come into existence in two different ways: sometimes it comes into operation at the option of the parties. For example, if two or more persons purchase equipment, it will be owned jointly by both of them and the relationship between them with regard to that property is called "Shirkat-ulmilk". Here this relationship has come into existence at their own option, as they themselves elected to purchase the equipment jointly.

   But there are cases where this kind of "Shirkah" comes to operate automatically without any action taken by the parties. For example, after the death of a person, all his heirs inherit his property which comes into their joint ownership as an automatic consequence of the death of that person.

2. *Shirkat-ul-'aqd*: This is the second type of Shirkah which means "a partnership effected by a mutual contract". For the purpose of brevity it may also be translated as "joint commercial enterprise".

Shirkat-ul-'aqd is further divided into three kinds:

- *Shirkat-ul-amwal* where all the partners invest some capital into a commercial enterprise.

- *Shirkat-ul-A'mal* where all the partners jointly undertake to render some services for their customers, and the fee charged from them is distributed among them according to an agreed ratio. For example, if two persons agree to undertake tailoring services for their customers on the condition that the wages so earned will go to a joint pool which shall be distributed between them irrespective of the size of the work each partner has actually done, this partnership will be a *shirkatul-a'mal* which is also called *Shirkat-ul-taqabbul* or *Shirkat-ul-sana'i'* or *Shirkatul-abdaan.*

- The third kind of *Shirkat-ul-'aqd* is *Shirkat-ul-wujooh*. Here the partners have no investment at all. All they do is that they purchase the commodities on a deferred price and sell them at spot. The profit so earned is distributed between them at an agreed ratio.

All these modes of "Sharing" or partnership are termed as *"Shirkah"* in the terminology of Islamic *Fiqh*, while the term *"Musharakah"* is not found in the books of *Fiqh.* This term (i.e. *Musharakah)* has been introduced recently by those who have written on the subject of Islamic modes of financing and it is normally restricted to a particular type of *"Shirkah*", that is, the *Shirkat-ul-amwal,* where two or more persons invest some of their capital in a joint commercial venture. However, sometimes it includes *Shirkat-ul-a'ma*l also where part also where partnership takes place in the business of services.

It is evident from this discussion that the term *"Shirkah"* has a much wider sense than the term *"Musharakah"* as is being used today. The latter is limited to the *"Shirkat-ulamwal"* only, while the former includes all types of joint ownership and those of the partnership.

Since *"Musharakah"* is more relevant for the purpose of our discussion, and it is almost analogous to *"shirkat-ul-amwal"*, we shall now dwell upon it, explaining at the first instance, the traditional concept of this type of *Shirkah*, then giving the brief account of it's application to the concept of financing in the modern context.

The Basic Rules of Musharakah

Musharakah or *Shirkat-ul-amwa*l is a relationship established by the parties through a mutual contract. Therefore, it goes without saying that all the necessary ingredients of a valid contract must be present here also. For example, the parties should be capable of entering into a contract; the contract must take place with free consent of the parties without any duress, fraud or misrepresentation; etc., etc.

But there are certain ingredients which are peculiar to the contract of *"Musharakah"*. They are summarized here:

1. Distribution of Profit

The proportion of profit to be distributed between the partners must be agreed upon at the

time of affecting the contract. If no such proportion has been determined, the contract is not valid in Shar'iah.

The ratio of the profit for each of the partner must be determined in proportion to the actual profit accrued to the business, and not in proportion to the capital invested by him. It is not allowed to fix a lump sum amount for any one of the partners, or any rate of profit tied up with his investment.

Therefore if A and B enter into a partnership and it is agreed between them that A shall be given Rs 10,000/- per month as his share in the profit, and the rest will go to B, the partnership is invalid. Similarly, if it is agreed between them that A will get 15% of his investment, the contract is not valid. The correct basis for distribution would be an agreed percentage of the actual profit accrued to the business.

If a lump sum amount or a certain percentage of the investment has been agreed for any one of the partners, it must be expressly mentioned in the agreement that it will be subject to the final settlement at the end of the term, meaning thereby that any amount so drawn by any partner shall be treated as 'on account payment' and will be adjusted to the actual profit he may deserve at the end of the term. But if no profit is actually earned or is less than anticipated, the amount drawn by the partner shall have to be returned.

2. Ratio of Profit

Is it necessary that the ratio of the profit of each partner confirms to the ratio of the capital invested by him? There is a difference of opinion among the Muslim jurists about this question.

In the view of Imam Malik and Imam *Shafi'i,* it is necessary for the validity of *Musharakah* that each partner gets the profit exactly in the proportion of his investment. Therefore, if A has invested 40% of the total capital, he must get 40% of the profit. Any agreement to the contrary which makes him entitled to get more or less than 40% will render the *Musharakah* invalid in *Shari'ah.*

On the contrary, the view of Imam Ahmed is that the ratio of profit may differ from the ratio of investment if it is agreed between the partners with their free consent. Therefore, it is permissible that a partner with 40% of investment gets 60% or 70% of the profit, while the other partner with 60% of the investment gets only 40% or 30%.

The third view is presented by Imam Abu Hanifah which can be taken as a via media between the two opinions mentioned above. He says that the ratio of profit may differ from the ratio of investment in normal conditions. However, if a partner has put an express condition in the agreement that he will never work for the Musharakah and will remain a sleeping partner throughout the term of Musharakah, then this share of profit cannot be more than a ratio of his investment.

3. Sharing of Loss

But in the case of loss, all the Muslim jurists are unanimous on the point that each partner shall suffer the loss exactly according to the ratio of his investment.

Therefore, if a partner has invested 40% of the capital, he must suffer 40% of the loss, not more, not less, and any condition to the contrary shall render the contract invalid. There is a complete consensus of the jurists on this principle. Therefore, according to Imam Shafi'i, the ratio of the share of a partner in profit and loss both must conform to the ratio of his investment. But according to the Imam Abu Hanifa and Imam Ahmad, the ratio of the profit may differ from the ratio of investment according to the agreement of the partners, but the loss must be divided between them exactly in accordance with the ratio of capital invested by each one of them. It is this principle that has been mentioned in the famous maxim:

Profit is based on the agreement of the parties, but loss is always subject to the ratio of investment.

The Nature of the Capital

Most of the Muslim jurists are of the opinion that the capital invested by each partner must be in liquid form. It means that the contract of *Musharakah* can be based only on money, and not on commodities. In other words, the share capital of a joint venture must be in monetary form. No part of it can be contributed in kind. However, there are no different views in this respect.

1. Imam Malik is of the view that the liquidity of capital is not a condition for the validity of *Musharakah,* therefore, it is permissible that a partner contributes to the *Musharakah* in kind, but his share shall be determined on the basis of evaluation according to the market price prevalent at the date of the contract. This view is also adopted by some Hanbali jurists.

2. Imam Abu Hanifa and Imam Ahmad are of the view that no contribution in kind is acceptable in a *Musharakah.* Their standpoint is based on two reasons:

   Firstly, they say that the commodities of each partner are always distinguishable from the commodities of the other. For example, if A has contributed one motor car to the business, and B has come with another motor car, each of the two cars is the exclusive property of its original owner.

   Now, if the car of A is sold, its sale-proceeds should go to A. B has no right to claim a share in its price. Therefore, so far as the property of each partner is distinguished from the property of the other, no partnership can take place.

   On the contrary, if the capital invested by every partner is in the form of money, the share capital of each partner cannot be distinguished from that of the other, because the units of money are not distinguishable, therefore, they will be deemed to form a common pool, and thus the partnership comes into existence.

   Secondly, they say, there are a number of situations in a contract of *Musharakah* where the partners have to resort to redistribution of the share capital to each partner. If the share-capital was in the form of commodities, such redistribution cannot take place, because the commodities may have been sold at that time. If the capital is repaid on the basis of its value, the value may have increased, and there is a possibility that a partner gets all the profit of the business, because of the appreciation in the value of commodities he has invested, leaving nothing for the other partner.

Conversely, if the value of those commodities decreases, there is a possibility that one partner secures some part of the original price of the commodity of the other partner in addition to his own investment.

3. Imam al-Shafi'i has come with a via media between the two points of view explained above. He says that commodities are of two kinds:

   (i) *Dhawat-ul-amthal* i.e. the commodities which, if destroyed, can be compensated by the similar commodities in quality and quantity, e.g. wheat, rice etc. If 100 kilograms of wheat are destroyed, they can easily be replaced by another 100kg. of wheat of the same quality.

   (ii) *Dhawat-ul-qeemah* i.e. the commodities which cannot be compensated by the similar commodities, like the cattle. Each head of sheep, for example has its own characteristics which cannot be found in any other head. Therefore, if somebody kills the sheep of a person, he cannot compensate him by giving him similar sheep. Rather, he is required to pay their price.

   Now, Imam al-Shafi'i, says that the commodities of the first kind *(dhawat-ulamthal)* may be contributed to the *Musharakah* as the share of a partner in the capital, while the commodities of the second kind *(dhawat-ul-qeemah)* cannot form the part of the share capital.

   By this distinction between *dhawat-ul-amthal* and *dhawat-ul-qeemah,* Imam al- Shafi'i has met the second objection on 'participation by commodities' as was raised by Imam Ahmad. For in the case of *dhawat-ul-amthal,* redistribution of capital may take place by giving to each partner the similar commodities he had invested. However, the first objection remains still unanswered by Imam al-Shafi'i.

   In order to meet this objection also, Imam Abu Hanifah says that the commodities falling under the category of *dhawat-ul-amthal* can form part of the share capital only if the commodities contributed by each partner have been mixed together, in such a way that the commodity of one partner cannot be distinguished from that of the other.

   In short, if a partner wants to participate in a *Musharakah* by contributing some commodities to it, he can do so according to the Imam Malik without any restriction, and his share in the *Musharakah* shall be determined on the basis of the current market value of the commodities, prevalent at the date of the commencement of *Musharakah*. According to Imam al Shafi'i, however, this can be done only if the commodity is from the category of *dhawat-ul-amthal.*

   According to Imam Abu Hanifa, if the commodities are *dhawat-ul-amthal,* this can be done by mixing the commodities of each partner together. And if the commodities are *dhawat-ul-qeemah,* then they cannot form part of the share capital.

   It seems that the view of Imam Malik is more simple and reasonable and meets the needs of the modern business. Therefore, this view can be acted upon. We may, therefore, conclude from the above discussion that the share capital in a *Musharakah* can be contributed either in cash or in the form of commodities. In the latter case, the market value of the commodities shall determine the share of the partner in the capital.

Management of the Musharakah

The normal principle of the *Musharakah* is that every partner has a right to take part in its management and to work for it. However the partners may agree upon a condition that the management shall be carried out by one of them and no other partner shall work for the *Musharakah*. But in this case the sleeping partner should be entitled to the profit only to the extent of his investment, and the ratio of the profit allocated to him should not exceed the ratio of his investment as discussed earlier.

However, if all the other parties agree to work for the joint venture, each of them shall be treated as the agent of the other in all the matters of the business and any work done by one of them in the normal course of business shall be deemed to be authorized by all the partners.

Termination of Musharakah

Musharakah is deemed to be terminated in anyone of the following events:

1. Every partner has a right to terminate the *Musharakah* at anytime after giving his partner a notice to this effect, whereby the *Musharakah* will come to an end.

   In this case, if the assets of the *Musharakah* are in cash form, all of them will be distributed pro rata between the partners. But if the assets are not liquidated, the partners may agree either on the liquidation of the assets, or on their distribution or partition between the partners as they are. If there is a dispute between the partners in this matter i.e. that if partner seeks liquidation while the other wants the partition or distribution of the non-liquid assets themselves, the latter shall be preferred, because after the termination of *Musharakah*, all the assets are in joint ownership of the partners, and a co-owner has a right to seek partition or separation, and no one can compel him on liquidation. However, if the assets are such that they cannot be separated or partitioned, such as machinery, then they shall be sold and the sale proceeds shall be distributed.

2. If any one of the partners dies during the currency of *Musharakah*, the contract of *Musharakah* with him stands terminated. His heirs in this case, will have the option either to draw the share of the deceased from the business, or to continue with the contract of the *Musharakah*.

3. If any one of the partners becomes insane or otherwise becomes incapable of effecting commercial transactions, the *Musharakah* stands terminated.

Termination of Musharakah without closing the business

If one of the partners wants termination of the *Musharakah*, while the other partner or partners like to continue with the business, this purpose can be achieved by mutual agreement. The partners who want to run the business may purchase the share of the partner who wants to terminate his partnership, because the termination of the *Musharakah* with one partner does not imply its termination between the other partners.

However, in this case, the price of the share of the leaving partner must be determined by mutual consent, and if there is a dispute about the valuation of the share and the partners do not arrive at an agreed price, the leaving partner may compel other partners on the liquidation or the distribution of the assets themselves.

The question arises whether the partners can agree, while entering into the contract of the *Musharakah*, on a condition that the liquidation or separation of the business shall not be effected unless all the partners, or the majority of them wants to do so, and that a single partner who wants to come out of the partnership shall have to sell his share to the other partners and shall not force them on liquidation or separation.

Most of the traditional books of Islamic Fiqh seem to be silent on this question. However, it appears that there is no bar from the Shari'ah point of view if the partners agree to such a condition right at the beginning of the *Musharakah*. This is expressly permitted by some Hanbali jurists.

This condition may be justified, especially in the modern situations, on the ground that the nature of business, in most cases today, requires continuity for it's success, and the liquidation or separation at the instance of a single partner only may cause irreparable damage to the other partners.

If a particular business has been started with huge amounts of money which has been invested in a long term project, and one of the partners seeks liquidation in the infancy of the project, it may be fatal to the interests of the partners, as well as to the economic growth of the society, to give him such an arbitrary power of liquidation or separation. Therefore such a condition seems to be justified, and it can be supported by the general principle laid down by the Holy Profit (PBUH) in his famous hadith:

"All the conditions agreed upon by the Muslims are upheld, except a condition which allows what is prohibited or prohibits what is lawful."

This article has been taken from the Book "An introduction to Islamic Finance" written by Maulana Muhammad Taqi Usmani. Published by Maktaba Ma'ariful Quran.

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"MUDARABAH"

By Maulana Muhammad Taqi Usmani

"Mudarabah" is a special kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called *"rabb-ul-mal",* while the management and work is an exclusive responsibility of the other, who is called *"mudarib".*

The difference between *musharakah* and *mudarabah* can be summarized in the following points:

1. The investment in *musharakah* comes from all the partners, while in *mudarabah,* investment is the sole responsibility of the *rabb-ul-mal.*

2. In *musharakah,* all the partners can participate in the management of the business and can work for it, while in the *mudarabah,* the *rabb-ul-mal* has no right to participate in the management which is carried out by the *mudarib* only.

3. In *musharakah* all the partners share the loss to the extent of the ratio of their investment while in *mudarabah* the loss, if any, is suffered by the *rabb-ul-mal* only, because the *mudarib* does not invest anything. His loss is restricted to the fact that his labor has gone in vain and his work has not brought any fruit to him.

   However, this principle is subject to a condition that the *mudari*b has worked with due diligence which is normally required for the business of that type. If he has worked with negligence or has committed dishonesty, he shall be liable for the loss caused by his negligence or misconduct.

4. The liability of the partners in *musharakah* is normally unlimited. Therefore, if the liabilities of the business exceed it's assets and the business goes in liquidation, all the exceeding liabilities shall be borne pro rata by all the partners. However, if all the partners have agreed that no partner shall incur any debt during the course of business, then the exceeding liabilities shall be borne by the partner alone who has incurred a debt on the business in violation of the aforesaid condition.

   Contrary to this is the case of *mudarabah*. Here the liability of *rabb-ul-ma*l is limited to his investment, unless he has permitted the *mudarib* to incur debts on his behalf.

5. In *musharakah*, as soon as the partners mix up their capital in a joint pool, all the assets of the *musharakah* become jointly owned by all of them according to the proportion of their respective investment. Therefore, each of them can benefit from the appreciation in the value of the assets, even if the profit has not accrued through sales.

   The case of *mudaraba*h is different. Here all the goods purchased by the *mudarib* are solely owned by the *rabb-ul-mal*, and the *mudarib* can earn his share in the profit only in case he sells the goods profitably. Therefore, he is not entitled to claim his share in the assets themselves, even if their value has increased.

Business of Mudarabah

The rabb-ul-mal may specify a particular business for the *mudarib*, in which case he shall invest the money in that particular business only. This is called *almudarabah almuqayyadah* (restricted *mudarabah*). But if he has left it open for the *mudarib* to undertake whatever business he wishes, the *mudarib* shall be authorized to invest the money in any business he deems fit. This type of *mudarabah* is called 'al-mudarabah al-mutlaqah' (unrestricted *mudarabah*)

A *rabbul-mal* can contract *mudarabah* with more than one person through a single transaction. It means that he can offer his money to A and B both, so that each one of them can act for him as *mudarib* and the capital of the *mudarabah* shall be utilized by both of them jointly, and the share of the *mudarib* shall be distributed between them according to the agreed proportion . In this case both the *mudaribs* shall run the business as if they were partners inter se. The *mudarib* or *mudaribs,* as the case may be, are authorized to do anything which is normally done in a course of business. However, if they want to do an extraordinary work, which is beyond the normal routine of the traders, they cannot do so without express permission from the *rabb-ulmal.*

Distribution of the Profit

It is necessary for the validity of *mudarabah* that the parties agree, right at the beginning, on a definite proportion of the actual profit to which each of them is entitled. No particular proportion has been prescribed by the Shar'iah ; rather, it has been left to their mutual consent. They can share the profit in equal proportions, and they can also allocate different proportions for the *rubb-ul-mal* and the *mudarib.* However, they cannot allocate a lump sum amount of profit for any party, nor can they determine the share of any party at a specific rate tied up with the capital. For example, if the capital is Rs.100000/- they cannot agree on a condition that Rs.10000/- out of the profit shall be the share of the *mudarib*, nor can they say that 20% of the capital shall be given to *rabb-ul-mal*. However, they can agree on that 40% of the actual profit shall go to the *mudarib* and 60% to the *rabb-ul-mal* or vice versa.

It is also allowed that different proportions are agreed in different situations. For example the *rubb-ul-mal* may say to the *mudarib,* "If you trade in wheat, you will get 50% of the profit and if you trade in flour, you will have 33% of the profit ".Similarly, he can say "If you do the business in your town, you will be entitled to 30% of the profit, and if you do it in another town, your share will be 50% of the profit."

Apart from the agreed proportion of the profit, as determined in the above manner, the *mudarib* cannot claim any periodical salary or a fee or remuneration for the work done for him by the *mudarabah*

All the schools of the Islamic *Fiqh* are unanimous on this point. However, Imam Ahmad has allowed for the *mudarib* to draw his daily expenses of food only from the *mudarabah* account.

The Hanafi jurists restrict this right of the *mudarib* only to a situation where he is on a business trip outside his own city. In this case he can claim his personal expenses, accommodation, food etc., but he is not entitled to get anything as daily allowances when he is in his own city.

If the business has incurred loss in some transactions and has gained profit in some others, the profit shall be used to offset the loss at the first instance, then the remainder, if any, shall be distributed between the parties according to the agreed ratio.

Termination of Mudarabah

The contract of the *mudarabah* can be terminated at any time by either of the two parties. The only condition is to give a notice to the other party. If all assets of the *mudarabah* are in cash form at the time of termination, and some profit has been earned on the principle amount, it shall be distributed between the parties according to the agreed ratio. However, if the assets of the *mudarabah* are not in the cash form, the *mudarib* shall be given an opportunity to sell or liquidate them, so that the actual profit may be determined.

There is a difference of opinion among the Muslim jurists about the question whether the contract of *mudarabah* can be affected for a specified period after which it terminates automatically. The Hanafi and Hanbali schools are of view that the *mudarabah* can be restricted to a particular term, like one year, six months, etc, after which it will come to an end without a notice. On the contrary, Shafi'i and Maliki schools are of the opinion that the *mudarabah* cannot be restricted to a particular time. However, this difference of opinion relates only to the maximum time limit of the *mudarabah*. Can a minimum time limit also be fixed by the parties before which mudarabah cannot be terminated? No express answer to this question is found in the books of the Islamic Fiqh, but it appears from the general principles enumerated therein that no such limit can be fixed, and each party is at liberty to terminate the contract whenever he wishes.

This unlimited power of the parties to terminate the *mudarabah* at their pleasure may create some difficulties in the context of the present circumstances, because most of the commercial enterprises today need time to bring fruits. They also demand constant and complex efforts. Therefore, it may be disastrous to the project, if the *rabb-ul-mal* terminates the *mudarabah* right in the beginning of the enterprise. Specially, it may bring a severe set back to a *mudarib* who will earn nothing despite all his efforts. Therefore, if the parties agree, when entering into the *mudarabah*, that no party shall terminate it during a specified period, except in specified circumstances it does not seem to violate any principle of *Shar'iah*, particularly in the light of the famous hadith, already quoted which says:"All the conditions agreed upon by the Muslims are upheld, except a condition which allows what is prohibited or prohibits what is lawful."

Combination of Musharakah and Mudarabah

A contract of *mudarabah* normally presumes that the *mudarib* has not invested anything to the *mudarabah.* He is responsible for the management only, while all the investment comes from *rabb-ul-mal.* But there may be situations where the mudarib also wants to invest some of his money into the business of *mudarabah.*

In such cases *musharakah* and *mudarabah* are combined together. For example, A gave to B Rs.100000/- in a contract of mudarabah. B added Rs.50000/- from his own pocket with the permission of A. This type of partnership will be treated as a combination of *musharakah* and *mudarabah.* Here the *mudarib* may allocate for himself a certain percentage of profit on account of his investment as a sharik, and at the same time he may allocate another percentage for his management and work as a *mudarib*. The normal basis for allocation of the profit in the above example would be that B shall secure one third of the actual profit on account of his investment, and the remaining two thirds of the profit shall be distributed between them equally. However, the parties may agree on any other proportion. The only condition is that the sleeping partner should not get more percentage than the proportion of the investment.

Therefore, in the aforesaid example, A cannot allocate for himself more than two thirds of the total profit, because he has not invested more than two thirds of the capital. Short of that, they can agree on any proportion. If they have agreed that the total profit will be distributed equally, it means that one-third of the profit shall go to B as an investor, while one fourth of the remaining two thirds will go to him as a *mudarib*. The rest will be given to A as "*rabb-ul-mal".*

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Events and Activities

SECOND ANNUAL GENERAL MEETING OF NBFI & MAP

Second Annual General Meeting of NBFI & Modaraba Association of Pakistan was held on 25th September 2012 at the Conference Hall of the Association

A view of the Participants

Mr. Basheer A. Chowdry addressing the General Body. Mr. Murtaza Ahmed Ali and Mr. Muhammad Samiullah are also seen in the picture

Mr. Raheel Q. Ahmad presenting a shield to Mr. Basheer A. Chowdry

SEMINAR ON CODE OF CORPORATE GOVERNANCE

NBFI & Modaraba Association of Pakistan organised a seminar on “Code of Corporate Governance” conducted by Syed Asad Ali Shah Partner Delloitte Pakistan, attended by senior executives of Modaraba and Leasing Sector.

Mr. Basheer A. Chowdry addressing the participants. Syed Asad Ali Shah and Mr. Muhammad Samiullah also seen in the picture.

A view of the participants

Mr. Jawed Hussain, Registrar Modaraba presenting a shield to Syed Asad Ali Shah

WORKSHOP ON
" DEFAULT & DELAY MANAGEMENT"

NBFI & Modaraba Association of Pakistan organized a full day Workshop on DEFAULT & DELAY MANAGEMENT on 22nd January, 2013. 20 Participants attended the Workshop.

Mr. Raheel Q. Ahmad Chairman, inaugurating the Workshop. Mr. Mohammad Khalid Ali, Vice Chairman, Mr. Muhammad Samiullah & Mufti Abdul Sattar Laghari are also seen in the picture.

A view of the participants of Workshop

Group photo of the participants of the Workshop.

LAUNCHING CEREMONY OF YEAR BOOK 2011

The NBFI & Modaraba Association of Pakistan arranged launching ceremony of its 2nd Year Book on 21st May 2012 at Marriott Hotel, Karachi. Mr. Jawed Hussain, Registrar Modaraba was the Chief Guest

Mr. Jawed Hussain addressing the Launching Ceremony. Mr. Basheer A. Chowdry, Mr. Murtaza Ahmed Ali, Syed Asad Ali Shah and Mr. Muhammad Samiullah are sitting.

Mr. Basheer A. Chowdry Presenting Year Book -2011 to Mr. Jawed Hussain

Mr. Basheer A. Chowdry, presenting a shield to Mr. Raheel Q. Ahmad, CEO Standard Chartered Modaraba on completion of 25 years of Operation of the Modaraba. Mr. Jawed Hussain, Registrar Modaraba, Mr. Murtaza Ahmed Ali and Mr. Muhammad Samiullah are also seen in the picture.

SEMINAR ON SUKUK

A seminar on Sukuk “Dawn of the Sukuk Market in the Maldives” was held on 13th December, 2012 at Male. Mr. Mohammad Shoaib Ibrahim MD & CEO, First Habib Modaraba presented his paper on “Globalization of Sukuk.

Mr. Mohammad Shoaib Ibrahim MD & CEO, First Habib Modaraba at seminar on Sukuk

NBFI & MODARABA ASSOCIATION OF PAKISTAN

A view of the Office

A view of Conference Hall

NBFI & Modaraba Association of Pakistan has recently renovated its office and built a conference Hall for conducting meetings, Seminars/Workshops etc. The total seating capacity is around 35 participants. Association is using this Conference Hall for its events which were previously held in the hotels, saving a substantial amount. Now Association is offering this Conference Hall to the valued clients for holding their meetings / events and seminars / workshop.

THE YEAR FOR NBFI

During the year achievements of some of the members of the NBFI & Modaraba Association of Pakistan are as under:-

CREDIT RATINGS:

- PACRA (The Pakistan Credit Rating Agency) upgraded the long term entity rating of ORIX Leasing Pakistan Limited to AA+ (Double A plus) from previous AA while Short term rating has been maintained at A1+ (A one plus).
- PACRA (The Pakistan Credit Rating Agency) has rated the long term and short term rating of AA+ (Double A Plus) and A1+ (A one plus) respectively of First Habib Modaraba.
- PACRA (The Pakistan Credit Rating Agency) has rated the long term and short term rating of AA+ (Double A Plus) and A1 (A one) respectively of Standard Chartered Modaraba
- PACRA (The Pakistan Credit Rating Agency) has rated the long term and short term rating of AA (Double A) and A1+ (A one plus) respectively of Standard Chartered Leasing Limited.
- JCR-VIS rated has rated the long term and short term rating of AA- (Double A Minus) and A1+ (A one plus) respectively of First Habib Bank Modaraba.

AWARDS/CERTIFICATES

BEST CORPORATE & SUSTAINABILITY REPORT AWARD – 2011

The Joint Committee of Institute of Chartered Accountant of Pakistan (ICAP) and Institute of Cost & Management Accountant Pakistan (ICMAP) in their ceremony held on 8th October, 2012 awarded "Best Corporate Report Award" to First Habib Modaraba under the category of NBFCs.

CORPORATE EXCELLENCE AWARD / CERTIFICATES

28th Corporate Excellence Awards and Certificates held on April 10, 2012

CORPORATE EXCELLENCE AWARD

1)	ORIX Leasing Pakistan Limited	Financial Services
2)	Standard Chartered Modaraba	Equity Investment Instruments

CORPORATE EXCELLENCE CERTIFICATES

1)	First Habib Modaraba	Equity Investment Instruments

27th Corporate Excellence Awards and Certificates held on December 22, 2010

CORPORATE EXCELLENCE AWARD

1)	Allied Rental Modaraba	Equity Investment Instrument

CORPORATE EXCELLENCE CERTIFICATES

1)	First Habib Modaraba	Equity Investment Instrument
2)	ORIX Leasing Pakistan Limited	Financial Services

KSE – 100 INDEX

The name of Allied Rental Modaraba has been included in the KSE 100 Index which is an achievement for any modaraba in the NBFI & Modaraba Sectors.

POST GRADUATE DIPLOMA IN ISLAMIC FINANCE AND BANKING

Centre of Islamic Economics (CIE), (A Division of Jamia Darul Uloom, Korangi, Karachi) organizes One Year Post Graduate Diploma in Islamic Finance and Banking every year. This year the following Executives from Modaraba and Leasing Sector qualified for the diploma:-

1. Mr. Muhammad Samiullah, Secretary General, NBFI & Modaraba Association of Pakistan
2. Mr. Mujahid A. Mirza, Head of Islamic Window, ORIX Leasing Pakistan Limited
3. Mr. Shakil Ahmed Mangroria, Internal Auditor, First Habib Modaraba
4. Mr. Amir Iqbal, Manager, KASB Modaraba
5. Ms. Abida Iqbal, Credit Department, ORIX Leasing Pakistan Limited

Macro Perspective

TRENDS OF AGGREGATE INDICATORS

The trend of sector aggregate indicators for the years are given below:

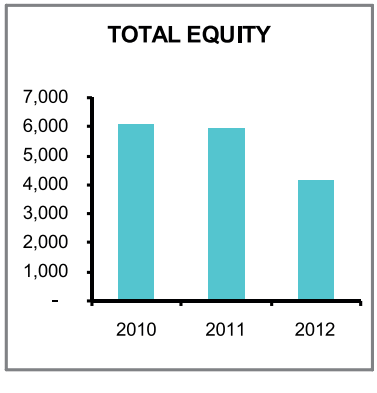
Leasing Companies / Investment Banks

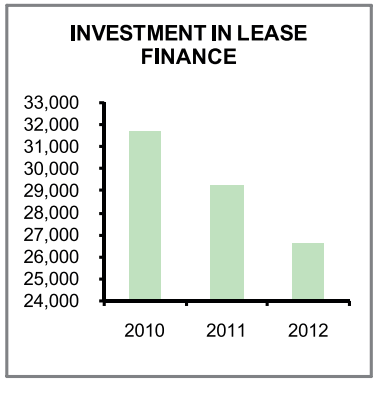
(Rs. in million)

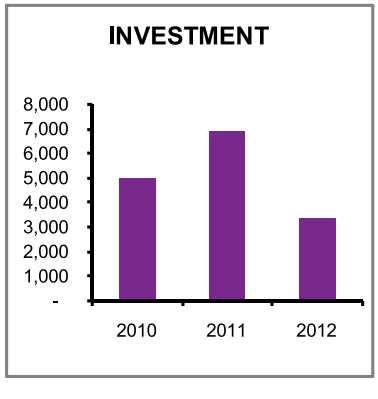
	2010	2011	2012
No. of Companies	12	13	12
Paid up Capital	5,928	9,152	9,568
Reserves	145	(3,183)	(5,527)
Total Equity	6,072	5,969	4,042
Investment in Lease Finance	31,716	29,270	26,617
Investments	5,010	6,931	3,391
Borrowing	27,068	25,590	22,233
Revenues	5,743	5,297	5,093
Operating Expenditure	3,314	1,874	1,841
Financial Charges	3,891	3,192	3,016
Taxation	(419)	914	(169)
Net Profit	(1,042)	(348)	(1,772)
Cash Dividend	13	146	201
Total Assets	46,672	44,461	40,420

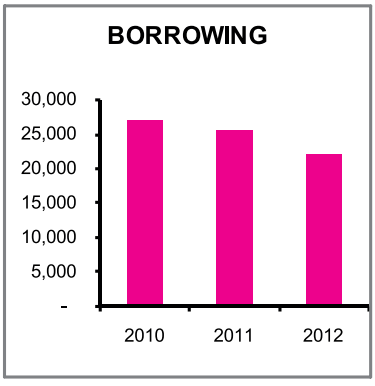
Figures include 9 Leasing Companies and 3 Investment Banks.

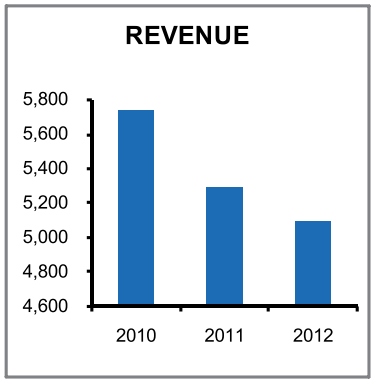
The number of companies and the Paid up Capital are Industry's input parameters whereas revenues, profit, financial charges and investments are the output parametersindicating the extent of the benefits provided by the industry to the lessors, shareholders etc.

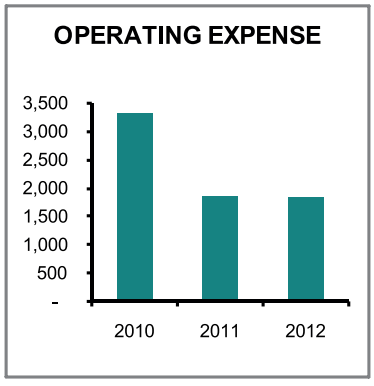


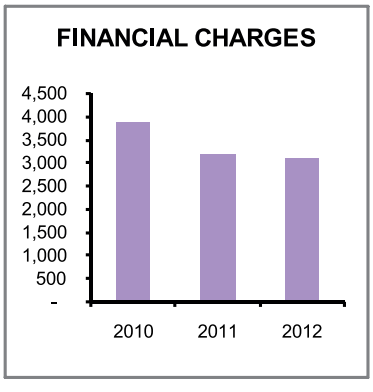


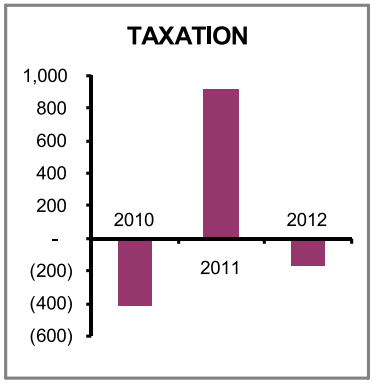


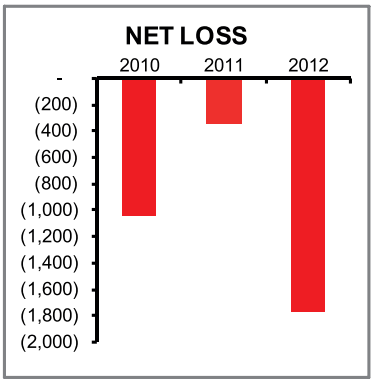

BORROWING
30,000
25,000
20,000
15,000
10,000
5,000
-
2010
2011
2012

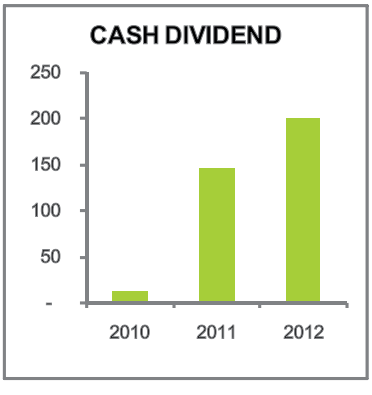

REVENUE
5,800
5,600
5,400
5,200
5,000
4,800
4,600
2010
2011
2012

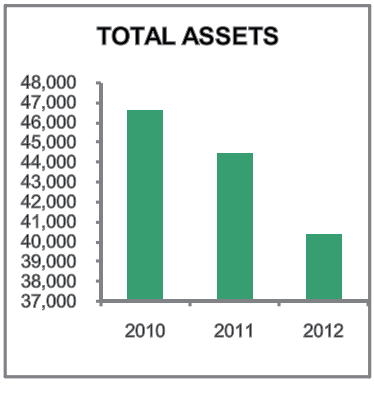

OPERATING EXPENSE
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2010
2011
2012


FINANCIAL CHARGES
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2010
2011
2012


TAXATION
1,000
800
600
400
200
-
(200)
(400)
(600)
2010
2011
2012


NET LOSS
2010
2011
2012
-
(200)
(400)
(600)
(800)
(1,000)
(1,200)
(1,400)
(1,600)
(1,800)
(2,000)

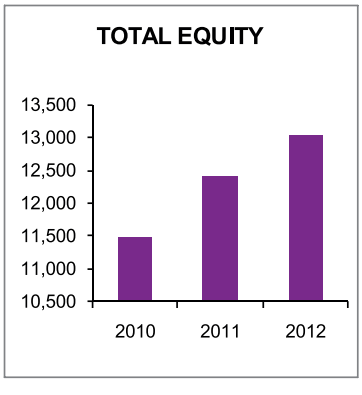

CASH DIVIDEND
250
200
150
100
50
-
2010
2011
2012

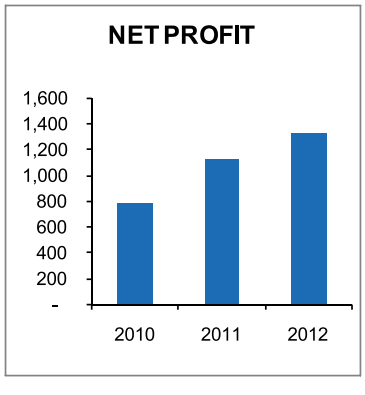

TOTAL ASSETS
48,000
47,000
46,000
45,000
44,000
43,000
42,000
41,000
40,000
39,000
38,000
37,000
2010
2011
2012

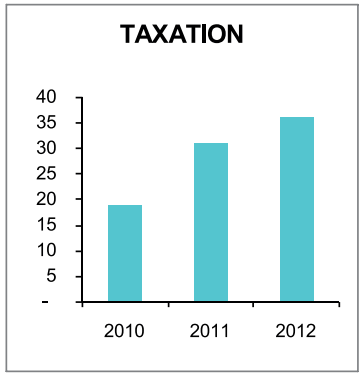
Modarabas

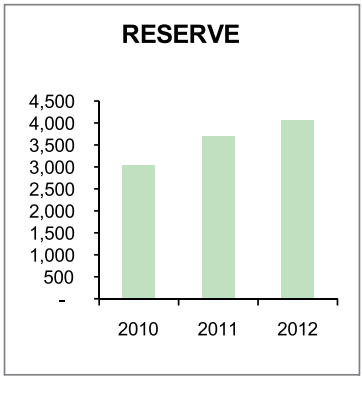
The trend of sector aggregate indicators for the years are given below:

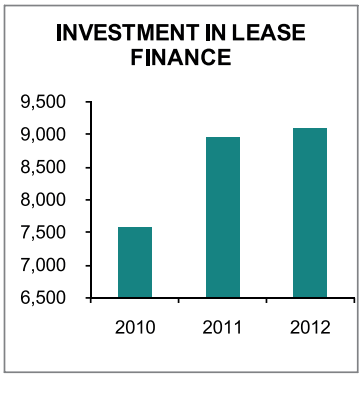
	(Rs. in million)		
	2010	2011	2012
No. of Companies	26	26	24
Paid up Capital	8,439	8,746	9,124
Reserves	3,050	3,675	4,062
Total Equity	11,489	12,422	13,186
Investment in Lease Finance	7,575	8,968	9,093
Investments	2,905	3,106	2,985
Borrowing	7,989	9,296	10,946
Revenues	7,436	8,055	8,960
Operating Expenditure	5,366	5,342	5,594
Financial Charges	1,270	1,257	1,266
Taxation	19	31	36
Net Profit	781	1,128	1,311
Cash Dividend	580	772	924
Total Assets	24,469	26,343	29,195

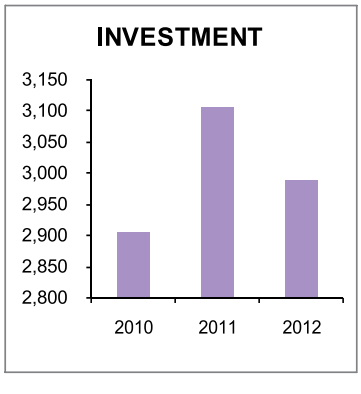


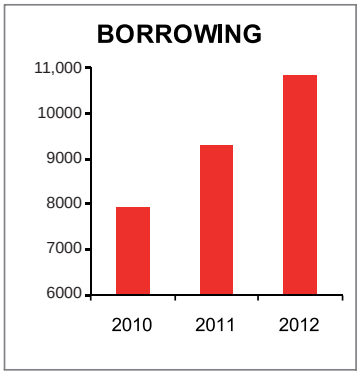


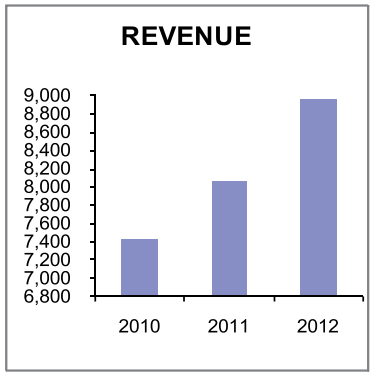


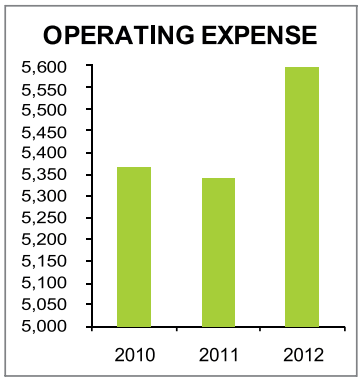


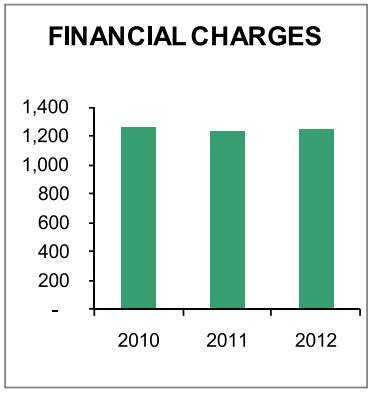


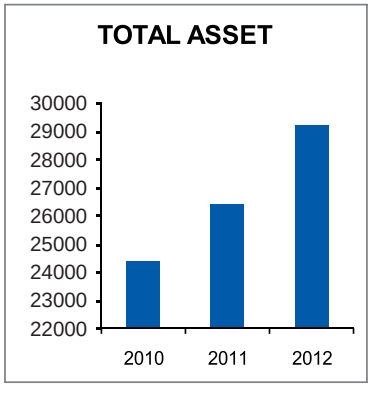












NBFI & Modaraba Sector (Consolidated)

	(Rs. in million)		
	2010	2011	2012
No. of Companies	38	39	36
Paid up Capital	14,367	17,898	18,692
Reserves	3,195	492	(1,465)
Total Equity	17,562	18,391	17,228
Investment in Lease Finance	39,291	38,238	35,710
Investments	7,915	10,037	6,376
Borrowing	35,057	34,886	33,179
Revenues	13,179	13,352	14,053
Operating Expenditure	8,680	7,216	7,435
Financial Charges	5,161	4,449	4,282
Taxation	(400)	945	(133)
Net Profit	(261)	779	(461)
Cash Dividend	593	918	1,125
Total Assets	71,141	70,804	69,615

Trends of Key Ratios

Leasing Companies

The following tables show the key ratios of the Leasing companies/Investment Banks:-

	(Rs. in million)		
	2010	2011	2012
Earning Per Share(Rs.)	(1.76)	(0.40)	(1.85)
Return on Equity(%)	(17.17)	(5.84)	(43.84)
Return on Assets(%)	(2.23)	(0.78)	(4.38)
Capital Ratio (X)	0.15	0.16	0.12
Leverage Ratio(X)	5.61	5.42	7.53
Current Ratio(X)	1.20	1.08	0.98
Investment in Lease Finance(%)	32.36	30.78	65.85
Book Value Per Share (Rs.)	9.69	5.81	5.32
Time Interest Earned (X)	(1.48)	1.23	0.46
Total Assets/ Net Worth(X)	7.69	7.45	10.00
Financial Charges/Total Expense (%)	54.01	61.13	46.51
Dividend Per Share (Rs.)	0.02	0.17	0.21

Modarabas

	(Rs. in million)		
	2010	2011	2012
Earning Per Share(Rs.)	0.93	1.29	1.44
Return on Equity(%)	6.80	9.08	9.94
Return on Assets(%)	3.19	4.28	4.49
Capital Ratio (X)	0.47	0.50	0.48
Leverage Ratio(X)	1.02	1.01	1.09
Current Ratio(X)	1.21	1.11	0.95
Investment in Lease Finance(%)	25.77	30.81	31.14
Book Value Per Share (Rs.)	8.81	9.21	9.82
Time Interest Earned (X)	1.64	1.95	2.09
Total Assets/ Net Worth(X)	2.13	2.12	2.21
Financial Charges/Total Expense (%)	19.14	18.29	17.01
Dividend Per Certificate (Rs.)	0.69	0.88	1.01

Consolidated Trends of Key Ratios

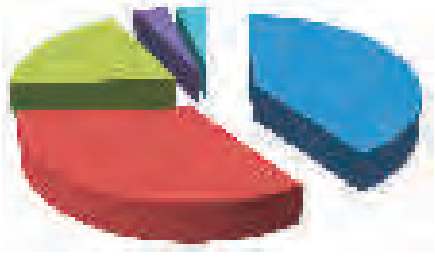
	(Rs. in million)		
	2010	2011	2012
Earning Per Share/Certificate(Rs.)	(0.18)	0.44	(0.25)
Return on Equity(%)	(1.49)	4.23	(2.68)
Return on Assets(%)	(0.37)	1.09	(0.66)
Capital Ratio (X)	0.27	0.29	0.28
Leverage Ratio(X)	2.61	2.44	2.60
Current Ratio(X)	1.21	1.09	0.96
Investment in Lease Finance(%)	30.09	30.79	51.29
Book Value Per Share/Certificate (Rs.)	9.17	7.51	7.52
Time Interest Earned (X)	(0.71)	1.43	0.94
Total Assets/ Net Worth(X)	4.05	3.85	4.04
Financial Charges/Total Expense (%)	37.29	35.67	30.75
Dividend Per Share/Certificate (Rs.)	0.41	0.52	0.60

STATISTICAL OVER VIEW OF LEASING / MODARABA SECTOR IN PAKISTAN

Year wise Lease Disbursement

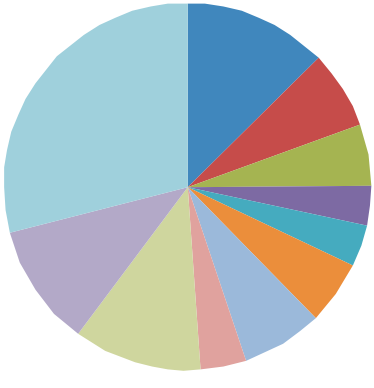
Investment in Lease (Assets Wise) 2011-2012

	Rs. in million	%
Plant & Machinery	16,130.91	40.32
Vehicles Private	13,579.12	33.94
Vehicles Commercial	7,364.52	18.41
Equipments	1,469.83	3.67
Others	1,463.87	3.66
Total	40,008.25	100.00



Consolidated Sector wise Exposure of Leasing / Modaraba Sector in 2011-2012

	Rs. in million	%
Auto & Allied	6,026.80	12.67
Chemical, Fertilizers & Pharma	3,274.94	6.88
Energy, Fuel, Oil & Gas	2,583.17	5.43
Engineering & Allied	1,607.26	3.38
Financial Sector	1,779.82	3.74
Food, Tobacco & Beverages	2,674.28	5.62
Services	3,382.34	7.11
Sugar	1,915.03	4.02
Textile	5,393.16	11.34
Transport & Communi.	5,131.68	10.78
Others	13,810.71	29.03
Total	47,579.18	100.00



Members at a Glance

MEMBERS AT A GLANCE

(Rs. in Million)

S. NO	NAME OF MODARABAS (In Alphabetical Order)	Total Assets	Total Equity	Investment in Lease Finance	PROFIT / (LOSS)	EPC	Dividend	No of Employees	No of Branches
1	Allied Rental Modaraba	2,711.07	1,662.84	62.05	498.80	6.65	30%(D) 10%(B) 20%(R)	293	6
2	BF Modaraba	120.72	115.33	9.31	6.31	0.84	5%	8	NIL
3	BRR Guardian Modaraba	3,043.55	772.81	97.73	29.78	0.37	1.80%	55	2
4	Crescent Standard Modaraba	157.92	122.16	35.10	5.99	0.25	1.50%	4	1
5	First Al-Noor Modaraba	354.26	328.66	32.91	18.22	0.87	8%	12	NIL
6	First Elite Capital Modaraba	186.81	128.06	118.13	10.03	0.80	5.50%	15	NIL
7	First Equity Modaraba	603.50	563.10	NIL	6.70	0.128	NIL	10	NIL
8	First Fidelity Leasing Modaraba	409.46	352.81	18.01	17.39	0.64	5%	24	2
9	First Habib Bank Modaraba	865.76	706.65	576.70	81.07	2.04	14.75%	10	NIL
10	First Habib Modaraba	4,565.64	3,127.20	2182.34	345.04	1.38	20%	34	4
11	First IBL Modaraba	235.72	191.32	11.38	(40.47)	(2.00)	NIL	12	1
12	First Imrooz Modaraba	348.01	119.50	NIL	24.60	8.20	65%	20	1
13	First National Bank Modaraba	1,962.00	340.00	132.00	28.00	1.10	10%	19	NIL
14	First Pak Modaraba	78.57	72.85	0.55	1.88	0.15	1.20%	7	NIL
15	First Paramount Modaraba	269.16	153.80	29.60	23.57	4.02	21%(D) 30%(R)	13	NIL
16	First Prudential Modaraba	591.26	519.61	107.91	32.97	0.38	3.00%	17	NIL
17	First Punjab Modaraba	1,910.68	142.70	778.30	(167.61)	(4.93)	NIL	30	NIL
18	First Treet Manufacturing Modaraba	1,665.20	1,514.85	NIL	188.18	2.35	6.50%	NIL	NIL
19	First UDL Modaraba	715.93	504.69	283.23	49.51	1.88	15%	10	NIL
20	KASB Modaraba	1,636.96	330.22	1.54	40.67	1.44	6.50%	52	NIL
21	Modaraba Al-Mali	227.12	176.20	18.27	(2.69)	(0.15)	NIL	133	NIL
22	Standard Chartered Modaraba	6,131.63	960.69	4419.91	100.91	2.22	17.50%	27	2
23	Trust Modaraba	400.55	280.65	177.99	12.11	0.41	NIL	20	NIL
24	Unicap Modaraba	4.24	(0.36)	NIL	(0.18)	(0.01)	NIL	NIL	NIL
	SUB TOTAL 'A'	29,195.70	13,186.35	9,092.96	1,310.77			825	19

MEMBERS AT A GLANCE

Continued

S. NO	NAME OF COMPANIES	Total Assets	Total Equity	Investment in Lease Finance	PROFIT / (LOSS)	EPC	Dividend	No of Employees	No of Branches
	LEASING COMPANIES								
1	Capital Assets Leasing Corp Ltd.	172.79	106.79	9.55	7.87	0.73	NIL	7	NIL
2	Grays Leasing Ltd.	243.38	71.91	236.72	(3.52)	(0.16)	NIL	16	4
3	NBP Leasing Ltd.	1,012.00	722.00	696.00	45.00	0.89	NIL	25	NIL
4	ORIX Leasing Pakistan Ltd.	21,996.65	2,461.21	15,285.10	201.86	2.46	15%	438	25
5	Pak Gulf Leasing Company Ltd.	850.07	428.41	719.60	22.50	0.89	NIL	22	NIL
6	Saudi Pak Leasing Company Ltd.	1,993.69	(677.81)	1,405.64	(821.75)	(18.20)	NIL	46	3
7	Security Leasing Corp Ltd.	1,439.33	422.29	898.56	112.03	3.09	NIL	32	1
9	SME Leasing Ltd.	789.48	237.47	662.87	(62.54)	(1.95)	NIL	42	5
10	Standard Chartered Leasing Ltd.	4,713.11	899.73	4,215.62	97.85	1.00	8%	32	2
	SUB TOTAL 'B'	33,210.50	4,672.00	24,129.66	(400.70)			660	40
	INVESTMENT BANKS								
1	First Dawood Investment Bank Ltd.	1,153.87	200.90	269.77	(376.39)	(6.46)	NIL	31	2
2	Invest Capital Investment Bank Ltd.	2,187.11	(290.31)	584.68	9.31	0.030	NIL	55	6
3	Trust Investment Bank Ltd.	3,868.80	(540.95)	1,632.69	(1,004.19)	(17.93)	NIL	34	6
	SUB TOTAL 'C'	7,209.78	(630.36)	2487.14	(1,371.27)			120	14
	SUB TOTAL "B+C"	40,420.28	4,041.64	26,616.80	(1,771.97)				
	GRAND TOTAL(A+B+C)	69,615.98	17,227.99	35,709.76	(461.20)			1,605	73

MARKET CAPITALIZATION

S. NO	NAME OF MODARABAS	Paid up Capital	No of Shares	Market Rate 31-12-2012	Market Capitilization
1	Allied Rental Modaraba	750,000,000	75,000,000	33.00	2,475,000,000
2	BF Modaraba	75,151,587	7,515,159	5.25	39,454,583
3	BRR Guardian Modaraba	780,462,550	78,046,255	3.06	238,821,540
4	Crescent Standard Modaraba	200,000,000	20,000,000	1.84	36,800,000
5	First Al-Noor Modaraba	210,000,000	21,000,000	4.50	94,500,000
6	First Elite Capital Modaraba	113,400,000	11,340,000	3.64	41,277,600
7	First Equity Modaraba	524,400,000	52,440,000	3.20	167,808,000
8	First Fidelity Leasing Modaraba	264,138,040	26,413,804	3.57	94,297,280
9	First Habib Bank Modaraba	397,072,000	39,707,200	9.50	377,218,400
10	First Habib Modaraba	1,008,000,000	201,600,000	8.80	1,774,080,000
11	First IBL Modaraba	201,875,000	20,187,500	2.25	45,421,875
12	First Imrooz Modaraba	30,000,000	3,000,000	52.90	158,700,000
13	First National Bank Modaraba	250,000,000	25,000,000	5.60	140,000,000
14	First Pak Modaraba	125,400,000	12,540,000	1.87	23,449,800
15	First Paramount Modaraba	58,633,330	5,863,333	12.70	74,464,329
16	First Prudential Modaraba	872,176,600	87,217,660	1.99	173,563,143
17	First Punjab Modaraba	340,200,000	34,020,000	3.06	104,101,200
18	First Treet Manufacturing Modaraba	1,304,000,000	130,400,000		-
19	First UDL Modaraba	263,865,890	26,386,589	8.60	226,924,665
20	KASB Modaraba	282,744,000	28,274,400	4.50	127,234,800
21	Modaraba Al-Mali	184,239,450	18,423,945	1.62	29,846,791
22	Standard Chartered Modaraba	453,835,300	45,383,530	11.55	524,179,772
23	Trust Modaraba	298,000,000	29,800,000	3.10	92,380,000
24	Unicap Modaraba	136,400,000	13,640,000	1.50	20,460,000
	TOTAL "A"	**9,123,993,747**	**1,013,199,375**		**7,079,983,779**
	LEASING COMPANIES				
1	Capital Assets Leasing Corp Ltd	107,440,000	10,744,000	12.34	132,580,960
2	Grays Leasing Ltd	215,000,000	21,500,000	5.55	119,325,000
3	NBP Leasing Ltd	500,000,000	50,000,000		
4	ORIX Leasing Pakistan Ltd	820,529,300	82,052,930	15.00	1,230,793,950
5	Pak Gulf Leasing Company Ltd	253,698,000	25,369,800	6.90	175,051,620
6	Saudi Pak Leasing Corp	451,605,000	45,160,500	3.25	146,771,625
7	Security Leasing Corp Ltd	438,027,750	43,802,775	3.91	171,268,850
9	SME Leasing Ltd	320,000,000	32,000,000		
10	Standard Chartered Leasing	978,354,800	97,835,480	5.95	582,121,106
	SUB TOTAL 'B'	**4,084,654,850**	**408,465,485**		**2,557,913,111**
	INVESTMENT BANKS				
1	First Dawood Investment Bank	1,342,330,000	134,233,000	2.19	293,970,270
2	Invest Capital Investment Bank	2,848,670,000	284,867,000	1.70	484,273,900
3	Trust Investment Bank Ltd	1,292,670,000	129,267,000	2.50	323,167,500
	SUB TOTAL 'C'	**5,483,670,000**	**548,367,000**		**1,101,411,670**
	GRAND TOTAL(A+B+C)	**18,692,318,597**	**1,970,031,860**		**10,739,308,560**

Top Ten Members

TOP TEN MEMBERS

(Rs. in Million)

S. NO	NAME OF MODARABAS / LEASING	PROFIT
1	Allied Rental Modaraba	499
2	First Habib Modaraba	345
3	ORIX Leasing Pakistan Limited	202
4	First Treet Manufacturing Modaraba	188
5	Security Leasing Corporation Limited	112
6	Standard Chartered Modaraba	101
7	Standard Chartered Leasing Limited	98
8	First Habib Bank Modaraba	81
9	First UDL Modaraba	49
10	NBP Leasing Limited	45

S. NO	NAME OF MODARABAS / LEASING	ASSETS
1	ORIX Leasing Pakistan Limited	21,997
2	Standard Chartered Modaraba	6,132
3	Standard Chartered Leasing Limited	4,713
4	First Habib Modaraba	4,566
5	Trust Investment Bank Limited	3,869
6	B.R.R. Guardian Modaraba	3,043
7	Allied Rental Modaraba	2,711
8	InvestCapital Investment Bank Limited	2,187
9	Saudi Pak Leasing Company Limited	1,994
10	First National Bank Modaraba	1,962

S. NO	NAME OF MODARABAS / LEASING	EQUITY
1	First Habib Modaraba	3,127
2	ORIX Leasing Pakistan Limited	2,461
3	Allied Rental Modaraba	1,663
4	First Treet Manufacturing Modaraba	1,515
5	Standard Chartered Modaraba	961
6	Standard Chartered Leasing Limited	900
7	B.R.R Guardian Modaraba	773
8	NBP Leasing Limited	722
9	First Habib Bank Modaraba	707
10	First Equity Modaraba	563

S. NO	NAME OF MODARABAS / LEASING	Dividend %	Rs. (Million)
1	First Imrooz Modaraba	65.00	19,500,000
2	Allied Rental Modaraba	30(D) + 10(B)	300,000,000 *
3	First Paramount Modaraba	21.00	12,312,300 **
4	First Habib Modaraba	20.00	201,600,000
5	Standard Chartered Modaraba	17.50	49,875,000
6	First UDL Modaraba	15.00	39,579,884
7	ORIX Leasing Pakistan Limited	15.00	123,079,395
8	First Habib Bank Modaraba	14.75	58,568,120
9	First National Bank Modaraba	10.00	25,000,000
10	First Al-Noor Modaraba	8.00	16,800,000

* Plus 20% Right Shares
** Plus 30% Right Shares

S. NO	NAME OF MODARABAS / LEASING	Credit Rating
1(a)	Standard Chartered Modaraba	AA+
1(b)	First Habib Modaraba	AA+
2(a)	ORIX Leasing Pakistan Limited	AA
2(b)	Standard Chartered Leasing Limited	AA
3	First Habib Bank Modaraba	AA-
4(a)	First National Bank Modaraba	A+
4(b)	NBP Leasing Limited	A+
5	Allied Rental Modaraba	A
6	Modaraba Al-Mali	A-
7(a)	First Punjab Modaraba	BBB+
7(b)	KASB Modaraba	BBB+
7©	Pak Gulf Leasing Company Limited	BBB+
7(d)	SME Leasing Limited	BBB+
8(a)	First Al-Noor Modaraba	BBB

S. NO	NAME OF MODARABAS / LEASING	EPC
1	First Imrooz Modaraba	8.20
2	Allied Rental Modaraba	6.65
3	First Paramount Modaraba	4.02
4	Security Leasing Corporation Limited	3.09
5	ORIX Leasing Pakistan Limited	2.46
6	First Treet Manufacturing Modaraba	2.35
7	Standard Chartered Modaraba	2.22
8	First Habib Bank Modaraba	2.04
9	First UDL Modaraba	1.88
10	KASB Modaraba	1.44

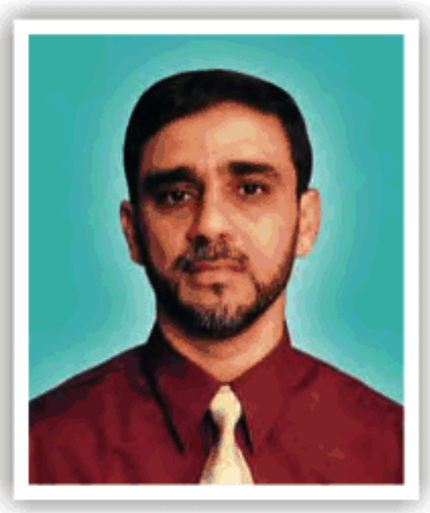
Merger And Acquisition (Modaraba Sector)

S.NO	Name of company	New name of the company / merged with	Date of Merger
1	Al-Zamin Leasing Modaraba	Invest Capital Investment Bank Limited	11.01.2010
2	Guardian Modaraba	B.R.R. International Modaraba	25.05.2007
3	Second Tri Star Modaraba	First Tri Star Modaraba	10.04.2006
4	Modaraba Al- Tijarah	Modaraba Al-Mali	11.07.2006
5	First Allied Bank Modaraba	Allied Bank Limited	25.08.2006
6	First National Modaraba	First Paramount Modaraba	09.01.2005
7	First General Leasing Modaraba	First Dawood Investment Bank Limited	12.05.2004
8	Industrial Capital Modaraba	First Dawood Investment Bank Limited	12.05.2004
9	First Hajveri Modaraba	First Fidelity Leasing Modaraba	01.12.2004
10	First Crescent Modaraba	First Standard Investment Bank Limited	31.07.2003
11	First Professional Modaraba	Al-Zamin Leasing Modaraba	01.08.2003
12	Second Prudential Modaraba	First Prudential Modaraba	22.10.2002
13	Third Prudential Modaraba	First Prudential Modaraba	22.10.2002
14	1st Confidence Modaraba	First Crescent Modaraba	23.02.2001
15	1st Ibrahim Modaraba	Ibrahim Leasing Limited	20.06.2001
16	Guardian Leasing Modaraba	Guardian Modaraba (Providence Modaraba)	05.11.2001
17	Al-Ata Leasing Modaraba	First Crescent Modaraba	16.12.1999
18	B.R.R. Second Modaraba	B.R.R. International Modaraba	01.03.1998
19	Equity International Modaraba	B.R.R. International Modaraba	01.03.1998
20	First Mehran Modaraba	KASB Modaraba	11.05.2007

Merger And Acquisition (Leasing Sector And Investment Banks)

S.NO	Name of company	New name of the company / merged with	Date of Merger
1	Al-Zamin Leasing Corporation Limited	Invest Capital Investment Bank Limited	11.01.2010
2	Askari Leasing Limited	Askari Bank Limited	10.03.2010
3	Altas Lease Limted	Altas Bank Limited (Atlas Investment Bank Ltd.)	26.07.2006
4	International Multi Leasing Corporation Limited	Al-Zamin Leasing Modaraba	19.01.2009
5	Ghandhara Leasing Company Limited	Al-Zamin Leasing Modaraba	01.02.2002
6	National Development Leasing Corp. Limited	NIB Bank Limited (IFIL Bank Limited)	17.10.2003
7	Pakistan Industrial Leasing Corporation Limited	Trust Investment Bank Limited	22.07.2002
8	Network Leasing Corporation Limited	KASB Bank Limited	17.02.2009
9	ORIX Investment Bank Limited	ORIX Leasing Pakistan Limited	28.10.2009
10	Universal Leasing Corporation Limited	Al-Zamin Leasing Corporation Limited	06.06.2008
11	Ibrahim Leasing Limited	Allied Bank Limited	31.05.2005
12	KASB Leasing Ltd (Pak Apex Leasing Co. Ltd.)	ABAMCO Capital Fund	10.03.2004
13	Fidelity Investment Bank Limited	Trust Commercial Bank Limited	30.04.2004
14	Trust Investment Bank Limited	Trust Commercial Bank Limited	30.04.2004
15	First Leasing Corporation Limited	First Standard Investment Bank Limited	18.06.2004
16	Paramount Leasing Limited	First Standard Investment Bank Limited	18.06.2004
17	Pacific Leasing Company Limited	First Standard Investment Bank Limited	18.06.2004

Company Profile



Mr. Murtaza Ahmed Ali
Chief Executive

Allied Rental Modaraba

Board of Directors

Khwaja Asif Rahman
Chairman

Mr. Murtaza Ahmed Ali
CEO

Syed Feisal Ali
Director

Mr. Raees A. Khan
Director

Mr. Ali Akber
Director

Mr. Tajdar A.Shah
Director

Mr. Hasan Shehzad Abidi
Director

History, Background & Principal Activities etc.

Allied Rental Modaraba is a multipurpose and perpetual Modaraba formed under the Modaraba Companies & Modarabas (Floatatation and Control) Ordinance, 1980 and the rules framed thereunder. It is managed by Allied Engineering Management Company (Pvt.) Ltd., a wholly owned subsidiary of Allied Engineering and Services Ltd. The main sponsors of the Modaraba Allied Engineering and Services Ltd. are the sole dealers and distributors of Caterpillar Equipments in Pakistan for over 30 years.

The Modaraba has commenced its business operations on January 10, 2007 with the equity of Rs. 300 million. The primary business of Allied Rental Modaraba is the rental business of specialized equipments such as power generation equipment, construction equipment, material handling equipment and related machinery and logistics equipments. The Modaraba provides equipments on rental across Pakistan through the facilities of its sponser located at Karachi, Lahore, Islamabad, Multan, Faisalabad, Peshawar and Quetta.

The business model of Allied Rental Modaraba is IJARAH in Islamic terminology, whereby an equipment is provided to customer on rent for any period ranging from days, weeks, months or year and all costs related to installation, operation and maintenance except fuel is borne by Modaraba. The main business of the Modaraba is to sell equipment utilization (usufruct) and related services rather than the equipment itself.

Another ancilliary business line of the Modaraba is to provide outsourcing solution to its customers for operating and maintaining power plants owned by customers for round the clock operations with professional excellence.

PERFORMANCE HIGHLIGHTS-2011-12

The Management is pleased to report that the year witnessed remarkable growth in terms of revenue, profits, investment in the rental assets and expansion of the rental business to other growth sectors of the rental business of the country. Modaraba is continuously achieving new heights of growth and achieved sales revenue of Rs.1.5 BILLION, compared to Rs 1 Billion of last year, 50%, increase, consistent double digit growth recorded since its floatation in 2007. The overall asset size of the Modaraba also touched a new peak of Rs 2.7 Billion, four times the size of Rs 707 million in June 2007. The NET WORTH of the Modaraba now stands at Rs 1.7 Billion compared to Rs 358 million in June 2007. The Breakup Value of the Modaraba certificate stands at Rs 22.17. This growth in the NET WORTH of the Modaraba was made possible by reinvesting the profits in the business by retaining maximum profits for expansion and growth of Rental Assets, despite consistent double digit dividend payments since its floatation.

The profits also jumped to Rs. 499 million as against Rs. 288 million earned during last year, 73% plus last year. The growth in the profits was made possible due to better deployment, premium pricing compared to our competitors due to new and reliable CAT Equipment, diversification to other sectors of the economy and better and effective control over expenditure despite inflationary pressures. The operating expenses include Rs 111 million charges of Ijarah rentals under IFAS-2 compared to Rs 81 million charged to Profit and Loss Account last year. The depreciation charge also went up from Rs 201 million in previous year to Rs 257 million in the current year. The charge for Staff costs went up by 31% in line with the growth of Rental business; however due to strong monitoring and control staff costs remained under control. The financial charges also registered an increase of 31% from Rs 35 million in the previous year to Rs 45 million in the current year.

"The Board has announced a cash dividend of 30% i.e. Rs.3 per Certificate of Rs. 10/- each. In addition, the Board has also declared bonus issue of 10 % i.e. one certificate for every ten certificates (1:10) held and an issue of Right Certificates @ 20% i.e. 1 right certificate for every 5 certificates held.

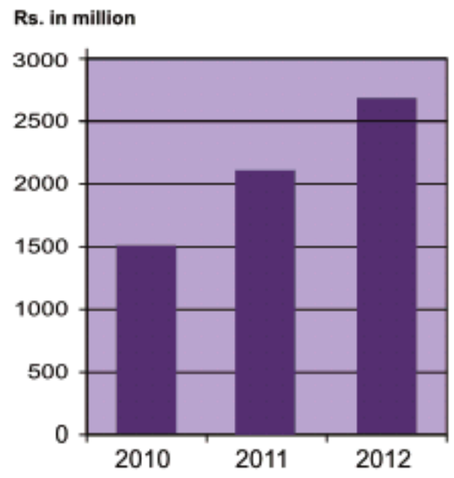
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	600.00	600.00	750.00
Reserve & Retained Earning	550.00	702.95	912.84
Total Equity	1,150.00	1,302.95	1,662.84
LIABILITIES			
Deferred Liabilities	14.00	17.46	22.62
Long Term Loan	31.00	97.05	330.20
Certificate of Investment	–	–	
Lease Key Money	–	35.28	50.50
Total Non-current Liabilities	45.00	149.78	403.32
Current Maturity of L.T. Loan	179.00	125.78	196.27
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	137.00	532.29	448.64
Total Current Liabilities	316.00	658.07	644.91
Total Liabilities	361.00	807.85	1,048.23
Total Equity and Liabilities	1,511.00	2,110.80	2,711.07
ASSETS			
Tangible Fixed Assets	1,220.00	1,266.72	2,258.36
Net Investment in Lease Finance	69.00	597.41	54.61
Long Term Investment	–	–	-
Other Long Term Assets	17.00	18.21	45.11
Total Non-current Assets	1,306.00	1,882.34	2,358.08
Current Portion of Lease Finance	16.00	6.23	7.44
Short-term Finance	–	–	–
Investments	–	–	36.03
Other Current Assets	101.00	160.74	226.91
Cash & Bank Balances	88.00	61.49	82.61
Total Current Assets	205.00	228.46	352.99
Total Assets	1,511.00	2,110.80	2,711.07
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	(111.00)	(429.61)	(291,915)
Capital Ratio (x)	76.00	0.63	0.62
Gearing (X)	18.26	0.17	0.32
Leverage Ratio (X)	0.31	0.59	0.60
Current Ratio (X)	0.65	0.43	0.79
Total Assets / Net Worth (X)	1.31	0.17	0.32
Total Financing / Net Worth (X)	18.26	0.17	0.32
Break-up Value (Rs.)	19.17	21.72	22.17
Investment in Lease Finance (%)	6.00	4.00	2.00

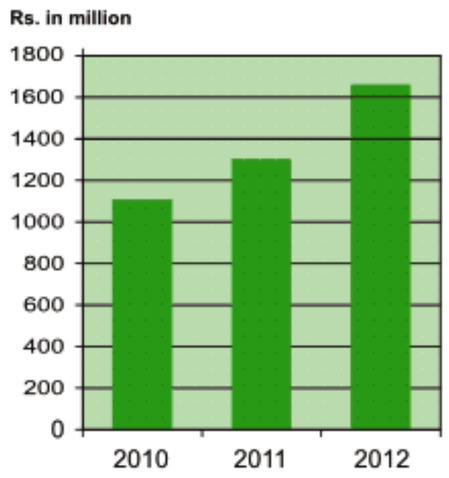
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	829.00	1,033.74	1,543.92
Mark-up income	8.00	6.34	10.19
Capital Gain on Investment	–	–	–
Non Interest Income	–	–	–
Other income	20.00	10.39	17.81
Total Income	857.00	1,050.47	1,571.92
EXPENSES			
Operating Expenses	558.00	727.53	1,027.68
Financial Expenses	21.00	34.64	45.44
Prov. for Pot. Lease Losses/ Loan	–	–	
Prov. for Dimn. in value of Investment	–	–	
Total Expenses	579.00	762.17	1,073.12
Profit Before Taxation	278.00	288.29	498.80
Taxation	–	–	–
Net Profit	278.00	288.29	498.80
APPROPRIATION			
Dividend	135.00	138.00	225.00
Reserve for Bonus Shares	–	150.00	75.00
Statutory Reserve	139.00	144.15	249.40
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	19.16	21.72	22.17
Financial Charges / Total Expenses (%)	4.00	4.76	4.42
Times interest earned (X)	13.00	932.00	1,198.00
Earning per share (Rs.)	4.63	4.80	6.65
Return on equity (%)	26.00	24.00	34.00
Return on Assets (%)	20.00	15.92	21.00
Debt Equity Ratio (%)	18.00	15.00	24.00
Dividend Per Certificate (Rs.)	2.25	2.30	3.00
Stock Dividend (%)	–	2.50	10.00

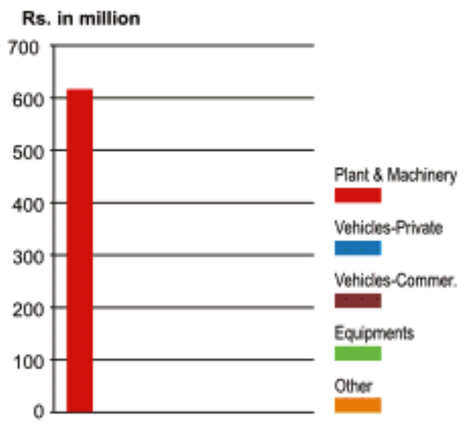
Balance Sheet Growth



Equity Growth



Investment in Lease



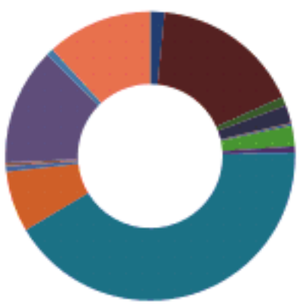
Cost Analysis (2011-12)

	%
Operating Expenses	96.00
Financial Expenses	4.00

Revenue Analysis (2011-12)

	%
Lease Income	98.00
Mark-Up Income	1.00
Other Income	1.00

Sector Wise Exposure (2011-12)



	%
Auto & Allied	1.60
Cement	16.70
Chemical, Fertilizers & Pharmaceutical	1.00
Construction	2.00
Dairy & Poultry	0.10
Education	0.20
Energy, Fuel, Oil & Gas	2.30
Engineering & Allied	0.70
Financial Sector	41.80
Food, Tobacco & Beverages	6.80
Health Care	0.60
Services	0.40
Textile	13.10
Transport & Communication	0.80
Others	11.80

The Allied Rental Modaraba Team

Mr. Murtaza Ahmed Ali
Chief Executive
Mr. Naveed Shaheen
Chief Financial Officer
Mr. Hazoor Bux Memon
General Manager Operations - South
Mr. Rashid Jahangiri
General Manager Operations - North
Mr. Naveed Akhtar
Regional Manager Technical - North
Mr. Ali Ahsan
Regional Manager Technical - South
Mr. Ilyas Asif
Head of Internal Audit & Secretary to Audit Committee
Mr. Hammad Iftikhar
Regional Sales Manager - North
Mr. Raghib Waqas
Regional Sales Manager - South
Mr. Zeeshan Kazmi
Manager Special Projects
Mr. Ali Ammar
Business Administrator

Company Information

Commenced Business on	:	1/10/2007
Head Office	:	21/3 Sector # 22 Korangi Industrial Area, Karachi.
Tel	:	UAN : 111-250-250
Fax	:	02135099615-16
Email	:	rental@aesl.com.pk
Website	:	www.arm.com.pk
Offices at	:	Lahore, Islamabad, Multan, Quetta, Faisalabad, Peshawar
Staff Strength	:	293
Listed at	:	Karachi Stock Exchange
Auditors	:	A.F. Ferguson & Co. Chartered Accountants
Legal Advisors	:	Mr. Khalil Ahmed Siddiqui, Advocate
Shari'ah Advisor	:	Mufti Irshad Ahmed Aijaz

Mr. Muhammad Omar Amin Bawany
Chief Executive

B.F Modaraba

Board of Directors

Mr. Ahmed Ali Muhammad Amin Bawany
Chairman

Mr. Muhammad Omar Amin Bawany
CEO

Mr. Abdul Ghani Abdul Samad
Director

Mr Abdul Wahid Jaliawalla
Director

History, Background & Principal Activities etc.

B. F. Modaraba managed by E. A. Management (Private) Limited was established in 1989 as a perpetual multi purpose and multi dimensional Modaraba and is listed in all the Stock Exchanges of Pakistan. The initial subscribed and paid up fund was Rs 20.000 million, has increased to Rs 75.151 million through issuance of right certificate and stock dividend.

The Modaraba activities are Leasing, which is covering the corporate enterprise to individuals entrepreneurs, long term and short term Morabaha and Musharika, equity market and investment operation, trading, rendering services and other mode which are not against the injunction of Islam.

The Board of Directors of Management Company including the Chief Executive belongs to one of the oldest industrial group of the country. The Modaraba is a unit of Amin Bawany Group, which is a leading business group having interest in diversified businesses such as insurance, leasing, particle board, sugar, ethanol, construction and other important business sectors of Pakistan.

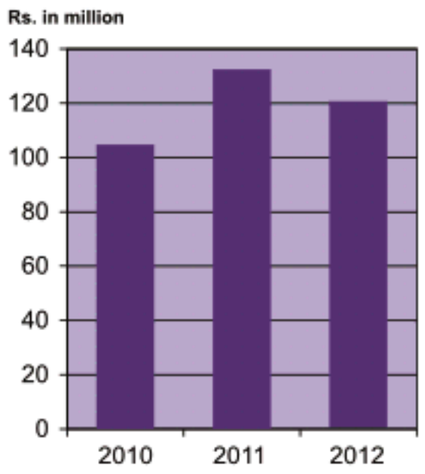
PERFORMANCE HIGHLIGHTS-2011-12

Gross revenue during the year was Rs.16.005 million vis-à-vis Rs.29.489 million for the corresponding period of 2010-11, mainly due to negative contribution from trading inventory. Reason being the delay decision of the government for the export of excess quantity of the commodity produced in the country. The price of the commodity could not increase as we anticipated. However, we earned handsome profit from marketable securities despite of moderate performance of stock exchange which offset loss incurred on trading inventory. Administrative expenses for the year grew by 19%, an expected rise considering the factor of inflation and growing cost of carrying out business. Thus, overall profitability remained positive as Pre-tax Profit stood at Rs.6.583 million against a Pre-tax Profit of Rs.20.368 million for the corresponding period of 2010-11. Consequently, earning per share has also slipped by Rs. 1.49 to Re. 0.84 per share. Unrealized gain in the value of investment in marketable securities was Rs. 8.34 million which has been reflected in the equity.

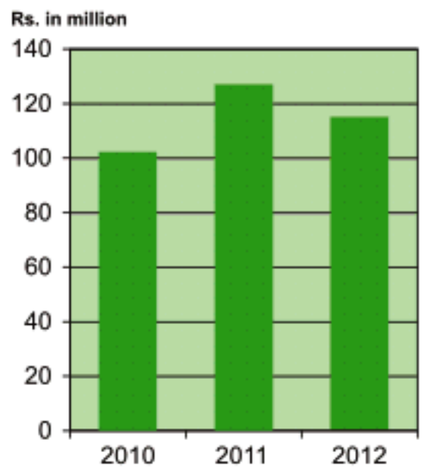
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
	(Rupees in Millions)		
EQUITY			
Issued,subs.& Paid-up-Capital	68.32	75.15	75.15
Reserve & Retained Earning	33.90	52.35	40.18
Total Equity	102.22	127.50	115.33
LIABILITIES			
Deferred Liabilities	0.16	0.25	0.36
Long Term Loan	–	–	–
Certificate of Investment	–	–	–
Lease Key Money	0.08	2.78	2.70
Total Non-current Liabilities	0.24	3.03	3.06
Current Maturity of L.T. Loan	–	–	–
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	2.19	2.93	2.31
Total Current Liabilities	2.19	2.93	2.31
Total Liabilities	2.44	5.96	5.39
Total Equity and Liabilities	104.66	133.46	120.72
ASSETS			
Tangible Fixed Assets	0.47	0.39	0.33
Net Investment in Lease Finance	0.45	14.56	9.31
Long Term Investment	–	–	–
Other Long Term Assets	0.04	0.04	0.04
Total Non-current Assets	0.97	14.99	9.68
Current Portion of Lease Finance	–	–	–
Short-term Finance	11.48	–	–
Investments	37.73	34.96	38.99
Other Current Assets	46.45	65.87	60.08
Cash & Bank Balances	8.00	17.64	11.96
Total Current Assets	103.68	118.47	111.03
Total Assets	104.66	133.46	120.71
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	101.49	115.54	108.70
Capital Ratio (x)	0.97	0.96	0.95
Gearing (X)	–	–	–
Leverage Ratio (X)	2.30	2.43	2.33
Current Ratio (X)	47.28	40.33	47.67
Total Assets / Net Worth (X)	1.02	1.04	1.04
Total Financing / Net Worth (X)	–	–	–
Break-up Value (Rs.)	14.96	16.97	15.37
Investment in Lease Finance (%)	0.40	10.90	7.71

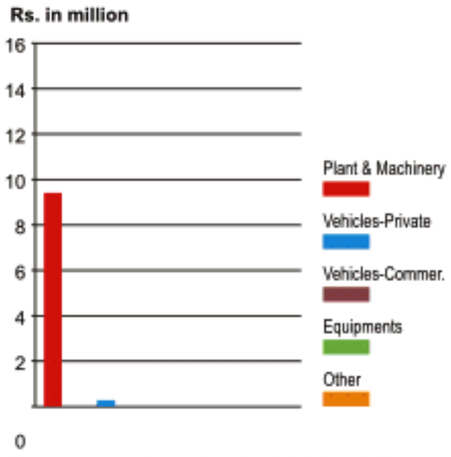
Balance Sheet Growth



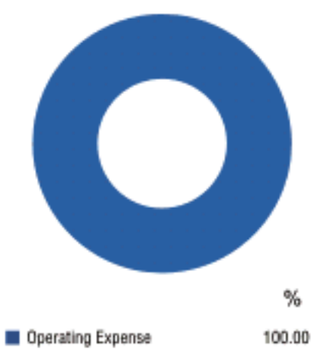
Equity Growth



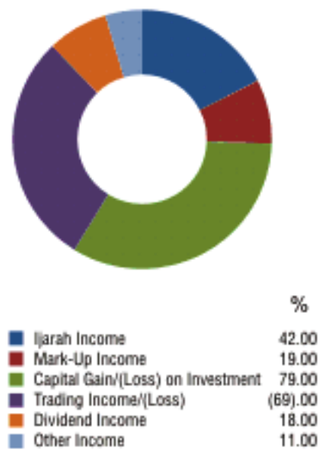
Investment in Lease



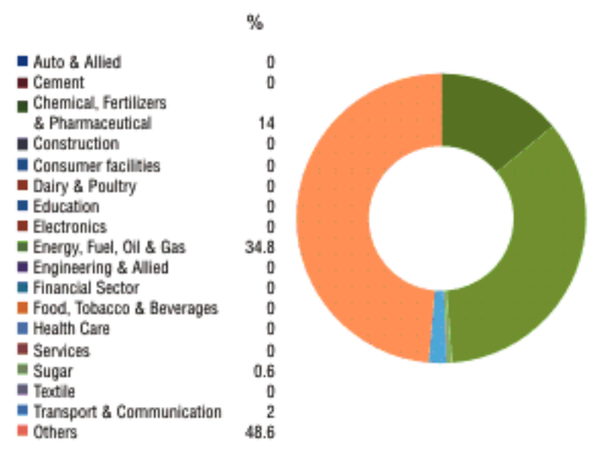
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
	(Rupees in Millions)		
INCOME			
Ijarah income	0.22	5.82	6.69
Mark-up income	2.19	3.50	3.06
Capital gain/(loss) on Investment	(0.09)	1.94	12.68
Trading Income	6.28	14.02	(11.08)
Murabaha Income	0.68	1.21	–
Dividend Income	–	2.80	2.90
Other income	2.63	0.18	1.75
Total Income	11.91	29.49	16.00
EXPENSES			
Operating Expenses	3.30	9.12	9.42
Financial Expenses	–	–	–
Prov. for workers' welfare fund	0.18	–	–
Prov. for Dimn. in value of Investment	3.00	–	–
Total Expenses	6.48	9.12	9.42
Profit Before Taxation	5.43	20.37	6.58
Taxation	2.03	2.89	0.27
Net Profit	3.40	17.49	6.31
APPROPRIATION			
Dividend	–	11.27	3.75
Reserve for Bonus Shares	–	–	–
Statutory Reserve	1.02	6.12	2.50
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	15.03	17.00	15.37
Financial Charges / Total Expenses (%)	–	–	–
Times interest earned (X)	9.43	21.37	7.58
Earning per share (Rs.)	0.50	2.33	0.84
Return on equity (%)	3.32	13.72	5.46
Return on Assets (%)	0.11	0.22	0.13
Debt Equity Ratio (%)	0.02	0.04	0.04
Dividend Per Certificate (Rs.)	–	1.50	0.50
Stock Dividend (%)	–	–	–

The B.F. Modaraba Team

Muhammad Ayub
C.F.O & Company Secretary

Faisal Mansoor
Internal & Shariah Auditor

Mufti Zubair Usmani
Shariah Advisor

Muhammad Bilal
Asst Manager Finance & Corporate

Company Information

Commenced Business on	:	June 11, 1989
Head Office	:	Head Office: 4th Floor, Bank House No.1, Habib Square, M. A. Jinnah Road, Karachi
Tel	:	UAN : (92-21) 111 786 878, 32413240
Fax	:	(92-21) 32421010
Email	:	info@bfmodaraba.com.pk
Website	:	www.bfmodaraba.com.pk
Offices at	:	NIL
Staff Strength	:	8
Listed at	:	KSE, LSE & ISE
Auditors	:	M/s. Rehman Sarfaraz Rahim Iqbal Rafiq & Co.
Legal Advisors	:	Abdul Ghaffar Advocate

Mr. Ayaz Dawood
Chief Executive Officer

B.R.R. Guardian Modaraba

Board of Directors

Mr. Rafique Dawood
Chairman

Mr. Ayaz Dawood
CEO

Mr. Shahid Murtaza
Director

Mr. Farouq Habib Rahimtoola
Director

History, Background & Principal Activities etc.

The Dawood family formed B.R.R Investments (Private) Limited (BRRI) in association with National Development Finance Corporation (NDFC). In April 1983 to promote investments in Pakistan through leasing. The Company was registered on August 7, 1984 as a Modaraba Management Company under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The first lease was executed on 26 March, 1984. BRRI has also been manages Crescent Standard Modaraba (CSM)

The Modaraba offers lease financing to corporate entities as well as creditworthy individuals. The Modaraba also provides Musharaka, Morabaha and Equity Investments to cater to the requirements of Trade & Industry.

Futher prospects: the modaraba is in the final stage of constructuring a 19 story Builiding just chundrigar Road, which will be completed during the current year. This building excellent addition to the Karachi Sky line

The Modaraba paid cash dividend of Rs 0.18 per share. This is the twenty Fourth dividend in the Modaraba's history.

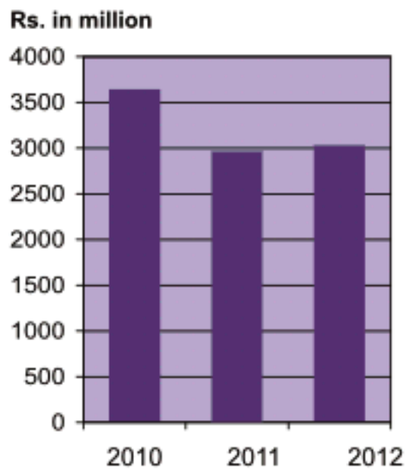
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	780.46	780.46	780.46
Reserve & Retained Earning	(147.57)	(47.78)	(7.66)
Total Equity	632.89	732.68	772.81
LIABILITIES			
Deferred Liabilities	–	–	
Long Term Loan	878.86	1,054.38	841.70
Certificate of Investment	–	–	–
Lease Key Money	146.56	90.96	105.90
Total Non-current Liabilities	1,025.43	1,148.34	947.60
Current Maturity of L.T. Loan	1,667.79	730.46	915.11
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	316.95	355.32	408.03
Total Current Liabilities	1,984.75	1,085.77	1,323.14
Total Liabilities	3,010.17	2,234.11	2,270.74
Total Equity and Liabilities	3,643.07	2,966.79	3,043.55
ASSETS			
Tangible Fixed Assets	66.12	25.96	630.78
Net Investment in Lease Finance	289.63	128.98	97.73
Long Term Investment	–	–	–
Other Long Term Assets	1,536.88	1,631.40	1,105.90
Total Non-current Assets	1,892.63	1,786.34	1,834.41
Current Portion of Lease Finance	–	–	–
Short-term Finance	752.66	363.95	385.06
Investments	695.29	492.83	467.24
Other Current Assets	197.24	201.98	125.21
Cash & Bank Balances	105.24	121.70	231.63
Total Current Assets	1,750.43	1,180.46	1,209.14
Total Assets	3,643.07	2,966.79	3,043.55
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	(234.31)	94.69	(114.00)
Capital Ratio (x)	0.17	0.25	0.25
Gearing (X)	1.63	2.56	2.41
Leverage Ratio (X)	4.76	2.92	2.80
Current Ratio (X)	0.89	1.09	0.91
Total Assets / Net Worth (X)	5.76	4.05	3.94
Total Financing / Net Worth (X)	2.59	1.48	1.39
Break-up Value (Rs.)	8.11	9.39	9.90
Investment in Lease Finance (%)	7.95	4.35	3.21

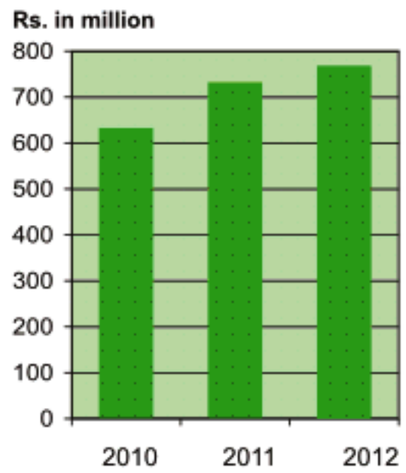
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	189.66	116.56	80.56
Mark-up income	9.54	10.79	15.37
Capital gain on Investment	101.68	67.87	11.44
Non Interest Income	310.23	384.52	309.01
Other income	20.31	35.25	7.86
Total Income	631.42	614.99	424.24
EXPENSES			
Operating Expenses	102.28	109.33	109.74
Financial Expenses	351.73	354.88	239.63
Amortisation of Leased Assets	170.88	53.30	27.77
Imparirment Loss	149.92	33.38	13.41
Total Expenses	774.81	550.86	390.56
Provision for Dobt Rec	(17.85)	16.84	–
Profit Before Taxation	(161.23)	41.71	33.69
Taxation	–	–	3.91
Net Profit	(161.23)	41.71	29.78
APPROPRIATION	–	–	29.18
Dividend	–	19.51	14.05
Reserve for Bonus Shares	–	–	–
Statutory Reserve	–	20.85	14.45
Other Reserve			
SIGNIFICANT RATIOS			
Book value per share (Rs.)	8.11	9.39	9.90
Financial Charges / Total Expenses (%)	45.40	64.42	61.36
Times interest earned (X)	0.54	1.13	1.14
Earning per share (Rs.)	(2.07)	0.53	0.37
Return on equity (%)	(23.48)	6.50	0.01
Return on Assets (%)	(4.85)	1.26	0.88
Debt Equity Ratio (%)	4.76	2.56	2.41
Dividend Per Certificate (Rs.)	–	0.25	0.18
Stock Dividend (%)	–	–	–

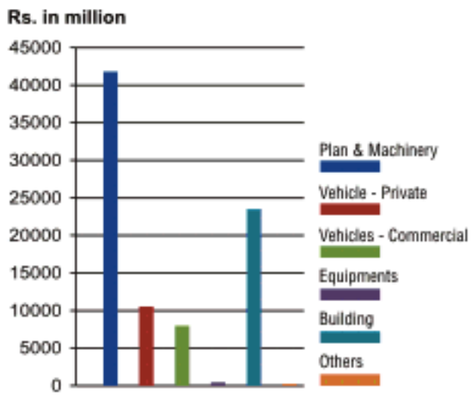
Balance Sheet Growth



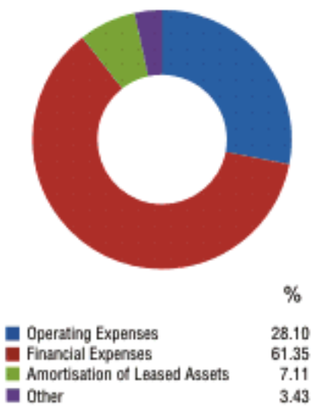
Equity Growth



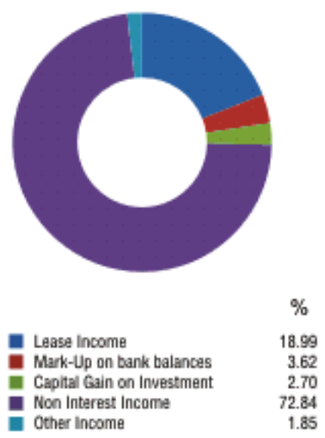
Investment in Lease



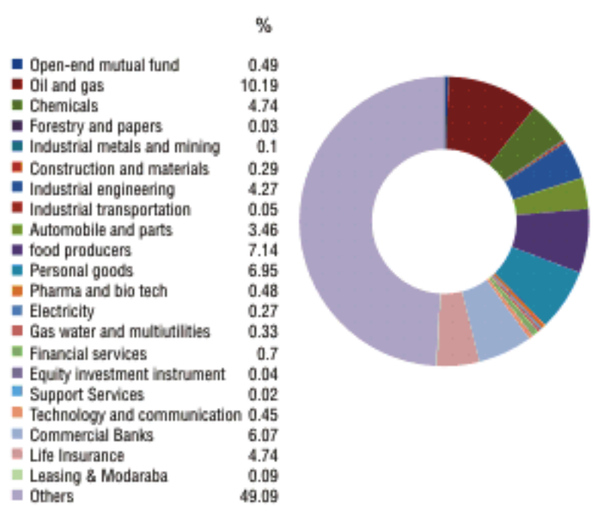
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The B.R.R. Guardian Modaraba Team

Mr. Rafique Dawood
Chairman

Mr. Ayaz Dawood
Chief Executive

Mr. Farouq Habib Rahimtoola
Director

Mr. Muhammad Shahid Murtaza
Director

Syed Tariq Masood
Chief Financial Officer

Mr. Tahir Mehmood
Company Secretary

Mr. Asad Ali Sheikh
General Manager Marketing & Operations

Mr. Naseem Ahmed
General Manager North

Company Information

Commenced Business on	:	November 1985
Head Office	:	1900-B, Saima Trade Towers, I.I. Chundrigar Road, Karachi.74000
Tel	:	92-21-3227-1875-80 (92-21) 32421010 3701-0960-65 & 3701-4641-4
Fax	:	92-21-3227-1912
Email	:	brr@firstdawood.com
Website	:	www.www.firstdawood.com/brr
Offices at	:	Lahore & Islamabad
Staff Strength	:	55
Listed at	:	Karachi Stock Exchange
Auditors	:	Ernst & Young Ford Rhodes Sidat Hyder
Legal Advisors	:	Rauf Ghaffar Law Associates Malik & Malik

Mr. Saad Saeed Faruqui
Chief Executive Officer

Capital Assets Leasing Corporation limited

Board of Directors

Mr. Muhammad Sajid
Chairman

Mr. Saad Saeed Faruqui
CEO

Syed Hasan Akbar Kazmi
Director

Syed Sajid Nasim
Director

Mr. Shahrukh Saeed Faruqui
Director

Mr. Mustafa Jafar
Director

Ms. Ayesha Qadri
Director

History, Background & Principal Activities etc.

The Company was incorporated on April 1, 1992 as a public limited company. Its shares are quoted on all Stock Exchanges in Pakistan. The principal activity of the company is to carryout leasing business.The company has its registered office in Karachi. The Company is subsidiary of M/s Optimus Limited.

PERFORMANCE HIGHLIGHTS-2011-12

The company is currently providing rental service to its parent company and has earned sufficient profits. The management of Optimus Limited intends to revive the company by injecting capital and renewing its leasing license.

During the year the company transacted business worth Rupees 34.06 million as compared to the Rupees 25.93 million in corresponding period. The net investment in finance lease stands at Rupees 9.57 million on June 30, 2012. Profit after tax for the year is Rs. 7.87 million as against profit of Rs. 41.75 million in prior year.

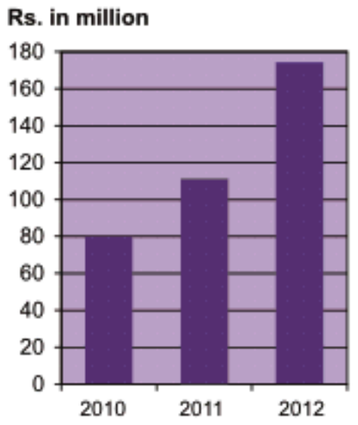
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued, subs.& Paid-up-Capital	107.44	107.44	107.44
Reserve & Retained Earning	(49.41)	(8.53)	(0.66)
Total Equity	58.03	98.92	106.79
LIABILITIES			
Liabilities against assets subject to finace lease	–	–	37.18
Lease Key Money	0.14	–	–
Total Non-current Liabilities	0.14	–	37.18
Current Maturity of Liabilities against assets subject to finance lease	–	–	17.02
Lease Key Money	15.64	9.69	9.57
Other Current Liabilities	6.61	2.69	2.24
Total Current Liabilities	22.25	12.38	28.82
Total Liabilities	22.39	12.38	66.00
Total Equity and Liabilities	80.42	111.30	172.79
ASSETS			
Tangible Fixed Assets	55.44	54.93	117.76
Net Investment in Lease Finance	0.52	–	–
Other Long-term Assets	0.53	30.16	31.58
Total Non-current Assets	56.49	85.09	149.33
Current portion of invest in finance lease	18.09	10.12	9.55
Other Current Assets	4.89	15.56	13.59
Cash & Bank Balances	0.95	0.54	0.32
Total Current Assets	23.93	26.21	23.46
Total Assets	80.42	111.30	172.79
SIGNIFCANT RATIOS			
Net working capital (Rs.)	(0.78)	13.40	(5.35)
Capital Ratio (X)	0.90	0.97	0.65
Gearing	0.39	0.13	0.62
Leverage Ratio (X)	0.11	0.03	0.53
Current Ratio (X)	1.08	2.12	0.81
Total Assets / Net worth (X)	1.39	1.13	1.62
Total financing / Net worth (X)	0.32	0.10	0.09
Break up Value (Rs.)	5.40	9.21	9.94
Investment in Lease Finance (%)	23.15	9.09	5.53

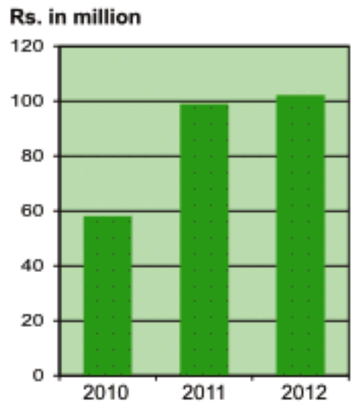
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	(0.94)	0.70	0.01
Income from Vehicle Plying for Hire	4.84	14.98	21.89
Mark up Income	0.67	0.02	0.01
Other income	0.81	1.26	0.11
Total Income	5.38	16.96	22.02
EXPENSES			
Operating Expenses	8.31	6.16	8.56
Financial Expenses	0.33	–	1.11
Prov. For Pot. Lease Losses/Loans	14.57	(1.37)	(0.06)
Total Expenses	23.20	4.79	9.61
Profit before Taxation	(17.82)	12.18	12.41
Taxation	19.12	29.57	(4.54)
Net Profit / (Loss)	(36.94)	41.75	7.87
APPROPRIATION			
Dividend	–	0.86	–
Statutory Reserve	–	8.35	1.60
SIGNIFICANT RATIOS			
Book value per Share (Rs.)	5.40	9.21	9.94
Financial Charges / Total Expense (%)	1.43	0.04	11.54
Times Interest Earned (X)	(52.85)	6,051.21	12.19
Earning per Share (Rs.)	(3.44)	3.89	0.73
Return on Equity (%)	(63.66)	42.21	7.37
Return on Assets (%)	(45.93)	37.51	4.55
Debt Equity Ratio (%)	38.58	12.51	61.81
Dividend per Share (Rs.)	-	0.5	-
Stock Dividend (%)	-	-	-

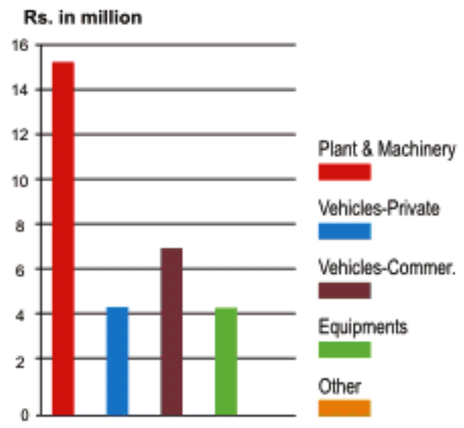
Balance Sheet Growth



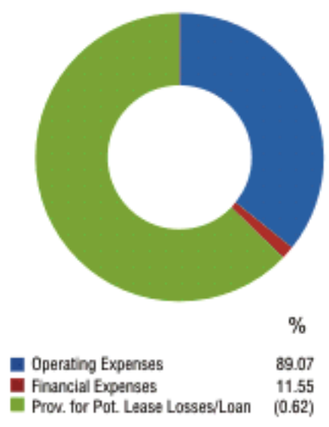
Equity Growth



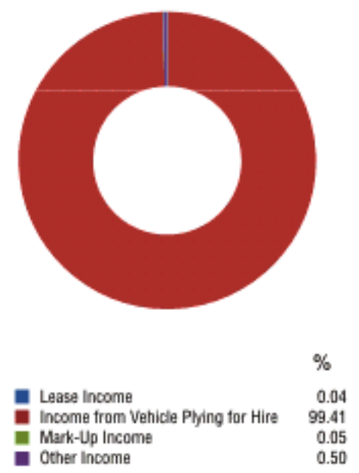
Investment in Lease



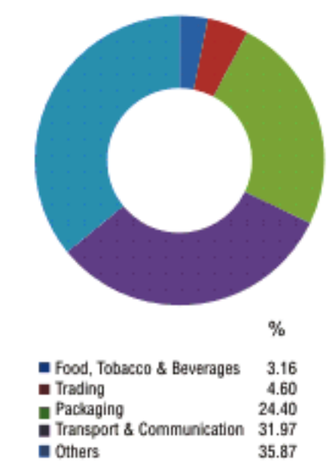
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The Capital Assets Leasing Corp. Ltd. Team

Mr. Saad Saeed Faruqui
Managing Director &
Chief Executive Officer

Mr. Moiz Ali
Chief Internal Auditor

Mr. Abdul Wajid Soherwardy
CFO & Company Secretary

Company Information

Commenced Business on	:	April 1, 1992
Head Office	:	14th Floor, Chapal Plaza, Hasrat Mohani Road, Karachi
Tel	:	02132431181 - 88
Fax	:	32465703, 32465718
Email	:	calcorp@optimus.com.pk
Website	:	www.calcorp.com.pk
Offices at	:	Karachi
Staff Strength	:	7
Listed at	:	Karachi, Lahore and Islamabad Stock Exchanges
Auditors	:	Baker Tilly Mehmood Qamar Idrees, Chartered Accountants
Legal Advisors	:	Mohsin Tayebaly & Co. Hosain & Rahim Advocates & Corporate Consel

Crescent Standard Modaraba

Mr. Ayaz Dawood
Chief Executive

Board of Directors

Mr. Rafique Dawood
Chairman

Mr. Ayaz Dawood
CEO

Mr. Shahid Murtaza
Director

Mr. Farouq Habib Rahimtoola
Director

History, Background & Principal Activities etc.

The Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Rules framed there under. Modaraba was managed by Financial Link Limited upto January 19, 2007 however vide order no. SC/M/RW/CSM2006-32 dated January 19, 2007 from Registrar Modaraba,Sceurities and Exchange Commission of Pakistan management of Modaraba was transferred to Providence Modaraba Limited with immediate effect. Subsequent to the year end, Providence Modaraba Limited merged in B.R.R. Investments (Private) Limited, and thereafter the Modaraba is under management of B.R.R. Investments (Private) Limited

PERFORMANCE HIGHLIGHTS-2011-12

The Modaraba is perpetual and multipurpose. It is engaged in venture capital, trading, equity investment, musharaka/ morabaha financing arrangements and financial advisory services. The certificates of the Modaraba are quoted on Karachi Stock Exchange.The Modaraba paid cash dividend of Rs 0.15 per certificate. This is the Fourth dividend in the Modaraba's history.

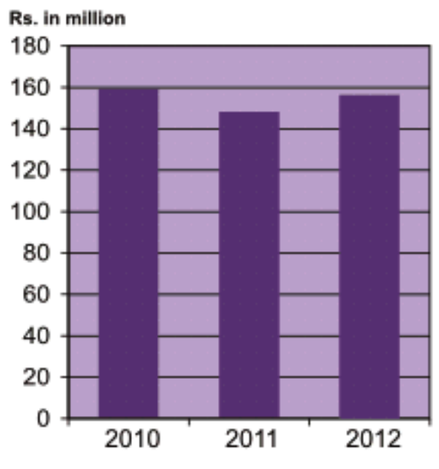
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	200.00	200.00	200.00
Reserve & Retained Earning	(84.97)	(82.45)	(77.84)
Total Equity	115.03	117.55	122.16
LIABILITIES			
Deferred Liabilities	–	–	-
Long Term Loan	–	–	-
Certificate of Investment	–	–	-
Lease Key Money	0.15	6.18	9.73
Total Non-current Liabilities	0.15	6.18	9.73
Current Maturity of L.T. Loan	–		-
S.T. Loan & Running Finance	40.45	22.45	22.45
S.T. Certificate of Investment	–	–	-
Other Current Liabilities	3.50	2.06	3.58
Total Current Liabilities	43.95	24.51	26.03
Total Liabilities	44.10	30.69	35.76
Total Equity and Liabilities	159.13	148.24	157.92
ASSETS			
Tangible Fixed Assets	–	–	-
Net Investment in Lease Finance	2.29	25.85	35.10
Long Term Investment	22.20	25.64	21.69
Other Long Term Assets	–	–	-
Total Non-current Assets	24.49	51.51	56.78
Current Portion of Lease Finance	–	–	-
Short-term Finance	23.63	8.43	6.04
Investments	44.59	22.85	23.43
Other Current Assets	45.61	44.81	37.42
Cash & Bank Balances	20.81	20.65	34.24
Total Current Assets	134.64	96.73	101.13
Total Assets	159.13	148.24	157.92
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	90.70	72.22	75.10
Capital Ratio (x)	0.72	0.79	0.77
Gearing (X)	0.00	0.05	0.08
Leverage Ratio (X)	1.38	0.26	0.29
Current Ratio (X)	3.06	3.95	3.89
Total Assets / Net Worth (X)	1.38	1.25	1.29
Total Financing / Net Worth (X)	0.21	0.51	0.51
Break-up Value (Rs.)	5.75	5.88	6.11
Investment in Lease Finance (%)	1.44	17.45	22.22

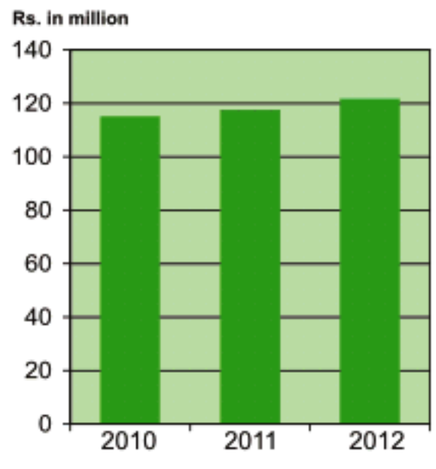
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	0.47	6.34	13.72
Mark-up income	2.04	2.18	3.43
Capital gain on Investment	–	0.39	(0.16)
Non Interest Income	10.98	7.15	6.51
Other income	0.04	0.78	0.48
Total Income	13.53	16.84	23.98
EXPENSES			
Operating Expenses	5.98	5.34	5.62
Financial Expenses	1.62	1.94	0.00
Amortization on Ijarah Assets	0.35	3.96	9.34
Loss on remeasurement of Inv - HFT	–	–	2.10
Impairment loss on AFS	–	–	-
Total Expenses	7.94	11.25	17.06
Profit Before Taxation	5.58	5.59	6.92
Management Fee	0.56	0.55	0.69
Taxation	–	–	0.24
Net Profit	5.02	5.03	5.99
APPROPRIATION			
Dividend	2.40	2.40	3.00
Reserve for Bonus Shares	–	–	-
Statutory Reserve	2.51	2.51	2.90
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	5.75	5.88	6.11
Financial Charges / Total Expenses (%)	20.40	17.23	0.02
Times interest earned (X)	4.46	3.89	1,688.54
Earning per share (Rs.)	0.25	0.25	0.25
Return on equity (%)	4.46	4.47	5.32
Return on Assets (%)	3.43	3.44	4.10
Debt Equity Ratio (%)	0.38	0.25	0.29
Dividend Per Certificate (Rs.)	0.12	0.12	0.15
Stock Dividend (%)	–	–	–

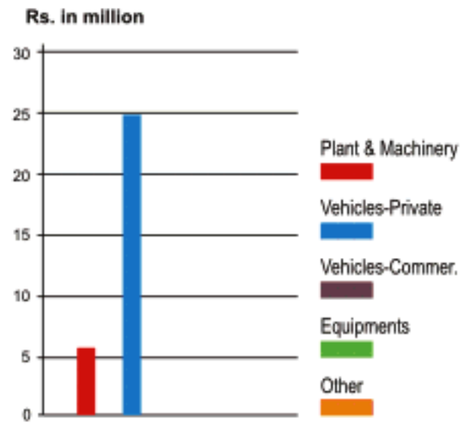
Balance Sheet Growth



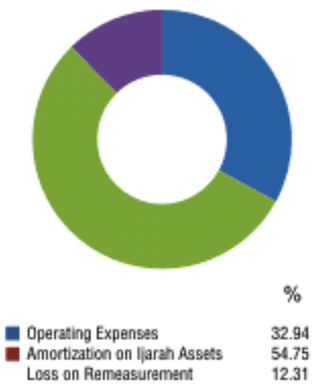
Equity Growth



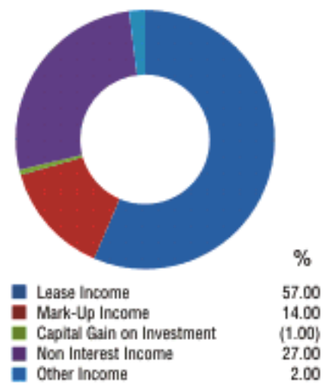
Investment in Lease



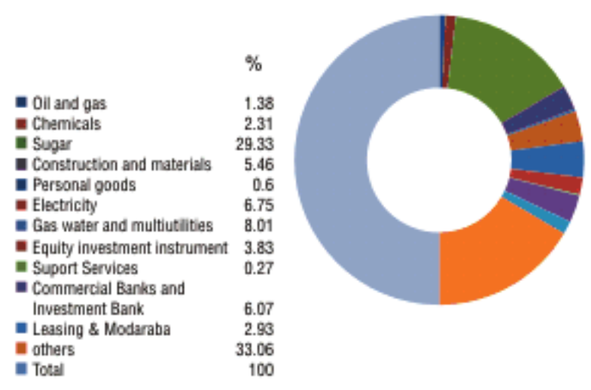
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The Crescent Standard Modaraba Team

Mr. Rafique Dawood
Chairman

Mr. Ayaz Dawood
Chief Executive

Mr. Farouq Rahimtoola
Director

Mr. Muhammad Shahid Murtaza
Director

Syed Tariq Masood
Chief Financial Officer

Mr. Tahir Mehmood
Company Secretary

Mr. Asad Ali Sheikh
General Manager Marketing and Operatrion

Mr. Naseem Ahmed
General Manager North

Company Information

Commenced Business on	:	July 4, 1992
Head Office	:	1900-B, Saima Trade Towers, I.I. Chundrigar Road, Karachi.74000
Tel	:	92-21-3227-1875-80, 3701-0960-65 & 3701-4641-4
Fax	:	92-21-3227-1912
Email	:	brr@firstdawood.com/csm
Website	:	htt://www.firstdawood.com/csm
Offices at	:	Lahore
Staff Strength	:	4
Listed at	:	Karachi Stock Exchange
Auditors	:	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Legal Advisors	:	Rauf Ghaffar Law Associates, Karachi Malik & Malik, Lahore.

First Al-Noor Modaraba

Mr. Jalaluddin Ahmed
Chief Executive Officer

Board of Directors

Mr. Ismail H. Zakaria
Chairman

Mr. Jalaluddin Ahmed
CEO

Mr. Yusuf Ayoob
Director

Mr. Suleman Ayoob
Director

Mr. Aziz Ayoob
Director

Mr. Zain Ayoob
Director

Mr. Zohair Zakaria
Director

History, Background & Principal Activities etc.

First Al-Noor Modarba (FAM) is managed by Al-Noor Modaraba Management (Private) Limited. FAM commenced its business on November 2, 1992 as a specific purpose (trading) Modaraba and listed on the Karachi and Lahore Stock Exchanges. The FAM was converted into a multipurpose perpetual Modaraba in July, 1995 and is currently engaged in Islamic financing such as Musahrika, Murabaha, Musawamah and Ijarah. Further, it is also actively involved in Equity Investment and Trading activities.

PERFORMANCE HIGHLIGHTS-2011-12

The modaraba's performance in the financial year ended June 30, 2012 could be categorized as fairly satisfactory especially keeping in view the fact that the modaraba was constrained to offload a sufficient stock of equities in compliance with SECP's directive under Shariah Compliance & Shariah Audit Mechnanism.

Moreover, a decent income earned through Islamic Investment and trading activities also contributed in the modaraba's profit which was Rs. 18.192 million. As a consequence, the modaraba declared a fairly decent dividend of 8%.

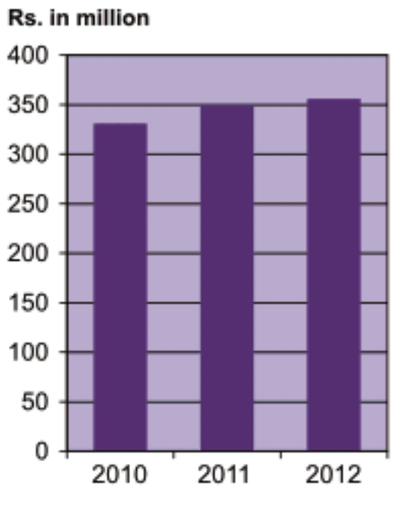
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	210.00	210.00	210.00
Reserve & Retained Earning	96.87	116.14	118.65
Total Equity	306.87	326.14	328.65
LIABILITIES			
Deferred Liabilities	2.26	2.40	2.17
Long Term Loan	–	–	–
Certificate of Investment	–	–	–
Lease Key Money	8.22	8.53	5.73
Total Non-current Liabilities	10.48	10.93	7.90
Current Maturity of L.T. Loan	–	–	–
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	13.52	14.76	17.73
Total Current Liabilities	13.52	14.76	17.73
Total Liabilities	24.00	23.29	25.63
Total Equity and Liabilities	330.87	349.43	354.28
ASSETS			
Tangible Fixed Assets	43.34	34.94	32.89
Net Investment in Lease Finance	11.16	15.45	32.91
Long Term Investment	18.60	20.77	20.02
Other Long Term Assets	3.85	3.85	3.85
Total Non-current Assets	76.95	75.01	89.67
Current Portion of Lease Finance	18.88	9.45	-
Short-term Finance	154.48	113.00	76.32
Investments	25.29	37.69	154.93
Other Current Assets	43.88	64.01	17.62
Cash & Bank Balances	11.40	50.28	15.72
Total Current Assets	253.92	274.42	264.59
Total Assets	330.87	349.43	354.26
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	240.40	259.66	246.88
Capital Ratio (x)	0.95	0.95	0.94
Gearing (X)	0.08	0.07	0.08
Leverage Ratio (X)	0.05	0.05	0.06
Current Ratio (X)	18.78	18.59	14.92
Total Assets / Net Worth (X)	306.87	326.14	328.66
Total Financing / Net Worth (X)	–	–	–
Break-up Value (Rs.)	14.61	15.53	15.65
Investment in Lease Finance (%)	3.37	7.12	9.29

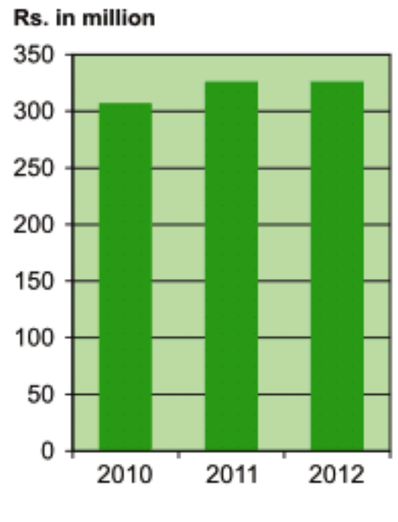
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	28.14	3.59	16.37
Mark-up income	19.76	18.50	17.06
Capital gain on Investment	3.24	4.02	3.62
Non Interest Income	12.75	17.29	2.58
Other income	3.41	10.68	1.82
Total Income	67.30	54.07	41.45
EXPENSES			
Operating Expenses	(38.05)	(22.88)	(19.35)
Financial Expenses	(3.48)	(0.99)	(0.23)
Prov. for Pot. Lease Losses/ Loan	–	–	–
Prov. for Dimn. in value of Investment	(14.19)	0.45	(2.37)
Total Expenses	(55.72)	(23.42)	(21.95)
Profit Before Taxation	11.58	30.65	19.51
Taxation	(0.55)	(0.76)	(1.29)
Net Profit	11.03	29.89	18.22
APPROPRIATION			
Dividend	(10.50)	(16.80)	(16.80)
Reserve for Bonus Shares	–	–	–
Statutory Reserve	(2.21)	(11.96)	(3.64)
Other Reserve	(0.70)	(1.00)	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	14.61	15.53	15.65
Financial Charges / Total Expenses (%)	6.24	4.23	1.08
Times interest earned (X)	0.32	0.03	0.01
Earning per share (Rs.)	0.53	1.42	0.87
Return on equity (%)	2.77	9.40	5.94
Return on Assets (%)	3.50	8.77	5.51
Debt Equity Ratio (%)	7.81	7.14	7.80
Dividend Per Certificate (Rs.)	0.50	0.80	0.80
Stock Dividend (%)	5.00	8.00	8.00

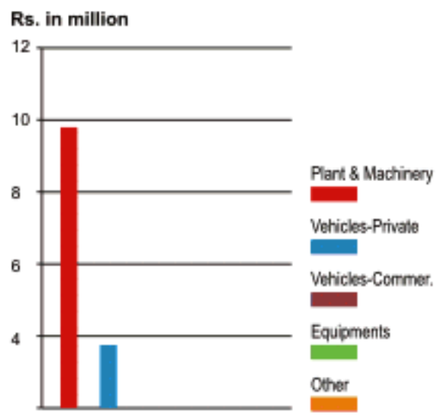
Balance Sheet Growth



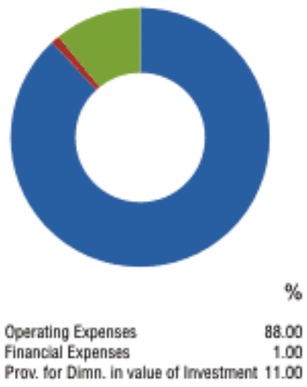
Equity Growth



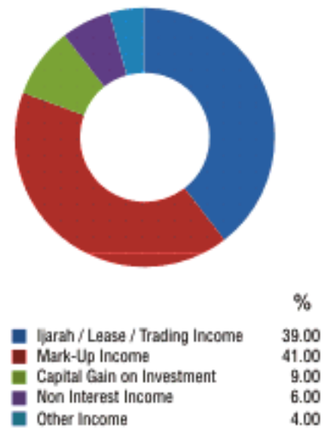
Investment in Lease



Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)

The First Al-Noor Modaraba Team

Mr. Arshad Khan Durrani
Chief Financial Officer

Mr. Irfan Rasheed
Chief Internal Auditor

Mr. Roofi Abdul Razzak
G.M. Finance & Company Secretary

Mufti Muhammad Ibrahim Essa
Shariah Advisor

Company Information

Commenced Business on	:	2-Nov-92
Head Office	:	96-A, S.M.C.H. Society, Karachi
Tel	:	021-3455 2943 ; 3455 8268
Fax	:	021-3455 3137
Email	:	info@fanm.co
Website	:	www.fanm.co
Offices at	:	Karachi
Staff Strength	:	12
Listed at	:	Karachi Stock Exchange
		Lahore Stock Exchange
Auditors	:	Rahman Sarfaraz Rahim Iqbal Rafiq
Legal Advisors	:	–

Mr. Rasheed Y. Chinoy
Chief Executive Officer

First Dawood Investment Bank Limited

Board of Directors

Mr. Rafique Dawood
Chairman

Mr. Rasheed Y. Chinoy
CEO

Mr. Ayaz Dawood
Executive Director

Mr. Asad Hussain Bokhari
Alternate Director
(in place of AVM S.J. Raza nominee of DCM)

Mr. M. Riyazul Haque
Director

Mr. Khurshid A. Khair
Director

Mr. Abu Khursheed M. Ariff
Director

History, Background & Principal Activities etc.

The company was incorporated on June 22,1994 as a public limited Company under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The company has obtained the license of leasing business and Investment Finance Services under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008 from the Securities and Exchange Commission of Pakistan (SECP). The Company is also acting as Trustee to various Term Finance Certificates / Sukuks. The registered office of the company is situated in Karachi.

PERFORMANCE HIGHLIGHTS-2011-12

The company has been able to settle / restructure all (barring one) of its Rs. 9.87bn worth of liabilities during the last four years. The above was done in view of unprecedented cash crunch situation, which got arisen due to ; closure of stock market for 110-days , introduction of MUFAP pricing, suspension of mutual funds and due to abrupt withdrawal of credit lines by commercial banks /DFIs from Non- Banking Finance Sector. Since the settlement of liabilities by FDIB was primarily done against its assets, therefore the balance sheet footing of FDIB has shrunk from about Rs. 12.0 bn (2008) to around Rs.1 bn (2012). As of date the liabilities are less than Rs. 600 M, which are mostly non-interest bearing. The Management is satisfied that they have been able to (mostly) settle and restructure a major portion of its liabilities without any external financial assistance. Now the company is again geared to take up the initiative to develop an asset portfolio, which will be as per changing market conditions in country. The management is hopeful that after the elections, businesses will have a clear direction to ensure economic development in the country.

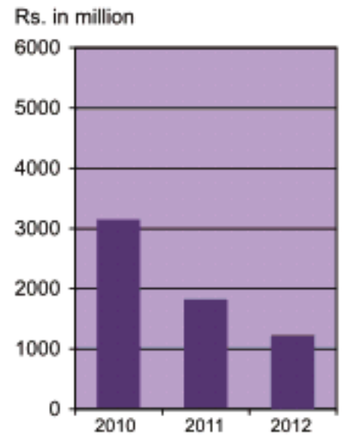
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		**(Rupees in Millions)**	
Issued,subs.& Paid-up-Capital	1,342.33	1,342.33	1,342.33
Reserve & Retained Earning	(721.63)	(751.18)	(1,141.43)
Total Equity	620.69	591.14	200.90
LIABILITIES			
Deferred Liabilities	–	–	-
Long Term Loans	1,097.01	559.13	277.67
Certificates of Investment	10.56	–	–
Lease Key Money	319.52	166.42	126.77
Total Non-current Liabilities	1,427.09	725.55	404.44
Current Maturity of L.T. Loan	66.10	129.34	232.68
S.T. Loan & Running Finance	505.65	81.42	81.42
S.T. Certificates of Investment	325.00	165.50	107.25
Other Current Liabilities	203.57	131.94	127.17
Total Current Liabilities	1,100.32	508.20	548.52
Total Liabilities	2,527.41	1,233.75	952.96
Total Liabilities & Equity	3,148.10	1.824.88	1,153.86
ASSETS			
Tangible Fixed Assets	9.43	69.47	7.48
Net Investment in Lease Finance	288.75	60.22	61.00
Long-term Investment	22.96	163.95	186.93
Other Long-term Assets	535.59	232.86	213.66
Total Non-Current Assets	856.73	526.50	469.07
Current Portion of Lease Finance	789.15	592.11	208.77
Short Term Finance	332.22	133.54	75.48
Investments	578.82	49.89	33.74
Other Current Assets	444.60	408.80	226.95
Cash & Bank Balances	146.58	114.05	139.86
Total Current Assets	2,291.37	1,298.39	684.79
Total Assets	3,148.10	1,824.89	1,153.86
SIGNIFICANT RATIOS			
Net working capital (Rs.)	1,191.05	790.19	136.27
Capital Ratio (X)	0.22	0.36	0.20
Gearing (X)	3.21	1.58	3.48
Leverage Ratio (X)	3.56	1.81	4.11
Current Ratio (X)	2.10	2.60	1.20
Total Assets / Net worth (X)	5.07	3.09	5.74
Total financing / Net worth (X)	3.21	1.58	3.48
Break up Value (Rs.)	9.91	9.44	3.21
Investment in lease finance (%)	34.24	35.75	23.38

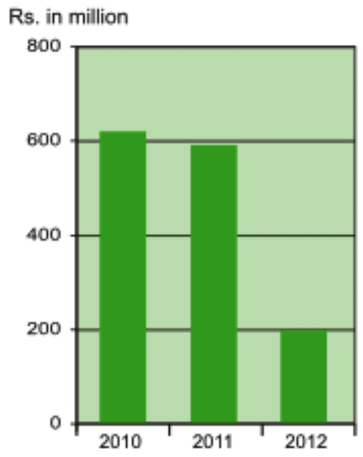
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		**(Rupees in Millions)**	
Lease income	31.45	25.87	11.79
Mark up Income	208.18	108.14	26.14
Capital Gain on Investments	32.37	1.69	0.39
Non Interest Income	2.40	18.68	(21.98)
Other income	41.61	78.82	(25.47)
Total Income	292.79	192.26	(9.13)
EXPENSES			
Operating Expenses	99.62	86.03	24.48
Financial Expenses	123.89	18.40	4.87
Prov. For Pot. Lease Losses/Loans	206.93	40.43	308.22
Change in Fair Value of Invest.	41.96	23.49	1.38
Total Expenses	58.54	179.35	398.95
Profit before Taxation	234.25	12.91	(408.08)
Taxation	(143.42)	(56.93)	31.69
Net Profit /Loss	377.67	(44.02)	(376.39)
APPROPRIATION			
Dividend	–	–	–
Reserve for Bonus Shares	–	–	–
Statutory Reserve	–	–	–
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (X)	9.91	9.44	3.21
Financial charges / Total Exp. (%)	211.63	10.26	1.22
Times Interest Earned (X)	1.22	4.39	(19.51)
Earning per share (X)	5.57	(1.16)	(6.46)
Return on Equity (%)	7.41	0.07	(0.95)
Return on Investment (%)	0.09	0.02	(0.25)
Debt Equity Ratio (X)	1.22	0.95	0.81
Dividend per share (%)	–	–	–
Stock dividend (%)	–	–	–

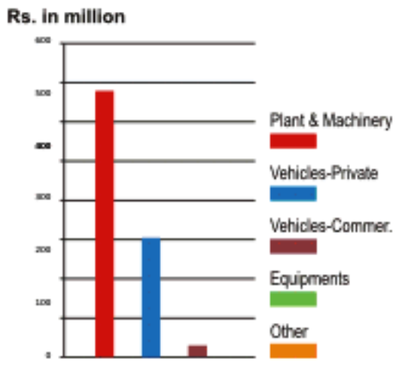
Balance Sheet Growth



Equity Growth



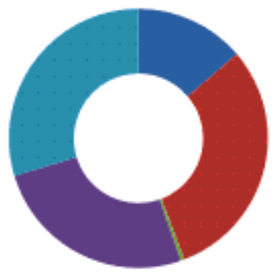
Investment in Lease



Cost Analysis (2011-12)

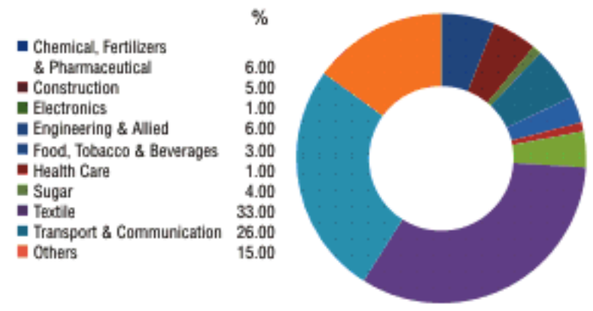
	%
Operating Expenses	21.17
Financial Expenses	1.23
Prov. for Pot. Lease Losses/Loan	77.26
Change in fair value of Investment	0.34

Revenue Analysis (2011-12)



	%
Ijarah / Lease / Trading Income	(129.13)
Mark-Up Income	(286.31)
Capital Gain on Investment	(4.27)
Non Interest Income	240.74
Other Income	278.97

Sector Wise Exposure (2011-12)



	%
Chemical, Fertilizers & Pharmaceutical	6.00
Construction	5.00
Electronics	1.00
Engineering & Allied	6.00
Food, Tobacco & Beverages	3.00
Health Care	1.00
Sugar	4.00
Textile	33.00
Transport & Communication	26.00
Others	15.00

The First Dawood Investment Bank Ltd. Team

Mr. Rafique Dawood
Chairman

Mr. Rasheed Y. Chinoy
Chief Executive Officer

Mr. Ayaz DawoodExecutive
Director

Mr. Muhammad Rizwan-ul Haque
Senior Executive Vice President

Mr. Nabeel Asif
CFO & Company Secretary

Syed Farhan Abbas
Head of Special Assets Management

Syed Naveed A. Naqvi
Head of IT ,HR & Admin

Mr. Salman Yakoob
Head of Internal Audit

Mr. Naveed Ahmed
Head of Legal & Compliance

Company Information

Commenced Business on	:	22nd June, 1994
Head Office	:	1900-B Saima Trade Tower I.I. Chundrigar Road Karachi
Tel	:	32271875-80 37010960-65 37014641-44
Fax	:	92-21-32271913
Email	:	fdib@firstdawood.com
Website	:	www.firstdawood.com
Offices at	:	Lahore & Islamabad
Staff Strength	:	31
Listed at	:	Karachi Stock Exchange (Guarantee) Ltd
Auditors	:	M.Yousuf Adil Saleem & Co
Legal Advisors	:	Mohsin Tayebaly & Co

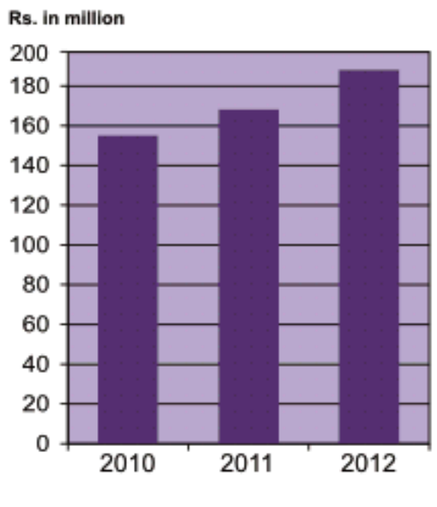
Balance Sheet

30th June Reporting Period (Months)	12	12	12
		(Rupees in Millions)	
EQUITY			
Issued,subs.& Paid-up-Capital	113.40	113.40	113.40
Reserve & Retained Earning	4.28	10.64	14.66
Total Equity	117.68	124.04	128.06
LIABILITIES			
Deferred Liabilities	2.38	2.98	3.37
Long Term Loan	–	–	-
Certificate of Investment	–	–	-
Lease Key Money	19.81	31.16	39.87
Total Non-current Liabilities	22.19	34.74	43.24
Current Maturity of L.T. Loan	–	–	–
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	15.15	9.36	15.50
Total Current Liabilities	15.15	9.36	15.50
Total Liabilities	37.34	44.10	58.75
Total Equity and Liabilities	155.02	168.14	186.81
ASSETS			
Tangible Fixed Assets	1.75	2.97	2.49
Net Investment in Lease Finance	82.67	93.11	118.12
Long Term Investment	20.67	12.27	10.42
Other Long Term Assets	–	–	-
Total Non-current Assets	105.10	108.35	131.03
Current Portion of Lease Finance	–	–	
Short-term Finance	25.42	23.32	20.41
Investments	11.85	13.73	15.80
Other Current Assets	6.15	5.91	5.93
Cash & Bank Balances	6.48	16.82	13.63
Total Current Assets	49.91	59.79	55.77
Total Assets	155.02	168.14	186.80
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	34.76	50.43	40.27
Capital Ratio (x)	0.76	0.74	0.69
Gearing (X)	–	–	–
Leverage Ratio (X)	0.32	0.36	0.31
Current Ratio (X)	3.29	6.39	3.60
Total Assets / Net Worth (X)	1.32	1.36	1.46
Total Financing / Net Worth (X)	0.89	0.87	1.02
Break-up Value (Rs.)	10.38	10.94	11.29
Investment in Lease Finance (%)	53.33	55.37	63.23

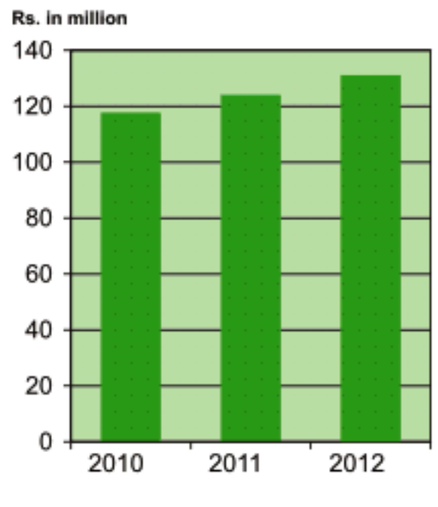
Income Statement

30th June Reporting Period (Months)	12	12	12
		(Rupees in Millions)	
INCOME			
Lease income	35.66	39.83	46.41
Mark-up income	–	–	-
Capital gain on Investment	0.56	0.95	0.58
Non Interest Income	10.19	10.37	10.00
Other income	1.76	2.55	2.35
Total Income	48.17	53.70	59.34
EXPENSES			
Operating Expenses	39.76	43.74	47.97
Financial Expenses	0.01	0.01	0.02
Prov. for Pot. Lease Losses/ Loan	–	–	-
Prov. for Dimn. in value of Investment	1.07	1.14	1.33
Total Expenses	40.85	44.89	49.32
Profit Before Taxation	7.32	8.81	10.03
Taxation	–	–	-
Net Profit	7.32	8.81	10.03
APPROPRIATION			
Dividend	5.67	6.24	6.23
Reserve for Bonus Shares	–	–	-
Statutory Reserve	1.46	2.03	2.25
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	10.38	10.94	11.29
Financial Charges / Total Expenses (%)	0.05	0.06	0.09
Times interest earned (X)	557.46	907.37	565.62
Earning per share (Rs.)	0.65	0.78	0.80
Return on equity (%)	6.22	7.10	7.05
Return on Assets (%)	4.72	0.75	4.83
Debt Equity Ratio (%)	–	0.10	0 : 10
Dividend Per Certificate (Rs.)	0.50	0.55	0.55
Stock Dividend (%)	–	–	–

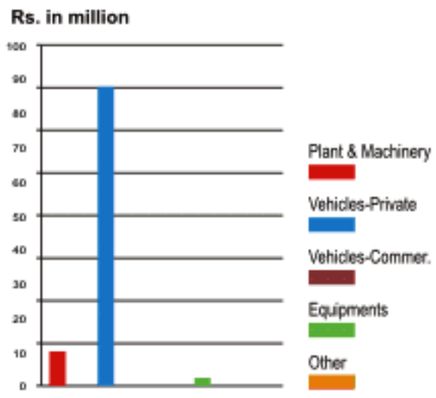
Balance Sheet Growth



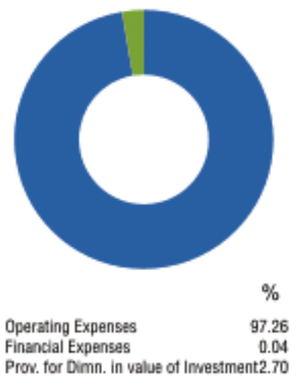
Equity Growth



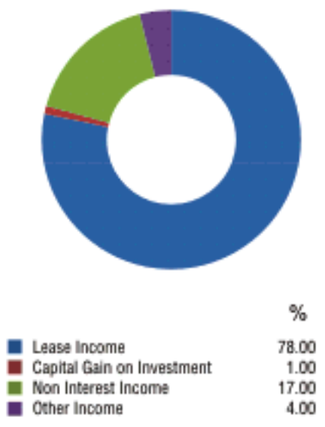
Investment in Lease



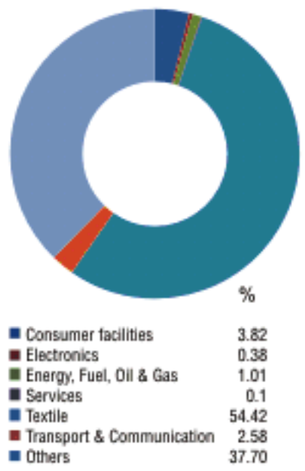
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Elite Capital Modaraba Team

Mr. Muneeb Ahmed Dar
Chairman

Mr. Muhammad Arif Hilal
Chief Financial Officer/Company Secretary

Mr. Aamir Iftikhar Khan
Chief Executive

Company Information

Commenced Business on	:	26-Sep-91
Head Office	:	31/10-A, Abu Baker Block, New Garden Town, Lahore - Pakistan
Tel	:	042-35913701-2
Fax	:	042-35913703
Email	:	info@fecm.com.pk
Website	:	www.fecm.com.pk
Offices at	:	Lahore
Staff Strength	:	15
Listed at	:	Islamabad Stock Exchange, Lahore Stock Exchange, Karachi Stock Exchange
Auditors	:	Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
Legal Advisors	:	Mr. Haq Nawaz Chattha International Legal Services

Mr. Adil A. Ghaffar
Chief Executive/Director

First Equity Modaraba

Board of Directors

Mr. Zahid Bashir
Director

Mr. Nadeem Maqbool
Director

Mr. Adil A Ghaffar
CEO

History, Background & Principal Activities etc.

First Equity Modaraba (FEM) is managed by Premier Financial Services (Private) Limited, derives its board from the Crescent Group, with direct involvement in more than twenty business sectors. This cross-sectoral expertise, enhanced by other linkages, is an invaluable base for informed decision making. FEM's professional management draws on this unique resource to make optimal use of its charter to undertake trading, manufacturing and capital market operations, their financing and facilitation. The Modaraba is a member of Karachi and Islamabad Stock Exchanges and currently operating its brokerage activities in Karachi Stock Exchange.

First Equity Modaraba was floated in end 1991 as a multipurpose and perpetual closed-end fund. Its initial paid-up capital fund was Rs.200 have increased to Rs 524 million by stock dividends of Rs 62 million and issuance of Right certificate of Rs 262 million.

The Modaraba has so far distributed Rs. 62 million in stock dividends and Rs. 495 million in cash dividends.

PERFORMANCE HIGHLIGHTS-2011-12

The profit for the year amounted to Rs. 6,678,430 as compared to Rs 185,104 for the last year. The earning per certificate as at June 30, 2012 was Rs. 0.127 per certificate as compared to Rs. 0.003 last year.

Stock market, after erratic movements, is now improving. The reduction in the discount rate by State Bank of Pakistan would assist the stock market. After the year end, corporatization and demutualization of the Stock exchanges took place and as of this day both the processes has been completed. FEM, being member of KSE and ISE, was awarded with 4,007,383 and 3,034,603 shares of Rs 10 each of Karachi Stock Exchange Ltd and Islamabad Stock Exchange Ltd, respectively. Apart from these shares, one Trading Right of each Exchange has also been awarded

The Modaraba's wholly owned subsidiary, Equity Textile Ltd (ETL), commenced the commercial production from April 01, 2007. Net assets value per share of Equity Textiles Limited which was Rs 6.03 as at June 30, 2011 has increased to Rs 6.46. Current year the textile sector has revived to some extent and is expected to perform much better

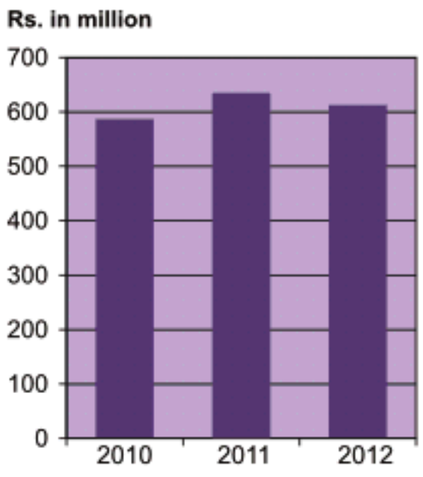
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	524.00	524.00	524.40
Reserve & Retained Earning	24.00	39.00	81.80
Unrealised Loss on investment	–	–	(43.10)
Total Equity	548.00	563.00	563.10
LIABILITIES			
Deferred Liabilities	1.00	1.00	1.80
Long Term Loan	–	–	–
Certificate of Investment	–	–	–
Lease Key Money	–	–	–
Total Non-current Liabilities	1.00	1.00	1.80
Current Maturity of L.T. Loan	–	–	–
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	38.00	49.00	38.60
Total Current Liabilities	38.00	49.00	38.60
Total Liabilities	39.00	50.00	40.40
Total Equity and Liabilities	587.00	613.00	603.50
ASSETS			
Tangible Fixed Assets	19.00	19.00	19.10
Intangible Fixed Assets	53.00	53.00	53.10
Net Investment in Lease Finance	–	–	–
Long Term Investment	278.00	280.00	280.10
Other Long Term Assets	5.00	4.00	3.70
Total Non-current Assets	355.00	356.00	356.00
Current Portion of Lease Finance	–	–	–
Short-term Finance	125.00	119.00	137.60
Investments	17.00	12.00	26.90
Other Current Assets	70.00	69.00	49.20
Cash & Bank Balances	20.00	57.00	33.80
Total Current Assets	232.00	257.00	247.50
Total Assets	587.00	613.00	603.50
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	194.00	208.00	201.10
Capital Ratio (x)	0.93	0.92	0.93
Gearing (X)	–	–	–
Leverage Ratio (X)	0.07	0.09	0.07
Current Ratio (X)	6.11	5.24	6.13
Total Assets / Net Worth (X)	1.07	1.09	1.07
Total Financing / Net Worth (X)	0.23	0.21	0.24
Break-up Value (Rs.)	10.44	10.74	10.74
Investment in Lease Finance (%)	0.00	–	–

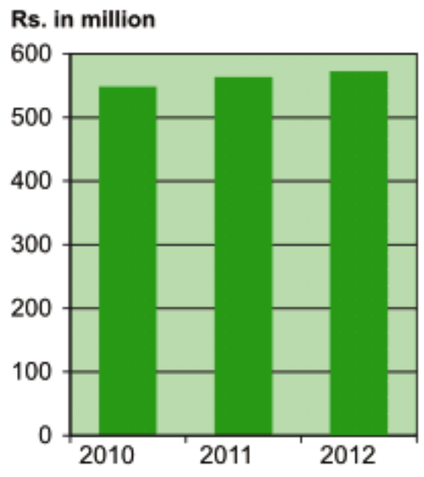
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Profit on Musharaka	17.60	19.18	19.10
Brokerage Commission	1.70	1.60	0.70
Capital gain on Investment	3.60	(6.86)	5.40
Dividend Income	3.00	4.00	4.40
Other income	3.10	0.50	0.70
Total Income	29.30	18.42	30.30
EXPENSES			
Operating Expenses	23.10	16.55	17.30
Financial Expenses	–	0.01	0.80
Other Charges			2.30
Management fee			1.00
Prov. for Pot. Lease Losses/ Loan	–	–	–
Prov. for Dimn. in value of Investment	6.80	1.62	–
Total Expenses	29.90	18.18	21.40
Profit Before Taxation	(0.60)	0.24	8.90
Taxation	(0.10)	(0.06)	(2.20)
Net Profit	(0.70)	0.18	6.70
APPROPRIATION			
Dividend	–	–	–
Reserve for Bonus Shares	–	–	–
Statutory Reserve	–	0.09	3.30
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	10.44	10.74	10.74
Financial Charges / Total Expenses (%)	–	–	3.74
Times interest earned (X)	–	–	26.75
Earning per share (Rs.)	(0.01)	–	0.13
Return on equity (%)	(0.18)	0.18	1.19
Return on Assets (%)	(0.17)	0.16	1.11
Debt Equity Ratio (%)	–	–	–
Dividend Per Certificate (Rs.)	–	–	–
Stock Dividend (%)	–	–	–

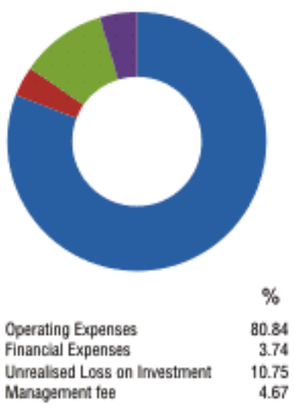
Balance Sheet Growth



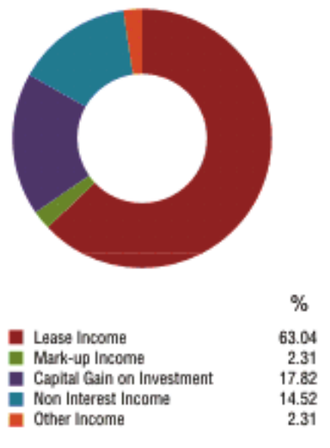
Equity Growth



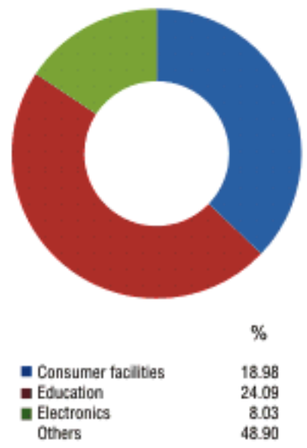
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Equity Modaraba Team

Mr. Adil A Ghaffar
Chief Executive Officer

Qazi Obaid Ullah
Chief Financial Officer & Company Secretary

Mr. Sultan Nayani
Asst. Manager - Brokerage Trading

Company Information

Commenced Business on	:	Jan-92
Head Office	:	Lakson Square Building # 3 Sarwar Shaheed Road Karachi
Tel	:	021-35672815-18
Fax	:	021-35686116
Email	:	info@firstequitymodaraba.com.pk
Website	:	www.firstequitymodaraba.com.pk
Offices at	:	503-504, Karachi Stock Exchange Building, Karachi
Staff Strength	:	10
Listed at	:	Karachi, Islamabad & Lahore, Exchanges
Auditors	:	Avais Hyder Liaquat Nauman
Legal Advisors	:	Mohsin Tayebaly & Co

First Fidelity Leasing Modaraba

Mr. Wasim-ul-Haq Osmani
CEO / Director

Board of Directors

Siyyid Tahir Nawazish
Chairman

Mr. Wasim Ul Haq Osmani
CEO

Mr. S. M. Nasim
Director

Mr. Abdul Hameed Kiyani
Director

History, Background & Principal Activities etc.

First Fidelity Leasing Modaraba was floated on November 06, 1991 under the Modaraba Companies and Modaraba (Floatation & Control) Ordinance, 1980. It is a perpetual, multipurpose and multi-dimensional Modaraba and is managed by Fidelity Capital Management (Pvt.) Limited.The Modaraba is also a corporate member of the Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited.

PERFORMANCE HIGHLIGHTS-2011-12

In the year 2011-12, the management was suucessful in its strategy to dispose of certain investment properties of the Modaraba thereby earning capital gain. It was also able to settle pending pre-emption litigation case on a piece of land of the Modaraba, thereby ensuring that a portion of land is freely available to it which can be sold at market price to provide potential gain and cash flow to the Modaraba in the ensuing period. The Board was pleased to announce distribution of dividend @ 5% to certificate holders of the Modaraba for the year ended June 30, 2012.

Rating

Short Term	A3
Medium/Long Term	BBB-

Rating Agency

Pakistan Credit Rating Agency (Private) Limited

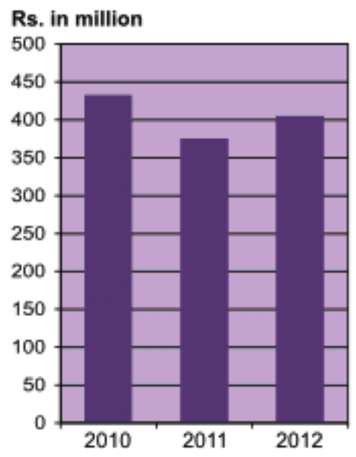
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	264.14	264.14	264.14
Reserve & Retained Earning	61.06	71.05	88.67
Total Equity	325.20	335.19	352.81
LIABILITIES			
Deferred Liabilities	1.69	0.43	1.81
Long Term Loan	5.98	–	-
Employees benefits	–	1.84	-
Lease Key Money	13.45	7.34	6.11
Total Non-current Liabilities	–	9.61	7.92
Current Maturity of L.T. Loan	53.27	–	2.13
S.T. Loan & Running Finance	5.50	1.15	-
S.T. Certificate of Investment	–	–	-
Other Current Liabilities	27.77	29.28	58.08
Total Current Liabilities	86.54	30.43	60.21
Total Liabilities	107.66	40.04	68.13
Total Liabilities & Equity	432.86	375.23	420.93
ASSETS			
Tangible Fixed Assets	30.86	29.78	231.35
Net Investment in Lease Finance	44.41	22.77	18.01
Long-term Investment	4.57	174.38	11.03
Other Long-term Assets	153.79	12.06	10.63
Total Non-current Assets	233.63	238.98	271.02
Current Portion of Lease Finance	–	1.53	-
Short Term Finance	61.37	75.86	105.59
Investments	2.52	–	3.35
Other Current Assets	121.94	42.36	29.25
Cash & Bank Balances	13.40	16.49	11.72
Total Current Assets	199.23	136.24	149.91
Total Assets	432.86	375.23	420.93
SIGNIFCANT RATIOS			
Net working capital (Rs.)	112.69	105.82	
Capital Ratio (X)	0.75	0.91	0.84
Gearing (X)	0.20	–	-
Leverage Ratio (X)	0.29	0.10	0.17
Current Ratio (X)	2.30	4.48	2.49
Total Assets / Net worth (X)	1.33	1.12	1.19
Total Financing / Net worth (X)	0.33	0.81	0.35
Break-up Value (Rs.)	12.31	12.69	13.36
Investment in Lease Finance (%)	10.26	6.07	2.62

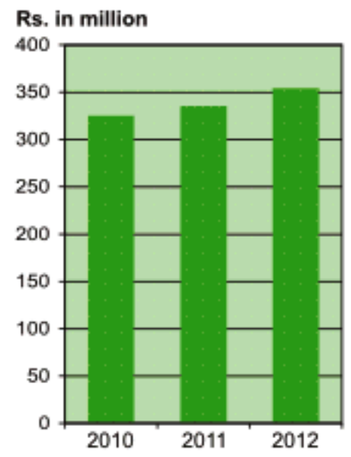
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	36.46	11.74	8.24
Profit on / Morabaha / Musharika	18.16	13.79	16.27
Capital Gain on Investments	–	–	2.39
Non Interest Income	–	11.81	17.79
Other income	1.26	34.13	0.66
Total Income	55.88	71.47	45.35
EXPENSES			
Operating Expenses	41.53	35.90	26.27
Financial Expenses	9.47	7.46	0.09
Prov. For Doubtful Debts	5.60	19.42	0.42
Prov. For Dimn. In Value of Invest.	10.81	–	-
Total Expenses	67.41	62.79	26.78
Profit Before Taxatin	(11.53)	8.68	18.58
Taxation	0.32	–	1.19
Net Loss	(11.85)	8.68	17.39
APPROPRIATION			
Dividend	–	–	13.21
Reserve for Bonus Shares	–	–	–
Statutory Reserve	–	1.74	3.39
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book Value per Share (X)	12.31	12.69	13.36
Financial Charges / Total Exp. (%)	15.32	11.88	–
Times Interest Earned (X)	0.37	4.77	19.58
Earning per Share (X)	(0.45)	0.33	0.64
Return on Equity (%)	(3.64)	2.63	5.05
Return on Assets (%)	(2.66)	2.15	2.91
Debt Equity Ratio (X)	19.91	0.34	–
Dividend per Share (%)	–	–	5.00
Stock Dividend (%)	–	–	–

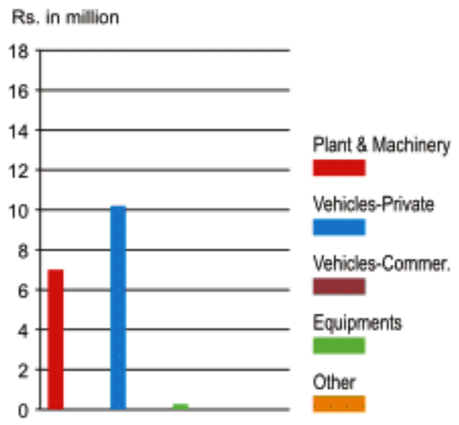
Balance Sheet Growth



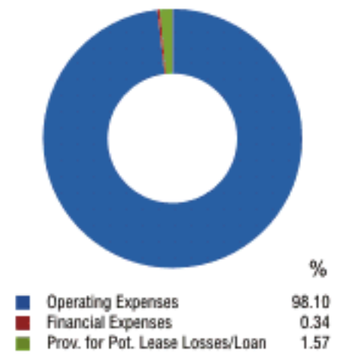
Equity Growth



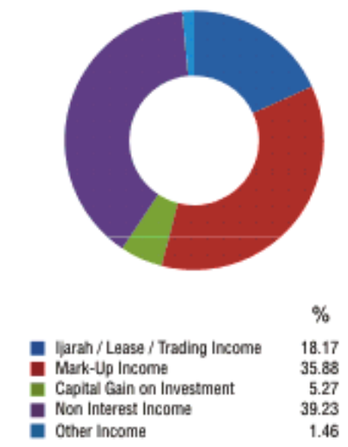
Investment in Lease



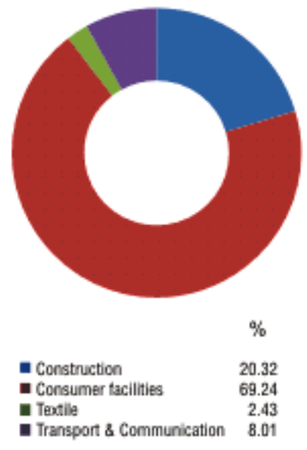
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Fidelity Leasing Modaraba Team

Mr. Wasim Ul Haq Osmani
Chief Executive Officer

Mr. Muhammad Younnas Chaudhry
Head of Credit

Mr. Mohammed Waheed
Company Secretary/CFO

Mr. Muhammad Arshad
Head of Internal Audit

Company Information

Commenced Business on	:	05 December 1991
Head Office	:	90, A-1, Canal Bank Gulberg II Lahore.
Tel	:	042-32405555
Fax	:	042-32402873
Email	:	info@fidelitymodaraba.com
Website	:	www.fidelitymodaraba.com
Offices at	:	Lahore, Islamabad
Staff Strength	:	24
Listed at	:	KSE/LSE/ISE
Auditors	:	M/S Riaz Ahmed & Co Chartered Accountants
Legal Advisors	:	M/S Salim & Baig Advocates

Mr. S. Anvaar Rasool
CEO

First Habib Bank Modaraba

Board of Directors

Mr. Nauman K. Dar
Chairman

Mr. S Anvaar Rasool
CEO

Mr. Aamir Hasan Irshad
Director

History, Background & Principal Activities etc.

First Habib Bank Modaraba (the Modaraba) is a multi-purpose, perpetual Modaraba floated in Pakistan in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981. It is managed by Habib Bank Financial Services (Private) Limited, a wholly owned subsidiary of Habib Bank Limited. The Board of Directors of HBFSL includes professional bankers with vast experience of domestic and International banking. In addition to presence of two senior managers of HBL on HBFSL Board; the Board is chaired by CEO of HBL. It is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Modaraba is situated at First Floor, HBL Building,Main Khayaban-e-Hafiz, Phase 6, DHA, Karachi.

It offers different Islamic Financial Products viz, Ijarah, Murabaha and Musharika for short and long term resource requirements of trade and Industry. However its core activity continues to be Ijarah of plant & machinery, equipments, automobiles and computers. FHBM also invests in listed Equity securities, and high rated Sukuks issued by public companies/government.

PERFORMANCE HIGHLIGHTS-2011-12

During the year under review, Modaraba's total assets continued to grow. Continous growth in Net Assets and equity reflect Modaraba's strong capitalization. Operating Profit increased 10.3 % to Rs 75.2 Million due to prudent management and good recoveries. Diligent monitoring of funds management resulted in continued reduction in financial expenses and further improvement in other income. As a result, Net Profit was Rs 81 Million, which is 13.2 % increase from the corresponding period last year which translated into earnings per share of Rs 2.04 (2011: 1.8). Modaraba's profit distribution in the form of dividend reflects an increasing trend. For the year ended June 30th 2012 Modaraba announced a profit distribution of 14.75 % to the Modaraba Certificate holders, which is the highest in last seven years. First Habib Bank Modaraba's return on equity and return on assets continues to be high in the Modaraba sector. The above indicators reflects that Modaraba was able to continue the momentum of improved performance

Modaraba in compliance with SECP regulations, appointed Mufti Yahya Asim as Shariah Advisor of First Habib Bank Modaraba.

CREDIT RATING

Rating

Short Term	A-1+
Medium / Long Term	AA- (with Stable Outlook)

Rating Agency

JCR-VIS

Ratings have been affirmed based on conservative risk profile of Modaraba, support available from HBL and prudence exercised by management in booking new business.

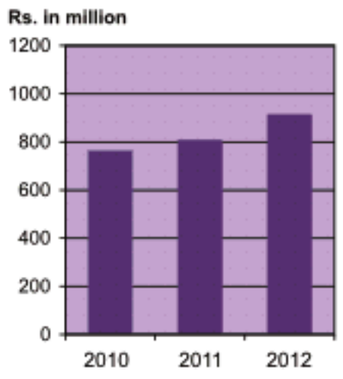
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
	(Rupees in Millions)		
EQUITY			
Issued, subs.& Paid-up-Capital	397.07	397.07	397.07
Reserve & Retained Earning	250.54	280.00	309.58
Total Equity	647.61	677.07	706.65
LIABILITIES			
Deferred Liabilities	–	–	–
Long Term Loan	–	–	–
Certificate of Investment	–	–	–
Lease Key Money	67.70	79.02	91.81
Total Non-current Liabilities	67.70	79.02	91.81
Current Maturity of L.T. Loan	–	–	–
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	48.68	53.52	67.30
Total Current Liabilities	48.68	53.52	67.30
Total Liabilities	116.38	132.54	159.11
Total Equity and Liabilities	764.00	809.61	865.76
ASSETS			
Tangible Fixed Assets	0.45	0.35	0.16
Net Investment in Lease Finance	542.67	502.34	562.65
Long Term Investment	51.18	99.18	107.02
Other Long Term Assets	0.90	0.75	0.49
Total Non-current Assets	595.21	602.34	670.31
Current Portion of Lease Finance	21.40	17.43	14.05
Short Term Finance	51.64	46.25	8.54
Investments	69.19	80.75	140.47
Other Current Assets	1.59	40.92	19.11
Cash & Bank Balances	25.00	21.64	13.27
Total Current Assets	168.82	206.99	195.44
Total Assets	764.03	809.61	865.76
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	1.20	153.00	128.14
Capital Ratio (X)	0.85	0.84	0.82
Gearing (X)	–	–	-
Leverage Ratio (X)	0.18	0.20	0.23
Current Ratio (X)	3.47	3.87	2.90
Total Assets / Net Worth (X)	1.18	1.20	1.23
Total Financing / Net Worth (X)	–	–	-
Break-up Value (Rs.)	16.31	17.05	17.80
Investment in Lease Finance (%)	74.00	64.00	67.00

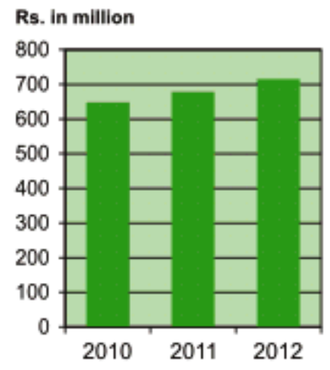
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME	(Rupees in Millions)		
Lease Income	405.07	296.22	248.02
Mark-up / Morabaha / Sukuk	0.51	16.67	19.09
Capital Gain on Investment	–	–	–
Non Interest Income	–	–	–
Other Income	8.51	11.45	14.99
Total Income	414.10	324.32	282.09
EXPENSES			
Operating Expenses	338.15	246.69	210.67
Financial Expenses	6.08	0.08	0.08
Pro. for Pot. Lease Losses/Loan	24.89	5.99	(9.72)
Provision for Diminution in value of investment	–	–	–
Total Expenses	369.12	252.76	201.03
Profit before Taxation	44.98	71.57	81.07
Taxation	–		–
Net Profit	44.98	71.57	81.07
APPROPRIATION			
Dividend (last year)	19.85	43.68	58.56
Reserve for Bonus Shares	–	–	
Statutory Reserve	8.90	14.31	16.21
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book Value per Share (Rs.)	16.31	17.05	17.80
Financial Charges/Total Expenses (%)	2.00	–	–
Times Interest Earned (X)	12.49	925.44	849.85
Earning per Share (Rs.)	1.13	1.80	2.04
Return on Equity(%)	7.00	11.00	12.00
Return on Assets (%)	6.00	9.00	10.00
Debt Equity Ratio (%)	–	–	–
Dividend per Share(Rs.)	1.10	1.30	1.47
Stock Dividend (%)	–	–	–

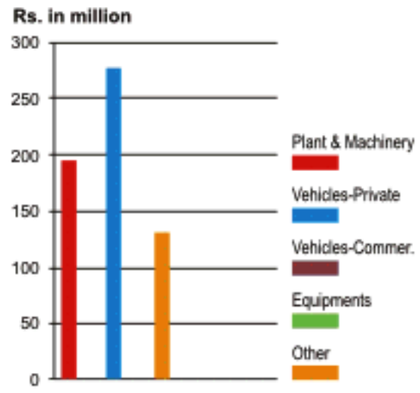
Balance Sheet Growth



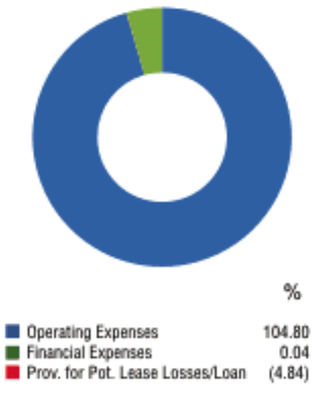
Equity Growth



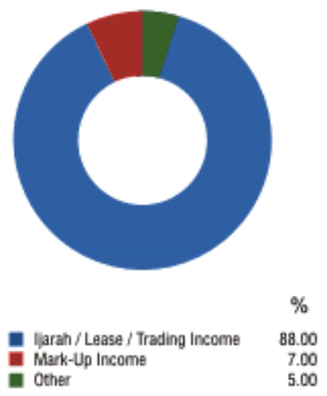
Investment in Lease



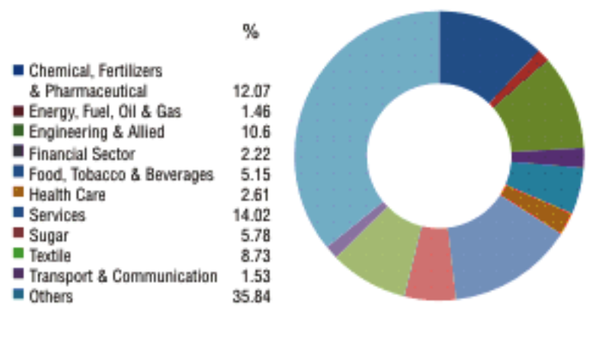
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Habib Bank Modaraba Team

Mr. S. Anvaar Rasool
Chief Executive Officer

Mr. Shabi Hasan
CFO & Company Secretary

Mr. Muhammad Noor Alam
Senior Manager, CAD, HR & Recovery

Mr. Muhammad Arif
Senior Manager, Operation.

Mr. Kailash Moolani
Senior Relationship Manager- Marketing

Mr. Sajid Umar Qurshi
Assistant Manager - I.T & System Administrator

Mr. Waseem Riaz
Assistant Manager - Finance & Operation

Ms. Bushra Qadeer
Assistant Officer - Credit Administration

Company Information

Commenced Business on	: March 16, 1991
Head Office	: 24-C, First Floor, HBL Building, Main Khayaban-e-Hafiz, Phase 6, DHA Karachi.
Tel	: (92-21) 35240462-3
Fax	: (92-21) 35240454
Email	: syed.rasool@hbl.com
Website	: www.fhbm.com.pk
Staff Strength	: 10
Listed at	: Karachi, Lahore, Islamabad Stock Exchange
Auditors	: M/s KPMG Taseer Hadi & Co 021-35589021 FAX 021-35655595
Legal Advisors	: Kashif Hanif, Law Associates

Mr. Muhammad Shoaib Ibrahim
Managing Director / CEO

First Habib Modaraba

Board of Directors

Mr. Wazir Mumtaz Ahmed
Chairman

Mr. Muhammad Shoaib Ibrahim
Managing Director/ CEO

Mr. Wazir Husain Jafree
Director

Mr. Abbas Ali Muhammad
Director

History, Background & Principal Activities etc.

CORPORATE HISTORY

The First Habib Modaraba (FHM) was floated in the year 1985 as Islamic Financial Institutions under the Modaraba Ordinance 1980 and Modaraba Rules 1981.

FHM is a multipurpose Modaraba engaged in various Islamic Financial Services like Ijara, Morabaha, Diminishing Musharaka and other Sharia'h compliant financial activities

At present, FHM is standing on sound equity base of around Rs. 3.127 billion. This equity base has been attained due to solid and consistence growth with prudent approach during the business operations of more than two decades.

FHM is one of the best performing Modaraba in the Modaraba Sector. FHM being pioneer in the Modaraba and Non-Banking Islamic Financial sector.

OPERATION REVIEW

By the Grace of Allah, despite adverse economic conditions globally and locally throughout the year, FHM was able to demonstrate its resilience in terms of asset quality and profitability. In exceptional business, circumstances during the year the performance of FHM remained satisfactory. The management of FHM remained very proactive during this tough time..

The rental collection on Ijarah financing for the year ended June 30th,2012 reflects 1.405 billion as compared to the preceding year 1.418 billion, As the slight decline in rental income is due to cautious approach with respect to lending decision for better control and monitoring of the productive assets of the Modaraba.However,overall profitability was enhance from 345 millions(2012) to 277 millions(2011) which shows excellent portfolio management by the director of First Habib Modaraba

Credit Rating

M/s Pakistan Credit Rating Agency (private) Limited, (PACRA) in their rating update in December, 2011, has again reposed their confidence in sound and stable position of FHM and maintain rating scale of AA+ for long term and A1+ for short term for the period ended 30th June, 2011. A1+ is highest rating in the short term scale assigned by PACRA.

As per PACRA's assessment the ratings denote FHM's sound risk absorption capacity emanating from equity dominated financial structure and sustained profitability despite continuing volatile economic conditions.

Best performing Modaraba award from NBFI and Modaraba Association of Pakistan

For the financial year ended 30th June, 2011, the NBFI and Modaraba Association of Pakistan, has awarded best performing Modaraba award to FHM within the Modaraba sector.

So far FHM has received 11 awards from Modaraba Association of Pakistan within last 13 years.

Corporate Excellence Award

In 28th Corporate Excellence Awards ceremony held in November, 2011, the Management Association of Pakistan (MAP) has awarded "Certificate of Excellence" award to FHM from the category of Equity Investment Instruments Sector. Alhamdulillah, since last five consecutive years FHM has been receiving this award. So far FHM has secured four Excellence Certificate Awards and one Excellence Trophy Award.

Best Corporate Report Award from ICAP/ICMAP

The joint committee of ICAP/ICMAP has given "Best Corporate Report Award" to FHM under the category of Non-Banking Financial Institutions (NBFIs) in their award ceremony held in October, last year. The award was given on annual audited accounts of FHM for the period ended 30th June, 2010.

Alhamdulillah, so far FHM is the first Modaraba who has awarded for best corporate report award within the entire Modaraba sector since last two consecutive years.

Best Presented Account Award from "SAFA"

South Asian Federation of Accountants (SAFA) in its Award Ceremony held in Dhaka Bangladesh, on 29th November, 2011, awarded a "Certificate of Merit" award to FHM for "Best Presented Account" and "Corporate Governance Disclosure" within the category of Non-Banking Financial Institutions (NBFI) sector of Pakistan.

Within this sector, there were only two nominees from Pakistan and First Habib Modaraba was one of them. This is second consecutive "Certificate of Merit" award to Habib Modaraba from SAFA committee.

Future Strategy

According to SBP the assets base of Islamic banks has reached to Rs.644.0 billion as on 31st March, 2012 constituting 7.7 percent share of the overall banking industry. As estimated the industry has over one trillion dollar assets with presence in over 75 countries across the globe. The widespread growth has not only been a result of activities of pure Islamic financial institutions.

At FHM, last year we had started new mode of finance i.e. Diminishing Musharaka (DM) and experience of this mode was remained very well. This year we had disbursed around Rs.281.0 million as compared to last year of Rs.81.0 million which is increase of approximately 3 times.

For current year, besides concentrate on DM we are also planning to launch other products such as Istisna and Salam. Last year we had also planned for these products, but due to some taxation and other legal issues these products could not be launched.

We had remained away from weak or risky sector. As our strategy we will continue to focus in strong sectors of the country for further building of our quality assets.

For induction of quality customer base, it required for efficient services and better rate of profit. In order to compete with other market player particularly Islamic banks we need to offer highly competitive profit rates to keep up good cliental.

Credit Rating Agency:PACRA

Rating (Short Term)	A1+
Rating (Long Term)	AA+

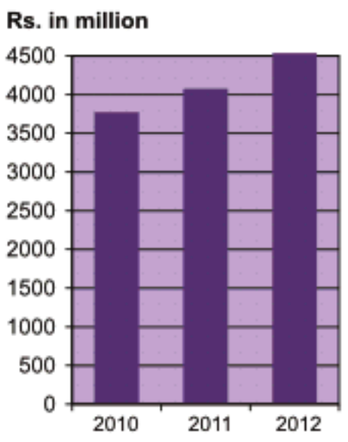
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued, subs. & Paid-up-Capital	1,008.00	1,008.00	1,008.00
Reserve & Retained Earning	1,884.20	2,051.00	2,119.20
Total Equity	2,892.20	3,059.00	3,127.20
LIABILITIES			
Short Term Murabaha Finance	–	–	–
Long Term Morabaha Finance	–	–	–
Long Term Certificate of Musharaka	0.67	3.00	
Lease Key Money	156.47	191.77	266.96
Current Maturity of Morabaha	–	–	–
Current Maturity of Certificate of Mushraka	514.62	610.29	969.29
Short term Musharaka finance	–	–	–
Other Current Liabilities	211.24	211.12	202.20
Total Current Liabilities	725.86	821.41	1,229.00
Total Equity & Liabilities	3,775.20	4,075.21	4,565.64
ASSETS			
Tangible Fixed Assets	6.33	5.69	10.16
Assets Leased Out	2,435.30	2,372.90	2,182.34
Deminishing Musharika	32.29	162.26	234.07
Other Long-term Assets	1.63	2.84	1.52
Current Portion of deminishing Musharika	37.76	71.09	148.37
Short-term Murabaha Finance	–	–	–
Investments	1,036.69	1,251.32	1,186.00
Other Current Assets	12.86	47.95	340.83
Cash & Bank Balances	212.34	161.53	422.39
Total Current Assets	1,299.65	1,531.89	1,989.19
Total Assets	3,775.20	4,075.58	4,565.64
SIGNIFICANT RATIOS			
Total Assets/Net Worth (X)	1.31	1.33	1.46
Total Financing / Net Worth (X)	0.76	0.72	0.70
Gearing Ratio (X)	0.18	0.20	40.00
Current Ratio (X)	1.79	1.87	1.48
Net working capital (Rs.)	814.00	711.00	711
Break-up Value (Rs.)	14.34	15.17	15.51
Leverage Ratio (X)	22.00	25.00	37.00

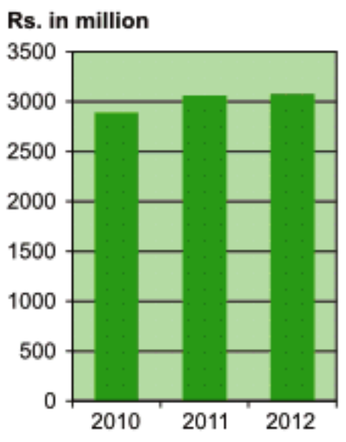
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	1,342.17	1,418.33	1,405.98
Mark-up/Morabaha/Musharaka	6.40	18.90	-
Capital gain on Investment	–	–	-
Other income	93.80	91.60	215.24
Total Income	1,442.41	1,528.88	1,621.22
EXPENSES			
Operating Expenses & Depreciation	1,124.16	1,184.81	1,184.44
Financial Expenses	50.85	66.17	91.74
Prov. for Doubtful Debts	–	–	-
Prov. for Dimn. in value of invest.	–	–	-
Profit before Taxation	267.40	277.92	345.04
Taxation	–	–	-
Net Profit	267.40	277.92	345.04
APPROPRIATION			
Dividend (21.00% years 2010)	211.68	221.76	201.60
Reserve for Bonus shares	–	–	-
Statutory Reserve	53.48	55.58	138.02
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per Certificate (Rs.)	10.10	10.43	10.43
Financial Charges / Total Exp. (%)	4.65	5.59	7.75
Times Interest Earned (x)	6.26	5.20	4.76
Net profit Margin (%)	19.83	19.34	23.80
EPS (Certificates of Rs. 5/- each) Rs.	1.33	1.38	1.38
Earning per face value (%)	26.53	27.57	34.23
Return on Assets (%)	7.08	6.82	7.57
Return on Equity (%)	13.13	13.22	15.52
Dividend per Certificate Rs.	1.05	1.10	1.00
Stock Dividend (%)	–	–	-
Capital adequcay ratio	67.00	69.00	65.00
Investment in Lease Finance (%)	58.13	54.00	47.80
Capital Ratio (X)	0.76	0.75	68.00
Debt equity ratio	18.00	20.00	40.00

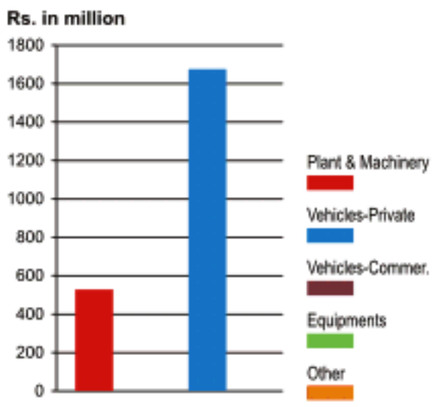
Balance Sheet Growth



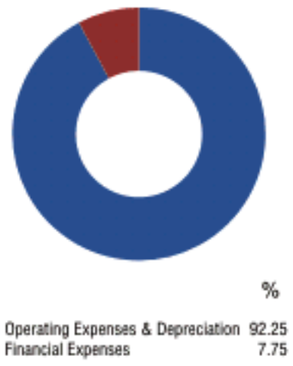
Equity Growth



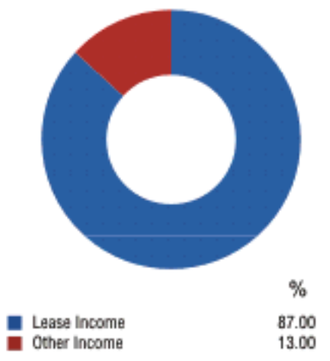
Investment in Lease



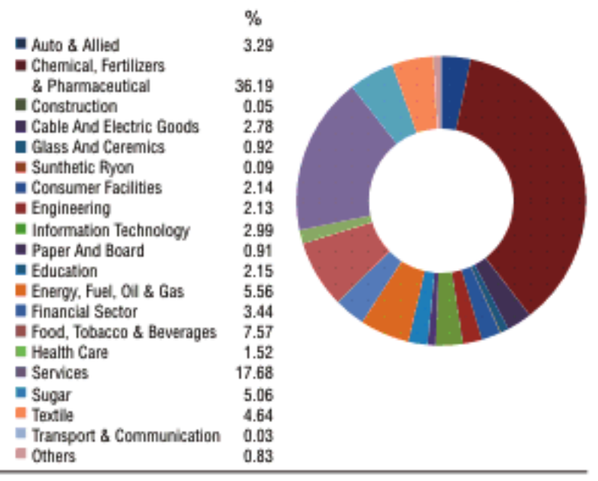
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Habib Modaraba Team

Mr. Tehsin Abbas
Chief Financial Officer

Mr. Intisar Usmani
Head of Credit and Compliance

Mr. Amir Kaleem
Head of Marketing

Mr. Fayyaz Hussain Qazi
Head of IT

Mr. Adnan Thanwey
Company Secretary

Mr. Shakeel Ahmed Mangroria
Internal Auditor

Company Information

Commenced Business on	:	March 1985
Head Office	:	5th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.
UAN	:	111-346-346
Telephone	:	(92-21) 32635949-51 (3 lines) 32635168-9 (2 lines) 32633370-1
Fax	:	(92-21) 32627373
Email	:	fhm@habibmodaraba.com
Website	:	www.habibmodaraba.com
Offices at	:	Lahore, Islamabad, Faisalabad & Multan
Staff Strength	:	34
Listed at	:	Karachi, Lahore and Islamabad Stock Exchange
Auditors	:	Muniff Ziauddin & Co. Chartered Accountants
Legal Advisors	:	Mohsin Tayebaly & Co.

First IBL Modaraba

Dr. Hasan Sohaib Murad
CEO

Board of Directors

Dr. Hasan Sohaib Murad
Chairman & CEO

Mr. Shaheen Rashid
Executive Director

Mr. Arslan Khan Khakwani
Director

History, Background & Principal Activities etc.

First IBL Modaraba was formerly known as First Sanaullah Modaraba which was incorporated on October 22, 1989.First IBL Modaraba is registered under the Modaraba companies & Modaraba (Floatation & Control) ordinance 1980 and the rules framed there under and is managed by IBL Modaraba Management (Pvt.) Ltd,. Incorporated in Pakistan. The Modaraba is perpetual and multipurpose Modaraba engaged in the business of Ijarah, Musharakh, Murabahah, Investment in securities and other related activities. The Modaraba is listed on Karachi, Lahore & Islamabad stock Exchanges.

PERFORMANCE HIGHLIGHTS-2011-12

The Modaraba's turn over for the current year stood at Rs. 8.836 million as compared to Rs. 49.575 million in the preceding year.

During the year the Modaraba for compliance of the Prudential Regulations for Modarabas, had provided the sum of Rs.26.017 million as impairment against overdue Musharakah Principal Payments and Rs. 1.763 million against Musharakah profit receivable which resulted in reduction of the profit for the year.

Due to loss in the current period the board of Directors' of Modaraba declared no dividend for the period and nothing is transferred in to statutory reserves as required by the prudential regulation.

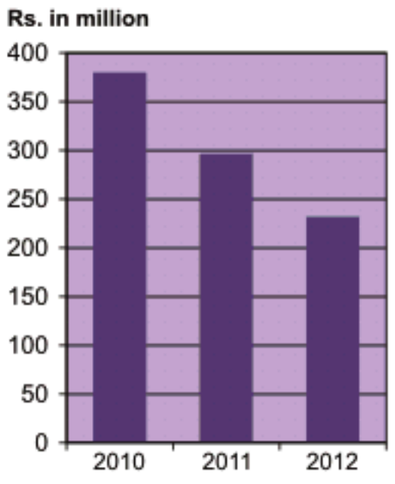
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	201.88	201.88	201.87
Reserve & Retained Earning	46.11	29.10	(10.55)
Total Equity	247.99	230.97	191.32
LIABILITIES			
Lease Key Money	4.22	9.37	2.70
Total Non-current Liabilities	4.22	9.37	2.70
Current Maturity of L.T. Loan	0.30	–	–
S.T. Loan & Running Finance	107.63	20.94	–
S.T. Certificate of Investment	–	–	–
Musharaka Finance	–	29.14	14.64
S.T. Finance	–	9.50	-
Current Portion of Security Deposit	–	0.22	6.49
Unclaimed Profit Distribution	–	7.99	7.69
Other Current Liabilities	19.75	11.61	12.86
Total Current Liabilities	127.68	58.46	41.68
Total Liabilities	131.90	67.83	44.39
Total Equity and Liabilities	379.88	298.81	235.71
ASSETS			
Tangible Fixed Assets	21.12	2.78	1.90
Net Investment in Lease Finance	–	15.86	9.46
Long Term Murabaha Finance	–	23.00	23.00
Long Term Investment	17.13	57.06	57.31
Other Long Term Assets	3.38	3.38	3.40
Total Non-current Assets	41.63	102.08	95.07
Current Portion of Lease Finance	30.00	4.14	1.92
Short-term Finance	–	123.13	85.25
Investments	23.31	14.22	2.17
Other Current Assets	283.88	53.26	51.26
Cash & Bank Balances	1.06	1.98	0.05
Total Current Assets	338.25	196.73	140.65
Total Assets	379.88	298.81	235.71
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	210.57	138.27	98.96
Capital Ratio (x)	0.65	0.77	0.81
Gearing (X)	0.53	0.29	0.23
Leverage Ratio (X)	0.53	0.25	0.18
Current Ratio (X)	2.65	3.37	3.37
Total Assets / Net Worth (X)	153.19	1.29	1.23
Total Financing / Net Worth (X)	1.10	0.13	0.08
Break-up Value (Rs.)	12.28	11.44	9.48
Investment in Lease Finance (%)	6.14	0.05	0.04

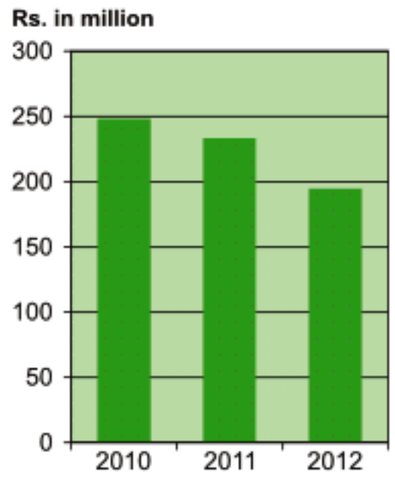
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	6.69	6.73	2.90
Mark-up income \ M & M Financing	–	39.69	4.96
Capital gain on Investment \ ROI	4.00	0.19	0.04
Other income	49.52	2.96	0.94
Total Income	60.20	49.57	8.84
EXPENSES			
Operating Expenses	14.68	13.49	12.69
Financial Expenses	15.94	13.31	1.98
Amortization		6.86	6.01
Provision against non performing Musharaka		14.31	26.02
Profit receivable on Musharaka Receivable		11.79	1.76
Prov. for Pot. Lease Losses/ Loan	27.15	-	–
Prov. for Dimn. in value of Investment	0.10	-	0.84
Total Expenses	57.89	59.76	49.31
Profit/(Loss) Before Taxation	2.31	(10.19)	(40.47)
Taxation	–	–	–
Net Profit/(Loss)	2.31	(10.19)	(40.47)
APPROPRIATION			
Dividend	–	–	–
Reserve for Bonus Shares	–	–	–
Statutory Reserve	0.41	–	–
Other Reserve	0.23	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	12.28	11.44	9.48
Financial Charges / Total Expenses (%)	27.54	22.27	4.02
Times interest earned (X)	1.13	2.20	(5.40)
Earning per share (Rs.)	0.01	(0.50)	(2.00)
Return on equity (%)	0.93	(4.41)	(21.15)
Return on Assets (%)	0.60	(3.41)	(17.17)
Debt Equity Ratio (%)	1.70	29.37	23.20
Dividend Per Certificate (Rs.)	0.30	-	-
Stock Dividend (%)	–	-	-

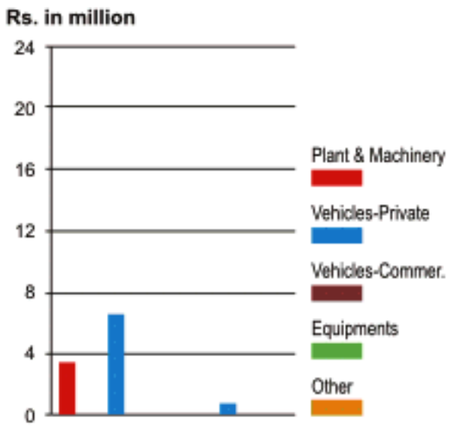
Balance Sheet Growth



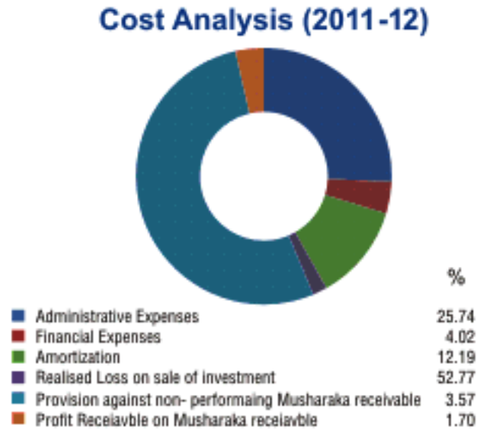
Equity Growth



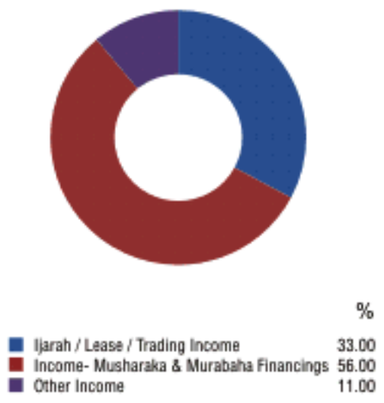
Investment in Lease



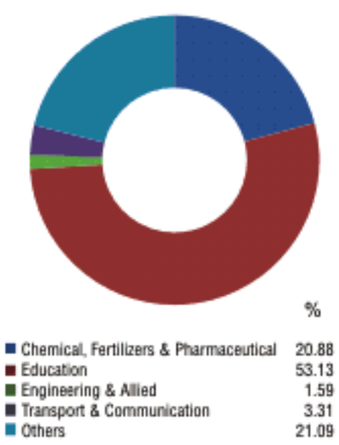
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First IBL Modaraba Team

Shiraz Butt
Acting Chief Executive Officer

Zeeshan Ahmed
Internal Auditor

M. Sohail A. Sheikh
Company Secretary

Company Information

Commenced Business on	:	October 22, 1989
Head Office	:	87 Aurangzeb Block, New Garden Town, Lahore.
Registered Office	:	105, First Floor, Fortune Centre 45-A, Block-6, P.E.C.H.S Shahrah-e-Faisal, Karachi
Tel	:	042- 35952148- 49
Fax	:	042- 35952150
Email	:	ibl@firstibl.com
Website	:	www.firstibl.com
Offices at	:	Lahore & Karachi
Staff Strength	:	12
Listed at	:	Karachi, Lahore & Islamabad Stock Exchanges
Auditors	:	M/s. Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants
Legal Advisors	:	Asad Law Associates 41-Mozang Road, Lahore

First Imrooz Modaraba

Mr. Naveed Riaz
Chief Executive

Board of Directors

Mr. Naveed Riaz
CEO

Mr. Ameed Riaz
Director

Mrs. Saadat Ikram
Director

Mr. Omar Mohammad Khan
Director

History, Background & Principal Activities etc.

First Imrooz Modaraba was formed on 27 September 1993 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by A R Management Services (Pvt.) Limited. The Modaraba issued its certificate capital to the general public on February 01, 1994 and commenced operations from March 01, 1994, the date on which the minimum subscription certificate was issued by the Registrar Modaraba.

PERFORMANCE HIGHLIGHTS-2011-12

The year under review proved to be challenging for the Modaraba due to difficult business environment. However, better management measures resulted in improved turnover of Rs. 711.43 million as compared to Rs. 681.36 Million last year.

The other income of the Modaraba has stood at Rs. 2.11 million as compared to Rs. 1.8 million last year.

This year Modaraba has recorded diminution on re-measurement of investment at Rs. 0.03 million as against diminution of Rs. 0.06 million last year.

The Modaraba's profit for the year is Rs. 24.60 million as compared to Rs. 27.57 million last year.

After considering these results, the Board of Directors have decided to transfer 20% profit to statutory Reserve and a final profit distribution @ 65% i.e Rs.6.50 per certificate to the certificate holders.

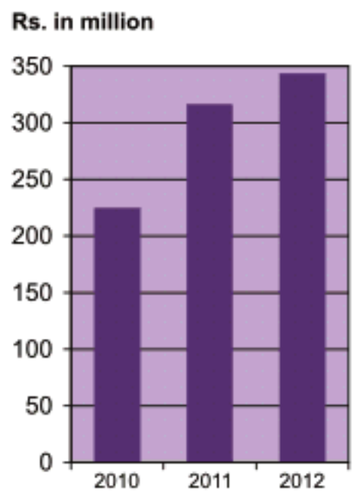
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY	**(Rupees in Millions)**		
Issued,subs.& Paid-up-Capital	30.00	30.00	30.00
Reserve & Retained Earning	82.18	86.95	89.50
Total Equity	112.18	116.95	119.50
LIABILITIES			
Deferred Liabilities	8.14	8.90	11.19
Long Term Loan	–	–	-
Certificate of Investment	–	–	-
Lease Key Money	–	–	-
Total Non-current Liabilities	8.14	8.90	11.19
Current Maturity of L.T. Loan	–	–	-
S.T. Loan & Running Finance	7.63	33.37	43.02
S.T. Certificate of Investment	–	–	-
Other Current Liabilities	97.04	157.17	174.30
Total Current Liabilities	104.67	190.54	217.32
Total Liabilities	112.81	199.44	228.51
Total Equity and Liabilities	224.99	316.39	348.01
ASSETS			
Tangible Fixed Assets	7.53	6.03	6.09
Intangible Assets	0.49	0.33	0.18
Net Investment in Lease Finance	–	–	-
Long Term Investment	–	–	-
Other Long Term Assets	–	–	-
Total Non-current Assets	8.02	6.37	6.27
Current Portion of Lease Finance	–	–	-
Short-term Placement / Finance	–	–	-
Investments	1.28	1.21	1.10
Other Current Assets	208.80	291.25	312.23
Cash & Bank Balances	6.89	17.56	28.40
Total Current Assets	216.97	310.02	341.73
Total Assets	224.99	316.39	348.01
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	112.30	119.48	124.42
Capital Ratio (x)	0.50	0.37	0.34
Gearing (X)	–	–	-
Leverage Ratio (X)	1.01	1.71	1.91
Current Ratio (X)	2.07	1.63	1.57
Total Assets / Net Worth (X)	2.01	2.71	2.91
Total Financing / Net Worth (X)	0.07	0.29	0.36
Break-up Value (Rs.)	37.39	38.98	39.83
Investment in Lease Finance (%)	–	–	-

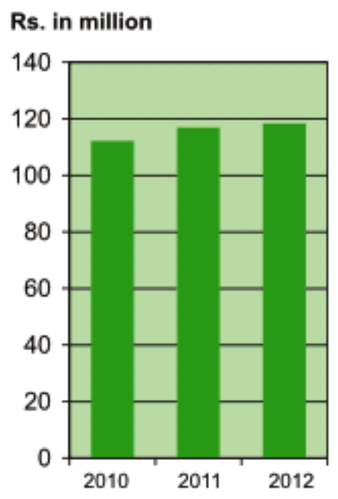
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME	**(Rupees in Millions)**		
Lease Income	–	–	-
Trading Income	78.07	92.56	98.80
Mark-Up Income	–	–	-
Capital gain on Investment	–	–	-
Non Interest Income	–	–	-
Other income	2.43	1.81	2.11
Total Income	80.50	94.36	100.91
EXPENSES			
Operating Expenses	30.80	34.75	40.79
Financial Expenses	1.84	5.32	5.08
Prov. for Pot. Lease Losses/ Loan	–	–	-
Prov. for Dimn./(appreciation) in value of Investment	(0.48)	0.06	0.03
Total Expenses	32.16	40.13	45.90
Profit Before Taxation	48.34	54.23	55.02
Taxation	19.77	26.62	30.42
Net Profit	28.57	27.61	24.60
APPROPRIATION			
Dividend	22.80	22.05	19.50
Reserve for Bonus Shares	–	–	-
Statutory Reserve	5.71	5.51	4.92
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	37.39	38.98	39.83
Financial Charges / Total Expenses (%)	0.06	0.13	11.06%
Times interest earned (X)	27.29	11.18	11.84
Earning per share (Rs.)	9.52	9.20	8.20
Return on equity (%)	26.62	25.16	20.59
Return on Assets (%)	13.89	10.99	7.41
Debt Equity Ratio (%)	101.00	171.00	-
Dividend Per Certificate (Rs.)	7.60	7.35	6.50
Stock Dividend (%)	–	–	-

Balance Sheet Growth

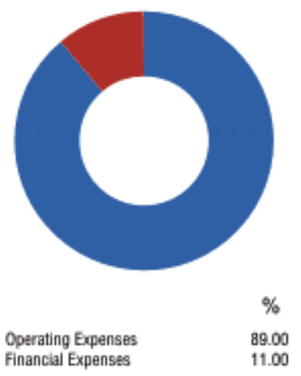


Equity Growth



Revenue Analysis (2011-12)

Cost Analysis (2011-12)



The First Imrooz Modaraba Team

Mr.Naveed Riaz
Chief Executive

Mr.Ateed Riaz
Chief Financial Officer

Mr.Ameed Riaz
Director

Mrs.Rabeeaa Riaz
General Manager, Finance

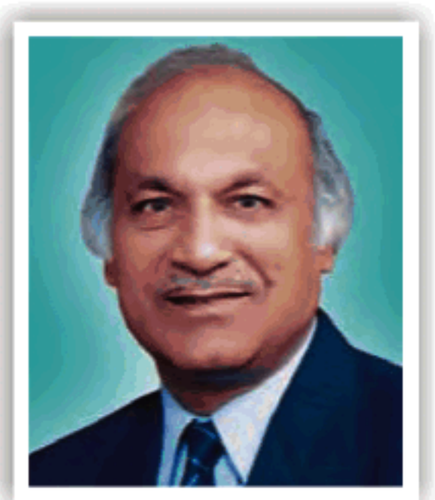
Mr.Amjad Khalid
General Manager, Imports

Mr. Shabbir Ahmed Jamsa
Company Secretary & General Manager Taxation

Company Information

Commenced Business on	:	March 01, 1994
Head Office	:	405, 4th Floor, Beaumont Plaza Civil Lines Quarters, Beaumont Road, Karachi .
Tel	:	(92-21) 35 222 743-44
Fax	:	(92-21) 35 222 668
Email	:	inquiries@imrooz.com
Website	:	www.firstimrooz.com
Offices at	:	Lahore
Staff Strength	:	20
Listed at	:	Karachi Stock Exchange
Auditors	:	M/s. BDO Ebrahim & Co. Chartered Accountants
Legal Advisors	:	Mr. Altaf Husain, Advocate M. Akram Zuberi & Company Advocate

First National Bank Modaraba



Mr. Javaid Sadiq
Chief Executive Officer

Board of Directors

Mr. Shahid Anwar Khan
Chairman

Mr. Javaid Sadiq
CEO

Mr. Wajahat A. Baqai
Director

Mr. Jamal Nasim
Director

Mr. Khawaja Waheed Raza
Director

Syed Mustafa Kamal
Director

Mr. Sadiq-ul-Huda
Director

History, Background & Principal Activities etc.

First National Bank Modaraba(FNBM) is a multi purpose, perpetual and multi dimensional Modaraba floated by National Bank Modaraba Management Company Limited(NBMMCL), a wholly owned subsidiary of National Bank of Pakistan. NBMMCL was incorporated as a Public Limited Company on August 6, 1992 under companies Ordinance 1984 and registered under Modaraba Companies and Modaraba (Floatation & Control) ordinance 1980, with a paid up capital of PKS 105 Million. FNBM was floated with paid up capital of PKS 250 million and as Authorized Capital of PKS 600 million to cater to ever increasing market for Islamic Banking in the country. FNBM is primarily engaged in various Islamic mode of financing and business activities including Leasing, Morabaha and Musharaka arrangements.

PERFORMANCE HIGHLIGHTS-2011-12

During the period under review the economy remained under pressure overall. Faced with adverse implications on account of the above, FNBM adopted a cautious marketing approach. Consequently, the balance sheet size has been maintained at Rs.1,963 Millions. The major product of the Modaraba is Ijarah finance and by the end of current year, FNBM's made new disbrusments against ijarah investment to the tune of Rs.626 Millions. The total income of the Modaraba increased by 28% from Rs.473 Million in the last year to Rs.606 Million in the current year. Accordingly the total expenses (including depreciation on Ijarah assets) increased by 31% from Rs.439 Millions last year to Rs.575 Millions this year. Net profit remained at Rs.27.63 Million as compared to Rs.30.56 Millions last year.

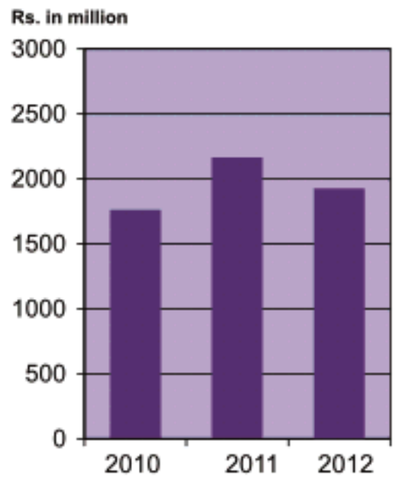
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	250.00	250.00	250.00
Reserve & Retained Earning	81.54	87.00	90.00
Total Equity	331.54	337.00	340.00
LIABILITIES			
Deferred Liabilities	8.10	2.00	3.00
Long Term Loan	175.00	312.00	182.00
Certificate of Musharaka	–	79.00	114.00
Lease Key Money	92.95	127.00	176.00
Total Non-Current Liabilities	276.05	520.00	475.00
Current Matunity of L.T. Loan	559.34	440.00	365.00
S.T. Loan & Running Finance	466.73	665.00	635.00
S.T. Certificate of Musharaka	80.47	121.00	81.00
Other Current Liabilities	47.11	84.00	66.00
Total Current Liabilities	1,153.65	1,310.00	1,147.00
Total Liabilities	1,429.70	1,830.00	1,622.00
Total Equity and Liabilities	1,761.24	2,167.00	1,962.00
ASSETS			
Tangible Fixed Assets	421.03	727.00	893.00
Net Investment in Lease Finance	254.67	124.00	75.00
Long Term Investment	60.21	50.00	30.00
Other Long Term Assets	1.21	2.00	3.00
Total Non-Current Assets	737.12	903.00	1,001.00
Current Portion of Lease Finance	316.25	165.00	57.00
Short-term Finance	598.08	848.00	696.00
Investments	1.86	2.00	2.00
Other Current Assets	102.91	241.00	189.00
Cash & Bank Balances	5.02	8.00	17.00
Total Current Assets	1,024.12	1,264.00	961.00
Total Assets	1,761.24	2,167.00	1,962.00
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	(129.00)	(46.00)	(186.00)
Capital Ratio (x)	0.20	0.17	0.19
Gearing (X)	3.70	4.50	4.05
Leverage Ratio (X)	4.30	6.05	4.77
Current Ratio (X)	0.88	0.96	0.84
Total Assets / Net Worth (X)	5.30	6.43	5.77
Total Financing / Net Worth (X)	4.69	4.50	0.80
Break-up Value (Rs.)	1.33	13.48	13.60
Investment in Lease Finance (%)	63.00	51.00	58.00

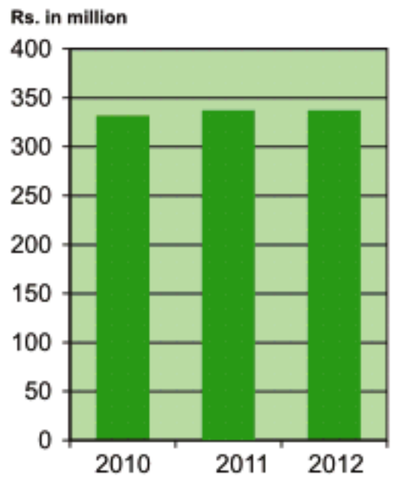
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	239.73	359.00	480.00
Mark-up income	123.39	106.00	106.00
Capital gain on Investment	1.39	–	–
Non Interest Income	5.54	1.00	–
Other income	–	8.00	19.00
Total Income	370.05	474.00	605.00
EXPENSES			
Operating Expenses	130.65	255.00	23.00
Financial Expenses	195.19	176.00	186.00
Prov. for Pot. Lease Losses/ Loan	6.42	12.00	20.00
Prov. for Dimn. in value of Investment	11.56	–	348.00
Total Expenses	343.82	443.00	577.00
Profit Before Taxation	26.23	31.00	28.00
Taxation	–	–	–
Net Profit	26.23	31.00	28.00
APPROPRIATION			
Dividend	25.00	25.00	25.00
Reserve for Bonus Shares	–	–	–
Statutory Reserve	5.00	6.00	6.00
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	13.27	13.48	13.60
Financial Charges / Total Expenses (%)	57.00	53.00	0.32
Times interest earned (X)	1.22	2.00	1.26
Earning per share (Rs.)	1.05	1.22	1.10
Return on equity (%)	7.90	9.20	0.08
Return on Assets (%)	1.48	1.40	0.01
Debt Equity Ratio (%)	79.00	20.00	80.20
Dividend Per Certificate (Rs.)	1.00	1.00	10.00
Stock Dividend (%)	–	–	–

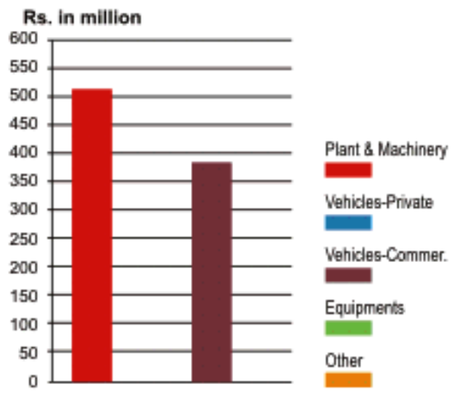
Balance Sheet Growth



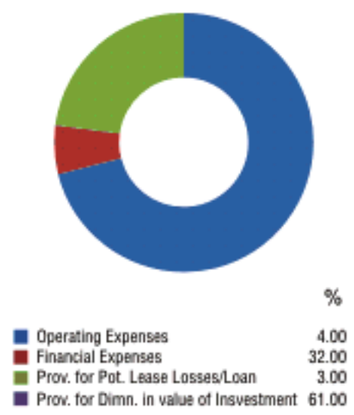
Equity Growth



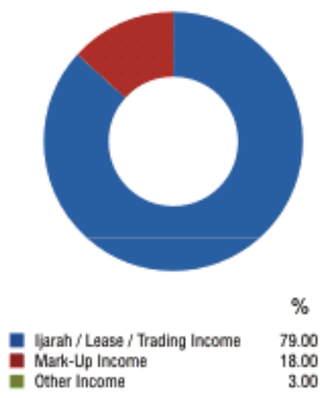
Investment in Lease



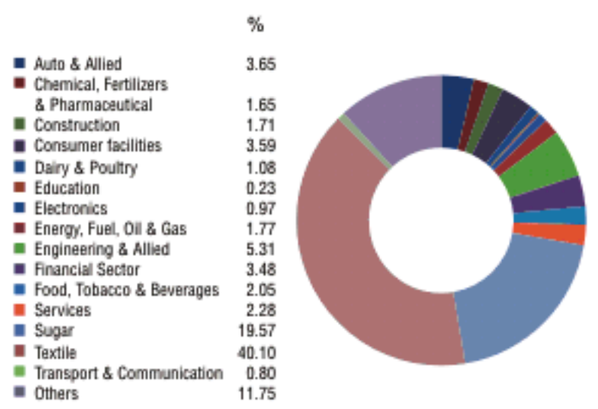
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First National Bank Modaraba Team

Hafiz Muhammad Fayyaz
Head of Credit & Risk Management

Abbas Azam
CFO & Company Secretary

Akhtar Nazir Sulehri
Head of Operations & Marketing

Nusrat Rashid
Head of Marketing

Nadia Jalil
Credit Manager

Hafiz Mubashar Mehmood
Head of Finance & Investment

Sh. Umar Saeed

Company Information

Commenced Business on	:	December 03, 2003
Head Office	:	5th Floor, NBP RHQs Building, 26-Mclagon Road, Lahore
Tel	:	042-99211200
Fax	:	042-99213247
Email	:	info@nbmodaraba.com
Website	:	nbmodaraba.com
Offices at	:	Lahore
Staff Strength	:	19
Listed at	:	Karachi & Lahore Stock Exchanges
Auditors	:	Horwath Hussain Chaudhury & Co.
Legal Advisors	:	Cornelius Lane & Mufti

First Pak Modaraba

Board of Directors

Mr. Abdul Hameed Khan
Chairman

Mr. M. Akhtar I. Pathan
Director

Mr. Muhammad Musharraf Khan
Director

History, Background & Principal Activities etc.

First Pak Modaraba (the Modaraba) established on August 15, 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, under the Management of Royal Management Services (Pvt) Limite, having its registered office at Office No. 54, Ground Floor, Beverley Centre, 56-G, Blue Area, Islamabad (a company incorporated in Pakistan under the Companies Ordinance 1984), duly registered with the Registrar of Modaraba Companies and Modaraba under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980. The Certificates of Modaraba are listed on the Karachi, Lahore and Islamabad Stock Exchanges.

The Modaraba is a multipurpose and perpetual Modaraba and is mainly engaged in the deployment of funds on Murabaha and Musharika Arrangements, Lease (Ijarah) Financing and is also conduct Trading in listed Marketable Securities.

PERFORMANCE HIGHLIGHTS-2011-12

During the year ended on 30th June 2012, the Overall operating performance of the First Pak Modaraba reflects that Operating Income decreased to Rs.8.20 Million as against Rs.8.831 Million during the last year. Modaraba has earned Rs.1.196 Million capital gain on sale of investment . Operating expenses has slightly increased to Rs.4.801 Million from Rs.4.777 Million as compared to last year FY 2010-11. Further, it recorded unrealized loss on re-measurement of Investment of Rs.1.521 Million as against a loss of Rs.0.189 Million in FY 2010-11. The Net Profit of the Modaraba stands to Rs.1.886 Million as against a profit of Rs.13.432 Million last year. The Earning per Certificate stands to Re.0.15 during the year as against Rs.1.07 during last year which was mainly because of reversal from provision. . The Modaraba transferred 20% of Net Profit to Statutory Reserve Fund, now the Reserve Fund reflects Rs.24.325 Million. Which indicates sound financial health of the Modaraba. The

Modaraba has declared a Cash Dividend of 1.2% for the year ended 30th June 2012.

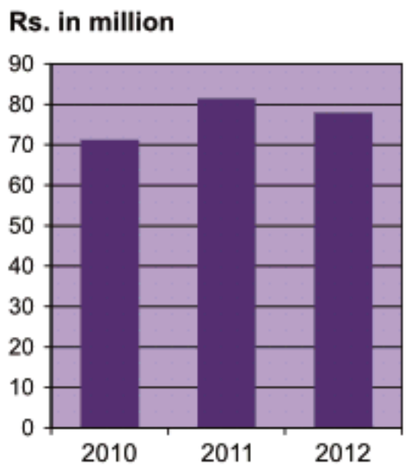
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	125.40	125.40	125.40
Reserve & Retained Earning	(59.08)	(49.42)	(52.54)
Total Equity	66.32	75.98	72.85
LIABILITIES			
Deferred Liabilities	–	–	-
Long Term Loan	–	–	-
Certificate of Investment	–	–	-
Lease Key Money	0.76	0.83	0.28
Total Non-current Liabilities	0.76	0.83	0.28
Current Maturity of L.T. Loan	–	–	-
S.T. Loan & Running Finance	–	–	-
S.T. Certificate of Investment	–	–	-
Other Current Liabilities	4.60	5.11	5.42
Total Current Liabilities	4.60	5.11	5.42
Total Liabilities	5.36	5.94	5.71
Total Equity and Liabilities	71.68	81.93	78.56
ASSETS			
Tangible Fixed Assets	0.19	0.14	0.07
Net Investment in Lease Finance	1.47	1.69	0.54
Long Term Investment	–	–	-
Other Long Term Assets	0.04	0.13	1.40
Total Non-current Assets	1.71	1.96	2.02
Current Portion of Lease Finance	–	–	-
Short Term Finance	–	–	-
Investments	13.84	13.37	47.44
Other Current Assets	18.36	17.31	20.00
Cash & Bank Balances	37.75	49.29	9.08
Total Current Assets	69.96	79.97	76.53
Total Assets	71.68	81.93	78.56
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	65.36	74.86	71.11
Capital Ratio (x)	0.92	0.93	0.92
Gearing (X)	–	–	-
Leverage Ratio (X)	0.08	0.07	0.07
Current Ratio (X)	14.17	14.60	14.10
Total Assets / Net Worth (X)	1.08	1.08	1.07
Total Financing / Net Worth (X)	0.02	0.02	0.01
Break-up Value (Rs.)	5.29	6.06	5.80
Investment in Lease Finance (%)	2.05	2.06	0.54

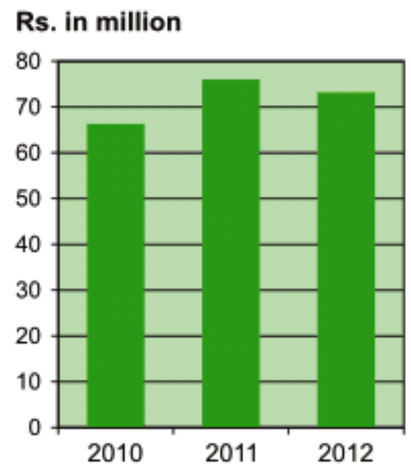
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease Income	1.00	0.77	0.75
Mark-Up Income	2.44	4.74	4.82
Capital gain on Investment	4.58	2.21	1.19
Non Interest Income	–	–	-
Other income	1.29	1.12	1.42
Total Income	9.32	8.83	8.19
EXPENSES			
Operating Expenses	5.41	6.28	4.80
Financial Expenses	–	–	-
(Reversal)/Pro. for Pot. lease losses loan	(5.55)	(11.12)	-
Prov. for Dimn. in value of Investment	3.07	0.19	1.52
Total Expenses	2.93	(4.65)	6.32
Profit Before Taxation	6.39	13.48	1.87
Taxation	(0.50)	(0.05)	0.01
Net Profit	6.89	13.43	1.88
APPROPRIATION			
Dividend	3.76	5.01	1.50
Reserve for Bonus Shares	–	–	-
Statutory Reserve	2.75	2.69	0.37
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	5.29	5.29	5.80
Financial Charges / Total Expenses (%)	–	–	-
Times interest earned (X)	3.91	2.56	3.39
Earning per share (Rs.)	0.55	1.07	0.15
Return on Equity (%)	10.40	17.68	2.58
Return on Assets (%)	9.62	16.40	2.40
Debt Equity Ratio (%)	0.08	6.73	7.84
Dividend Per Share (Rs.)	0.30	0.40	0.12
Stock Dividend (%)	–	–	-

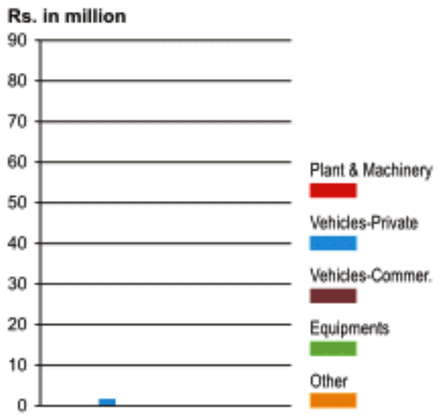
Balance Sheet Growth



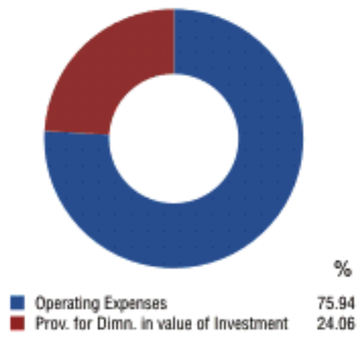
Equity Growth



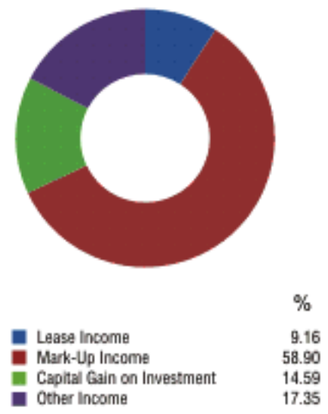
Investment in Lease



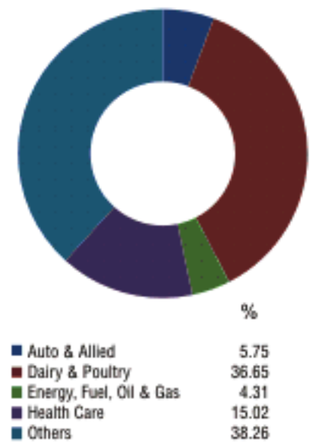
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Pak Modaraba Team

Mr. Muhammad Musharraf Khan
Company Secretary

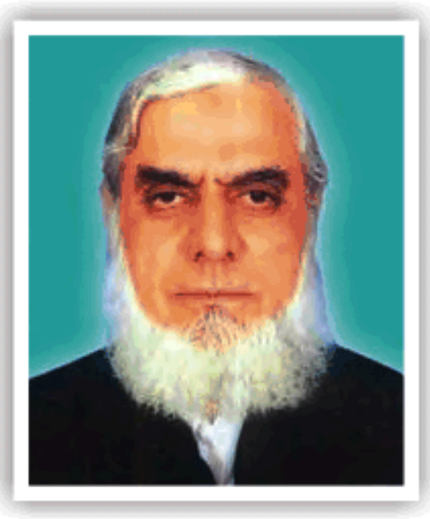
Mr. Sohail Ashraf
Head of Internal Audit

Mr. Mehfooz A. Shakoor
Chief Financial Officer

Mr. Fayyaz Khan
Admin. Officer

Company Information

Commenced Business on	:	15-08-1991
Head Office	:	Office No.54, Beverley Centre, 56-G, Blue Area, Islamabad.
Tel	:	021-35643086-7
Fax	:	021-35643283
Email	:	info@firstpakmodaraba.com
Website	:	www.firstpakmodaraba.com
Offices at	:	A-601 & A-602, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi
Staff Strength	:	7
Listed at	:	KSE/LSE/ISE
Auditors	:	M. Yousuf Adil Saleem & Co. Chartered Accountants
Legal Advisors	:	Mandviwala & Zafar Advocates



Mr. Abdul Ghaffar Umer
CEO

First Paramount Modaraba

Board of Directors

Mr. Tanveer Ahmed Magoon
Chairman

Mr. Abdul Ghaffar Umer
CEO

Mr. Ahmed Kassam Parekh
Director

Mr. Pir Muhammad Kalia
Director

Mr. Abdul Razzak Jangda
Director

Mr. Abid Aziz
Nominee Director of Pak Libya Holding

Mr. Nadeem Iqbal
Director

History, Background & Principal Activities etc.

Paramount Investments Limited was incorporated in the Province of Sind under the Companies Ordinance, on 15th February 1992. It was registered as a Modaraba Management Company with the Registrar of Modaraba companies and Modarabas Islamabad on 15th October 1992.

The Authorized capital of Paramount Investments Limited is Rs: 50,000,000/- divided into 5,000.000/=certificates of Rs 10/- each with a paid up capital of Rs 20,075,000/-.

The Principal objectives of Paramount Modaraba are as follows: -

1. To engage in MODARABA and all other forms of Islamic ways of financing.

2. To initiate sponsor, promote, float, organize, manage, administer and operate Modaraba Companies, Modaraba fund and Modarabas of all types and descriptions, Mutual Funds, unit trusts and other similar concerns either in syndicates or otherwise.

3. To invest or participate in and to collaborate or co-operate with any Modaraba company Modaraba funds, Modarabas, Mutual Funds, Unit trusts and other similar concerns either in syndicates or otherwise.

4. To arrange, procure and raise finance through Modaraba Companies, Modaraba funds, Modarabas, of all types, descriptions and durations, mutual funds units' trusts and other similar modes.

5. To establish, manage take-over operate all sorts of commercial industrial, trading and business activities.

PERFORMANCE HIGHLIGHTS-2011-12

The financial position of First Paramount Modaraba with the profit from continuous operation is Rs.23,573,487, whereas operating profit for the previous year was Rs.12,963,976 which indicates an increase of about 82% or Rs.10,609,511 in the operating profit over the last years' figures.

The comparative figures of the main components of gross operating revenue remained as under:-

	2011-2012	2010-2011
Income from financial facilities provided:	**37,006,157**	29,497,723
Rental income of Generator from Patel Hospital:	**3,534,000**	490,833
Income from Musharikah Generators Project:	**10,667,196**	9,188,517
Other income:	**1,396,945**	1,342,439
Total:	**52,604,298**	40,519,512

Dividend Declaration for the year:

The directors of Modaraba have approved a transfer of 47% of the profit of Rs.11,079,539 to statutory reserve out of total profit for the year of Rs.23,573,487/- and out of balance amount of Rs.12,493,948 are pleased to declare Rs.12,313,000 as dividend @ 21% (Rs.2.10 per Modaraba Certificate) to the certificate-holders.

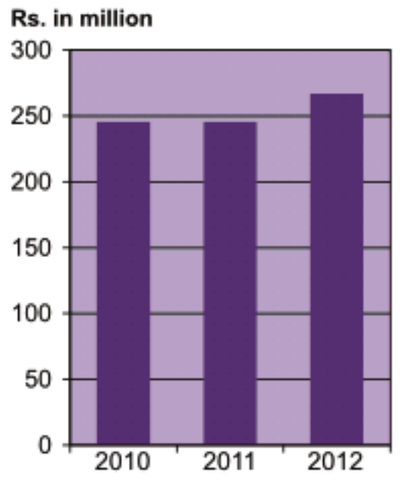
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	58.63	58.63	58.63
Reserve & Retained Earning	68.13	85.37	95.17
Total Equity	126.76	144.00	153.80
LIABILITIES			
Deferred Liabilities	18.15	38.97	35.69
Long Term Loan	–	–	-
Certificate of Investment	–	0.85	37.61
Lease Key Money	–	–	-
Total Non-current Liabilities	18.16	39.82	73.30
Current Maturity of L.T. Loan	0.54	–	-
S.T. Loan	35.97	32.48	-
S.T. Certificate of Investment	–	11.81	25.86
Other Current Liabilities	64.29	17.32	16.21
Total Current Liabilities	103.62	61.61	42.06
Total Liabilities	121.77	101.43	115.36
Total Equity and Liabilities	248.53	245.43	269.17
ASSETS			
Tangible Fixed Assets	29.10	31.58	31.70
Net Investment in Lease Finance	–	–	22.20
Long Term Investment	35.34	82.02	50.74
Other Long Term Assets	–	–	0.01
Total Non-current Assets	64.64	113.61	104.64
Current Portion of Morabaha Finance	62.35	98.78	7.40
Short Term Finance	40.61	28.21	112.74
Investments	–	–	2.00
Other Current Assets	50.83	1.24	23.42
Cash & Bank Balances	30.31	3.58	18.95
Total Current Assets	184.09	131.82	164.52
Total Assets	248.54	245.42	269.16
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	80.47	70.21	122.45
Capital Ratio (x)	0.51	0.59	0.57
Gearing (X)	0.82	0.43	1.26
Leverage Ratio (X)	0.96	0.70	0.75
Current Ratio (X)	0.62	1.84	3.91
Total Assets / Net Worth (X)	1.96	1.70	1.75
Total Financing / Net Worth (X)	1.09	1.45	1.27
Break-up Value (Rs.)	21.62	24.56	26.23
Investment in Lease Finance (%)	–	–	72.00

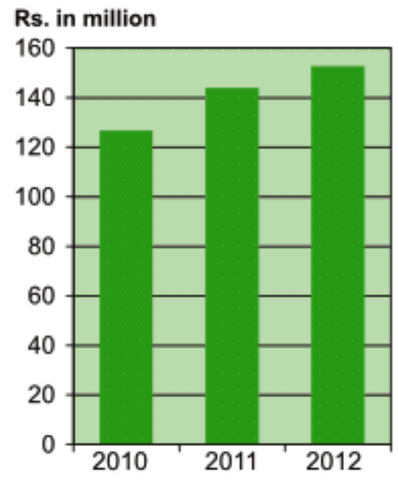
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Morabaha Income	20.71	29.50	37.01
Profit from Musharika Projects	7.64	9.41	10.67
Capital gain on Investment	10.12	14.83	-
Non Interest Income	–	–	0.83
Other income	1.29	1.61	4.10
Total Income	39.77	55.34	52.60
EXPENSES			
Operating Expenses	15.21	20.00	18.31
Financial Expenses	7.60	5.27	7.88
Reversal / Provision against MF	(0.13)	1.65	(0.63)
Workers Welfare Fund	0.38	0.63	0.54
Total Expenses inclu. Mod. Co Manag Fee	23.06	27.55	26.10
Profit Before Taxation	16.71	27.79	26.51
Taxation	–	–	(2.93)
Net Profit	16.71	27.79	23.57
APPROPRIATION			
Dividend	10.55	13.78	12.31
Reserve for Bonus Shares	–	–	-
Statutory Reserve	5.85	13.90	11.08
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	21.62	24.56	26.23
Financial Charges / Total Expenses (%)	33.00	19.00	30.00
Times interest earned (X)	3.18	8.58	3.91
Earning per share (Rs.)	2.85	4.74	4.02
Return on Equity (%)	13.61	13.61	15.00
Return on Assets (%)	6.72	11.32	9.00
Debt Equity Ratio (%)	96.07	70.43	75.00
Dividend Per Share (Rs.)	1.80	2.35	2.10
Stock Dividend (%)	–	–	-

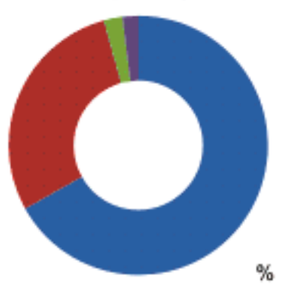
Balance Sheet Growth



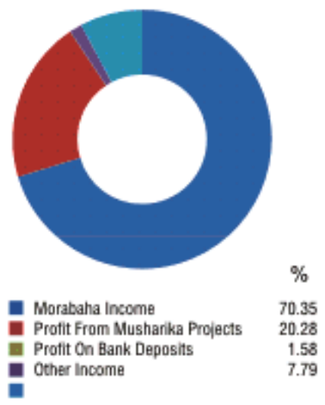
Equity Growth



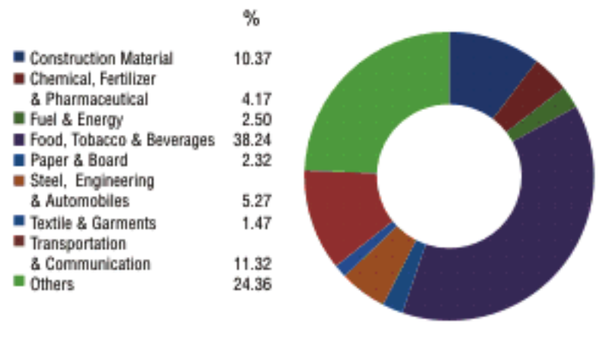
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Paramount Modaraba Team

Mian Tanveer Ahmed Magoon
Chairman

Abdul Ghaffar Umer
Chief Executive Officer

Ahmed Kassam Parekh
Director

Pir Mohammad Kalia
Director

Abdul Razak Jangda
Director

Abid Aziz
Director

Nadeem Iqbal
Director

Syed Wajih Hassan
General Manager Operations

Naseemuddin Zubairi
Chief Financial Officer

Company Information

Commenced Business on	:	January 19th 1995.
Head Office	:	Suit No 107 108, Ist Floor PECHS Community Office Complex Block 2 PECHS
Tel	:	92-21-34381037-38-52 &34381101
Fax	:	9221-34534410
Email	:	fpm@cyber.net.pk, naseemzubairi@fpm.com.pk
Website	:	www.fpm.com.pk
Offices at	:	Karachi
Staff Strength	:	13
Listed at	:	Karachi and Islamabad
Auditors	:	M/s KPMG Taseer Hadi & Co.
Legal Advisors	:	Raja Qasit Nawaz
Internal Auditors	:	M/s Hafizullah & Co.

First Prudential Modaraba

Board of Directors

Mr. Muhammad Nadeem Ahmed
Chief Executive Officer

Syed Imran Ali
Chief Financial Officer

Mr. Muhammad Musharraf Khan
Company Secretary

Mr. Mahfooz. A. Shakoor
Internal Auditor

History, Background & Principal Activities etc.

First Prudential Modaraba was floated in December 1989 as a perpetual, multi purpose Modaraba with an authorized capital of rupees 100 million,. With effect from its July 2002, Second Prudential and Third Prudential Modaraba stand amalgamated into First Prudential Modaraba thereby making it one of the largest capital based multipurpose Modaraba of Pakistan with paid up capital of Rs. 872.176 million. The objective of the Modaraba interalia include participating in Musharika, Morahaba diminishing musharika and Ijarah facility of all types of assets with special emphasis on vehicle and industrial machinery and commercial activities including syndication and leveraged leasing. Modaraba's mission is to create and maintain progressive position in Modaraba sector in Pakistan endeavor to promote Riba-free economy in the country.

PERFORMANCE HIGHLIGHTS-2011-12

"By the grave of Almighty Allah, your Modaraba has performed well and managed to post a net profit of Rs. 32.97 million as against a profit of Rs. 33.26 million as compare to the last year. Keeping in view the adverse economic indicators, your management adopted strict credit policies and conservative approach for fresh disbursement. Similarly, trading in the stock market was done on a very calculated manner, thus earning a net income of Rs. 2.83 million in 2012 as against an income of Rs. 5.15 million in the year 2011. Your Modaraba has also earned Rs. 25.65 million on deposit accounts maintained with different banks and Islamic Financial Institutions. During the year, Modaraba had reversal of provisioning on account of Ijarah portfolio and other receivables amounting to Rs. 1.27 million respectively. An amount of Rs. 10.500 million is appearing as investment in property which relates to an office premises added as a result of merger with second Prudential Modaraba. The management does not intend to keep this property however; the disposal of property will be done on realization of a better market price. "

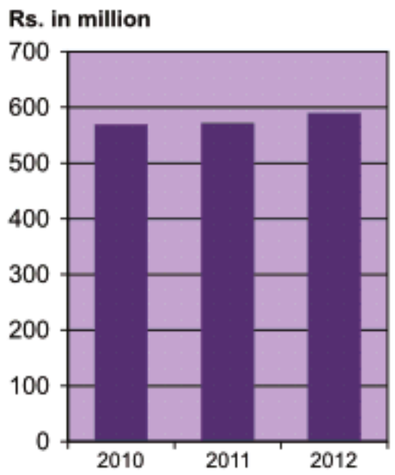
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,Subs.& Paid-up-Capital	872.18	872.18	872.18
Reserve & Retained Earning	(366.69)	(359.18)	(352.57)
Total Equity	505.49	513.00	519.61
LIABILITIES			
Deferred Liabilities	–	–	-
Long Term Loan	–	–	-
Certificate of Investment	–	–	-
Lease Key Money	48.17	35.39	46.28
Total Non-current Liabilities	48.17	35.39	46.28
Current Maturity of L.T. Loan	–	–	-
S.T. Loan & Running Finance	–	–	-
S.T. Certificate of Investment	–	–	-
Other Current Liabilities	15.45	23.74	25.38
Total Current Liabilities	15.45	23.74	25.38
Total Liabilities	63.62	59.13	71.66
Total Equity and Liabilities	569.11	572.12	591.26
ASSETS			
Tangible Fixed Assets	10.21	10.34	10.69
Intangible Assets	22.33	22.33	22.33
Ijarah Assets	85.18	66.19	107.91
Long Term Investment	7.28	6.64	6.45
Other Long Term Assets	14.60	4.15	3.07
Total Non-current Assets	139.60	109.64	150.43
Current Portion of lease Finance	–	–	-
Short Term Morahaba/Musharika	–	28.75	26.31
Investments	73.43	95.18	90.83
Other Current Assets	36.91	43.79	41.32
Cash & Bank Balances	288.56	294.76	282.37
Total Current Assets	429.51	462.48	440.83
Total Assets	569.11	572.12	591.26
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	44.55	438.12	415.45
Capital Ratio (x)	0.28	0.90	0.88
Gearing (X)	–	–	-
Leverage Ratio (X)	0.03	0.05	0.05
Current Ratio (X)	9.64	19.48	17.37
Total Assets / Net Worth (X)	1.13	1.12	1.14
Total Financing / Net Worth (X)	0.26	0.19	0.26
Break-up Value (Rs.)	5.78	5.88	5.96
Investment in Lease Finance (%)	15.00	12.00	18.00

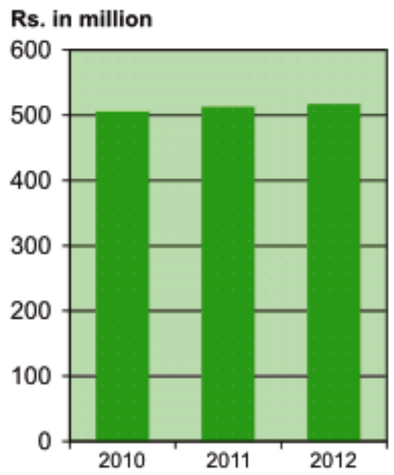
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease Income	33.41	32.19	47.04
Mark-Up on Bank Deposits	30.84	37.31	25.65
Capital gain on Investment	6.78	1.54	(3.08)
Non Interest Income	3.42	6.15	5.76
Other income	14.71	3.33	4.29
Total Income	89.16	80.52	79.66
EXPENSES			
Operating Expenses	52.95	47.25	46.69
Financial Expenses	0.04	–	-
Prov. for Pot. Lease Losses/Loan	1.73	–	-
Prov. for Dimn. in value of investment	1.60	–	-
Total Expenses	56.32	47.25	46.69
Profit Before Taxation	32.84	33.27	32.97
Taxation reversal	(0.46)	–	-
Net Profit	33.30	33.27	32.97
APPROPRIATION			
Dividend	3.00	26.17	26.17
Reserve for Bonus Shares	–	–	-
Statutory Reserve	120.24	126.90	133.49
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	5.78	5.88	5.96
Financial Charges / Total Expenses (%)	8.00	–	-
Times interest earned (X)	769.89	–	-
Earning per share (Rs.)	0.38	0.38	0.38
Return on Equity (%)	6.59	6.49	6.35
Return on Assets (%)	5.85	5.82	5.58
Debt Equity Ratio (%)	6.59	6.49	6.35
Dividend Per Share (Rs.)	0.30	0.30	0.30
Stock Dividend (%)	–	–	-

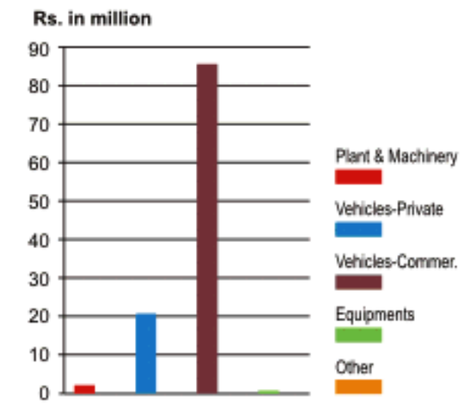
Balance Sheet Growth



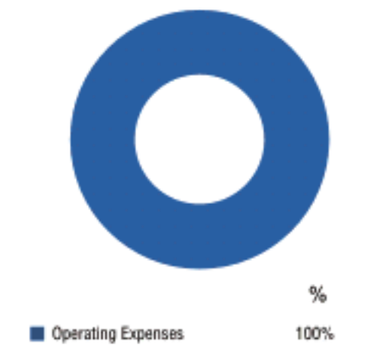
Equity Growth



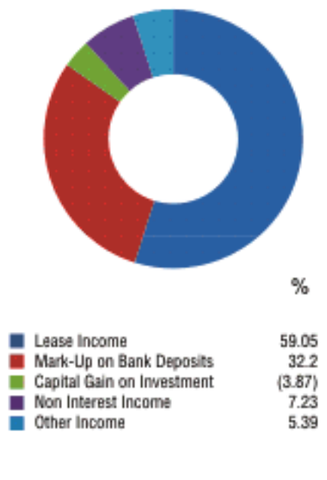
Investment in Lease



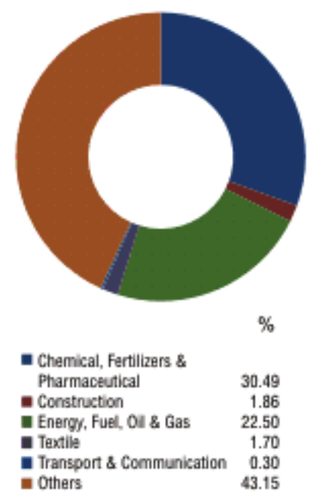
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Prudential Modaraba Team

Syed Imran Ali
Chief Financial Officer

Mr. Muhammad Musharraf Khan
Company Secretary

Company Information

Commenced Business on	:	December 4 1989.
Head Office	:	Suit No, 54, Ground Floor, Baverly Center, 56-G, Blue, Area Islamabad
Tel	:	051-2825343-2814000
Fax	:	051-2814000
Email	:	info@firstprudentialmodaraba.com
Website	:	www.firstprudentialmodaraba.com
Offices at	:	Office No. A-601-602, 6th Floor, Lakson
	:	Square Building No 3 Sarwar Shaheed Road
	:	Karachi-74200
Staff Strength	:	17
Listed at	:	Karachi,Lahore & Islamabad Stock Exchanges
Auditors	:	M/s M.Yousuf Adil Saleem & Co. Chartered Accountants
Legal Advisors	:	Mandviwalla & Zafar Advocates

Khaqan Hasnain Ibrahim
CEO

First Punjab Modaraba

Board of Directors

Mr. Khalid Siddiq Tirmizey
Chairman

Mr. Khaqan Hasnain Ibrahim
Chief Executive

Mr. Mujahid Eshai
Director

Mr. Nadeem Amir
Director

Mr. Tariq Maqbool
Director

History, Background & Principal Activities etc.

First Punjab Modaraba commenced its operations on December 23, 1992. FPM is a multi-purpose, perpetual modaraba formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and the rules framed there under. It is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab). The Modaraba certificates are listed on all the stock exchanges in Pakistan. FPM's principal business activities encompass providing modaraba, musharika finances, Ijarah finances, purchase and sale of shares / securities and related business in accordance with the injuctions of Islam.

The Board of Directors and management include senior bankers having foreign as well as domestic banking experience.

PERFORMANCE HIGHLIGHTS-2011-12

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.

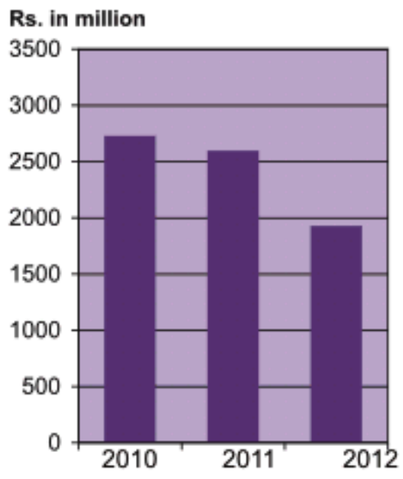
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	340.20	340.20	340.20
Reserve & Retained Earning	29.83	43.75	(197.50)
Total Equity	370.03	296.45	142.70
LIABILITIES			
Deferred Liabilities	19.24	–	8.16
Long Term Loan	885.04	11.75	–
Certificate of Investment-Long Term	–	7.20	–
Securiy Deposits	213.40	175.46	208.34
Total Non-current Liabilities	1,198.52	194.41	216.50
Current Maturity of L.T. Loan	100.00	188.44	17.30
S.T. Loan & Running Finance	262.00	878.48	1,041.53
S.T. Certificate of Investment	609.99	963.06	429.71
Other Current Liabilities	124.47	107.11	62.93
Total Current Liabilities	1,096.55	2,137.49	1,551.47
Total Liabilities	2,295.07	2,628.35	1,910.67
Total Equity and Liabilities	2,665.10	2,924.80	2,053.37
ASSETS			
Tangible Fixed Assets	1,502.35	11.12	21.83
Net Investment in Lease Finance	–	1,187.33	721.62
Long Term Finance	19.55	38.72	21.62
Other Long Term Assets	0.17	46.69	46.43
Total Non-current Assets	1,522.07	1,283.86	811.51
Current Port. of Long Term Finance	27.62	52.61	56.68
Short Term Finance	684.74	677.41	497.78
Investments	–	–	–
Other Current Assets	388.42	432.06	486.19
Cash & Bank Balances	42.25	182.41	58.51
Total Current Assets	1,143.03	1,344.49	1,099.17
Total Assets	2,665.10	2,628.36	1,910.68
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	46.48	793.00	(452.30)
Capital Ratio (x)	0.14	0.11	0.07
Gearing (X)	7.20	3.09	7.42
Debt Ratio (X)	6.63	8.27	11.92
Current Ratio (X)	1.04	0.63	0.71
Total Assets / Net Worth (X)	7.20	8.87	13.39
Total Financing / Net Worth (X)	3.91	6.60	9.09
Break-up Value (Rs.)	10.88	8.71	4.19
Investment in Ijarah Finance (%)	–	45.17	37.77

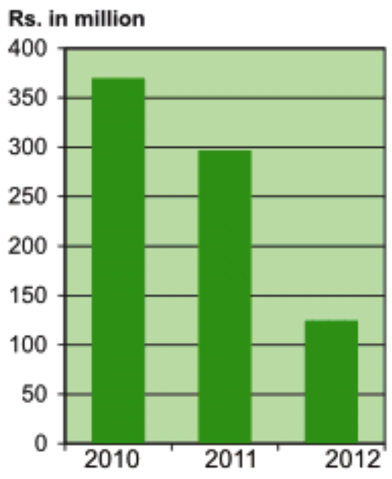
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Ijarah Income	848.95	777.27	532.51
Profit on Morabaha & Musharika	63.70	54.26	39.24
Capital Gain on Investment	19.02	–	–
Non Interest Income	8.09	–	–
Other income	50.51	22.20	45.60
Total Income	990.27	853.73	617.35
EXPENSES			
Operating Expenses	26.65	565.98	463.68
Financial Expenses	281.01	270.99	217.09
Prov. for Pot. Ijarah losses/loan	28.51	87.44	104.20
Prov. for Dimn. in value of Investment	–	–	
Total Expenses	983.23	923.98	784.97
Profit Before Taxation	7.03	70.18	(167.61)
Taxation	–	–	–
Net Profit	7.03	70.18	(167.61)
APPROPRIATION			
Dividend	–	–	–
Reserve for Bonus Certificate	–	–	–
Statutory Reserve	–	–	–
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per Certificate (Rs.)	10.88	0.87	0.42
Financial Charges / Total Expenses (%)	29.46	29.33	27.66
Times interest earned (X)	2.10	1.06	0.71
Earning per Share (Rs.)	0.21	(2.06)	(4.93)
Return on Equity (%)	0.21	23.68	(76.34)
Return on Assets (%)	0.26	(2.67)	7.38
Debt Equity Ratio (%)	610.58	623.63	1,031.16
Dividend per share (Rs.)	–	–	-
Stock Dividend (%)	–	–	-

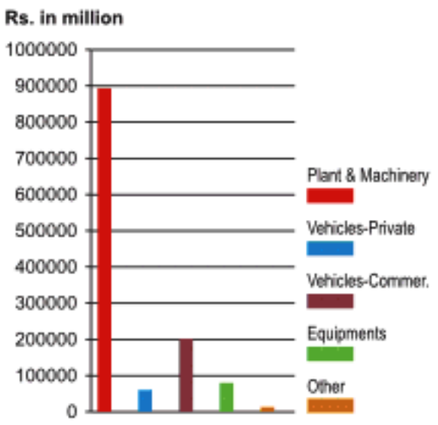
Balance Sheet Growth



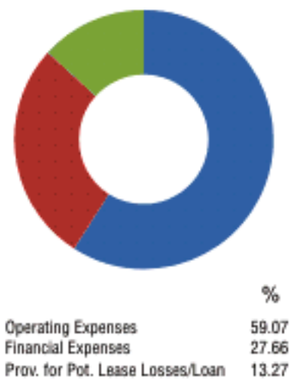
Equity Growth



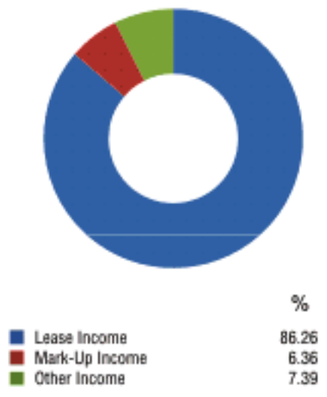
Investment in Lease



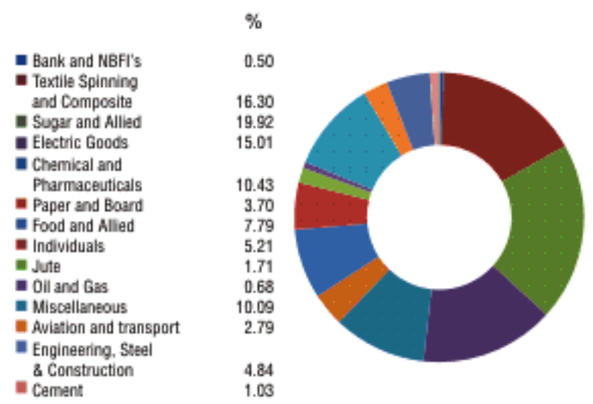
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The First Punjab Modaraba Team

Mr. Khalid Siddiq Tirmizey
Chairman

Mr. Khaqan Hasnain Ibrahim
CEO

Mr. Mujahid Eshai
Director

Mr. Nadeem Amir
Director

Mr. Tariq Maqbool
Director

Company Information

Commenced Business on	:	23 Dec,1992
Head Office	:	23-Civic Centre-Barkat Market, Lahore, Pakistan.
Tel	:	(92-42) 35843218
Fax	:	(92-42) 35940802
Email	:	info@punjabmodaraba.com.pk
Website	:	www.punjabmodaraba.com.pk
Offices at	:	Nil
Staff Strength	:	30
Listed at	:	KSE/LSE/ISE
Auditors	:	M/s Ernst & Young Ford Rhodes, Sidat Hyder & Co. Chartered Accountants
Legal Advisors	:	M. S. Masood & Company Attorneys & Corporate Counsellers

Syed Shahid Ali
Chief Executive Officer

First Treet Manufacturing Modaraba

Board of Directors

Syed Shahid Ali
CEO/Chairman

Syed Sheharyar Ali
Director

Mr. Muhammad Shafique Anjum
Director

Mr. Shahid Zia
Director

History, Background & Principal Activities etc.

First Treet Manufacturing Modaraba (FTMM) is multipurpose Modaraba for indefinite period formed on July 27, 2005 and is managed by Global Econo Trade (Private) Limited (a wholly

Currently Modaraba is engaged in following activities:

a. Manufacturing and selling of corrugated packaging

b. Manufacturing and selling of paper & board

c. Manufacturing of soaps

PERFORMANCE HIGHLIGHTS-2011-12

Corrugated Packaging Gross margins are improved through increased quantitative volumes coupled with price rationalization and change in product mix. Moreover, operating margins are also improved despite of provisions against doubtful debts.

Paper & Board

Paper & Board Mill has shown good volume growth during the year and size of the project is capable to produce an average of 30~40 Tons of papers per day but with the some modifications this capacity can be increased. Most of the supplies are fed to the Corrugation Division and with this vertical integration, your Modaraba is able not only to bring cost of paper down but also have better control on quality [and lead time]. Moreover, it has also strengthen the your Modaraba's bargaining position vis-à-vis outside sources

Soaps

Soaps sales showed excellent growth over last period due to effective marketing mix. Material costs remained stable during the period. Moreover, fuel cost is economized through biomass energy sources and use of noodles instead of tallow in soap making.

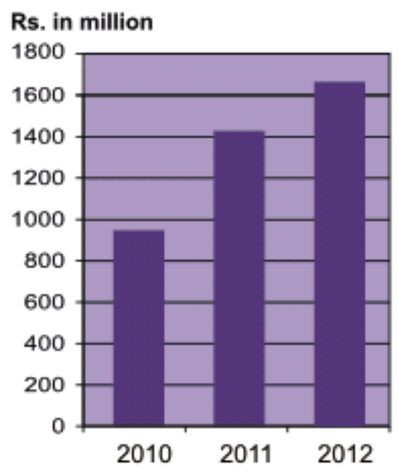
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	500.00	800.00	1,304.00
Reserve & Retained Earning	(23.20)	78.19	210.85
Total Equity	476.80	878.19	1,514.85
LIABILITIES			
Deferred Liabilities	–	–	–
Long Term Loan	206.69	457.11	–
Certificate of Investment	–	–	–
Other Leased Liabilities	–	–	–
Total Non-current Liabilities	206.69	457.11	–
Current Maturity of L.T. Loan	–	–	–
S.T. Loan & Running Finance	200.00	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	64.52	93.34	150.35
Total Current Liabilities	264.52	93.34	150.35
Total Liabilities	471.21	550.45	150.35
Total Equity and Liabilities	948.01	1,428.64	1,665.20
ASSETS			
Tangible Fixed Assets	323.70	341.56	322.81
Net Investment in Lease Finance	–	–	–
Long Term Investment	–	–	–
Other Long Term Assets	11.91	11.49	29.00
Total Non-current Assets	335.61	353.05	351.81
Current Portion of lease Finance	–	–	–
Short Term Finance	–	–	–
Investments	–	–	–
Other Current Assets	573.77	1,016.83	946.18
Cash & Bank Balances	38.63	58.76	367.21
Total Current Assets	612.40	1,075.59	1,313.39
Total Assets	948.01	1,428.64	1,665.20
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	344.81	982.25	1,163.00
Capital Ratio (x)	0.50	0.61	0.91
Gearing (X)	0.43	0.52	–
Leverage Ratio (X)	0.99	0.63	0.10
Current Ratio (X)	2.30	11.52	8.74
Total Assets / Net Worth (X)	1.99	1.63	1.10
Total Financing / Net Worth (X)	0.42	0.39	0.09
Break-up Value (Rs.)	9.54	10.98	11.62
Investment in Lease Finance (%)	–	–	–

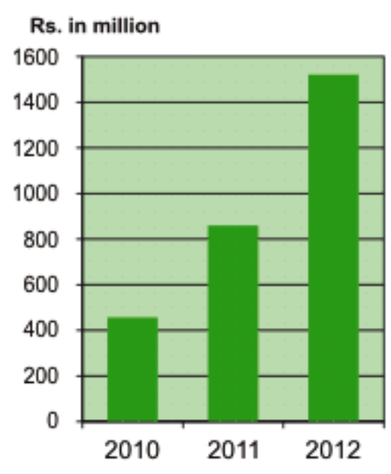
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease Income	–	–	–
Mark-Up Income	–	–	–
Capital gain on Investment	–	–	–
Non Interest Income	–		–
Other income	1,484.68	1,796.60	2,264.60
Total Income	1,484.68	1,796.60	2,264.60
EXPENSES			
Operating Expenses	1,402.57	1,665.44	2,073.45
Financial Expenses	33.60	7.94	2.98
Prov. for Pot. Lease Losses/Loan	–	–	–
Prov. for Dimn. in value of investment	–	–	–
Total Expenses	1,436.17	1,673.37	2,076.43
(Loss)/Profit Before Taxation	48.52	123.23	188.18
Taxation	–	–	–
Net (Loss)/Profit	48.52	123.23	188.18
APPROPRIATION			
Dividend	21.84	55.52	84.76
Reserve for Bonus Shares	–	–	–
Statutory Reserve	24.26	85.87	94.09
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	9.54	10.98	11.62
Financial Charges / Total Expenses (%)	2.34	1.54	0.00
Times interest earned (X)	2.44	16.53	64.19
Earning per share (Rs.)	0.96	1.70	2.35
Return on equity (%)	10.18	14.03	0.12
Return on Assets (%)	5.12	8.63	0.11
Debt Equity Ratio (%)	99.00	52.05	–
Dividend Per Share (Rs.)	0.27	0.69	0.65
Stock Dividend (%)	–	–	–

Balance Sheet Growth



Equity Growth



Revenue Analysis (2011-12)

Cost Analysis (2011-12)

The First Treet Manufacturing Modaraba Team

Syed Shahid Ali
Chief Executive Officer
Syed Sheharyar Ali
Director
Muhammad Shafique Anjum
Director
Shahid Zia
Director

Sohail Habib
Chief Accountant-Modaraba Company
Sajjad Haider Khan
Chief Accountant-Modaraba
Ayaz Ahmed
Company Secretary

Company Information

Commenced Business on	:	27th July-2005
Head Office	:	72/B Industrial Area, Kot Lakhpat Lahore
Tel	:	042-35830881,35156567,35215646
Fax	:	042-35215647, 35836770
Offices at	:	72/B Industrial Area Kot Lakhpat Lahore
Staff Strength	:	
Listed at	:	Lahore Stock Exchange
Auditors	:	KPMG Taseer Hadi & Co.
Legal Advisors	:	Saleem & Baig-Advocates

First UDL Modaraba

Mr. A. W. Rahi
Managing Director

Board of Directors

Mr. Rashid Abdulla
Chairman

Mr. A W Rahi
CEO

Mr. Shuja Malik
Director

Mr. Asad Abdulla
Director

Syed Nasir Raza Rizvi
Director

History, Background & Principal Activities etc.

First UDL Modaraba (the Modaraba) was formed in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under, having its registered office at C-117/1, KDA Scheme No. 1, Tipu Sultan Road, Karachi and is managed by UDL Modaraba Management (Private) Limited, a company incorporated in Pakistan. It is a perpetual, multipurpose and multidimensional Modaraba and is engaged in providing finance on Murabaha and Musharaka arrangements, Ijarah, commodity trading in listed and non-interest bearing securities and recently into manufacturing and marketing of pharmaceutical products. The Modaraba is listed on Karachi, Islamabad and Lahore Stock Exchanges.

PERFORMANCE HIGHLIGHTS-2011-12

Owing to a onetime gain of Rs. 28.557 million booked on disposal of investment in an associated company, last year's profitability was higher than that of the current year. Otherwise the Modaraba's profitability, during the year under review, is regarded quite satisfactory, reflecting per certificate earning of Rs. 1.88.

The Modaraba has kept its tradition of distributing an interim dividend. This time it was @5.0% in the month of February, and now a final dividend of 10.0%, aggregating 15.0% (or Rs. 1.50 per certificate). This is a handsome distribution of profits by the Modaraba.

It is unfortunate, but a fact that our country is passing through critical times more than ever before as regards economics, social and political conditions. Worst law and order, acute power shortages, hyper inflation, increasing social unrest and ineffective political governance are only few to enumerate. Furthermore, unabated global recession and sluggish economic recovery has lead to downgrading of US and Europe's country rating which is further accentuating and adding to the woes of third world countries.

FUTURE OUTLOOK

The management has therefore, factored all the adverse conditions which may continue to prevail at least for the foreseeable future and accordingly planned to cope with the situation. It is warranted that a return on financial activities and investment in financial assets is no more attractive for a Modaraba, which constitutes a third tier banking, because of lack of leverage finance besides hyper inflation resulting in erosion in the value of rupee.

The management has therefore, strategically decided to diversify the Modaraba's business, by diverting part of Modaraba's funds to run an industrial venture and scale down financial activities to that extent. The modaraba has, therefore acquired a running pharmaceutical plant, which would operate as a division of Modaraba, under the name of "UDL Pharmaceuticals" (A Division of First UDL Modaraba). The products manufactured would be marketed and sold nationwide.

In addition, this division would also import selective finished pharmaceutical products (like anti cancer) and certain cosmoceutical products, for marketing in the country. Obviously export prospects to the Asian, Central Asian and African countries will also be explored as the business gets moving along. The business may also serve hedge against the falling value of rupee.

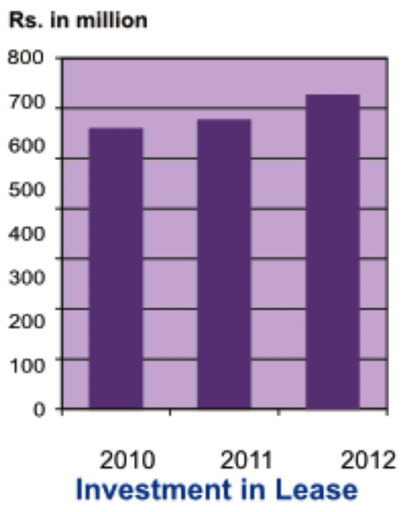
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	263.87	263.87	263.87
Reserve & Retained Earning	211.29	230.79	240.82
Total Equity	475.16	494.66	504.69
LIABILITIES			
Deferred Liabilities	105.17	105.47	105.82
Long Security Deposits	18.79	24.53	60.73
Total Non-current Liabilities	123.96	130.00	166.55
Current Maturity of L.T. Sec. Deposits	7.01	9.52	10.83
Other Current Liabilities	34.16	25.75	33.86
Total Current Liabilities	41.17	35.27	44.69
Total Liabilities	165.13	165.27	211.24
Total Equity and Liabilities	640.29	659.93	715.93
ASSETS			
Tangible Fixed Assets	2.71	8.80	8.57
Net Investment in Lease Finance	93.51	141.98	283.23
Long Term Investment	87.20	42.22	69.48
Other Long Term Assets	0.07	0.07	0.07
Total Non-current Assets	183.49	193.07	361.35
Musharika	327.68	157.62	140.35
Investments	16.85	41.00	12.38
Other Current Assets	50.93	17.39	29.39
Cash & Bank Balances	61.34	250.85	172.46
Total Current Assets	456.80	466.86	354.58
Total Assets	640.29	659.93	715.93
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	475.16	494.66	309.89
Current Ratio (X)	11.12	13.30	8.04
Total Assets / Net Worth (X)	1.34	1.33	504.69
Break-up Value (Rs.)	18.00	18.75	19.12
Investment in Lease Finance (%)	19.60	21.51	39.56

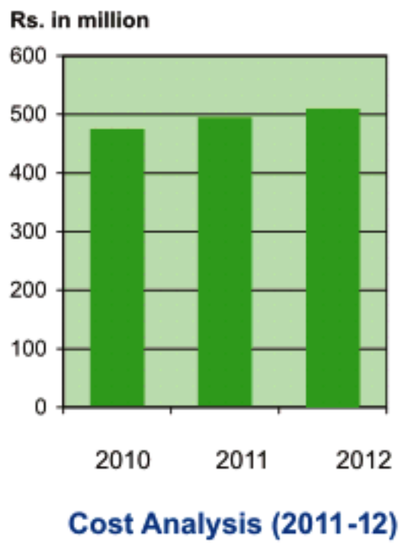
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease Income	54.25	58.14	114.89
Musharika Income	44.09	47.87	18.35
Capital gain on Investment	0.29	31.95	3.40
Non Interest Income	0.15	7.21	0.53
Other income	7.18	7.25	18.04
Total Income	105.95	146.41	155.21
EXPENSES			
Operating Expenses	68.54	62.99	114.63
Financial Expenses	–	0.01	0.03
Management Fee	5.64	8.16	5.50
Provision for Diminution in Value	(19.00)	1.81	(14.47)
Total Expenses	55.19	72.97	105.69
Profit Before Taxation	50.76	73.44	49.52
Taxation	–	0.48	-
Net Profit	50.76	72.96	49.52
APPROPRIATION			
Dividend	32.98	46.18	39.58
Statutory Reserve	15.23	21.65	9.90
SIGNIFICANT RATIOS			
Earning per Certificate (Rs.)	1.92	2.77	1.88
Return on equity (%)	10.68	14.75	9.81
Dividend Per Certificate (Rs.)	1.25	1.75	1.50
Dividend Payout (%)	64.97	63.29	79.79
Market Price as on June 30, 2012	5.90	7.25	7.40

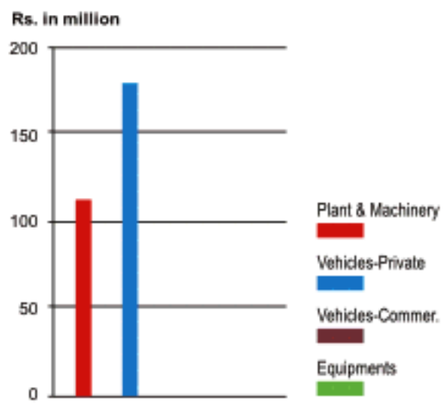
Balance Sheet Growth



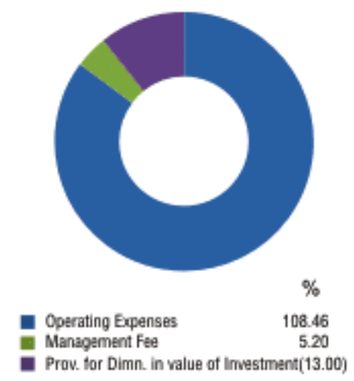
Equity Growth



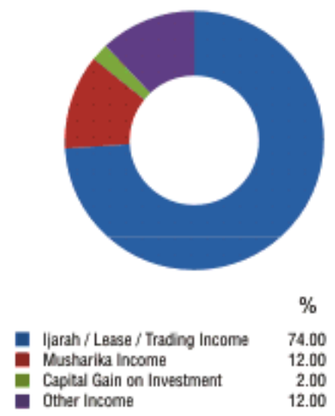
Investment in Lease



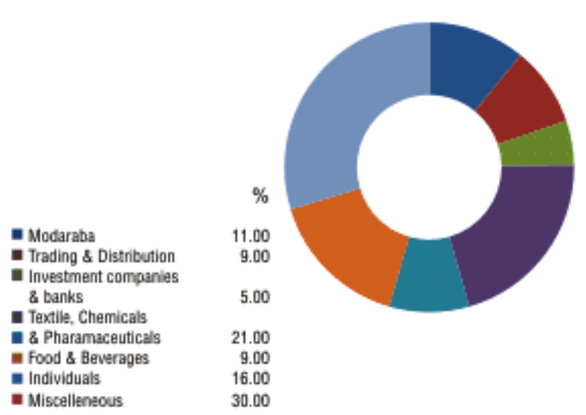
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



First UDL Modaraba Team

Mr. Rashid Abdulla
Chairman & Director

Mr. A. W. Rahi
Chief Executive

Mr. Shuja Malik
Director

Mr. Asad Abdulla
Director

Syed Nasir Raza
Director

Syed Aamir Hussain
CFO & Company Secretary

Company Information

Commenced Business on	: May-91
Head Office	: C-117 / 1, KDA Scheme No.1 Tipu Sultan Road, Karachi
Tel	: (92-21) 34315591-5
Fax	: (92-21) 34315596
Email	: info@udlmodaraba.com
Website	: www.udlmodaraba.com
Staff Strength	: 10
Listed at	: Karachi Stock Exchange Lahore Stock Exchange Islamabad Stock Exchange
Auditors	: Avais Hyder Liaquat Nauman Chartered Accountants
Legal Advisors	: Mohsin Tayebaly & Co.

Grays Leasing Limited

Mr. Muhammad Tahir But
Chief Executive Officer

Board of Directors

Mr. Khawar Anwar Khawaja
Chairman

Mr. Muhammad Tahir Butt
CEO

Mr. Khurram Anwar Khawaja
Director

Mr. Neil Douglas James Gray
Director

Mr. Abdul Rashid Mir
Director

Mr. Khawaja Zaka-ud-Din
Director

Mr. Omer Khawar Khawaja
Director

History, Background & Principal Activities etc.

Grays Leasing Limited is a public Limited Company incorporated in Pakistan under the Companies Ordinance 1984 on 31st August 1995. The company shares are listed on Karachi Stock Exchange and Lahore Stock Exchange. The company is engaged in leasing business. It has been classified as a Non-Banking Finance Company (NBFC) its registered office is situated at 701-A, 7th floor,, city towers 6-K, Main Boulevard Gulberg - II, Lahore.

PERFORMANCE HIGHLIGHTS-2011-12

During the year under review, the company transacted business worth Rupees 2.680 million (2011 : Nil). Gross investment in finance leases as at 30 June 2012 stands at Rupees 490.363 million against Rupees 630.428 million on June 30 2011, while the net investment stands at Rupees 424.714 million on 30 June 2012 against Rupees 547.058 million of the last year. The gross revenue from operations was Rupees 25.930 million (2011: Rupees 30.610 million). The net loss before and after tax for the current year is Rupees 1.784 million and Rupees 3.523 million as compared to preceding year which was Rupees 42.5056 million and Rupees 44.170 million respectively. Shareholders equity of the company is at Rupees 71.910 million, which is less than the mandatory requirement of Rupees 500 million. However the shareholders' equity and net surplus on estimated realisable (settlement) values of assets and liabilities as on balance sheet date come to Rupees 169.032 million.

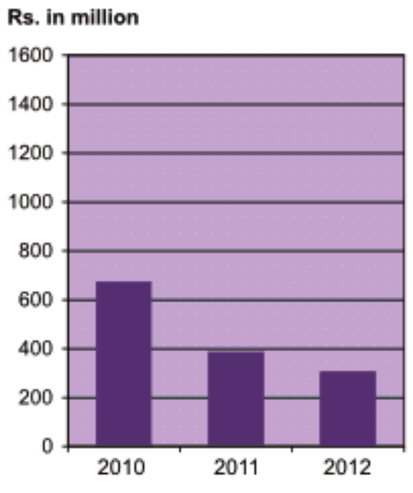
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY	**(Rupees in Millions)**		
Issued,subs.& Paid-up-Capital	215.00	215.00	215.00
Reserve & Retained Earning	(95.40)	(140.00)	143.09
Total Equity	119.60	75.00	71.91
LIABILITIES			
Deferred Liabilities	4.53	–	–
Long Term loans	107.16	–	–
Certificate of investments	–	–	–
Lease key Money	300.69	219.00	151.65
Total Non-current liabilities	412.38	219.00	151.65
Current Maturity of L.T. Loan	–	12.00	–
Short term loans and running finance	82.93	68.00	12.38
Short term certificates of investment	40.00	–	–
Other current liabilities	19.31	14.00	7.44
Total Current Liabilities	142.24	94.00	19.82
Total Liabilities	554.62	313.00	171.47
Total Equity and Liabilities	674.22	388.00	243.38
ASSETS			
Tangible Fixed Assets	65.67	15.00	1.05
Net Investment in lease Finance	580.15	358.00	236.72
Long-term Investment	10.18	–	–
Other Long-term Assets	0.51	0.34	0.24
Total Non-current Assets	656.52	373.34	238.01
Current Portion of Lease Finance	–	–	–
Short-term Finance	–	–	–
Investments	–	–	–
Other Current Assets	3.68	3.47	1.76
Cash & Bank Balances	14.08	11.19	3.61
Total Current Assets	17.76	14.66	5.37
Total Assets	674.28	388.00	243.38
SIGNIFICANT RATIOS			
Net Working capital (Rs.)	(124.54)	75.40	71.91
Capital Ratio (X)	0.18	0.19	0.30
Gearing (X)	69.00	1.07	0.17
Leverage Ratio (X)	5.12	1.23	2.38
Current Ratio (X)	0.12	0.16	1.42
Total Assets / net worth (X)	5.63	5.10	3.38
Total financing / net worth (X)	1.93	1.10	0.17
Break-up Value (Rs.)	5.56	3.50	0.33
Investment in Lease Finance (%)	86.05	92.00	97.26

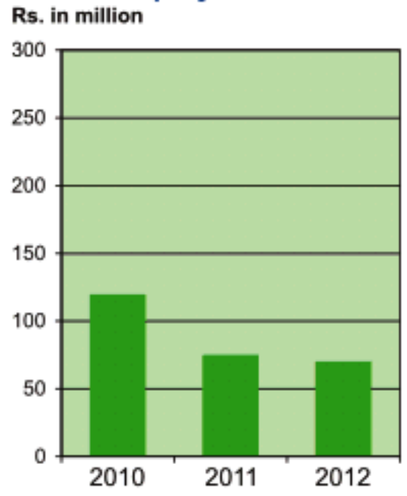
Income Statement

30th June Reporting Period (Months)			
INCOME	**(Rupees in Millions)**		
Lease income	63.12	25.70	21.26
Mark up income	–	–	0.11
Capital gain on investment	–	–	–
Non interest income	–	–	–
Other income	3.30	4.90	4.56
Total Income	66.42	30.60	25.93
EXPENSES			
Operating Expenses	27.76	20.60	16.18
Financial expenses	56.14	28.10	8.63
Prov. for pot. lease losses/loan	100.74	24.40	2.90
Prov. for dimin. in value of investment	–	–	–
Total Expenses	184.64	73.10	27.71
Profit before taxation	(118.22)	(52.50)	(1.78)
Taxation	(16.75)	1.70	1.74
Net Profit	(101.47)	(44.20)	(3.52)
APPROPRIATION			
Dividend	–	–	–
Reserve for bonus share	–	–	–
Statutory reserve	–	58.60	58.63
Other Reserves	–	(198.20)	(201.71)
SIGNIFICANT RATIOS			
Book value per share (Rs.)	10.00	3.50	3.34
Financial charges/Total expenses (%)	30.40	38.50	31.14
Times interest earned (X)	(1.10)	–	1.13
Earning per share (Rs.)	(4.72)	(2.05)	(0.16)
Return on Equity (%)	(100.00)	(49.90)	(4.78)
Return on Assets (%)	15.05	(8.30)	(1.11)
Debt equity ratio	69.31	–	238.45
Dividend per share (Rs.)	–	–	–
Stock dividend	–	–	–

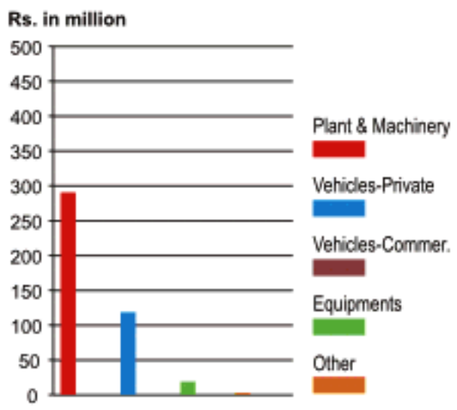
Balance Sheet Growth



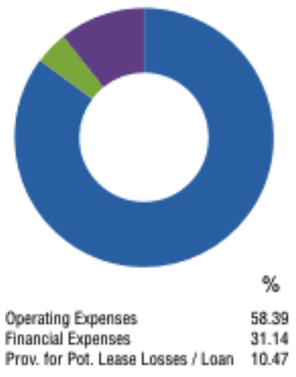
Equity Growth



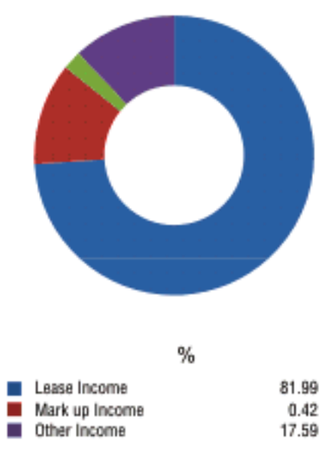
Investment in Lease



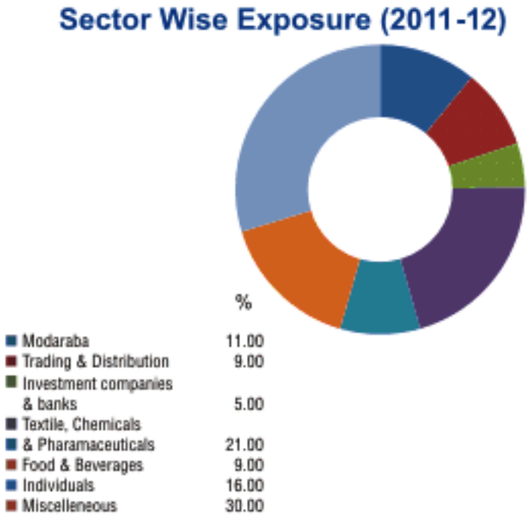
Cost Analysis (2011-12)



Revenue Analysis (2011-12)



Sector Wise Exposure (2011-12)



The Grays Leasing Team

Muhammad Tahir Butt
CEO

Muhammad Avais Ibrahim
CFO

Latif Qadri
Recovery Head

Muhammad Zahid
Lease Admin

Muhammmad Adil
Company Secretary

Company Information

Commenced Business on	: 31-Aug-95
Head Office	: 701-A 7th Floor, City towers, Main Boulevard, Gulberg II, Lahore
Tel	: 042-35770381-82
Fax	: 042-35770389
Email	: info@graysleasing.com
Website	: www.graysleasing.com
Offices at	: Lahore, Karachi, Sialkot Faisalabad, Islamabad
Staff Strength	: 16
Listed at	: Lahore and Karachi Stock Exchanges
Auditors	: Riaz Ahmad and Company Charted Accountants
Legal Advisors	: Lexicon Law Firm

Mr. Naveed Amin
CEO

Invest Capital Investment Bank Limited

Board of Directors

Mr. Ahmed Kamran
Chairman

Mr. Naveed Amin
CEO

Mr. Basheer A. Chowdry
Director

Mr. Shaukat Ali
Director

Mr. Muhammad Qasim
Director

Mr. Muhammad Asif
Director

Ms. Ayesha Zahid
Director

Ms. Fiza Zahid
Director

History, Background & Principal Activities etc.

Invest Capital Investment Bank Limited (ICIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. In 2009 ICIBL entered into a scheme of arrangement for the amamgamation by way of merger of Al-Zamin Leasing Corporation Limited and Al-Zamin Leasing Modaraba with and into ICIBL. All assets, liabilities and reserves of AZLCL and AZLM were vested with and assumed by ICIBL. The Company is engaged in the business of leasing and investment finance activities as non-banking finance company and is regulated by the Securities and Exchange Commission of Pakistan.

PERFORMANCE HIGHLIGHTS-2011-12

Since 2009 the company has been facing financial and operational difficulties like many other NBFI's. The company suffered operating losses in the previous years and the accumulated losses as at June 30, 2012 amounted to Rs. 1,116.32 million and the current liabilities of the company exceeded its current assets by Rs. 320.99 million. In July 2011 SECP allowed the Zahidjee group to acquire the shareholding of the outgoing InvestCap group and to takeover the management control of the company. As a pre-condition of the above arrangement, the Zahidjee group injected a sum of Rs. 150 million in the company . The injection of liquidity by the management has been very vital and of timely support for the company. These funds were used soley for payment to depositors of the company. During the year, the company earned an after tax profit of Rs. 9.31 million after a long time against a loss of Rs. 525.55 million during the year ending 30th June 2011. This was made possible due the planned and concerted efforts of the management and staff. The measures taken which contributed towards achieving this goal were reduction in the administrative and operating expenses, boosting up recoveries of old and stuck-up lease and loan portfolios, settling the loans/deposits from financial institutions against properties and waiver of mark up and starting new secured car leasing business. During the year Gross revenue registered a decline of arround 11.75% due to the declining lease and loan portfolios. As compared to the year 2011 the administrative and operating expenses have reduced by arround 31%. During the year the company gained Rs. 129.74 million through settlement of liabilities against immovable properties whereas a waiver of unpaid markup of Rs. 100.66 million was earned from settlement of liabilities with financial institutions.

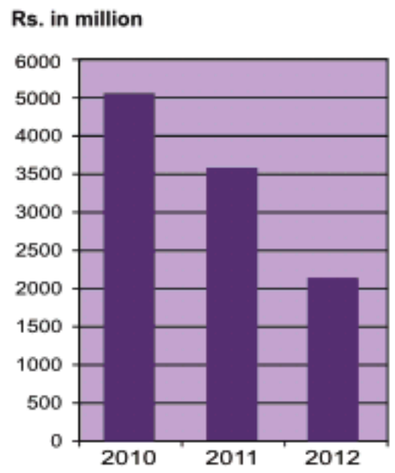
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	2,848.67	2,848.67	2,848.67
Reserve & Retained Earning	(2,636.19)	(3,219.52)	(3,138.98)
Total Equity	212.48	(370.85)	(290.31)
LIABILITIES			
Deferred Liabilities	34.22	20.00	9.26
Long Term Loan	557.46	159.00	319.39
Certificate of Investment	96.97	366.00	79.71
Lease Key Money	276.14	154.00	77.44
Total Non-current Liabilities	964.79	699.00	485.80
Current Maturity of L.T. Loan	1,120.27	774.00	652.96
S.T. Loan & Running Finance	1,596.97	198.00	198.89
S.T. Certificate of Investment	766.62	445.00	194.21
Other Current Liabilities	412.21	1,839.00	945.56
Total Current Liabilities	3,896.07	3,256.00	1,991.62
Total Liabilities	4,860.86	3,955.00	2,477.42
Total Equity and Liabilities	5,073.34	3,584.00	2,187.11
ASSETS			
Tangible Fixed Assets	463.41	6.00	199.00
Net Investment in Lease Finance	624.35	340.00	166.73
Long Term Investment	228.86	113.00	136.71
Other Long Term Assets	70.25	397.00	14.04
Total Non-current Assets	1,386.87	856.00	516.48
Current Portion of Lease Finance	1,051.71	472.00	417.95
Short-term Finance	385.09	121.00	234.93
Investments	293.53	20.00	4.51
Other Current Assets	1,880.83	2,099.00	951.04
Cash & Bank Balances	75.32	16.00	62.20
Total Current Assets	3,686.48	2,728.00	1,670.63
Total Assets	5,073.34	3,584.00	2,187.11
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	–	(528.00)	(320.99)
Capital Ratio (x)	–	(10.35)	(13.27)
Gearing (X)	–	7.20	(4.66)
Leverage Ratio (X)	–	(10.61)	(7.95)
Current Ratio (X)	–	0.84	0.84
Total Assets / Net Worth (X)	–	(9.66)	(7.53)
Total Financing / Net Worth (X)	–	7.31	(3.00)
Break-up Value (Rs.)	–	(1.20)	(1.02)
Investment in Lease Finance (%)	–	22.65	26.00

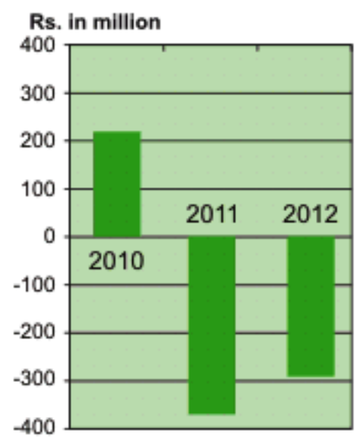
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	490.87	110.00	86.30
Mark-up income	85.00	5.00	59.85
Capital gain on Investment	44.82	–	28.12
Non Interest Income	-	93.00	-
Other income	63.74	24.00	167.33
Total Income	684.42	232.00	341.60
EXPENSES			
Operating Expenses	612.80	229.00	156.94
Financial Expenses	561.07	326.00	110.54
Prov. for Doubtful Debts	216.74	93.00	63.01
Prov. for Dimn in Value of Invest.	11.12	10.00	0.13
Total Expenses	1,401.73	658.00	330.62
Profit Before Taxation	(717.30)	(585.00)	10.98
Taxation	43.82	(1.00)	(1.67)
Net Profit /(Loss)	(761.13)	(586.00)	9.31
APPROPRIATION			
Dividend	–	–	–
Reserve for Bonus Shares	–	–	–
Statutory Reserve	–	–	–
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	–	–	(1.02)
Financial Charges / Total Expenses (%)	–	–	33.43
Times interest earned (X)	–	–	1.67
Earning per share (Rs.)	–	–	0.03
Return on equity (%)	–	–	3.20
Return on Assets (%)	–	–	0.42
Debt Equity Ratio (%)	–	–	3.66
Dividend Per Certificate (Rs.)	–	–	-
Stock Dividend (%)	–	–	-

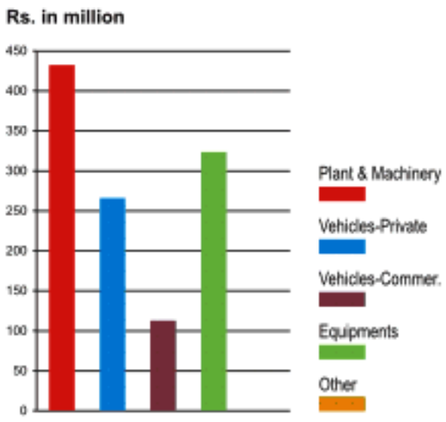
Balance Sheet Growth



Equity Growth



Investment in Lease



Cost Analysis (2011-12)

	%
Operating Expenses	48.00
Financial Expenses	33.00
Prov. for Pot. Lease Losses/Loan	19.00

Revenue Analysis (2011-12)

	%
Ijarah / Lease / Trading Income	25.00
Mark-Up Income	18.00
Capital Gain on Investment	8.00
Other Income	49.00

Sector Wise Exposure (2011-12)

	%
Auto & Allied	4.71
Chemical, Fertilizers & Pharmaceutical	5.28
Construction	2.32
Dairy & Poultry	1.39
Electronics	0.66
Energy, Fuel, Oil & Gas	16.42
Food, Tobacco & Beverages	0.89
Health Care	3.86
Textile	21.39
Transport & Communication	14.42
Others	28.67

The Invest Capital Investment Bank Ltd. Team

Mr. Naveed Amin
Chief Executive Office
Mr. Muhammad Asif
Executive Director
Mr. Muhammad Naim Ashraf
Chief Financial Officer
Mr. Syed Shahid Owais
Company Secretary

Mr. Ali Murtaza
Head of Internal Audit
Mr. Amir Hamza Khawar Hassan
Regional Head- Central
Mr. Muhammad Imran Azhar
Head of SAM

Company Information

Commenced Business on	:	27th March 2007
Head Office	:	701-A, City Tower, Main Boulevard, Gulberg II, Lahore.
Tel	:	92 42 35770383-86
Fax	:	92 42 35788710
Email	:	naveed.amin@icibl.com
Website	:	www.icibl.com
Offices at	:	Karachi, Lahore, Islamabad, Peshawar, Faisalabad, Gujranwala & Multan
Staff Strength	:	55
Listed at	:	Karachi, Lahore and Islamabad
Auditors	:	Avais Hyder Liaquat Nauman, Chartered Accountants, Faisalabad.
Legal Advisors	:	Ahmed & Qazi, Karachi

Abid Aziz Merchant
Chief Executive Officer

KASB Modaraba

Board of Directors

Syed Waseem-ul-Haq Haqqie
Chairman

Mr. Abid Aziz Merchant
CEO

Mir Muhahid Ali Khan
Director

Syed Muhammad Rehmanullah
Director

Syed Majeedullah Husaini
Director

History, Background & Principal Activities etc.

KASB Modaraba is a multipurpose, perpetual and multi dimensional Modaraba floated in October 1990 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and is managed by KASB Invest (Private) Limited, a Subsidiary of KASB Bank Limited.

The main lines of business of the Modaraba are Ijarah, Musharaka, Murabaha, Diminishing Musharaka, and Modaraba transactions.

PERFORMANCE HIGHLIGHTS-2011-12

During the year ended June 30, 2012; KASB Modaraba adopted a steady approach towards business with stress on quality and safety, and as such the Modaraba recorded a profit of Rs. 40.67 million with an Earning per certificate of Rs. 1.44 and return on equity of 12.75% Keeping market conditions in perspective, and the short time the Modaraba has operated; the results are very good and indicate a strong base for future growth.

The total income of the Modaraba increased from Rs. 167.84 million in 2011 to Rs. 205.01 million in the year ended June 2012; showing an increase of approximately 1.22 times. This remarkable growth in total income reflects the capacity of the Modaraba to acquire business and creat a dependable revenue stream.

The growth in total income was made possible by adopting a proactive business policy that spontaneously met market needs for Islamic products. Our resources have been prudently spread over a wide array of Islamic assets which reveal our thrust for innovation and our aspirations to genuinely serve a craving Islamic market. As a result of these efforts we have attained an impressive increase in our Asset portfolio comprising of well known Islamic products like Musharakah finance, Murabaha, Miodaraba and Diminishing Musharakah.

It is understood that expansion of this size, for a company in its infancy cannot be accomplished without the acquisition of meaningful resources, be it funds, human expertise or infrastructure. KASB Modaraba has uncompromisingly pursued these prerequisites but at the same time ensured that wastage and extravagance does not creep into our working culture, at all.

Credit Rating

Rating	
Short Term	A2
Medium/Long Term	BBB+

Rating Agency
JCS-VIS Credit Rating Agency

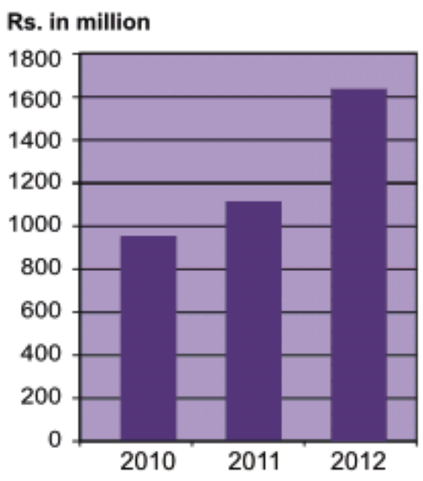
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	282.74	282.74	282.74
Reserve & Retained Earning	(7.99)	24.90	47.48
Total Equity	274.75	307.64	330.22
LIABILITIES			
Deferred Liabilities	0.42	17.99	36.33
Long Term Loan	–	–	-
Certificate of Investment	–	149.99	72.94
Lease Key Money	12.59	4.87	7.75
Total Non-current Liabilities	13.01	172.85	117.02
Current Maturity of L.T. Loan	–	–	-
S.T. Loan & Running Finance	158.94	61.85	229.48
S.T. Certificate of Investment	461.99	506.04	873.29
Other Current Liabilities	44.98	65.50	86.95
Total Current Liabilities	665.91	633.39	1,189.72
Total Liabilities	678.92	806.23	1,306.74
Total Equity and Liabilities	953.67	1,113.87	1,636.96
ASSETS			
Tangible Fixed Assets	73.39	66.38	75.34
Net Investment in Lease Finance	7.03	1.54	0.65
Long Term Investment	19.34	18.96	10.49
Other Long Term Assets	91.37	225.75	385.69
Total Non-current Assets	191.13	312.62	472.17
Current Portion of Lease Finance	37.97	5.79	0.89
Short-term Finance	641.59	653.13	1,053.10
Investments	9.81	13.38	15.88
Other Current Assets	13.94	19.11	27.93
Cash & Bank Balances	59.23	109.83	66.99
Total Current Assets	762.53	801.24	1,164.79
Total Assets	953.67	1,113.87	1,636.96
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	96.63	167.86	(24.93)
Capital Ratio (x)	0.30	0.28	0.20
Gearing (X)	2.26	2.33	3.56
Leverage Ratio (X)	3.39	3.58	4.91
Current Ratio (X)	1.15	1.27	0.98
Total Assets / Net Worth (X)	3.47	3.62	4.96
Total Financing / Net Worth (X)	2.26	2.33	3.56
Break-up Value (Rs.)	9.72	10.88	11.68
Investment in Lease Finance (%)	4.72	0.66	0.09

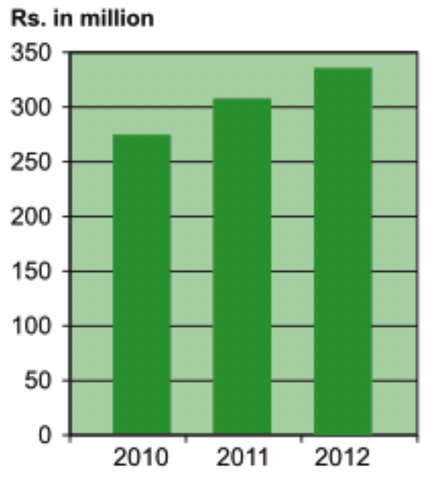
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	15.87	11.34	9.57
Mark-up income	11.39	14.78	9.06
Capital gain on Investment	0.80	0.87	1.48
Non Interest Income	59.52	134.01	177.56
Other income	2.15	6.84	7.34
Total Income	89.73	167.84	205.01
EXPENSES			
Operating Expenses	26.79	38.56	46.03
Financial Expenses	45.84	89.14	118.30
Prov. for Pot. Lease Losses/ Loan	–	–	-
Prov. for Dimn. in value of Investment	–	–	-
Total Expenses	72.63	127.70	164.33
Profit Before Taxation	17.10	40.14	40.67
Taxation	–	–	–
Net Profit	17.10	40.14	40.67
APPROPRIATION			
Dividend	7.92	18.09	18.38
Reserve for Bonus Shares	–	–	–
Statutory Reserve	8.55	20.07	20.34
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	9.72	10.88	11.68
Financial Charges / Total Expenses (%)	63.11	69.80	71.99
Times interest earned (X)	1.37	1.45	1.34
Earning per share (Rs.)	0.60	1.42	1.44
Return on equity (%)	6.41	13.78	12.75
Return on Assets (%)	2.44	3.88	2.96
Debt Equity Ratio (%)	226.00	233.00	356.00
Dividend Per Share (Rs.)	0.28	0.64	0.65
Stock Dividend (%)	–	–	–

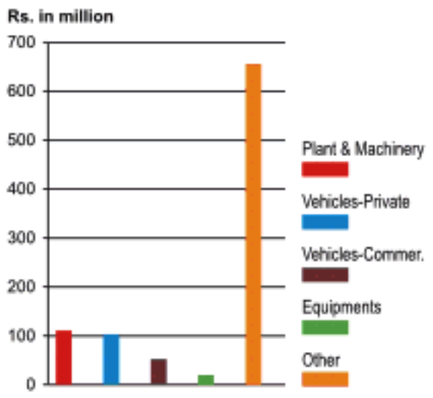
Balance Sheet Growth



Equity Growth



Investment in Lease



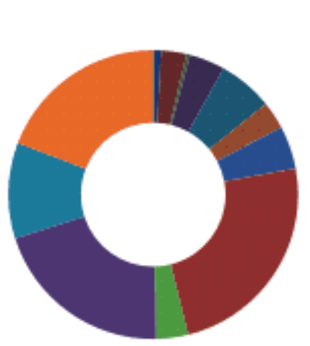
Cost Analysis (2011-12)

	%
Operating Expenses	28.01
Financial Expenses	71.99

Revenue Analysis (2011-12)

	%
Ijarah / Lease / Trading Income	4.67
Mark-Up Income	4.42
Capital Gain on Investment	0.72
Non Interest Income	86.61
Other Income	3.58

Sector Wise Exposure (2011-12)



	%
Chemical, Fertilizers & Pharmaceutical	0.90
Construction	2.80
Dairy & Poultry	0.40
Energy, Fuel, Oil & Gas	4.00
Engineering & Allied	6.10
Financial Sector	3.10
Food, Tobacco & Beverages	4.80
Services	24.00
Sugar	3.60
Textile	20.40
Transport & Communication	10.70
Others	19.20

The KASB Modaraba Team

Abid Aziz Merchant
Chief Executive Officer

Ms. Faiqa Naz
Company Secretary & CFO

Mr. Muhammad Ahmed
Group Executive Marketing & Development

Mr. Fahad Abbas
Group Head Product Development & Shariah Compliance

Mr. Amir Iqbal
Senior Manager Finance

Mr. Muhammad Ali
Senior Manager Foreign Trade

Mr. Taswwar H. Siddiqui
Senior Manager Marketing

Company Information

Commenced Business on	:	October 22, 1990
Head Office	:	80-C, 13th Commercial Street, DHA Phase - II Extention, Karachi.
Tel	:	021-35313939-43
Fax	:	021-35313933
Email	:	info.modaraba@kasb.com
Website	:	www.kasbmodaraba.com
Offices at	:	Karachi
Staff Strength	:	52
Listed at	:	Lahore Stock Exchange, Karachi Stock Exchange
Auditors	:	Ernst & Young Ford Rhodes Sidat Hyder
Legal Advisors	:	Ghulam Ali & Co. Ahmed & Qazi

Mr. Zulfiqar Ali
Chief Executive

Modaraba Al-Mali

Board of Directors

Mr. Muhammad Hamid
Chairman

Mr. Zulfiqar Ali
CEO

Mr. Hasan Aziz Bilgrami
Director

Mr. Tariq Usman Bhatti
Director

Mr. S. Shah Sajid Hussain
Director

Mr. Mujtaba Hussain Kazmi
Director

Mr. Muhammad Imran
Director

Mr. Asad Alim
Director

History, Background & Principal Activities etc.

Modaraba Al-Mali (MAM), is a multi-purpose Modaraba, managed by BankIslami Modaraba Investments Limited, having its Head Office in Karachi and operations in all major cities of Pakistan through its regional offices. MAM was launched in 1987 as one of the pioneering modarabas to undertake financing business on the principles of Islamic Sharia.

To diversify its earning streams, MAM started Tower Infrastructure Sharing business for the telecom operators under the license of Pakistan Telecommunication Authority in 2005. This innovative service was provided for the first time in Pakistan by any entity.

In the year 2007, the management company of MAM was taken over by BankIslami Pakistan Limited. Considering in house expertise of refueling and maintaining Gensets, Aircons, FAS, self-supported towers and other allied equipments, the new management initiated two new businesses of Fueling Services and Operation & Maintenance Services under the brand name "The Energixers". The Energixers' fundamental of business strategy is to ensure maximum customer satisfaction, streamline recommendations and outreach resources to implement ideas for optimization of operations in a pragmatic manner. MAM has created a good name in maintenance industry by having a dedicated team of professionals, purpose-built and state of the art vehicles with remote monitoring facility and specialization in Maintenance & Refueling of Gensets with honesty and reliability.

Hence MAM offers comprehensive support to its clients by catering their financial and technical needs and provide them the opportunity to devote their resources for optimization of their core business activity.

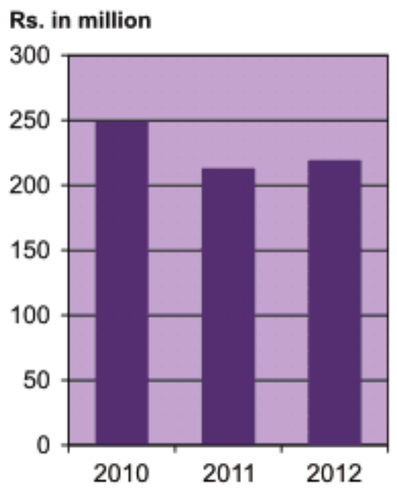
PERFORMANCE HIGHLIGHTS-2011-12

The Modaraba incurred loss of Re. 0.15 per certificate during the current financial year as compared to loss of Rs. 1.09 per certificate during the corresponding year ended June 30, 2011. During the year under review, some of our towers turned idle as the main user of our tower sites substantially shrinked its business in Islamabad region. These towers were dismantled to save the operational cost. The impairment booked on these towers and against the amount receivable from the said party was the main cause of loss during the year under review. Performance of the fuel station was also below expectations due to short supply of fuel from OMC. Profits from maintenance and refueling business and recovery from an old defaulter helped in reducing the loss to the reported level.

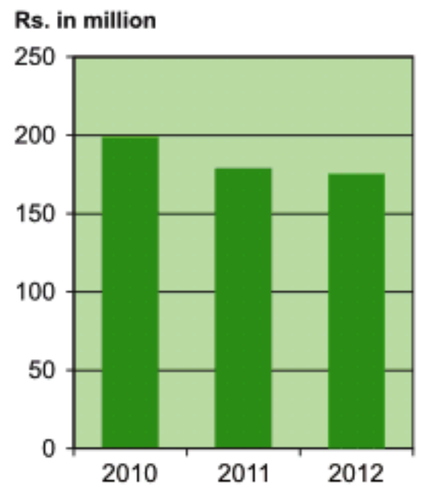
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	184.24	184.24	184.24
Reserve & Retained Earning	14.81	(5.35)	(8.04)
Total Equity	199.04	178.89	176.20
LIABILITIES			
Deferred Liabilities	–	–	-
Long Term Loan	–	–	-
Certificate of Investment	–	–	-
Lease Key Money	10.46	6.10	18.24
Total Non-current Liabilities	10.46	6.10	18.24
Current Maturity of L.T. Loan	–	–	-
S.T. Loan & Running Finance	–	–	-
S.T. Certificate of Investment	–	–	-
Other Current Liabilities	39.35	28.06	32.68
Total Current Liabilities	39.35	28.06	32.68
Total Liabilities	49.81	34.16	50.92
Total Equity and Liabilities	248.85	213.05	227.12
ASSETS			
Tangible Fixed Assets	131.24	132.73	123.44
Net Investment in Lease Finance	6.62	6.47	14.52
Long Term Investment	22.27	–	
Other Long Term Assets	10.29	2.53	11.94
Total Non-current Assets	170.42	141.73	149.90
Current Portion of Lease Finance	3.82	3.75	3.75
Short Term Finance	–	–	-
Investments	12.50	9.75	6.00
Other Current Assets	61.00	54.59	58.83
Cash & Bank Balances	1.11	3.23	8.64
Total Current Assets	78.43	71.32	77.22
Total Assets	248.85	213.05	227.12
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	39.08	41.69	44.54
Capital Ratio (x)	0.80	0.84	0.78
Gearing (X)	0.04	–	
Leverage Ratio (X)	0.20	0.16	28.90
Current Ratio (X)	1.99	2.41	2.36
Total Assets / Net Worth (X)	1.25	1.19	1.81
Total Financing / Net Worth (X)	–	–	-
Break-up Value (Rs.)	10.81	9.71	-
Investment in Lease Finance (%)	2.66	3.03	6.39

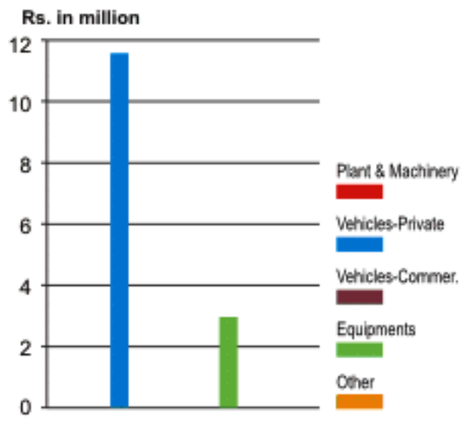
Balance Sheet Growth



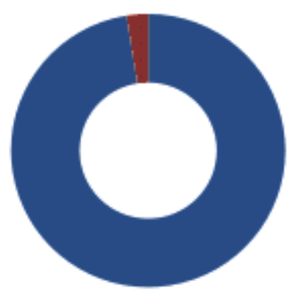
Equity Growth



Investment in Lease



Cost Analysis (2011-12)

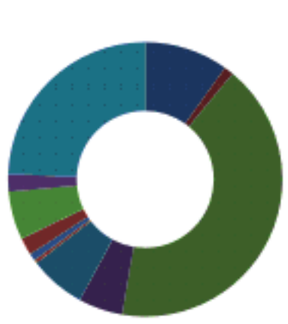


	%
Operating Expenses	97.47
Prov. for Pot. Lease Losses / Loan	2.53

Revenue Analysis (2011-12)

	%
Lease Income	27.70
Income on maintenance services	65.33
Other Income	6.97

Sector Wise Exposure (2011-12)



	%
Chemical, Fertilizers & Pharmaceutical	9.89
Construction	1.11
Consumer facilities	41.70
Education	5.21
Engineering & Allied	6.64
Financial Sector	0.42
Food, Tobacco & Beverages	0.85
Glass, Ceramics & Plastics	2.06
Textile	5.69
Transport & Communication	2.04
Misc. / Individuals	24.39

Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease Income	21.25	30.36	29.30
Income on maintenance Services	26.88	42.82	69.10
Profit on investment in sukuk certificate	2.23	1.03	0.03
Profit on diminshing musharika finance	7.04	3.15	0.38
Profit on morabaha finance	0.40	0.04	0.28
Income from operations of fuel station-net	–	0.52	0.76
Other income	3.70	7.56	5.91
Total Income	61.50	85.48	105.76
EXPENSES			
Operating Expenses	71.78	82.98	105.45
Financial Expenses	1.14	0.16	-
Prov. for Pot. lease losses/loan	1.49	4.84	2.74
Prov. for Dimn. in value of investment	–	17.52	-
Total Expenses	74.41	105.50	108.19
Profit Before Taxation	(12.91)	(20.02)	(2.43)
Taxation	–	(0.14)	(0.26)
Net Profit	(12.91)	(20.16)	(2.69)
APPROPRIATION			
Dividend	–	–	-
Reserve for Bonus Shares	–	–	-
Statutory Reserve	–	–	-
Other Reserve	–	–	
SIGNIFICANT RATIOS			
Book value per share (Rs.)	10.81	9.71	9.56
Financial Charges / Total Expenses (%)	0.02	–	-
Times interest earned (X)	11.03	15.93	-
Earning per share (Rs.)	(0.70)	(1.09)	(0.15)
Return on Equity (%)	(6.00)	(11.00)	(0.38)
Return on Assets (%)	(5.00)	(9.00)	(0.31)
Debt Equity Ratio (%)	25.00	(19.00)	-
Dividend Per Share (Rs.)	–	–	-
Stock Dividend (%)	–	–	-

The Modaraba Al-Mali Team

Mr. Zulfiqar Ali
Chief Executive

Syed Ahmed Asim
Chief Financial Officer / Company Secretary

Mr. Muhammad Saad
Chief Operating Officer

Mr. Tahir Zuberi
General Manager

Company Information

Commenced Business on	:	July 08, 1987
Head Office	:	KARACHI
Tel	:	021-34547521-5
Fax	:	021-34547526
Email	:	info@modarabaalmali.com
Website	:	www.modarabaalmali.com
Offices at	:	Karachi
Staff Strength	:	133
Listed at	:	KARACHI, LAHORE, ISLAMABAD
Auditors	:	M.YOUSUF ADIL SALEEM & CO.,
Legal Advisors	:	MOHSIN TAYEBALY & CO.,
Shariah Advisor	:	Mufti Irshad Ahmed Aijaz

NBP Leasing

Mr. Shahzad Enver Murad
Managing Director / CEO

NBP Leasing Limited

(Formerly NBP Capital Limited)

Board of Directors

Mr. Nausherwan Adil
Chairman

Mr. Shahzad Enver Murad
CEO

Mr. Wajahat A. Baqai
Director

Mr. Rehman Ghani
Director

Syed Altaf Hussain Mashadi
Director

Mr. Muhammad Naeemuddin
Director

Syed Azhar Abbas Jaffri
Director

History, Background & Principal Activities etc.

NBP Leasing Limited was incorporated as a public limited (unlisted) company in October 1995. It is sponsored by National Bank of Pakistan and is a wholly owned subsidiary of the Bank. This was a strategic move aimed at creating synergies between the two entities and offering a wider range of financial services under one umbrella.

Under the present management, NBP Leasing has witnessed an impressive turnaround in terms of asset quality, lease growth and profitability. The Company manages a quality portfolio comprising of top tier corporate clients in major industries of the Country. As a subsidiary of National Bank, the Company has a unique competitive advantage, both in terms of client coverage as well as cost optimization.

Based on redefined focus and customer orientation the Company has launched innovative and tailor made products that are offered to creditworthy clients. Flexibility in products offered is one of the main factors for customer satisfaction

PERFORMANCE HIGHLIGHTS-2011-12

During the year, the company's asset base crossed Rupees one billion. A total of 72 new leases amounting to Rs. 382.49 million (Rs. 373.47 million : 2011) were written. This, compared to last year, translated into lease business growth of 2.41%. Revenue booked was Rs. 89.18 million and net profit was Rs. 44.73 million. This growth was possible as the Company's management marketed a larger share of business and in the process converted the Company into a significant player in the leasing industry

CREDIT RATING

Rating

Short Term	A-1
Medium/Long Term	A+

Rating Agency

JCR-VIS Credit Rating Co. Ltd

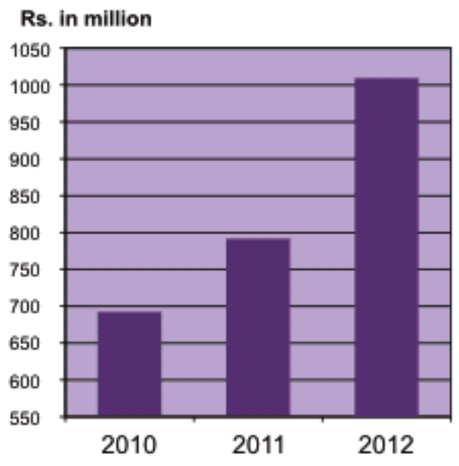
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
	(Rupees in Millions)		
EQUITY			
Issued, subs. & Paid-up Capital	500	500	500
Reserve & Retained Earning	109	156	222
Total Equity	**609**	**656**	**722**
LIABILITIES			
Deferred Liabilities	–	–	–
Long Term Loan	–	–	–
Certificate of Investment	–	–	–
Lease Key Money	23	75	119
Provision for gratuity	1	2	3
Total Non-current liabilites	**24**	**77**	**122**
Current Maturity of L .T. Loan	–	–	–
S.T. Loan & Running Finance	–	–	101
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	52	57	68
Total Current Liabilities	**52**	**57**	**169**
Total Liabilities	**76**	**134**	**290**
Total equity and liabilities	**685**	**790**	**1012**
ASSETS			
Tangible Fixed Assets	5	10	11
Net Investment in Lease Finance	66	287	444
Long Term Investment	176	177	191
Other Long Term Assets	3	2	2
Total Non-current Assets	**250**	**476**	**648**
Current Portion of Lease Finance	106	162	252
Short term Finance	–	–	11
Investments	115	55	52
Other Current Assets	210	93	49
Cash & Bank Balances	4	4	2
Total Current Assets	**435**	**314**	**365**
Total Assets	**685**	**790**	**1012**
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	383.00	257.00	196.00
Current Ratio (X)	8.37	5.51	2.16
Total Assets / Net Worth (X)	1.12	1.20	1.40
Total Financing / Net Worth (X)	0.71	0.84	1.05
Leverage Ratio (X)	0.09	0.09	0.16
Break-up Value (Rs.)	12.18	13.12	14.44
Capital Ratio (X)	0.92	0.92	0.86
Gearing (X)	-	-	0.14
Investment in Lease Finance (%)	25.00	57.00	70.00

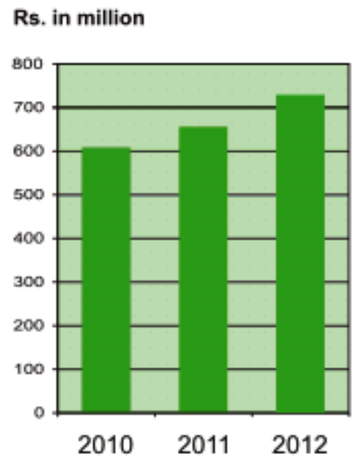
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME	(Rupees in Millions)		
Ijarah / Lease/ Trading Income	18	29	64
Mark-Up Income	35	33	17
Capital Gain on Investment	–	16	–
Non Interest Income	–	–	–
Other Income	5	11	8
Total Income	**58**	**89**	**89**
EXPENSES			
Operating Expenses	30.00	39.00	49.00
Financial Expenses	1.00	-	6.00
Prov. for Pot. Lease Losses/Loan	106.00	(1.00)	(13.00)
Prov. for Dimn. in value of Invest.	22.00	(4.00)	2.00
Total Expenses	**159.00**	**34.00**	**44.00**
Profit Before Taxation	(101.00)	55.00	46.00
Taxation	(32.00)	3.00	1.00
Net Profit	**(69.00)**	**52.00**	**45.00**
APPROPRIATION			
Dividend (Rs)	–	–	–
Reserve for Bonus Shares	–	–	–
Statutory Reserve	93	103	112
Other Reserve	44	86	122
SIGNIFICANT RATIOS			
Book value per Share (Rs.)	12.18	13.12	14.44
Fin. Charges. / Total Exp. (%)	0.67	-	14.00
Times Interest Earned (time)	26.26	-	6.78
Earning per Share (Rs.)	(1.39)	1.04	0.89
Return on Equity (%)	(10.98)	8.26	6.00
Dividend per Share (Rs.)	-	-	–
Stock Dividend (%)	-	-	–
Debt Equity Ratio (%)	11	17	29.00
Return on Assets (%)	(9.35)	7.08	5.00
Net Profit Margin (%)	(119.46)	58.37	50.16

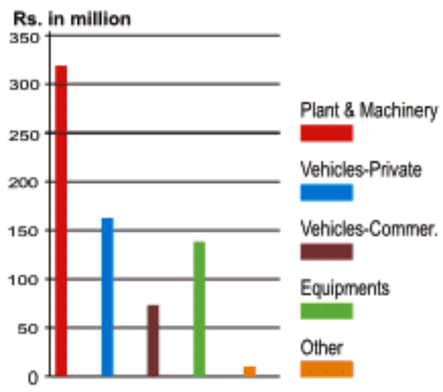
Balance Sheet Growth



Equity Growth



Investment in Lease



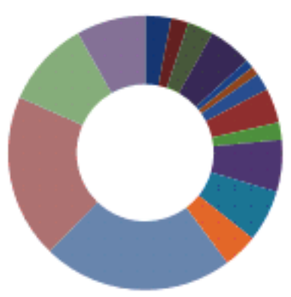
Cost Analysis (2011-12)

	%
Operating Expenses	111.00
Financial Expenses	14.00
Prov. for Pot. Lease Losses/Loan	(30.00)
Prov. for Dimn. in value of Invest.	5.00

Revenue Analysis (2011-12)

	%
Ijarah / Lease/ Trading Income	72.00
Mark-Up Income	19.00
Other Income	9.00

Sector Wise Exposure (2011-12)



	%
Printing and Publication	3.00
Media and Advertising	2.00
Individual	3.00
Chemical, Fertilizers & Pharmaceutical	5.00
Construction	1.00
Education	1.00
Energy, Fuel, Oil & Gas	2.00
Engineering & Allied	4.00
Financial Sector	2.00
Food, Tobacco & Beverages	6.00
Health Care	6.00
Services	4.00
Sugar	22.00
Textile	19.00
Transport & Communication	10.00
Others	8.00

The NBP Leasing Limitd Team

Mr. Shahzad Enver Murad
CEO & Managing Director

Mr. M. Rizwan Masood
Leasing Head

Mr. Syed Mubashir Ali
Company Secretary

Syed Muhammad Nasrullah
CFO & Incharge of CAD

Mr. Muhammad Saleem Younus
Head of Internal Audit

Mr. S. M Faraz Naseem
Manager Credit & Marketing

Mr. Farhan Masroor
Manager Recovery & Litigation

Mr. Aamir Tariq Khan
Manager Treasury

Mr. Hitesh Kumar
Incharge - Information Technology

Mr. Imdad Husain
Incharge - Human Resource & Administration

Mr. Muhammad Samad Illyas
Compliance Officer

Company Information

Commenced Business on	: Nov. 7, 1995
Head Office	: 4th floor P.R.C. Towers, 32/A, Lalazar Drive, M.T.Khan Road, Karachi -75400
Tel	: 021-99210601-5
Fax	: 021-99210600
Email	: info@nbpleasing.com
Website	: www.nbpleasing.com
Offices at	: Karachi
Staff Strength	: 25
Listed at	: N/A
Auditors	: Anjum Asim Shahid Rahman
Legal Advisors	: K. A. Shirazee & Co

Mr. Teizoon Kisat
CEO

ORIX Leasing Pakistan Limited

Board of Directors

Mr. Kunwar Idris
Chairman

Mr. Shahid Aziz Siddiqui
Nominee Director

Mr. Humayun Murad
Non Executive Director

Mr. Yoshiaki Matsuoka
Non Executive Director

Mr. Shahid Usman
Non Executive Director

Mr. Shaheen Amin
Non Executive Director

Mr. Kazuhito Inoue
Non Executive Director

Mr. Teizoon Kisat
Chief Executive

History, Background & Principal Activities etc.

ORIX Leasing Pakistan Limited (OLP) was incorporated in 1986 and is listed on the Karachi, Lahore and Islamabad stock exchanges. OLP's main business activity is finance and operating leases of movable assets. OLP extends lease facility to all segments of the market, however, its main market segment comprises of small to medium sized companies spread across different manufacturing and service sectors. Its strength lies in an extensive branch network, a diversified portfolio of clients, a wide range of financial products and business automation. As at June 30, 2012 the Company had equity base of Rs. 2.5 billion and its asset base amounted to 21.9 billion. OLP is an associated Company of ORIX Corporation (ORIX), an integrated financial services group based in Japan with operations in 27 countries and regions worldwide. ORIX's activities include leasing, corporate finance, real estate-related finance and development, life insurance and investment banking. The Group reported pre-tax profit of US$1,588 million for the year ended March 31, 2012 and its asset base exceeded US$ 101 billion on that date. OLP has equity investments and board representation in five overseas joint venture leasing companies, and a company providing serviced apartments in Pakistan. In addition to management support and technical assistance provided by OLP to these associated companies, all overseas operations are headed by executives deputed from OLP. The Company also has a micro finance division with seven branches. The micro finance division participates in poverty alleviation programs and provides financial assistance at grass root level. Over 19,000 borrowers are presently being served through Micro financing programs.

PERFORMANCE HIGHLIGHTS-2011-12

Net profit after tax at Rs. 201.9 million was 39.5% higher than Rs. 144.7 million earned last year. All segments of the Company's business performed well in a challenging environment. Factors contributing to growth include:

- Our strong ties to the SME's sector.
- Tight management of overdues resulting in substantial reduction of non performing portfolio.
- Focus on achieving cost efficiencies.
- Growth of retail deposits by 64% to Rs. 3.4 billion.

In view of the overall economic trends, the Company is pursuing a policy of moving cautiously and conservatively.

Disbursements stood at Rs. 7.8 billion in comparison to Rs. 8.1 billion in the preceding year. Vehicles continued to be the major leased asset. Contribution of vehicles and machinery in overall disbursements stood at 69.0% and 31.0% respectively. In keeping with historical trend, the Company focused on sectoral diversification to optimize credit risk. Highest exposure of 16.8% was registered in transport sector followed by the services sector with an exposure of 10.7%.

Revenue from finance and operating lease at Rs 2.7 billion was at same level of Rs 2.7 billion earned last year.

Mark up on term / factoring finance revenue increased to Rs. 247.6 million from Rs. 138.8 million last year. The increase was mainly due to enhanced disbursement of vehicle finance during the year. Other operating income increased to Rs. 261.3 million (2011: Rs. 188.8 million) due to higher returns on investments, deposits, and government securities. Income from share of profit from associated companies improved to Rs. 123.6 million compared to Rs. 103.9 million last year. Financial expenses of Rs. 1.9 billion (2011: Rs. 1.8 billion) were 4.0% higher mainly due to larger borrowings and increase in borrowing rates especially in the first half of the financial year. During the year, the Company succeeded in negotiating new long-term funding lines of Rs. 4.1 billion from local as well as international financial institutions showing the strong trust and confidence it enjoys locally as well as globally. OLP's portfolio of Certificates of Deposit increased by Rs. 1.3 billion to Rs. 3.4 billion (2011: Rs. 2.1 billion). These deposits were raised mostly from retail investors and strong growth in deposits reflects their confidence in the Company.

The Company continued austerity measures in order to achieve optimal cost efficiencies. Administrative and general expenses increased by 6.7% to Rs. 585.4 million (2011: Rs. 548.6 million). The increase is lower than the Country's inflation rate. Better resource management at all levels contributed to cost-efficient operations.

OLP has been a recipient of "Corporate Excellence Award" of the Management Association of Pakistan several times. At the 28th Award ceremony held in April 2012 in Karachi, it was again adjudged the winner of Corporate Excellence Award in the financial services sector.

The NBFI and Modaraba Association of Pakistan awarded OLP two awards-one on successful completion of 25 years of operations in Pakistan and the other a special award for turnaround and corporate excellence.

In November 2011, Engro Milk Automation Network (EMAN), a unique programme developed by ORIX e-Business Division for its client Engro Foods Limited won the Silver (merit) Award under the e-Inclusion & e-Community Applications Category in Asia Pacific ICT Awards (APICTA) held in Thailand in which 170 solutions from 11 countries were presented.

Pakistan is a Country with potential and resources. The economy has always shown resilience in the face of myriad challenges. In the wake of global economic slowdown and the internal political and security situation, the Country is expected to grow though at a slow pace.

While remaining cognizant of global challenges coupled with Pakistan's own economic situation, the Company will continue with its policy of cautious and calculated growth focusing on its niche market of small and medium enterprises across the Country. With improvement in funding and growth in profitability over the past two years, we expect this trend to continue as there is significant demand for our financial products and services.

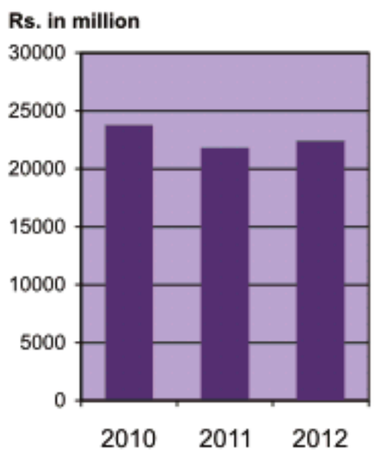
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	820.53	820.53	820.53
Reserve & Retained Earning	1,195.83	1,427.17	1,640.68
Total Equity	2,016.36	2,247.70	2,461.21
LIABILITIES			
Deferred Liabilities	120,01	221.86	284.30
Long Term Loan	7,729.37	5,337.67	4,211.79
Certificate of Deposit	1,097.66	1,225.81	2,272.54
Lease Key Money	4,016.20	4,308.26	3,585.74
Total Non-current Liabilities	12,963.24	11,093.60	10,354.37
Current Maturity of L.T. Loan	4,606.51	4,547.15	4,790.09
S.T. Loan & Running Finance	622.69	1,108.67	946.74
S.T. Certificate of Deposit	755.67	737.86	956.84
Other Current Liabilities	2.814.55	2,067.23	2,487.40
Total Current Liabilities	8,799.42	8,460.91	9,181.07
Total Liabilities	21,762.66	19,554.51	19,535.44
Total Liabilities and Equity	23,779.02	21,802.21	21,996.65
ASSETS			
Tangible Fixed Assets	1,075.34	1,266.88	1,341.22
Net Investment in Lease Finance	9,130.30	9,109.64	7,839.57
Long Term Investment	1,425.77	1,483.30	1,585.63
Other Long Term Assets	287.08	378.45	874.30
Total Non-current Assets	11,918.49	12,238.27	11,640.72
Current Portion of Lease Finance	8,449.08	7,325.45	7,445.53
Short-term Finance	320.22	243.99	228.42
Investments	1.216.43	358.26	737.62
Other Current Assets	1,743.88	1,393.96	1,607.99
Cash & Bank Balances	130.92	242.28	336.37
Total Current Assets	11,860.53	9,563.94	10,355.93
Total Assets	23.779.02	21,802.21	21,996.65
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	3,061.11	1,103.03	1,174.86
Capital Ratio (X)	0.09	0.14	0.15
Gearing (X)	7.35	5.76	5.35
Leverage Ratio (X)	10.16	6.25	5.81
Current Ratio (X)	1.35	1.13	1.13
Total Assets / Net Worth (X)	11.79	9.70	8.94
Total Financing / Net Worth (X)	7.35	6.13	5.69
Break up Value (Rs.)	24.60	27.40	30.00
Investment in Lease Finance (%)	76.56	78.37	72.74

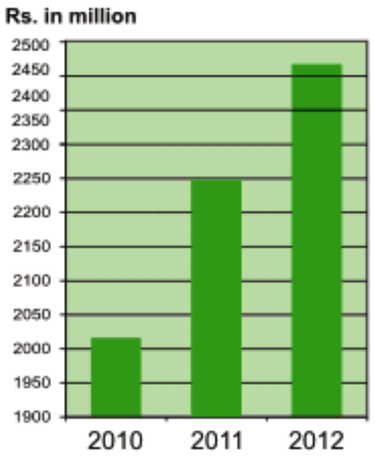
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	2,073.41	2,109.52	2,013.28
Mark-up income	143.49	138.86	247.62
Capital gain on Investment	415.77	15.45	10.32
Non Interest Income	768.59	752.18	827.20
Other income	356.07	173.35	251.00
Total Income	3.757.30	3,190.01	3,349.42
EXPENSES			
Operating Expenses	986.75	948.18	1,004.68
Financial Expenses	2,064.43	1,795.57	1,868.07
Prov. for Pot. Lease Losses/ Loan	523.36	212.81	198.82
Prov. for Dimn. in value of Investment	56.81	6.86	2.99
Total Expenses	3,631.35	2,963.42	3,074.56
Profit Before Taxation	125.95	226.58	274.86
Taxation	21.47	81.91	73.00
Net Profit	104.48	144.67	201.86
APPROPRIATION			
Dividend	–	–	82.06
Reserve for Bonus Shares	–	–	-
Statutory Reserve	20.90	29.00	41.00
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	24.60	27.40	30.00
Financial Charges / Total Expenses (%)	56.85	60.59	60.76
Times interest earned (X)	1.82	1.78	1.79
Earning per share (Rs.)	1.27	1.76	2.46
Return on Equity (%)	5.10	6.79	8.60
Return on Assets (%)	0.41	0.63	1.20
Debt Equity Ratio (%)	88.02	85.22	84.26
Divided per share (Rs.)	–	1.00	1.50
Stock Dividend (%)	–	–	0

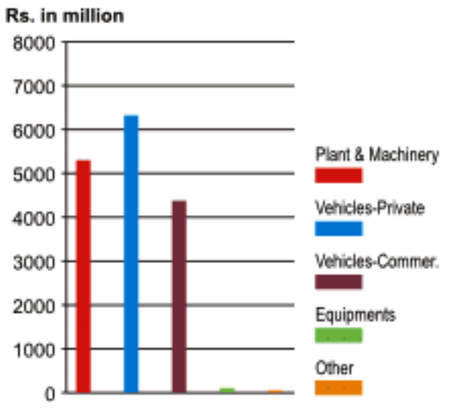
Balance Sheet Growth



Equity Growth



Investment in Lease



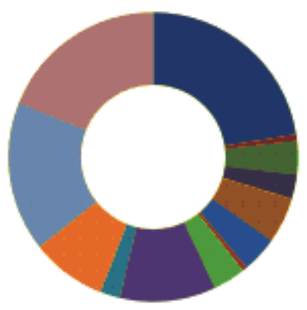
Cost Analysis (2011-12)

	%
Operating Expenses	32.68
Financial Expenses	60.76
Prov. for Pot. Lease Losses/Loan	6.47
Prov. for Dimn. In value of Invest	0.10

Revenue Analysis (2011-12)

	%
Lease Income	60.11
Mark-up Income	7.39
Capital Gain on Invest	0.31
Non Interest Income	24.70
Other Income	7.49

Sector Wise Exposure (2011-12)



	%
Auto & Allied	22.50
Cement	0.72
Chemical, Fertilizers & Pharmaceutical	3.73
Construction	2.69
Consumer facilities	0.05
Energy, Fuel, Oil & Gas	5.07
Engineering & Allied	4.06
Financial Sector	0.53
Food, Tobacco & Beverages	3.63
Services	10.75
Sugar	2.21
Textile	8.40
Transport & Communication	16.81
Others	18.85

The ORIX Leasing Pakistan Team

Mr.Teizoon Kisat
Chief Executive Officer

Mr. Ramon Alfrey
Chief Financial Officer

Ms. Effat Assad
Company Secretary

Ms. Maryam Aziz
Head of Internal Audit

Mr. Amjad Iqbal
General Manager - Credit

Mr. Arshad Abbas
General Manager - Commercial Vehicle Division

Mr. Mian Faisal Riaz
General Manager - Corporate Division

Mr. Giasuddin Khan
General Manager - e-Business

Mr. Ayub Khan
General Manager - Special Asset Management

Mr. M. Shakeb Murad
General Manager - Treasury

Mr. Irfan Ahmed
General Manager & Branch Controller (North Region)

Mr. M. Ismail Khan
Head - Business Control

Mr. Hamood Ahmed
Head - Consumer Auto Lease

Ms. Aseya Qasim
Head-Micro Finance/Agri Lease

Mr. Asim Shafique
Head - Operating Lease

Mr. Mujahid Ali Mirza
Head - Islamic Finance

Mr. M. Moizuddin
Head - Information Systems

Ms. Iffat Hina
Head - Human Resources

Company Information

Commenced Business on	:	January 1st, 1987
Head Office	:	ORIX Building Plot No. 16, Sector No.24, Korangi Industrial Area, Karachi-74900
Tel	:	(92-21) 35144028-40
Fax	:	(92-21) 35144002, 35144020
Email	:	olp@orixpakistan.com
Website	:	www.orixpakistan.com
Offices at	:	Karachi, Lahore, Islamabad, Faisalabad, Sialkot, Peshawar, Hyderabad, Multan & 18 other cities
Staff Strength	:	438
Listed at	:	Karachi, Lahore & Islamabad Stock Exchanges
Auditors	:	KPMG Taseer Hadi & Co
Legal Advisors	:	M/s. Mansoor Ahmed Khan & Co M/s. Walker Martineau & Saleem

Mr. Sohail Inam Ellahi
Chief Executive Officer

Pak-Gulf Leasing Company Limited

Board of Directors

Mr. Sohail Inam Ellahi
CEO & Chairman

Air Marshal Syed Masood Hatif (Rtd.)
Vice Chairman

Mr. Shoaib Salim Malik
Director

Mr. Pervez Inam
Director

Mr. Shaheed H. Gaylani
Director

Mr. Shaikh Aftab Ahmed
Director

Brigadier (Rtd.) Naveed Nasar Khan
Director

Mr. Rizwan Humayun
Director

History, Background & Principal Activities etc.

Pak-Gulf Leasing Company Limited (PGL) is now in its 17th year of operation, following the Company's incorporation on 27 December 1994. The operations commenced on 16 September 1996.

PGL is listed at the Karachi, Lahore and Islamabad stock exchanges. It is a conventional, hard core leasing company directed towards catering to the leasing finance needs of small and medium sized businesses, with respect to acquisition of moveable assets such as, machinery, equipment, vehicles and electronic hardware.

PGL's clients include sole proprietors; partnerships, private and public limited listed and unlisted companies and trusts.

The company's key exposures are spread over the food & beverages; hospitality; health services; automobile spare parts; electronic hardware; plastics; engineering; and pharmaceutical sectors.

The company has maintained a stable and profitable growth through out its existence.

PERFORMANCE HIGHLIGHTS-2011-12

It is the cornerstone of PGL's operational philosophy to limit its lease portfolio within the confines of its internally generated resources. This policy has helped the Company in weathering through liquidity crises faced in the recent past by the NBFI's Sector as a result of commercial banks' disinterest in financing this sector.

The Company also avoids overstretching its operational capabilities by relying on a leveraged mobilization of resources through wholesale marketing of CoI's.

Despite its long years in operations, PGL has chosen to operate from a single office in Karachi, thereby keeping a tight grip on its leasing commitments. PGL's conservatism has enabled the Company to maintain a steady growth, unhindered by the vicissitudes of the economic and political conditions.

43 new leases of Rs.302 million were written by PGL in the Financial Year 2011-12 (81 of Rs.393 million in FY-2010-11), showing a decline of 23.16% in the amount, which was perfectly in keeping with the conditions obtaining in the market. The reduction in the number of leases written indicated a deviation from undertaking smaller leasing transactions, which accompany a higher administration cost.

Total Assets of the Company went marginally up in FY-2011-12 to Rs.850 million (Rs.816m in 2010-11), as the Total Lease Portfolio came down by Rs.9m in FY-2011-12 to close at Rs.823milllion (Rs.832m in FY-2010-11).

Long-term Borrowings from Banks stood totally wiped out as at 30th June 2012 (Rs.24.99m in 2011), leaving the Company with only the current portion thereof reflected under Current Liabilities, which is more than adequately covered by the mighty level of Current Assets at Rs.326m, which constituted 38.35 % of the Total Assets of the Company. Current Ratio stood at 2.78 as at 30th June 2012 (2.37 as at 30-06-11), despite a nominal increase of Rs.2.775 m in the CoI's Portfolio, during the year.

PGL's Total Equity increased over the previous year by over Rs.25 million to Rs.389.37m in 2011-12, thanks to a corresponding increase in the Net of Tax Profit of the Company.

Gross Income of PGL increased over FY-2010-11 by 21.98% to Rs.84.406m. On the other hand, Operating Expenses increased by a meager 4.87% to Rs.38.896m. Net of Tax Profit increased by 44.92% to Rs.22.50 million in 2011-12, as compared to the position for the year ended 2010-11.

EPS of the Company improved to Rs. 0.89, while the Break-up Value per Share as at 30th June 2012 improved once again to arrive at Rs.16.89.

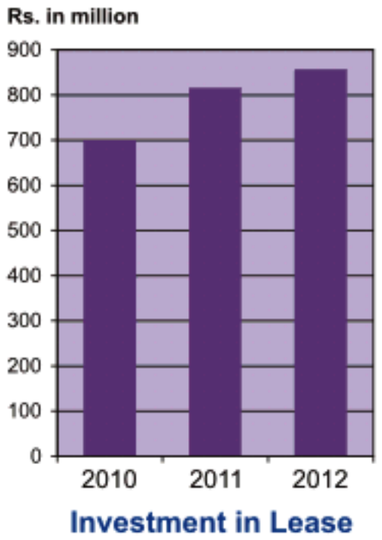
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY	(Rupees in Millions)		
Issued, Subs. & Paid-up-Capital	253.70	253.70	253.70
Reserve & Retained Earning	136.57	152.31	174.71
Total Equity	390.27	406.01	428.41
LIABILITIES			
Deferred Liabilities	49.37	64.88	87.35
Long Term Loan	8.33	25.00	–
Certificate of Investment	–	–	–
Lease Key Money	178.17	198.58	217.15
Total Non-current Liabilities	235.87	288.46	304.50
Current Maturity of L.T. Loan	16.67	33.33	25.00
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	17.09	29.23	32.00
Other Current Liabilities	40.20	59.00	60.16
Total Current Liabilities	73.96	121.56	117.16
Total Liabilities	309.83	410.02	421.66
Total Equity and Liabilities	700.10	816.03	850.07
ASSETS			
Tangible Fixed Assets	77.53	73.98	71.66
Net Investment in Lease Finance	366.45	450.68	449.23
Long Term Investment	2.91	2.93	2.95
Other Long Term Assets	0.21	0.20	0.21
Total Non-current Assets	447.10	527.79	524.05
Current Portion of Lease Finance	215.10	262.54	270.37
Short-term Finance	–	–	–
Investments	1.53	1.75	1.64
Other Current Assets	30.14	21.71	11.11
Cash & Bank Balances	6.23	2.24	42.90
Total Current Assets	253.00	288.24	326.02
Total Assets	700.10	816.03	850.07
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	179.04	166.68	208.86
Capital Ratio (X)	0.55	0.49	0.74
Gearing (X)	0.11	0.22	0.13
Leverage Ratio (X)	0.34	0.52	0.36
Current Ratio (X)	3.42	2.37	2.78
Total Assets / Net Worth (X)	1.79	2.01	1.98
Total Financing / Net Worth (X)	0.07	0.22	0.13
Break-up Value (Rs.)	15.38	16.00	16.89
Investment in Lease Finance (%)	82.00	85.39	84.65

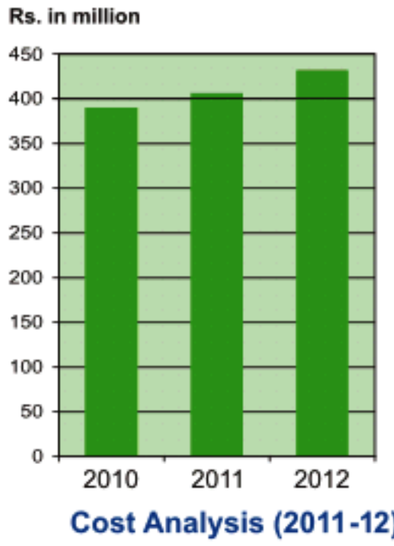
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME	(Rupees in Millions)		
Lease income	64.16	64.47	74.43
Mark-up income	4.56	4.30	2.93
Capital gain on Investment	–	–	–
Non Interest Income	0.19	0.43	5.17
Other income	0.47	0.26	1.87
Total Income	69.38	69.20	84.4
EXPENSES			
Operating Expenses	19.88	31.46	28.26
Financial Expenses	9.72	5.63	10.63
Prov. for Pot. Lease Losses/ Loan	7.51	(1.79)	(2.59)
Prov. for Dimn. in value of Investment	–	–	–
Total Expenses	37.11	35.30	36.30
Profit Before Taxation	32.27	33.90	48.10
Taxation	11.02	18.37	25.60
Net Profit	21.25	15.53	22.50
APPROPRIATION			
Dividend	12.68	–	–
Reserve for Bonus Shares	–	–	4.4
Statutory Reserve	4.25	2.53	40.25
Other Reserve	–	–	91.02
SIGNIFICANT RATIOS			
Book value per share (Rs.)	15.38	16.00	16.89
Financial Charges / Total Expenses (%)	26.19	15.95	29.28
Times interest earned (X)	5.12	6.79	5.52
Earning per share (Rs.)	0.84	0.61	0.89
Return on equity (%)	5.44	3.83	5.39
Return on Assets (%)	3.04	1.90	2.70
Debt Equity Ratio (%)	10.83	19.36	5.51
Dividend Per Share (Rs.)	0.50	–	–
Stock Dividend (%)	–	–	–

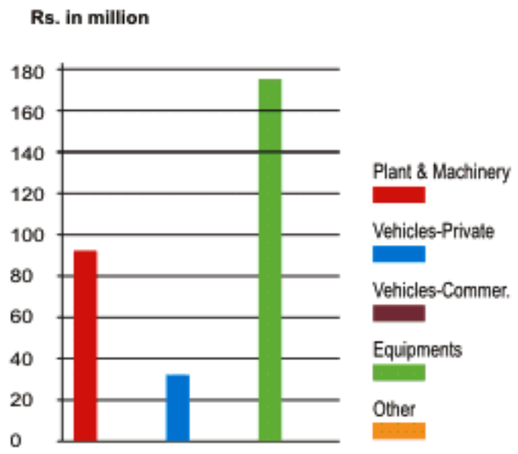
Balance Sheet Growth



Equity Growth



Investment in Lease



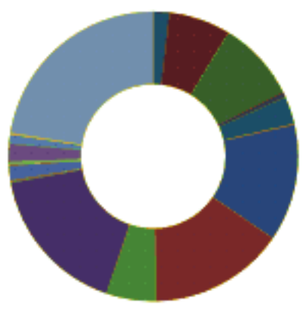
Cost Analysis (2011-12)

	%
Operating Expenses	78.00
Financial Expenses	29.00
Prov. for Pot. Lease Losses/Loan	(7.00)

Revenue Analysis (2011-12)

	%
Ijarah / Lease / Trading Income	92.00
Non Interest Income	6.00
Other Income	2.00

Sector Wise Exposure (2011-12)



	%
Energy, oil and gas	1.81
Steel, engineering and auto	6.88
Electrical goods	9.01
Transport and communication	0.59
Chemical, fertilizer and pharmaceuticals	3.09
Textile	0.12
Food, tobacco and beverage	13.06
Hotels	15.09
Construction	5.60
Health care	16.81
Advertisement	0.13
Publication	0.11
Services	1.68
Packing	0.10
Banking and Financial Institutions	0.31
Communication	2.01
Logistics	1.02
Lubricants	0.18
Others	22.39

The Pak-Gulf Leasing Company Ltd. Team

Mr Sohail Inam Ellahi
Chairman & Chief Executive

Mr. Khalil Anwer Hassan
Chief Manager

Lt.Col.(Rtd.) Saleem Ahmed Zafar, T.I.(M)
Chief Operating Officer

Mian Muhammad Shoaib
Chief Financial Officer & Company Secretary

Mr. M. Afzaul Haq
Deputy Chief Operating Officer & Senior Risk Manager

Ms. Farah Farooq
Head of Audit

Major(Rtd.) Arif Ullah Lodhi
Manager H.R. & Administration

Mr. Arif Mughal
Manager I.T.

Company Information

Date of Incorporation	27-Dec-94
Commenced Business on	16-Sep-96
Head Office	125-127, The Forum, Block-9, Clifton, Karadhi-75600, Pakistan
Telephones	(021) 35820301; 35375986-7
Fax	(021) 35820302; 35375985
Email	pgl@cyber.net.pk
Website	www.pakgulfleasing.com
Offices at	Karachi, Pakistan
Staff Strength	Twenty Two (22)
Listed on Stock Exchanges at	Karachi; Lahore; and Islamabad
Auditors	KPMG, Taseer Hadi & Company Chartered Accountants
Legal Advisors	Mohsin Tayebaly & Company

Saudi Pak Leasing Company Limited

Mr. Ahsanullah Khan
Chief Executive Officer

Board of Directors

Mr. Muhammad Iqbal Hussain
Chairman

Mr. Ahsanullah Khan
Director & CEO

Mr. Muhammad Tariq Masud
Director

Ms. Parveen Malik
Director

Mr. Arsalan I. Khan
Director

Mr. Farhan Malik
Director

Mr. Shoaib Ahmad Khan
Director

History, Background & Principal Activities etc.

Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on 08 January 1991 and is listed on all the three Stock Exchanges in Pakistan. The Registered Office of the Company is situated at 6th Floor,Lakson Square Building No. 1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of the Company is the leasing of assets.

PERFORMANCE HIGHLIGHTS-2011-12

Due to suspended business situation, the gross finance lease revenue of the Company during the year decreased to PKR 58 million from PKR 136 million in FY 2011, whereas operating lease revenue decreased to PKR 5 million from PKR 10 Million. Other operating income increased to PKR 81 million during the year as compared to KR 74 million in the preceeding year mainly due to waiver of mark-up from creditors. During the year under review, the Company has repaid an amount of PKR 473 million towards principal liablity by way of cash payments and non cash settlements. COIs were reduced by PKR 68 million during the year 2012. The Company successfully decreased its overall financial charges by PKR 29 million and stood at PKR 153 million for the year as compared to KR 183 million in FY 2011 mainly due to settlements through lease/loan swapping, waiver on accrued mark-up and also reduction in mark-up rates. The administrative and operating expenses were reduced to PKR 77 million in 2012 from PKR 90 million 2011, a decline of 15% over the previous year.

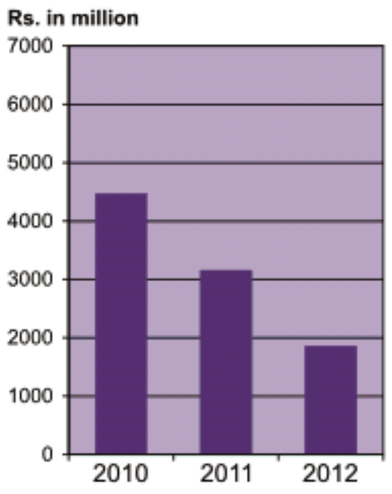
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY	(Rupees in Millions)		
Issued,subs.& Paid-up-Capital	451.61	451.61	451.61
Reserve & Retained Earning	148.25	148.26	148.26
Accumulated Profit / (Loss)	(723.60)	(839.41)	(1,658.52)
Sub-ordinated debt	333.21	333.21	333.21
Surplus/(deficit) on revaluation of Asset-net	25.26	23.66	47.64
Total Equity	234.73	117.32	(677.81)
LIABILITIES			
Deferred Liabilities	–	–	93.43
Long Term Loan	689.05	580.55	507.78
Certificate of Investment	54.17	22.60	11.30
Lease Key Money	692.93	164.27	70.04
Total Non-current Liabilities	1,436.15	767.61	682.55
Current Maturity of Non-current Liabilities	1,501.48	1,346.61	1,290.83
S.T. Loan & Running Finance	632.00	431.12	246.88
S.T. Certificate of Investment	459.23	204.64	94.90
Other Current Liabilities	207.93	295.21	356.34
Total Current Liabilities	2,800.64	2,277.58	1,988.95
Total Liabilities	4,236.79	3,045.00	2,671.50
Total Equity and Liabilities	4,471.52	3,162.32	1,993.69
ASSETS			
Fixed Assets	119.28	100.68	132.66
Net Investment in Lease Finance	1,069.28	453.84	282.42
Long Term Investment	14.33	12.25	-
Other Long Term Assets	205.97	198.51	67.35
Total Non-current Assets	1,408.86	765.28	482.43
Current Portion of Lease Finance	1,769.29	1,581.44	1,123.22
Short-term Finance	797.02	391.54	220.22
Investments	199.02	184.14	122.57
Other Current Assets	278.79	208.21	17.97
Cash & Bank Balances	18.54	31.70	27.28
Total Current Assets	3,062.66	2,397.03	1,511.26
Total Assets	4,471.52	3,162.32	1,993.69
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	262.02	119.46	(477.69)
Capital Ratio (x)	0.05	(0.10)	(0.34)
Gearing (X)	11.87	(8.49)	(3.02)
Leverage Ratio (X)	15.59	(9.72)	(3.94)
Current Ratio (X)	1.09	1.05	0.76
Total Assets / Net Worth (X)	19.05	20.85	(2.94)
Total Financing / Net Worth (X)	12.78	17.33	(2.40)
Break-up Value (Rs.)	(2.18)	(4.78)	(15.01)
Investment in Lease Finance (%)	23.91	59.32	71.00

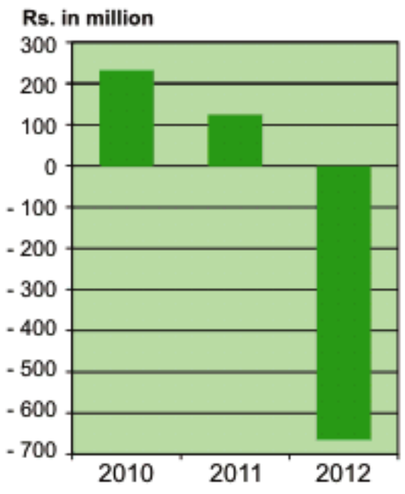
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME	(Rupees in Millions)		
Lease income	303.33	145.63	62.77
Mark-up income	131.34	2.03	50.91
Capital gain on Investment	–	5.10	(2.49)
Non Interest Income	0.99	8.94	1.46
Other income	0.22	57.86	31.47
Total Income	435.88	219.56	144.13
EXPENSES			
Operating Expenses	124.27	112.41	(100.51)
Financial Expenses	468.01	182.65	(153.48)
Prov. for Pot. Lease Losses / Loan	134.36	72.74	(482.34)
Impairment of available for sale securities	128.03	17.71	(10.79)
Total Expenses	854.67	385.50	(747.13)
Profit Before Taxation	(419.63)	(165.94)	(603.00)
Taxation	(76.88)	48.26	(218.75)
Net Profit	(342.75)	(117.68)	(821.75)
APPROPRIATION			
Dividend	–	–	–
Reserve for Bonus Shares	–	–	–
Statutory Reserve	–	–	–
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	(2.18)	(4.78)	(15.01)
Financial Charges / Total Expenses (%)	79.02	61.90	(60.43)
Times interest earned (X)	0.34	0.59	–
Earning / (Loss) per share (Rs.)	(7.59)	(2.61)	(18.20)
Return on equity (%)	(7.33)	49.13	(293.23)
Return on Assets (%)	(7.67)	(4.81)	(31.88)
Debt Equity Ratio (%)	15.59	(8.49)	–
Dividend Per Certificate (Rs.)	–	–	–
Stock Dividend (%)	–	–	–

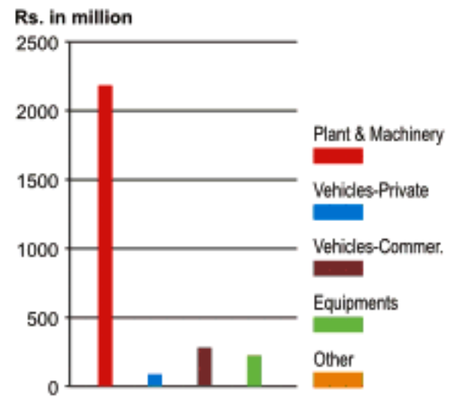
Balance Sheet Growth



Equity Growth



Investment in Lease



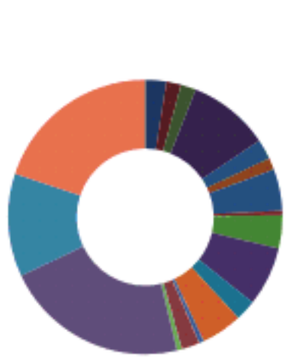
Cost Analysis (2011-12)

	%
Operating Expenses	13.45
Financial Expenses	20.54
Prov. for Pot. Lease Losses/Loan	64.56
Prov. for Dimn. in value of Investment	1.44

Revenue Analysis (2011-12)

	%
Ijarah / Lease / Trading Income	43.55
Mark-Up Income	35.32
Capital Gain on Investment	(1.73)
Non Interest Income	1.01
Other Income	21.84

Sector Wise Exposure (2011-12)



	%
Hotels	2.48
Cement	1.74
Chemical, Fertilizers & Pharmaceutical	1.79
Construction	9.61
Consumer facilities	2.34
Dairy & Poultry	1.41
Paper & Boards	4.89
Electronics	0.52
Energy, Fuel, Oil & Gas	3.90
Engineering & Allied	7.02
Glass and Ceramics	2.44
Food, Tobacco & Beverages	4.84
Health Care	0.56
Services	2.17
Sugar	0.58
Textile	21.70
Transport & Communication	12.13
Others	19.89

The Saudi Pak Leasing Company Ltd. Team

Mr. Ahsanullah Khan	Chief Executive Officer
Mr. Rashid K. Siddiqui	General Manager
Mr. Muhammad Ali Siddiqui	Chief Financial Officer / Company Secretary

Company Information

Commenced Business on	:
Head Office	: 6th Floor, Lakson Square, Building # 1, Sarwar Shaheed Road, Saddar, Karachi
Tel	: 35655181-85, 35655215-19
Fax	: 021-35210609
Email	: info@saudipakleasing.com
Website	: www.saudipakleasing.com
Offices at	: Lahore, Islamabad & Sialkot
Staff Strength	: 46
Listed at	: Karachi, Lahore & Islamabad
Auditors	: KPMG Taseer Hadi & Co.
Legal Advisors	: S. & B. Durrani Law Associates.

Security Leasing Corporation Limited

Board of Directors

Mr. M. R. Khan
Chairman

Mr. S.M. Nadim Shafiqullah
Vice Chairman

Mr. Mohammed Khalid Ali
CEO

Mr. Subho Sadiq Hamid
Director

Mr. Shafiq ur Rahman
Director

Mr. Ahmad Ali Khan
Director

Mr. Abdul Ghafoor
Director

Mr. Naeem Shafi
Director

History, Background & Principal Activities etc.

Security Leasing Corporation Limited was incorporated on December 6, 1993 and commenced its operations on May 21, 1995. Security Leasing being an NBFC with leasing as the core business activity and is listed on Karachi and Lahore Stock Exchanges with paid-up Capital of Rs438.02 million.

The present equity structure of ordinary shareholders is given below:

Merrill Lynch, Pierce, Fenner & Smith Inc. USA	28.33%
Sponsor directors & their associates	46.30%
General Public	25.37%
	'100.00%

PERFORMANCE HIGHLIGHTS-2011-12

The Company eared total revenue of Rs 76.82 million and incurred Profit after tax of Rs 112.029 million. New leases written of Rs 85.96 million during the year. Since the withdrawal of funding facilities by the banking sector to NBFCs and especially to leasing companies, the operations suffered substantially. The company is struggling in its attempt to cope with these difficulties and has taken various measures to control the damage. The repricing of mark-up on all in its borrowings to zero percent is one of such measures. The company is current on all its payments to lenders and exploring options to re-establish and revive the business.

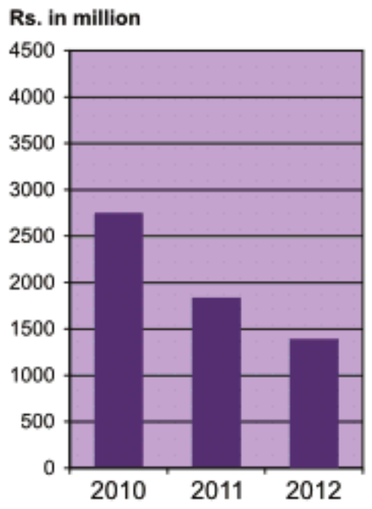
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued, subs. & Paid-up-Capital	438.03	438.03	438.03
Reserve & Retained Earning	(357.26)	(102.94)	(15.74)
Total Equity	80.77	335.09	422.29
LIABILITIES			
Deferred Liabilities	–	–	–
Long Term Loan	1,259.79	665.28	473.62
Certificate of Investment	–	–	-
Lease Key Money	285.54	233.06	116.73
Total Non-current liabilities	1,545.33	898.34	590.35
Current Maturity of L.T. Loan	965.49	625.95	344.76
S.T. Loan & Running Finance	82.41	-	-
S.T. Certificate of Investment	–	-	-
Other Current Liabilities	75.71	75.21	81.94
Total Current Liabilities	1,123.61	700.66	426.69
Total Liabilities	2,668.94	1,599.00	1,017.04
Total Equity and Liabilities	2,749.71	1,934,09	1,439.33
ASSETS			
Tangible Fixed Assets	161.31	145.43	136.85
Net Investment in Lease Finance	494.91	328.13	118.13
Long Term Investment	88.19	-	-
Other Long Term Assets	370.09	363.47	358.88
Total Non-current Assets	1,114.51	837.03	613.86
Current Portion of Lease Finance	1,373.87	921.30	780.43
Short-term Finance	12.50	22.00	10.00
Investments	13.95	9.11	-
Other Current Assets	232.32	137.57	30.20
Cash & Bank Balances	2.55	7.08	4.84
Total Current Assets	1,635.19	1,097.06	825.46
Total Assets	2,749.71	1,934.09	1,439.33
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	511.58	396.40	398.77
Capital Ratio (X)	0.04	0.20	0.32
Gearing (X)	30.51	2.94	1.23
Leverage Ratio (X)	23.23	3.17	1.42
Current Ratio (X)	1.46	1.57	1.93
Total Assets / Net Worth (X)	34.04	5.77	3.41
Total Financing / Net Worth (X)	21.66	3.26	1.23
Break-up Value (Rs.)	1.84	7.65	9.64
Investment in Lease Finance (%)	68.00	65.00	62.00

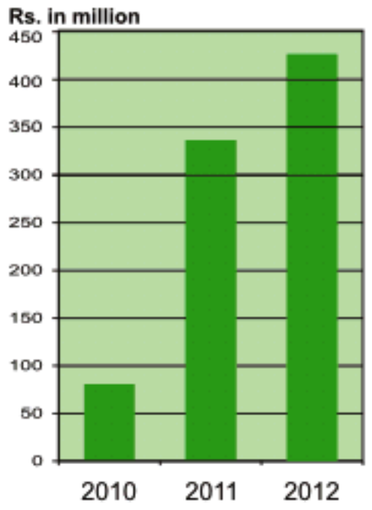
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	171.32	100.88	62.55
Mark-up income	42.92	32.62	11.70
Capital gain on Investment	(43.07)	(17.20)	-
Non Interest Income	5.20	0.95	2.58
Other income	3.42	259.31	165.82
Total Income	179.79	376.55	242.64
EXPENSES			
Operating Expenses	118.48	88.06	86.77
Financial Expenses	261.18	45.81	0.07
Prov. for Pot. Lease Losses/ Loan	37.74	24.26	40.64
Prov. for Dimn. in value of investment	49.67	0.63	0.06
Total Expenses	467.07	158.75	127.53
Profit Before Taxation	(287.29)	217.80	115.11
Taxation	(13.33)	11.95	(3.08)
Net Profit	(273.95)	205.85	112.03
APPROPRIATION			
Dividend	–	-	-
Reserve for Bonus Shares	–	-	-
Statutory Reserve	118.87	159.87	181.87
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book Value per share (Rs.)	1.84	7.65	9.64
Financial Charges / Total Expenses (%)	63.00	29.00	0.05
Times interest earned (X)	0.04	6.28	2.40
Earning per share (Rs.)	(7.55)	5.67	3.09
Return on Equity (%)	(171.70)	61.43	29.58
Return on Assets (%)	(8.16)	10.64	6.64
Debt Equity Ratio (%)	95.59	75.00	55.09
Dividend Per Certificate (Rs.)	–	-	-
Stock Dividend (%)	–	-	-

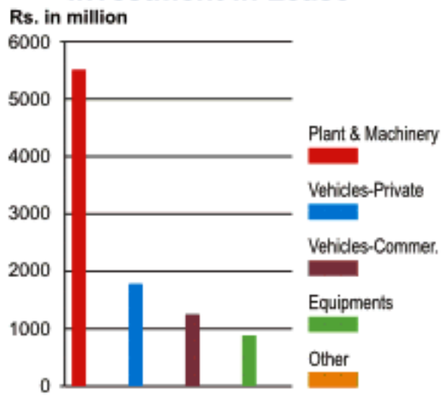
Balance Sheet Growth



Equity Growth



Investment in Lease



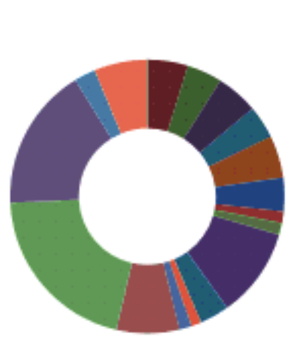
Cost Analysis (2011-12)

	%
Operating Expenses	68.00
Prov. for Pot. Lease Losses/Loan	32.00

Revenue Analysis (2011-12)

	%
Ijarah / Lease / Trading Income	26.00
Mark-Up Income	5.00
Non Interest Income	1.00
Other Income	68.00

Sector Wise Exposure (2011-12)



	%
ADVERTISING	0.13
AUTO & ALLIED	4.66
CEMENT	4.16
CONSTRUCTION	4.97
CONSUMER LEASES	3.88
ENGINEERING	4.98
FOOD & BEVERAGES	3.97
GLASS & CERAMICS	1.35
HEALTH CARE	1.40
OIL AND GAS	10.60
PHARMACEUTICAL	3.49
PLASTIC	1.21
PUBLICATIONS	1.44
SUGAR	7.40
TEXTILE	20.64
TRANSPORT	16.91
TRAVEL & TOURISM	2.51
OTHERS	6.30

The Security Leasing Corporation. Team

Mr. Mohammed Khalid Ali
Chief Executive Officer

Mr. Salman Hameed
Chief Financial Officer
& Company Secretary

Mr. Shahid Mahmood Shah
Head of Credit & Marketing

Mr. S. Nauman Akhtar
Head of SAM & CAD

Company Information

Commenced Business on	:	5/21/1995
Head Office	:	Block 'B', 5th Floor, Lakson Square Building #3, Sarwar Shaheed Road, Karachi.
Tel	:	021-111-111-902, 021-35205379
Fax	:	021-35689854
Email	:	slcl@seclease.com
Website	:	www.seclease.com
Branch Offices at	:	D-802, 8th Floor, City Towers, 6-K, Main Boulevard Road, Gulberg II, Lahore.
Staff Strength	:	32
Listed at	:	Karachi & Lahore Stock Exchanges (Guarantee) Limited
Auditors	:	Avais Hyder Liaquat Nauman Chartered Accountants
Legal Advisors	:	Ali Raza Habib & Co.

SME Leasing Limited

History, Background & Principal Activities etc.

SME Leasing Limited was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The company is a subsidiary of SME Bank Limited, which holds 73.14% of the share holding of the company. At the time of incorporation, the company was a wholly owned subsidiary of SME Bank Limited. The company is listed on Lahore Stock Exchange and its registered office is situated at 40 Jang Building, A.K. Fazal-ul-Haq Road, Blue Area, Islamabad.

The core objective of the company is to extend lease and working capital financing facilities to small and medium enterprises (SMEs) with a vision to enhance their asset base and technology capabilities. The company has an existing network of eight (08) branches located in Karachi, Islamabad, Lahore, Sialkot, Peshawar & Hyderabad.

PERFORMANCE HIGHLIGHTS-2011

Owing to the ongoing unstable economic environment, the operational activities of leasing sector remained constrained during 2011. Non-availability of new funding lines continued to cause significant decline in business volumes, as banks and other lending institutions for the 4th consecutive year, diverted their funding to the risk-free government borrowing rather than to the private sector. Resource mobilization is the major challenge for the revival of the sector.

The operating activities of your company during 2011 remained low due to non-availability of fresh funding and hence, substantial fresh disbursements. However, despite this decline the good financing portfolio and recovery efforts have kept the rentals recovery strong enough for prompt discharge of all debt obligations and booking of some new assets. The gross revenue continues to decline in comparison to the prior year due to the shrinkage of financing portfolio caused by rental recoveries and reduction in fresh disbursement. This reduction of revenue has also worsened the operating results for the year despite reduction in operating expenses.

The satisfactory discharge of major debt obligations and substantial decline in overall debt position has created opportunity for new disbursements, which the Company is capitalizing. Although, the impact of these disbursements is not that significant on current year's financials, nevertheless, it is a step towards revival and the management is optimistic about bringing improvement in the next year's results.

In continuation to its efforts for the revival of the business activities the management is also attempting funding arrangements from alternate funding sources and has successfully arranged a funding line from Energy Conservation Fund (ENERCON). By virtue of this arrangement SLL has initiated providing lease finance facility to the transport sector for procurement of energy efficient equipment, at concessional mark-up rates. In addition to this, both the entities have also agreed in principle to extend their cooperation to other sectors as well with specific focus on energy conservation and fuel efficiency.

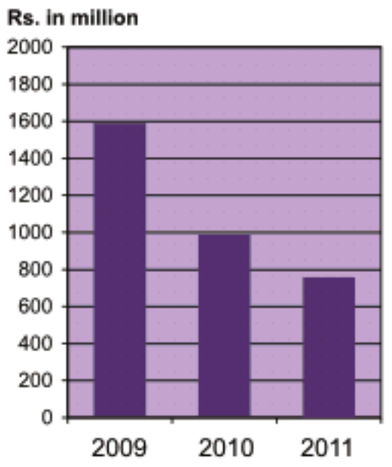
Balance Sheet

31st December Reporting Period (Months)	2009 12	2010 12	2011 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	320.00	320.00	320.00
Reserve & Retained Earning	31.26	(16.34)	(82.53)
Total Equity	351.26	303.66	237.47
LIABILITIES			
Deferred Liabilities	2.41	3.36	4.11
Long Term Loan	99.09	6.66	14.11
Certificate of Investment	–	6.00	6.00
Lease Key Money	428.32	280.35	72.50
Other Long term Liabilities	–	0.70	2.10
Total Non-current liabilities	529.82	297.07	98.82
Current Maturity of L.T. Loan	240.87	92.42	32.02
S.T. Loan & Running Finance	116.74	108.03	108.86
S.T. Certificate of Investment	3.22	7.24	0.76
Lease Key Money	311.70	152.82	286.06
Other Current Liabilities	37.16	28.40	25.49
Total Current Liabilities	709.69	388.91	453.19
Total Liabilities	1,239.51	685.98	552.01
Total Equity and Liabilities	1,590.77	989.64	789.48
ASSETS			
Tangible Fixed Assets	13.86	23.40	23.02
Net Investment in Lease Finance	907.45	432.54	158.29
Long Term Investment	35.34	13.29	24.47
Other Long Term Assets	1.12	1.26	1.38
Total Non-current Assets	957.77	470.49	207.16
Current Portion of Lease Finance	495.33	410.49	504.58
Current Maturity of L.T. Finance	74.50	63.39	59.03
Investment	36.47	28.66	3.86
Other Current Assets	4.25	4.73	4.43
Cash & Bank Balances	22.45	11.90	10.42
Total Current Assets	633.00	519.15	582.32
Total Assets	1,590.77	989.64	789.48
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	(76.69)	(130.24)	(129.13)
Capital Ratio (X)	0.22	0.31	0.30
Gearing (X)	1.18	0.68	0.65
Leverage Ratio (X)	1.10	2.26	2.32
Current Ratio (X)	0.89	1.33	1.28
Total Assets / Net Worth (X)	4.53	3.26	3.32
Total Financing / Net Worth (X)	4.50	3.13	3.25
Break-up Value (Rs.)	10.98	9.49	7.42
Investment in Lease Finance (%)	0.88	0.85	0.84

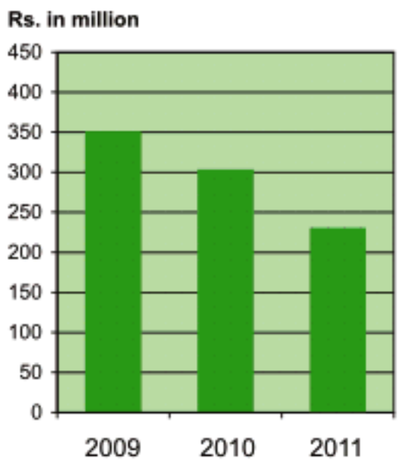
Income Statement

31st December Reporting Period (Months)	2009 12	2010 12	2011 12
INCOME		(Rupees in Millions)	
Lease income	122.43	84.51	53.38
Mark-up income	0.57	0.39	0.53
Capital gain on Investment	0.40	0.43	5.77
Dividend Income	0.11	0.25	-
Other income	0.36	0.01	0.04
Total Income	123.87	85.59	59.72
EXPENSES			
Operating Expenses	47.63	44.71	47.25
Financial Expenses	92.45	46.82	30.77
Prov. for Pot. Lease Losses/ Loan	49.68	41.45	43.64
Prov. for Dimn. in value of Investment	4.67	–	-
Total Expenses	194.43	132.98	121.66
Profit Before Taxation	(70.56)	(47.39)	(61.94)
Taxation	(0.81)	2.40	0.60
Net Profit	(69.75)	(49.79)	(62.54)
APPROPRIATION			
Dividend	–	–	-
Reserve for Bonus Shares	–	–	-
Statutory Reserve	–	–	-
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	10.98	9.49	7.42
Financial Charges / Total Expenses (%)	48.72	35.21	35.21
Times interest earned (X)	0.77	0.78	-
Earning per share (Rs.)	2.18	(1.56)	(1.95)
Return on equity (%)	(0.18)	(0.15)	(0.19)
Return on Assets (%)	(3.91)	11.56	13.22
Debt Equity Ratio (%)	1.30	0.68	0.68
Dividend Per Share (Rs.)	–	–	Nil
Stock Dividend (%)	–	–	Nil

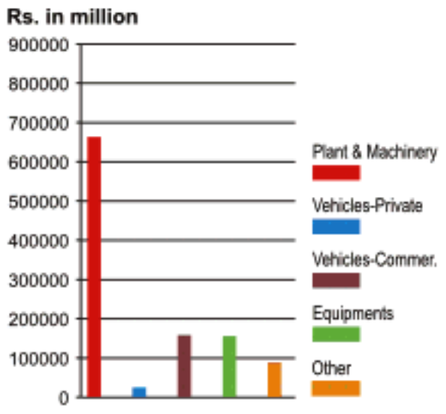
Balance Sheet Growth



Equity Growth



Investment in Lease



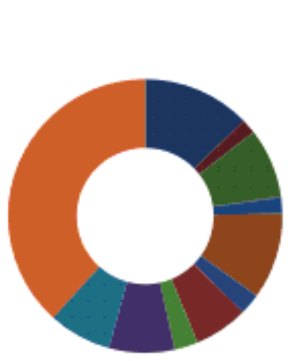
Cost Analysis (2010-11)

	%
Operating Expenses	38.83
Financial Expenses	25.29
Prov. for Pot. Lease Losses/Loan	35.88

Revenue Analysis (2010-11)

	%
Lease Income	89.38
Mark-Up Income	0.88
Capital Gain on Investment	9.66
Other Income	0.08

Sector Wise Exposure (2010-11)



	%
Auto & Allied	12.77
Chemical, Fertilizers & Pharmaceutical	1.73
Construction and Building products	8.21
Dairy & Poultry & Fisheries	0.13
Education	1.89
Energy, Fuel, Oil & Gas	10.15
Engineering & Allied	2.48
Food, Tobacco & Beverages	6.39
Health Care	2.79
Textile	7.74
Transport & Communication	7.44
Others	38.28

The SME Leasing Limited Team

Mr. Ali A. Rahim
Chief Executive Officer

Mr. Tanveer-ul-Bari
Chief Financial Officer &
Company Secretary

Mr. Muhammad Younus
Head Credit & Marketing

Ms. Shafque Akhter
Head Internal Audit

Company Information

Commenced Business on	:	January 28, 2003
Head Office	:	Office No. 304 3rd Floor, Business Arcade, P.E.C.H.S. Block 6, Shahrah-e-Faisal, Karachi
Telephone	:	(92-21) 34322128-9
Fax	:	(92-21) 34322048
Email	:	info@smelease.com
Website	:	www.smelease.com
Offices at	:	Karachi, Lahore, Islamabad, Hyderabad, Peshawar, Sialkot.
Staff Strength	:	42
Listed at	:	Lahore Stock Exchange
Auditors	:	KPMG Taseer Hadi & Co.
Legal Advisors	:	Mohsin Tayyebaly & Co.

Standard Chartered Leasing Limited

Mr. Arjumand Ahmed Minai
Chief Executive

Board of Directors

Mr. Mohsin Ali Nathani
Chairman

Mr. Arjumand Ahmed Minai
CEO

Mr. Najam I. Chaudhri
Director

Mr. Najam Siddiqi
Director

Mr. Shahid Zaki
Director

Mr. Khurram Shahzad Khan
Director

Syed Naseer ul Hassan
Director

History, Background & Principal Activities etc.

Standard Chartered Leasing Limited was incorporated in Pakistan in October 1993. The Company is a subsidiary of Standared Chartered Bank (Pakistan) Limited (SCBPL) which has share holding of 86.45%. Standard Chartered Leasing Limited with its head office in Karachi is listed on all three Stock exchanges of the country and operates through a network of four branches, including: Lahore, Islamabad and Faisalabad, along with its registered office in Karachi. The Board of Directors comprises of experienced professionals from the Financial industry. Mr. Mohsin Ali Nathani, the CEO of Standard Chartered Bank (Pakistan) Limted (SCBPL), is the Chairman of the Board.There are two independent directors on the board.Both independent directors are also member of the Audit and Risk Committee,and the chairman of Audit and Risk Committee is an independent director.

SCLL has been in commercial operations since May 1994. It offers two products to the customer (1) Certificate of Investment and (2) Leasing of Plant and Machinery & Vehicles. The Pakistan Credit Rating Agency has upgraded long term rating of Standard Chartered Leasing Limited (SCLL) to AA+ (Double A Plus) [Previous: AA] while short term rating has been maintained at A1+ (A One Plus).

Arjumand Minai has joined Standard Chartered Leasing Limited (SCLL) as Chief Executive Officer in April 2010. He is a Fellow of the Chartered Association of Certified Accountants, UK and has over 33 years of varied experience with leading multinational & national organizations in manufacturing, marketing and financial services sectors. He has worked for blue chip companies like Exxon and Wellcome Pakistan in the areas of Finance, Audit, Information Technology, Human Resource, Strategic Planning and Corporate Affairs. Prior to his current assignment with SCLL, Arjumand has served the Standard Chartered Group in Pakistan as Managing Director of Standard Chartered Services of Pakistan (Pvt.) Limited, the management company of Standard Chartered Modaraba, and as Head of Islamic Banking & Strategic Projects of SCBPL. Arjumand was Chief Financial Officer of Union Bank from August 2003 to September 2006, when Union Bank was acquired by the Standard Chartered Group.

PERFORMANCE HIGHLIGHTS-2011-12

The financial results for 2012 show a remarkable performance considering the difficult economy, uncertain political and security conditions that we operate in. It was through sound policies, dynamic strategy, continuous improvement in productivity and dedicated effort by the employees that we maintained the growth momentum and balance sheet strength. Profit before tax grew from 117.34 million to 177.86 million in 2012 with earnings per share at Rs. 1.00 from Rs. 0.78 in 2011, an increase of around 28%.

Net Revenue of the Company grew by 15% from Rs. 187.28 million in 2011 to Rs. 215.37 million in 2012. Fresh leases booked during the period amounted to Rs. 2,438 million, compared to Rs 1,705 million in 2011.

Liquidity of approximately Rs 2.88 billion was generated through mobilization of cost effective Certificates of Investment (COI). The COI base as at June 30, 2012 was Rs. 2.71 billion compared to Rs. 1.68 billion at June 30, 2011. The focus on effective management of rental recovery and collection effort during the period yielded Rs. 1,427 Million, achieving recovery / collection level of over 98.5% for the entire portfolio, compared to 95% for 2011. The robust business performance was achieved by focusing on operational efficiency, selective business growth, implementation of prudent risk management policies, effective fund management, cost control and a relentless collection and recovery drive.

Final cash dividend of 8% (2011 : 5%) has been approved by shareholders.

Rating

Short Term	A1 +
Long Term	AA +

Rating Agency

Pakistan Credit Rating Agency (Private) Limited

Mr. Raheel Qamar Ahmad
CEO

Standard Chartered Modaraba

Board of Directors

Mr. Mohsin A. Nathani
Chairman

Mr. Raheel Q. Ahmad
CEO

Mr. Najam Siddiqi
Director

Mr. Imran Sarwar
Director

Mr. Khurram S. Khan
Director

Mr. Shezad Arif
Director

History, Background & Principal Activities etc.

Standard Chartered Modaraba (SCM) was formed under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Standard Chartered Services of Pakistan (Private) Limited. The Management Company is a wholly owned subsidiary of Standard Chartered Bank (Pakistan) Limited. The Modaraba is a perpetual modaraba and is primarily engaged in leasing and diminishing musharika of plant, machinery, motor vehicles (both commercial and private), computer equipment etc. The Modaraba also engaged in Housing Finance facilities. The Modaraba may also invest in commercial and industrial ventures suitable for the Modaraba.

PERFORMANCE HIGHLIGHTS-2011-12

By the Grace of Allah, considering the general business environment, SCM's performance during the year has been excellent. The Modaraba's net profit increased by 16.52% to Rs. 100.91 million as compared to Rs. 86.61 million during corresponding period of last year. SCM continued focusing on raisings funds from the general public through Certificates of Musharika (CoMs). Thus, the balance of CoMs has increased by 63% to Rs. 2,842 million, as at June 30, 2012 (the highest ever in the sector) as compared to Rs. 1,747 million as at the close of last year. Without compromising credit quality, Modaraba's investment in Ijarah finance, Ijarah assets, Murabaha finance, Diminishing Musharika, Term Deposits and House Finance Diminishing Musharika have increased by 49.48% to Rs. 5,729 million as against Rs. 3,833 million last year. Total assets have increased by 47.36% to Rs. 6,132 million as against Rs. 4,161 million last year. SCM is the first Modaraba in Pakistan whose asset base has exceeded Rs. 6 billion as at June 30, 2012. The growth in the business has been driven mainly by deepening relationships with selective clientele and initiating relationships with good names. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships.

Standard Chartered Modaraba manages and monitors risk exposure very prudently. The evaluation of borrower's credit profile including repayment ability is made at the time of grant of facility. Regular oversight of disbursements is made by the Client Relationships team post disbursement. Further, there are Portfolio Management and Early Alert committees which are responsible to ensure portfolio monitoring and timely alerts for possible untoward scenarios.

SCM, while remaining cautious and prudent during the prevailing economic slowdown, is focused to take benefit of good opportunities that add value of all stake holders. Our sensible and proactive risk management approach has always helped us to maintain a leading position in the Modaraba sector. We will continue to place emphasis on customer service with focus on quality clients.

SCM continues to maintain entity ratings of AA+ (Double A plus) and A1+ (Single A one plus) for long-term and short-term respectively. These ratings are the highest in the entire modaraba and leasing sectors and have been assigned by Pakistan Credit Rating Agency (Private) Limited. These ratings indicate low expectation of credit risk and exceptionally strong capacity for timely payment of financial commitments.

Rating

Short Term	A1 +
Medium / Long Term	AA +

Rating Agency

Pakistan Credit Rating Agency (Private) Limited

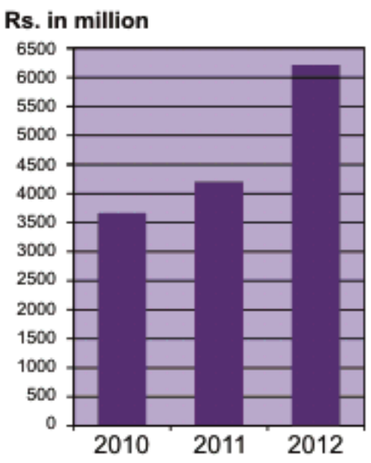
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY	(Rupees in Millions)		
Issued, subs. & Paid-up-Capital	453.84	453.84	453.84
Reserve & Retained Earning	474.78	484.23	506.85
Total Equity	928.62	938.07	960.69
LIABILITIES			
Deferred Liabilities	–	–	-
Long Term Loan	–	–	-
Certificate of Investment	109.85	27.73	68.98
Lease Key Money	249.18	350.61	621.27
Total Non-current liabilities	359.03	378.34	690.25
Current Maturity of L.T. Loan	–	–	-
S.T. Loan & Running Finance	9.47	456.53	1,025.34
S.T. Certificate of Investment	1,959.04	1,997.91	3,094.47
Other Current Liabilities	348.90	390.26	360.87
Total Current Liabilities	2,317.41	2,844.70	4,480.68
Total Liabilities	2,676.44	3,223.04	5,170.93
Total Equity and Liabilities	3,605.06	4,161.11	6,131.62
ASSETS			
Tangible Fixed Assets	3.28	2.34	1.65
Net Investment in Lease Finance	2,230.76	3,028.99	4,334.87
Long Term Investment	37.89	8.20	6.77
Other Long Term Assets	201.54	347.53	1,047.81
Total Non-current Assets	2,473.47	3,387.06	5,391.10
Current Portion of Lease Finance	675.01	295.50	85.05
Short-term Finance	300.00	70.00	150.00
Investments	–	–	1.01
Other Current Assets	78.79	386.17	494.15
Cash & Bank Balances	77.80	22.38	10.31
Total Current Assets	1,131.60	774.05	740.52
Total Assets	3,605.07	4,161.11	6,131.62
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	(1,185.81)	(2,070.64)	(3,740.16)
Capital Ratio (X)	0.28	0.25	0.18
Gearing (X)	2.24	2.65	4.36
Leverage Ratio (X)	2.51	2.94	4.66
Current Ratio (X)	0.49	0.27	0.17
Total Assets / Net Worth (X)	3.88	4.44	6.38
Total Financing / Net Worth (X)	2.88	3.44	0.91
Break-up Value (Rs.)	20.46	20.67	21.17
Investment in Lease Finance (%)	81.00	80.00	0.72

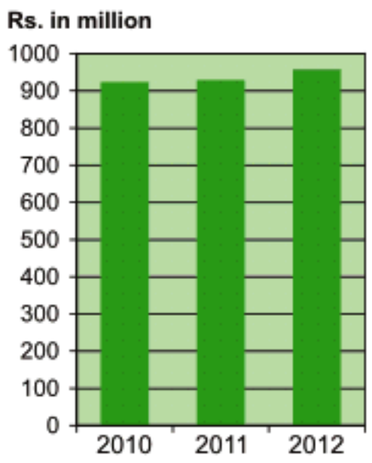
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME	(Rupees in Millions)		
Lease Income	348.61	338.88	502.09
Mark-up-Income	33.46	51.46	23.42
Capital gain on Investment	–	–	-
Non Interest Income	–	–	-
Other Income	25.62	13.56	30.14
Total Income	407.69	403.90	555.65
EXPENSES			
Operating Expenses	59.79	64.90	80.82
Financial Expenses	243.95	224.19	348.26
Prov. for Pot. Lease Losses/Loan	–	28.20	26.29
Prov. for Dimn. in value of Investment	–	–	(0.63)
Total Expenses	327.81	317.29	454.74
Profit Before Taxation	79.88	86.61	100.91
Taxation	–	–	-
Net Profit	79.88	86.61	100.91
APPROPRIATION			
Dividend	77.15	78.29	79.42
Reserve for Bonus Shares	–	–	-
Statutory Reserve	15.98	17.32	20.18
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	20.46	20.67	21.17
Financial Charges / Total Expenses (%)	74.00	71.00	77
Times interest earned (X)	1.43	1.39	1.36
Earning per share (Rs.)	1.76	1.91	2.2
Return on equity (%)	8.60	9.28	10.62
Return on Assets (%)	2.27	2.23	1.96
Debt Equity Ratio (%)	224.00	265.00	436
Dividend Per Share (Rs.)	1.70	1.73	1.75
Stock Dividend (%)	–	–	-

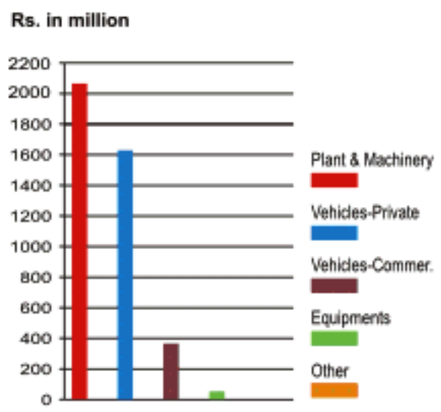
Balance Sheet Growth



Equity Growth



Investment in Lease



Cost Analysis (2011-12)

	%
Operating Expenses	17.77
Financial Expenses	76.59
Prov. for Pot. Lease Losses/Loan	5.64

Revenue Analysis (2011-12)

	%
Ijarah / Lease / Trading Income	90.36
Mark-Up Income	4.22
Other Income	5.42

Sector Wise Exposure (2011-12)

	%
Auto & Allied	3.79
Cement	0.87
Chemical, Fertilizers & Pharmaceutical	13.51
Construction	0.19
Consumer facilities	6.94
Dairy & Poultry	2.55
Education	1.63
Electronics	0.77
Energy, Fuel, Oil & Gas	11.23
Engineering & Allied	1.73
Financial Sector	4.63
Food, Tobacco & Beverages	13.47
Services	3.38
Sugar	7.28
Textile	8.91
Transport & Communication	7.70
Others	11.43

The Standard Chartered Modaraba Team

Raheel Qamar Ahmad
CEO/ Managing Director

Muhammad Siddique
Chief Financial Officer & Company Secretary

Mohammad Arif Daya
Head of Credit Risk Control

Mohammad Ali Sajjad Shah
Head of Compliance & Product Management

Salwat Ahmad
Unit Head Client Relationship - North

Mohammad Asim Javed
Unit Head Client Relationship - South

Salman Muslim
Head of Internal Audit

Nadir Shah
Head of Human Resources & Head of House Financing Diminishing Musharakah

Mirza Amir Sultan
Head of Information Technology

Company Information

Commenced Business on	:	August 1987
Head Office	:	Standard Chartered Bank (Pakistan) Ltd Building, P. O. Box 5556, I. I. Chundrigar Road, Karachi-74000
Tel	:	(92-21) 32450000,
Fax	:	(92-21) 32400200, 38140801-803
Email	:	ask.scm@sc.com
Website	:	http://modaraba.standardchartered.com/
Offices at	:	Karachi, Lahore & Islamabad
Staff Strength	:	27
Listed at	:	Karachi & Lahore Stock Exchanges
Auditors	:	A.F. Ferguson & Co., Chartered Accountants
Legal Advisors	:	M/s. Fazle Ghani Khan & Co. M/s. Mohsin Tayebali & Co. M/s. Orr Dignam & Co. M/s. Sirajul Haque & Co.

Trust Investment Bank Limited

Mr. Shahid Iqbal
CEO

Board of Directors

Mr. Asif Kamal
Chairman

Mr. Shahid Iqbal
CEO

Mr. Humayun Nabi Jan
Director

Mr. Khalid Rafiq
Director

Mr. Shazib Masud
Director

Mr. Munawar Ali
Director

Mr. Mumtaz Ahmed
Director

Mr. Sajjeed Aslam

History, Background & Principal Activities etc.

Trust Investment Bank Limited ("the Company") was incorporated in 1992 as a public limited Company under the Companies Ordinance, 1984 and is listed on Lahore, Karachi & Islamabad Stock Exchanges. The registered office of the Company is situated at 6th Floor, M. M. Tower, 28-A/K, Gulberg-II, Lahore. The Company is mainly engaged in the business of investment finance services. It is classified as a Non-Banking Finance Company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan (SECP).

PERFORMANCE HIGHLIGHTS-2011-12

The financial results for the year ended June 30, 2012 are as follows:

Revenue	252.53
Operating Expenses	177.19
Financial Expenses	546.75
Profit/ (loss) after taxation	(1004.19)
Earnings/ (loss) per Share	(17.93)

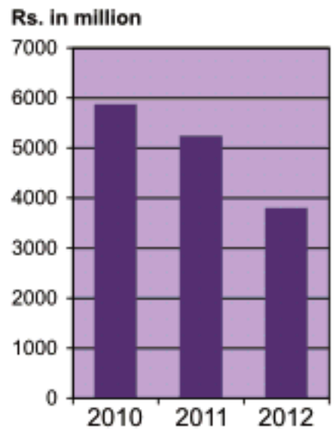
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued, Subs. & Paid-up-Capital	892.03	1,292.68	1,292.67
Reserve & Retained Earning	(843.93)	(764.20)	(1,833.62)
Total Equity	448.75	528.48	(540.95)
LIABILITIES			
Deferred Liabilities	8.09	9.21	2.94
Long Term Loans	1,058.79	891.01	241.72
Long Term Certificates of Investment	103.86	151.86	294.08
Lease Key Money	239.07	772.93	511.83
Total Non-current liabilities	–	1,825.01	1,050.56
Current Maturity of L.T. Loan	–	732.17	898.10
S.T. Loan & Running Finance	1,040.89	1,276.15	39.95
S.T. Certificates of Investment	1,393.00	742.50	1,718.99
Other Current Liabilities	1,613.75	276.33	702.15
Total Current Liabilities	4,047.64	3,027.15	3,359.19
Total Liabilities	5,457.45	4,852.16	4,409.74
Total Liabilities & Equity	5,906.20	5,380.64	3,868.80
ASSETS			
Tangible Fixed Assets	331.61	232.21	417.82
Net Investment In Lease Finance	799.85	153.70	128.93
Long-Term Investment	444.25	722.14	101.76
Other Long-Term Assets	301.91	569.07	570.79
Total Non-current Assets	–	1,677.12	1,219.30
Current Portion of Lease Finance	2,220.14	2,088.40	1,503.76
Short Term Finance	546.82	806.39	293.58
Investments	359.31	1.38	-
Other Current Assets	233.27	778.24	841.81
Cash & Bank Balances	143.19	29.11	10.35
Total Current Assets	3,502.74	3,703.52	2,649.49
Total Assets	5,906.19	5,380.64	3,868.80
SIGNIFICANT RATIOS			
Net working capital (Rs.)	(544.91)	208.99	(1,271.41)
Capital Ratio (Rs.)	0.16	0.09	(0.140)
Gearing Ratio (X)	6.09	5.48	(5.90)
Leverage Ratio (X)	11.06	9.18	(8.15)
Current Ratio (X)	0.87	1.06	0.68
Total Assets / Net worth (X)	13.16	10.18	(7.15)
Total Financing / Net worth (X)	8.78	5.49	(2.18)
Break-up Value (Rs.)	2.70	–	–
Investment in Lease Finance (%)	48.76	41.67	42.20

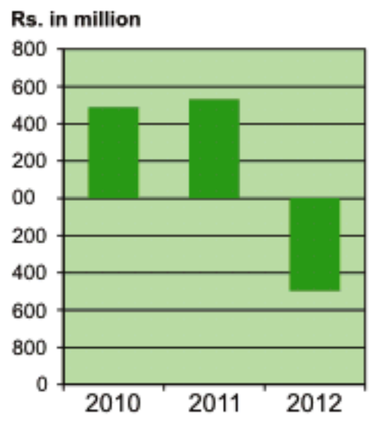
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	285.58	290.01	118.42
Mark-up Income	148.06	322.78	102.02
Capital Gain/(Loss) on Investments	16.42	5.94	20.50
Non Interest Income	1.12	–	–
Other income	23.34	40.85	11.59
Total Income	474.52	659.58	252.53
EXPENSES			
Operating Expenses	202.42	166.71	177.19
Financial Expenses	685.57	587.19	546.75
Prov. For Pot. Lease Losses/Loans	225.27	(217.67)	530.75
Prov. For Dimn. in Value of Invest.	265.84	(60.00)	-
Total Expenses	1,379.10	476.24	1,254.70
Profit Before Taxation	(904.57)	183.34	(1,002.17)
Taxation	(202.77)	16.97	2.03
Net Profit/(Loss)	(701.81)	166.36	(1,004.19)
APPROPRIATION			
Dividend	–	–	-
Reserve for Bonus Shares	–	–	-
Statutory Reserve	–	33.27	-
Other Reserve	61.00	–	-
SIGNIFICANT RATIOS			
Book Value per share (Rs.)	5.03	3.79	(14.47)
Financial charges / Total Exp. (%)	77.20	0.78	43.58
Times Interest Earned (X)	(0.32)	0.84	0.14
Earning per Share (Rs.)	–	2.12	(17.93)
Return on Equity (%)	(167.17)	34.05	-
Return on Assets (%)	(11.34)	2.95	(25.96)
Debt Equity Ratio (%)	–	548.62	(590.23)
Dividend Per share (Rs.)	–	–	–
Stock Dividend (%)	–	–	–

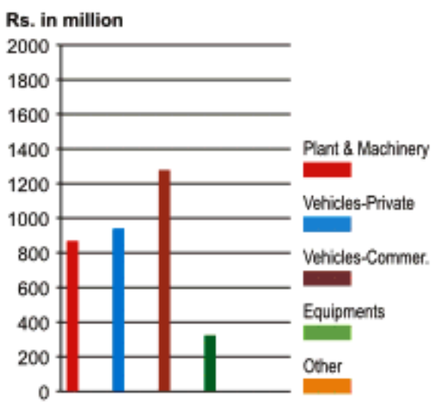
Balance Sheet Growth



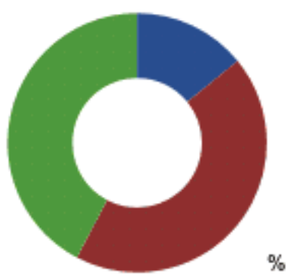
Equity Growth



Investment in Lease



Cost Analysis (2011-12)

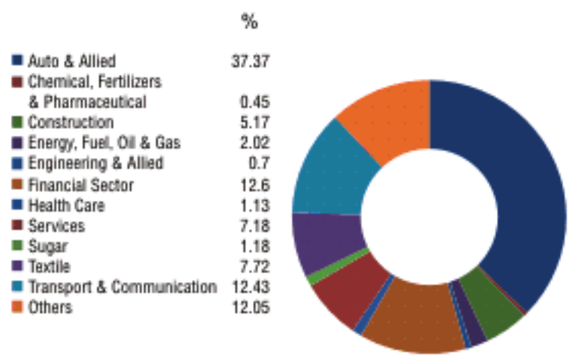


	%
Operating Expenses	14.00
Financial Expenses	44.00
Prov. for Pot. Lease Losses/Loan	42.00

Revenue Analysis (2011-12)

	%
Ijarah / Lease / Trading Income	47.00
Mark-Up Income	40.00
Capital Gain on Investment	8.00
Other Income	5.00

Sector Wise Exposure (2011-12)



	%
Auto & Allied	37.37
Chemical, Fertilizers & Pharmaceutical	0.45
Construction	5.17
Energy, Fuel, Oil & Gas	2.02
Engineering & Allied	0.7
Financial Sector	12.6
Health Care	1.13
Services	7.18
Sugar	1.18
Textile	7.72
Transport & Communication	12.43
Others	12.05

The Trust Investment Bank Ltd. Team

Mr. Shahid Iqbal
Chief Executive
Mr. Waqas Ahmed Khawaja
Head of Credit
Mr. Muhammad Zubair
Controller Accounts & Finance
Mr. Awais Yasin
Company Secretary/Head Admin/HR

Company Information

Commenced Business on	:	February 23, 1992
Head Office	:	6th Floor, M.M. Tower, 28-A/K, Gulberg-II, Lahore.
Tel	:	042-3581 7601-05
Fax	:	042-3581 7600
Email	:	Info@trustbank.com.pk
Website	:	www.trustbank.com.pk
Offices at	:	Karachi, Islamabad, Multan Gujranwala, Faisalabad & Peshawar
Staff Strength	:	34
Listed at	:	Lahore, Karachi & Islamabad Stock Exchanges
Auditors	:	Zahid Jamil & Company
Legal Advisors	:	Nawaz Kasuri & Rasheed Law Chambers

Trust Modaraba

Mr. Basheer A. Chowdry
Chief Executive

Board of Directors

Syed Manzoor Hussain Shah Kazmi
Chairman

Mr. Basheer Ahmed Chowdry
CEO

Shaikh Arshad Farooq
Director

Mr. Muhammad Imran-ul-Haque
Director

Mr. Sohail Ansar
Director

Mrs. Dr. Namoos Baquar
Director

Syed Shahnawaz A. Rizvi
Director

History, Background & Principal Activities etc.

Trust Modaraba is a multipurpose Modaraba engaged in Murabahah and Ijarah financing as its main business. It is listed on all the three stock exchanges of the Country.

Trust Modaraba was formed in Pakistan under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and the Rules framed there under and had been managed by Trust Managment Services (Private) Limited (TMSL). The registration of the Management Company was cancelled by the Registrar Modaraba vide its'order dated 20th August, 2007. An Administrator was appointed to protect the interest of the certificate holders for the interim period. Subsequently, based on the proven track record of performance, the Management rights of Trust Modaraba were entrusted to Al-Zamin Modaraba Management (Private) Limited vide SECP Order dated 30 January 2009, consequent upon which the Administrator ceased to hold his office. The new management company injected equity of Rs.25.00 million and also devised a comprehensive revival plan for the Modaraba clearly defining the short term and long term targets. Effective implementation of defined strategy resulted in turnaround of operational activities and after completion of first year of operations, dividend was paid to the certificate holders who had been deprived of any payout for the last many years.

The new Board of Directors include professional bankers with vast experience of domestic and international banking and investments. The presence of strong professional team ensures that Modaraba's business is managed with highest standards of competency, capability and professionalism..

PERFORMANCE HIGHLIGHTS-2011-12

During the year under review, operating income increased to Rs.85.841 million, as compared to last year's Rs.73.690 million. The net profit for the year after management fee stood at Rs.12.194 million as compared to last year's figure of Rs.21.019 million. It may be clarified that the previous year's profit included a one time gain of Rs.4.815 million on disposal of fixed assets and reversal of provisioning of Rs.7.2 million against the classified accounts which was not available during the current year. Morabaha and ijarah financing remained the core business activities of Modaraba. During the year a sum of Rs.9.862 million has been recovered from the defaulting clients pertaining to previous regime.

Asset base of the Modaraba increased to Rs.400 million from Rs.377 million. Liquidity generated through recovery and profitability was effectively deployed in writing fresh business with prudence while evaluating credit worthiness.

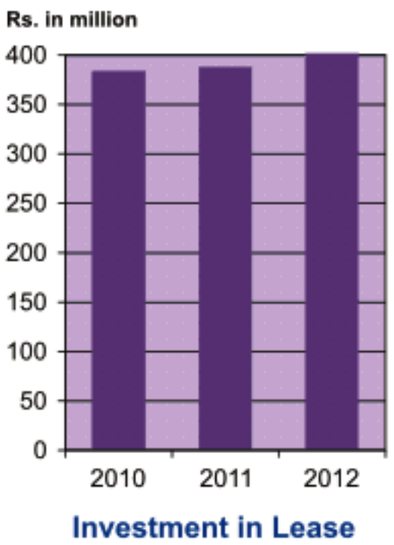
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	298.00	298.00	298.00
Reserve & Retained Earning	(18.42)	(14.61)	(17.35)
Total Equity	279.58	283.39	280.65
LIABILITIES			
Deferred Liabilities	–	–	0.76
Long Term Loan	–	–	-
Certificate of Investment	–	–	-
Lease Key Money	57.95	66.20	60.60
Total Non-current Liabilities	57.95	66.20	61.37
Current Maturity of L.T. Loan	–	2.99	-
S.T. Loan & Running Finance	–	–	-
S.T. Certificate of Investment	–	–	-
Other Current Liabilities	33.60	24.63	58.53
Total Current Liabilities	33.60	27.62	58.53
Total Liabilities	91.55	93.82	119.90
Total Equity and Liabilities	371.13	377.21	400.55
ASSETS			
Tangible Fixed Assets	14.12	0.57	14.83
Net Investment in Lease Finance	149.06	6.23	161.92
Long Term Investment	11.36	11.52	16.49
Other Long Term Assets	11.53	166.92	1.18
Total Non-Current Assets	186.07	185.25	194.43
Current Portion of Lease Finance	39.10	44.08	16.07
Short-term Finance	106.98	92.97	149.96
Investments	7.50	2.32	2.10
Other Current Assets	23.17	35.82	13.45
Cash & Bank Balances	8.31	16.78	24.54
Total Current Assets	185.06	191.96	206.12
Total Assets	371.13	377.21	400.55
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	–	162.44	147.59
Capital Ratio (x)	0.75	0.75	0.92
Gearing (X)	–	–	-
Leverage Ratio (X)	0.09	0.33	0.09
Current Ratio (X)	0.18	6.88	3.52
Total Assets / Net Worth (X)	15.86	1.33	1.43
Total Financing / Net Worth (X)	–	–	-
Break-up Value (Rs.)	9.38	–	
Investment in Lease Finance (%)	40.00	–	0.66

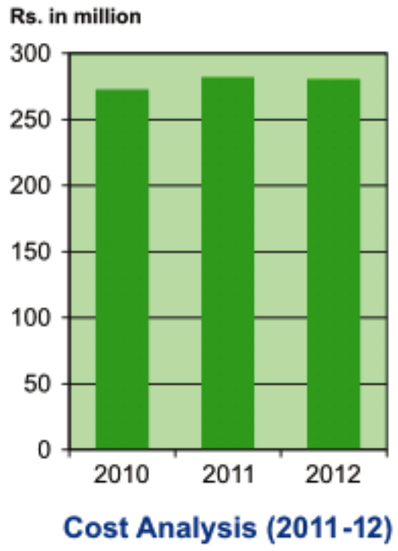
Income Statement

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
INCOME		(Rupees in Millions)	
Lease income	38.50	57.22	81.13
Mark-up income	11.36	14.72	-
Capital gain on Investment	6.15	0.38	1.53
Non Interest Income	–	7.22	-
Other income	3.29	1.37	2.31
Total Income	59.30	80.91	84.97
EXPENSES			
Operating Expenses	41.45	59.89	74.92
Financial Expenses	–	–	-
Prov. for pot. lease losses/loan	(2.99)	–	(2.13)
Prov. for Dimn. in value of Investment	0.39	–	0.07
Total Expense	38.85	59.89	72.86
Profit Before Taxation	20.45	21.02	12.11
Taxation	2.95	–	-
Net Profit	23.40	21.02	12.11
APPROPRIATION			
Dividend	–	–	-
Reserve for Bonus Shares	–	–	-
Statutory Reserve	7.01	–	6.05
Other Reserve	–	–	-
SIGNIFICANT RATIOS			
Book value per share (Rs.)	9.38	0.95	9.42
Financial Charges / Total Expenses (%)	–	–	-
Times interest earned (X)	–	–	-
Earning per share (Rs.)	0.79	0.71	0.41
Return on equity (%)	8.00	0.07	4.29
Return on Assets (%)	6.00	0.06	3.11
Debt Equity Ratio (%)	–	–	-
Dividend Per Certificate (Rs.)	–	–	-
Stock Dividend (%)	–	–	-

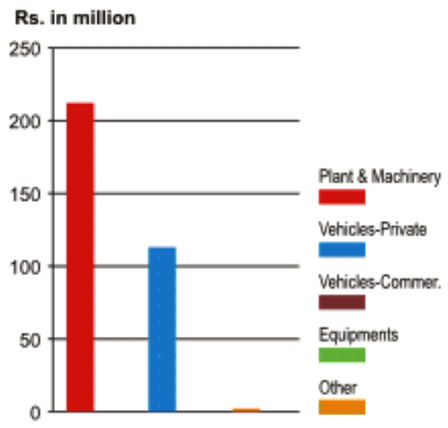
Balance Sheet Growth



Equity Growth



Investment in Lease



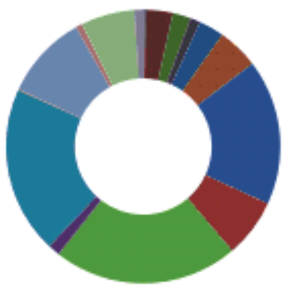
Cost Analysis (2011-12)

	%
Operating Expenses	102.83
Prov. for Pot. Lease Losses/Loan	(2.83)

Revenue Analysis (2011-12)

	%
Ijarah / Murabaha / Musharkah / Trading Income	95.00
Capital Gain on Investment	2.00
Other Income	3.00

Sector Wise Exposure (2011-12)



	%
Cement	0.30
Chemical, Fertilizers & Pharmaceutical	3.19
Consumer facilities	2.16
Education	1.18
Energy, Fuel, Oil & Gas	2.97
Engineering & Allied	4.87
Food, Tobacco & Beverages	17.18
Services	6.90
Textile	21.86
Transport & Communication	1.42
Others	19.73
Mutual Fund	0.09
Synthetic & Rayon	9.99
Paper & Board	0.78
Vanaspati & Allied	6.34
Books & Publication	1.04

The Trust Modaraba Team

Mr. Basheer Ahmed Chowdry
Chief Executive

Ms. Hamida Aqeel
Chief Operating Officer/
Company Secretary

Mr. Ijaz Ahmed Khan
Chief Financial Officer/
Regional Head

Ms. Roomana Nasir
Head of Internal Audit

Company Information

Commenced Business on	: 12-11-1991
Head Office	: 104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600.
Tel	: 021-35876651-52
Fax	: 021-35870408
Email	: info@trustmodaraba.com
Website	: trustmodaraba.com
Regional office	: 301-320, 3rd Floor, Garden Heights,8-Aibak block New Garden Twon Lahore
Staff Strength	: 20
Listed at	: Karachi, Lahore & Islamabad
Auditors	: M. Yousaf Adil Saleem & Co.
Legal Advisors	: Irfan & Irfan, Attorneys at Law. Syed Khalid Salim

Unicap Modaraba

Mr. Basheer A. Chowdry
Chief Executive

Board of Directors

Syed Manzoor Husain Shah Kazmi
Chairman

Mr. Basheer Ahmed Chowdry
CEO

Syed ShahNawaz A. Rizvi
Director

Shaikh Arshad Farooq
Director

Mr. Muhammad Imran-ul-Haque
Director

Mr. Sohail Ansar
Director

Mrs. Dr. Namoos Baquar
Director

History, Background & Principal Activities etc.

Unicap Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba floated in Pakistan in the year 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under, having its registered office at 104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba was managed until May 03, 2000, by Chartered Management Services (Private) Limited and thereafter the management was transferred to Al-Zamin Modaraba Management (Private) Limited as the registration of the former was cancelled by the Securities and Exchange Commission of Pakistan in view of the various irregularities committed. Al-Zamin Modaraba Management (Private) Limited, after taking over streamlined the records and settled all the liabilities of the Modaraba by disposing off its' assets. The Modaraba is now in a shell form with no liabilities.

The operations of Modaraba have been reduced to minimal level since the year 2000. Various options to transfer the management rights of the Modaraba are being considered. The Modaraba, currently is not fully functional due to liquidity constraints.

PERFORMANCE HIGHLIGHTS-2011-12

The Modaraba is not operative due to severe poverty of funds.

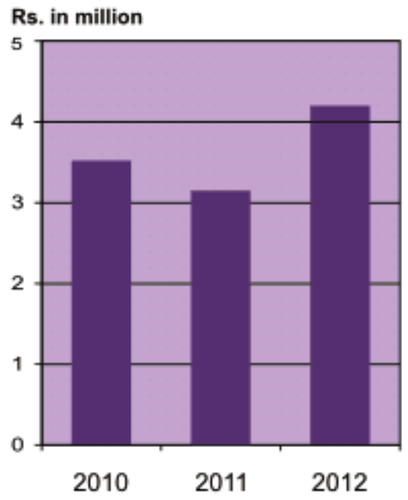
Balance Sheet

30th June Reporting Period (Months)	2010 12	2011 12	2012 12
EQUITY		(Rupees in Millions)	
Issued,subs.& Paid-up-Capital	136.40	136.40	136.40
Reserve & Retained Earning	(136.22)	(136.57)	(136.76)
Total Equity	0.18	(0.17)	(0.36)
LIABILITIES			
Deferred Liabilities	3.33	–	–
Long Term Loan	–	–	–
Certificate of Investment	–	–	–
Lease Key Money	–	–	–
Total Non-current Liabilities	3.33	–	–
Current Maturity of L.T. Loan	–	–	–
S.T. Loan & Running Finance	–	–	–
S.T. Certificate of Investment	–	–	–
Other Current Liabilities	–	3.33	4.60
Total Current Liabilities	0.00	3.33	4.60
Total Liabilities	3.33	3.33	4.60
Total Equity and Liabilities	3.52	3.16	(4.24)
ASSETS			
Tangible Fixed Assets	–	–	3.05
Net Investment in Lease Finance	–	–	–
Long Term Investment	2.50	–	–
Other Long Term Assets	–	–	–
Total Non-current Assets	2.50	–	3.05
Current Portion of Lease Finance	–	–	–
Short-term Finance	–	–	–
Investments	0.25	2.50	–
Other Current Assets	–	0.22	0.17
Cash & Bank Balances	0.76	0.43	1.02
Total Current Assets	1.02	3.15	1.19
Total Assets	3.52	3.15	4.24
SIGNIFICANT RATIOS			
Net working Capital (Rs.)	–	(0.17)	(0.36)
Capital Ratio (x)	–	(0.05)	(0.08)
Gearing (X)	–	–	–
Leverage Ratio (X)	–	–	–
Current Ratio (X)	–	0.95	0.92
Total Assets / Net Worth (X)	–	–	–
Total Financing / Net Worth (X)	–	–	–
Break-up Value (Rs.)	–	–	–
Investment in Lease Finance (%)	–	–	–

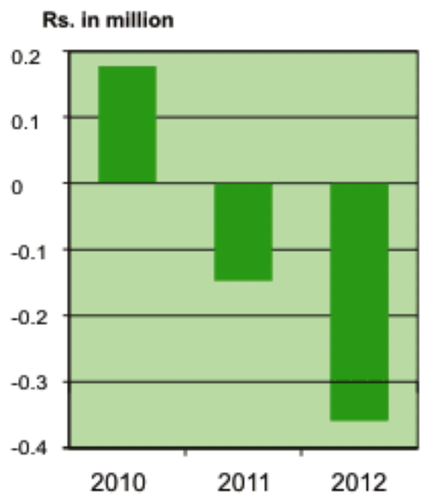
Income Statement

30th June Reporting Period (Months)	2009 12	2010 12	2011 12
INCOME		(Rupees in Millions)	
Lease income	–	–	0.34
Mark-up income	–	–	0.04
Capital gain on Investment	0.44	–	–
Non Interest Income	–	–	–
Other income	0.01	0.38	0.14
Total Income	0.45	0.38	0.52
EXPENSES			
Operating Expenses	0.48	0.72	0.70
Financial Expenses	–	–	–
Prov. for Doubtful Debts	–	–	–
Prov. for Dimn in Value of Invest.	–	0.01	–
Total Expenses	0.48	0.73	0.70
Profit Before Taxation	(0.03)	(0.36)	(0.18)
Taxation	–	–	–
Net Profit / Loss	(0.03)	(0.36)	(0.18)
APPROPRIATION			
Dividend	–	–	–
Reserve for Bonus Shares	–	–	–
Statutory Reserve	8.74	–	–
Other Reserve	–	–	–
SIGNIFICANT RATIOS			
Book value per share (Rs.)	–	–	–
Financial Charges / Total Expenses (%)	–	–	–
Times interest earned (X)	–	–	–
Earning per share (Rs.)	–	(0.03)	(0.01)
Return on equity (%)	–	–	–
Return on Assets (%)	–	–	–
Debt Equity Ratio (%)	–	–	–
Dividend Per Certificate (Rs.)	–	–	–
Stock Dividend (%)	–	–	–

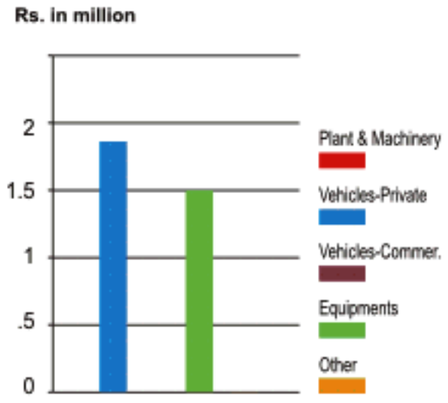
Balance Sheet Growth



Equity Growth



Investment in Lease



Revenue Analysis (2011-12)

	%
Lease Income	65.38
Markup Income	7.69
Other Income	26.93

Cost Analysis (2011-12)

	%
Operating Expenses	100.00

The Unicap Modaraba Team

Mr. Basheer Ahmed Chowdry
Chief Executive

Ms. Hamida Aqeel
Chief Operating Officer/Company Secretary

Ms. Roomana Nasir
Head of Internal Audit

Company Information

Commenced Business on	: -
Head Office	: 104-106, Kassam Court, BC-9, Block-5, Clifton Karachi.
Tel	: 021-35876651-2
Fax	: 021-35870408
Email	: -
Website	: -
Offices at	: -
Staff Strength	: -
Listed at	: Karachi, Lahore, Islamabad
Auditors	: Muniff Ziauddin Junaidy & Co.
Legal Advisors	: Sheikha & Mufti

Glossary

GLOSSARY-ISLAMIC MODES OF FINANCING

Bay	Stands for sale. It is often used as a prefix in referring to different sales-based modes of Islamic finance, such as murabahah, istisna' and salam.
Bay -al- arbun	A sales contract, in which a down payment is given and the parties commit themselves to the agreed conditions. The final contract is concluded upon full payment. The buyer has the right to cancel the sale, but then he loses the down payment.
Bay-al-ayan	Sale of tangible objects such as goods (as against sale of services or rights).
Bay 'al-dayn	Sale of debt. According to a large majority of fuqaha', debt cannot be sold for money except at its face value, but it can be sold for goods and services.
Bay al-madum	Sale of a commodity which does not exist. Such a contract of sale is prohibited.
Bay al- inah	Selling of something to someone at a given price (usually on credit) and then buying it back from him at the same time at a different price (usually for a lower price, but cash). This kind of sale and buy-back is prohibited because it effectively means exchanging a given amount of money for a different amount of money, which amounts to riba. It can be used as a subterfuge for riba dealings.
Bay al-salam	A sale in which payment is made in advance by the buyer and the delivery of the goods is deferred by the seller.
Bay mu ajjal	Sale on credit (i.e. a sale in which goods are delivered' immediately but payment is deferred).
Fiqh	Refers to the whole corpus of Islamic jurisprudence. In contrast to conventional law, fiqh covers all aspects of life, religious, political, social, commercial or eco-nomic. The whole corpus of fiqh is based primarily on interpretations of the Quran and the Sunnah and secondarily on ijma (consensus) and ijtihad (individual judgement). While the Quran and the Sunnah are immutable, fiqhi verdicts may change due to changing circumstances.
Gharar	Literally, it means deception, danger, risk and uncertainty. Technically it means exposing oneself to excessive risk and danger in a business transaction as a result of uncertainty

	about the price, the quality and the quantity of the counter-value, the date of delivery, the ability of either the buyer or the seller to fulfill his commitment, or ambiguity in the terms of the deal, thus exposing either of the two parties to unnecessary risks.
Gharar Fahish	Gharar (for definition, see above) is of two kinds. Gharar yasir and Gharar fahish.
Gharar yasir	A little bit of gharar. This is tolerable because it may be unavoidable.
Hadith	Sayings, deeds and endorsements of the Prophet Muhammad (peace be upon him) narrated by his Companions.
Halal	Things or activities permitted by the Shariah,
Hanafi	A school of Islamic jurisprudence named after Imam Abu Hanifa.
Hanbali	A school of Islamic jurisprudence named after Imam Ahmed bin Hanbal.
Haram	Things or activities prohibited by the Shariah.
Hilah(Plural hiyal)	Legal trick or device to avoid imposition of a law in a particular case.
Ijarah	Leasing. Sale of usufruct of an asset. The lessor retains the ownership of the asset with all the rights and the responsibilities that go with ownership.
Ijarah muntahiyyah bil-tamlik	Lease ending in ownership.
Ijma	A consensus (of fuqaha). Ijma is one of the sources of Islamic law.
Ijtihad	In technical terms, it refers to the endeavor of a jurist to derive a rule or reach a judgment based on evidence found in the Islamic sources of Law, predominantly the Quran and the Sunnah
Illah	Reason/characteristic behind a Shariah ruling such that if a particular reason/ characteristic is found in other instances, the same ruling will apply.
Istisna (used as a short form for bay al-istisna)	Refers to a contract whereby a manufacturer (contractor) agrees to produce (build) and deliver a well-described good (or premise) at a given price on a given date in the future. As against salam, in istisna the price need not be paid in

	advance. It may be paid in installments in step with the preferences of the parties or partly at the front end and the balance later on as agreed.
Khiyar	Option
Khiyar al-ayb	Option to rescind a sales contract if a defect is discovered in the object of sale.
Khiyar al-shart	The option to rescind a sales contract based on some conditions. One of the parties to a sales contract may stipulate certain conditions which, if not met, would grant a right to the stipulating party to rescind the contract.
Mal	Asset, property.
Maqasid al-Shariah	Basic objectives of the Shariah. These are protection of faith, life, progeny, property and reason.
Maysir	Literally, it refers to an ancient Arabian game of chance with arrows used for stakes of slaughtered animals. Technically, gambling or any game of chance.
Muamalat	Relationships/contracts among human beings (as against 'ibadat, which define relationship between God and His creatures).
Mudarabah	A contract between two parties, \ capital owner(s) or financiers (called rabb at-mal; and an investment manager (called mudarib. Profit is distributed between the two parties in accordance with the ratio upon which they agree at the time of the contract. Financial loss is borne only by the financier(s). The entrepreneur's loss lies in not getting any reward for his services.
Mudarib	An investment manager in a mudarabah contract.
Murabahah	Sale at a specified profit margin. The term, however, is now used to refer to a sale agreement whereby the seller purchases the goods desired by the buyer and sells them at an agreed marked-up price, the payment being settled within an agreed time frame, either in installments or in a lump sum. The seller bears the risk for the goods until they have been delivered to the buyer. Murabahah is also referred to as bay Muajjal.
Musharakah	Partnership. A musharakah contract is similar to a mudarabah contract, the difference being that in the former both the

	partners participate in the management and the provision of capital, and share in the profit and loss. Profits are distributed between the partners in accordance with the ratios initially set, whereas loss is distributed in proportion to each one' share in the capital.
Nas	Text from Qur' an or Sunnah.
Qimar	Gambling
Qiyas	Derivation and application of a rule/law on the analogy of another rule/law if the basis ('illah) of the two is the same. It is one of the secondary sources of Islamic law.
Quran (also written as al-Quran)	The Holy Book of Muslims, consisting of the revelations made by God to the Prophet Muhammad (peace be upon him). The Qur'an lays down the fundamentals of the Islamic faith, including beliefs and all aspects of the Islamic way of life.
Rabb al-mal	Capital owner (financier) in a mudarabah contract.
Rahn	To pledge something of material value as a security for a debt or pecuniary obligation.
Riba	Literally, it means increase or addition or growth. Technically it refers to the 'premium' that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or an extension in its maturity. Interest as commonly known today is regarded by a predominant majority of fuqaha' to be equivalent to Riba.
Riba al-fadl	Riba pertaining to trade contracts. It refers to exchange of different quantities (but different qualities) of the same commodity. Such exchange in particular commodities defined in the Shari ah is not allowed. Different schools of fiqh apply this prohibition to different commodities.
Riba al-nasa	Riba Pertaining to loan contracts
Shariah	Refers to the corpus of Islamic law based on Divine guidance as given by the Qur'iin and the Sunnah and embodies all aspects of the Islamic faith, including beliefs and practices.
Sukuk al-ijarah	A negotiable financial instrument issued on the basis of an asset to be leased. The investors provide funds to a lessor (say, an Islamic bank). The lessor acquires an asset (either existing or to be created in future) and leases it out if it is not already leased out. The sukuk al-ijarah are issued by the

	lessor in favour of the investors, who become owners of the leased asset in proportion to their investment. These sukuk entitle the holders to collect rental payments from the lessee directly. These Sukuk can also be made tradable in the stock exchange.
Sukuk al-Salam	A negotiable instrument issued on the basis of a,salam contract. A salam sale creates an in-kind debt payable on a future date. Sukuk al-salam represent common shares in that debt. Trading Salam debt for money is controversial among Islamic Scholors.
Takaful	An Alternative for the contemporary insurance contract. A group of persons agree to share certain risk (for example damage by fire) by collecting a specified sum from each. In case of loss to any one member of the group, the loss is met from the collected funds.
Usul	Principles, basics
Wakalah	Contract of agency. In this contract, one person appoints someone else to perform a certain task on his behalf usually against a fixed fee.
waqf	Appropriation or trying up a property in perpetuity for specific purposes. No property rights can be exercised over the corpus. Only the usufruct is applied towards the objectives (usually charitable) of the Waqf.
Zakah	The amount payable by a Muslim on his net worth as a part of his religious obligations mainly for the benefits of the poor and the needy. It is an obligatory duty on every adult Muslim who owns more than a particular level of wealth.

Members Directory

Members' Directory

NBFI & Modaraba Association of Pakistan

Allied Rental Modaraba
Mr. Murtaza Ahmed Ali
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Website : www.arm.com.pk

B. F. Modaraba
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First Imrooz Modaraba

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Chief Executive
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website : www.firstimrooz.com

First National Bank Modaraba

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Website : www.nbmodaraba.com

First Pak Modaraba

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Director
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First Paramount Modaraba

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Tel : 34381101
Fax : 34534410
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: naseemzubairi@fpm.com.pk
website : www.fpm.com.pk

First Prudential Modaraba

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First Punjab Modaraba

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Tel : 042-35865037
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Email : info@punjabmodaraba.com.pk
Website : www.punjabmodaraba.com.pk

First UDL Modaraba

Mr. A. W. Rahi
Chief Executive
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Karachi.
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Fax : 34315596
Email : info@udlmodaraba.com
Website : www.udlmodaraba.com

First Treet Manufacturing Modaraba

Syed Shahid Ali
Chief Executive
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Fax : 042-5215647-35836770
Email : info@Packsol.com.pk
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Grays Leasing Ltd

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Chief Executive
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Tel : 042-35770382
Fax : 042-35770389
Email : info@graysleasing.com
Website : www.graysleasing.com

Invest Capital Investment Bank Ltd

Mr. Naveed Amin
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