

Directors' Report to the Certificate-Holders

Your directors are pleased to present 12th Annual Report of operation and audited financial statements for the year ended 30th June, 2007.

Summary of Income & Expenses for the year is as under:

	<u>2007</u> (Rupees) =====	<u>2006</u> (Rupees) =====
Profit from financing activities and other income:	10,376,275	9,208,357
Income from CNG Musharika Project:	<u>7,084,505</u>	<u>10,070,023</u>
	17,460,780	19,278,380
Less: Operating expenses and provisions:	<u>(8,117,978)</u>	<u>(6,210,119)</u>
Operating profit for the year:	9,342,801	13,068,261
Less: Management fee of Modaraba Management Co.	(934,280)	(1,306,826)
Less: Taxation for the year:	<u>(14,565)</u>	<u>(30,000)</u>
Profit for the year after taxation:	8,393,956	11,731,435
Less: Transferred to statutory reserve as required under Prudential Regulations @ 20% (2006:25%):	<u>(1,678,791)</u>	<u>(2,932,859)</u>
Balance profit for the year after transfer to statutory reserve:	6,715,165	8,798,576
Add: Unappropriated profit brought forward:	<u>178,129</u>	<u>174,553</u>
Profit available for distribution of dividend:	<u>6,893,294</u>	<u>8,973,129</u>
	=====	=====

Profit Appropriation & Declaration of Dividend:

Modaraba's profit declined for the year by about 28.5% from Rs.11,731,435 for the previous financial year to Rs.8,393,956 for the year under review mainly due to reduction of profit of our CNG Musharika Project.

However, therefore, your directors approved transfer of profit to statutory reserve for the year only 20% (2006:25%) and declared cash dividend of Rs.1.10 per certificate (2006:Rs.1.50) or 11% (2006:15%) to the certificate holders out of amount of Rs.6,893,294 available for distribution of dividend leaving a balance of undistributed profit of Rs.443, 628 to be carried forward.

Profitability of Musharika CNG Project:

The profitability of Musharika CNG Project for the year could not be maintained at the previous year's level and consequently Musharika share of profit of Modaraba from CNG Project for the year ended 30th June, 2007, decreased by about 30% to Rs.7,084,505 compared to Rs.10,070,023 of the preceding year due to the reasons enumerated here under : -

- i) Drastic increase in the cost of diesel (for generators) and electricity at all CNG stations.
- ii) Increase in lease rentals due to leasing of generators and compressor.
- iii) Increase in amount of depreciation on account of addition of CNG compressor and dispensers.
- iv) Rent of plot of RMR CNG station increased by over 300% w.e.f. 1st July,2006 due to extraordinary price hike of land over the last few years.
- v) Extra repairs and maintenance was undertaken in the period under review for smooth operation of CNG machinery.
- vi) Reduction in gross profit margin due to increase of gas price without proportionate increase in selling price of CNG.

4th CNG station at Hyderabad-Mirpurkhas Road:

We are sorry to report that due to difficulties in obtaining permission and NOC from relevant authorities, we could not succeed to start construction work for 4th CNG station at Usman Shah, Hyderabad-Mirpurkhas Road, Distt: Hyderabad.

Profit from financial activities:

Though, Modaraba's profit from financial activities of the year under review increased by only about 16% or by 1,358,001 over the previous fiscal year, but due to concerted efforts in the 2nd half of the year, our profit of financial activities enhanced by about 64% or Rs.2,317,590 as compared to earning of 1st half of the financial year 2006/2007 and we hope that Insha Allah we will be able to further improve profit from financial activities for the financial year 2007/2008 too.

Future Outlook:

The Management has taken steps to further increase our volume of financial activities for the growth of Modaraba and to improve its profitability.

We anticipate that Modaraba's profit from CNG Project will improve slightly in the financial year 2007/2008 and therefore over all earning of Modaraba will improve significantly. The Management is also evaluating other projects to diversify our business activities for the development of Modaraba.

Mission and Vision

1. It is our firm commitment to operate the Modaraba activities in accordance with Islamic Shariah with its true spirit and zeal to promote Islamic mode of financing.
2. To employ the Modaraba funds in best possible way and to promote and use human talents to maximize the profit for certificate holders.
3. It is Our mission to constantly endeavourer for excellence in all spheres of business activity, maintain its eminent market position, promote enduring relationship with our customers and other stakeholders, ad construct a durable and vibrant Pakistan

CORPORATE GOVERNANCE

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- a. The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the Modaraba have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements.
- d. The system of internal control is sound and has been effectively implemented and monitored.
- e. There is no doubt about the Modaraba's ability to continue as a going concern.
- f. There has been no material departure from the best practices of corporate governance as detailed in the listing regulation of the Stock Exchange (s) and;

- g. None of the directors, CEO, CFO and their spouses and minor children carried out any trade in the certificates of Modaraba.
- h. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements except as disclosed in the financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

A statement setting out the status of the compliance with the best practices of corporate governance is on page -----.

BOARD MEETINGS

During the year under review, in total seven meetings of the Board of Directors were held detail showing number of meetings each of the Directors attended is as under: -

<u>S.NO:</u>	<u>NAME OF PARTICIPANT</u>	<u>NO: OF MEETINGS ATTENDED</u>
1.	Mr.Tanweer Ahmed Magoon	6
2.	Mr.Ahmed Kassam Parekh	4
3.	Mr.Abdul Ghaffar Umer	7
4.	Mr.Abdul Razzak Jangda	6
5.	Mr.Pir Mohammad Kaliya	4
6.	Mr.Masood Ahmed Shaikh	7
7.	Mr.Abid Aziz	4
8.	Mr.Mohammad Hussain Mehanti	4
9.	Mr.Nadeem Iqbal	6

KEY OPERATING AND FINANCIAL DATA

A statement summarizing key operating and financial data for the last 10 years is on Page-----.

PATTERN OF CERTIFICATE-HOLDINGS

The pattern of certificate-holdings as referred in Section 236 of the Companies Ordinance, 1984, is on page -----.

AUDITORS

The present Auditors of Modaraba M/s: Mohammad Yousuf Adil Saleem & Company, Chartered Accountants, is due for retirement and have offered themselves for reappointment for the year ending June 2008. The Board has confirmed their appointment subject to the approval of Registrar Modaraba.

Acknowledgement

The Board would like to take this opportunity to thank all our certificate-holders for their continuing patronage and support. We would also like to thank the Registrar Modaraba, Securities and Exchange Commission of Pakistan and State of Bank of Pakistan. The Board also wishes to place on record its appreciation of the staff for their commitment.

for and on behalf of Board

Karachi
Dated: 25th October 2007.

Abdul Ghaffar Umer
Chief Executive