



**HALF YEARLY REPORT  
(REVIEWED)  
FOR THE PERIOD ENDED  
DECEMBER 31, 2010**

**B.F. MODARABA**  
Managed By  
**E.A. MANAGEMENT (PVT) LTD.**  
Registered under  
The Companies Ordinance 1984 & Modaraba  
Companies & Modaraba Ordinance 1980



## **COMPANY PROFILE**

### **MODARABA MANAGEMENT COMPANY**

E. A. Management (Pvt.) Ltd.

### **BOARD OF DIRECTORS**

#### **DIRECTORS OF MODARABA MANAGEMENT COMPANY**

Mr. Ahmed Ali Muhammad Amin Bawany - Chairman  
Mr. Muhammad Omar Amin Bawany - Chief Executive  
Mr. Abdul Ghani Samad - Director  
Mr. Abdul Wahid Jaliawala - Director

### **AUDIT COMMITTEE**

Mr. Ahmed Ali Muhammad Amin Bawany - Chairman  
Mr. Abdul Ghani Samad - Member  
Mr. Abdul Wahid Jaliawala - Member

### **CFO & COMPANY SECRETARY**

Muhammad Ayub

### **MODARABA AUDITORS**

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

### **LEGAL ADVISOR**

Abdul Ghaffar Muhammad Gheewala

### **BANKERS**

Al-Baraka Islamic Investment Bank  
Bank Al-Habib Limited-Islamic Branch  
Habib Bank Limited  
Habib Metropolitan Islamic Bank Limited  
Dawood Islamic Bank Limited

### **REGISTERED OFFICE**

4th Floor, Bank House No. I,  
Habib Square, M.A. Jinnah Road,  
Karachi-74000, Pakistan.  
Phone : (92-21) 111 786 878, 32413240  
Fax : (92-21) 32421010

### **EMAIL & WEBSITE**

E-mail: info@bfmodaraba.com.pk  
URL: www.bfmodaraba.com.pk

### **SHARES REGISTRAR**

C & K Management Associated (Pvt.) Ltd,  
404, Trade Tower, Abdullah Haroon Road,  
Near Metropole Hotel, Karachi-75530  
Tel: ( 92-21) 35687839 & 35685930



**CHIEF EXECUTIVE REVIEW  
FOR THE PERIOD ENDED DECEMBER 31, 2010**

Dear Certificate Holders,

By the grace of Almighty Allah, I take pleasure in presenting a brief review of the performance of your Modaraba for the half year ended December 31, 2010, which have been reviewed by the External auditors

Alhamdulillah, our gross revenue during the period was Rs.22.186 million vis-à-vis Rs. 10.089 million for the corresponding period of 2009-10 showing a hefty growth of 120%, mainly due to tremendous increase in trading income. Moreover, revenue from dividend, capital gain and lease rentals also improved. Administrative expenses for the period grew by 28%, an expected rise considering the factor of inflation and growing cost of carrying out business. Thus, Pre-tax Profit stood at Rs. 16.675 million against a Pre-tax Profit of Rs. 4.792 million for the corresponding period of 2009-10. Consequently, earning per share has improved by Rs. 1.41 to Rs. 1.76 per share. Equities market continued its upward march and the KSE-100 index breached the psychological barrier of 12,000 and this positive trend was reflected in our port folio investment. Hence, unrealized gain in the value of investment in marketable securities was Rs.10.850 million which has been reflected in the equity. As reported in the first Quarter of current year, we earned handsome profit from trading activities during the 2<sup>nd</sup> quarter of the year under review and hope with your prayers and the blessing of **Almighty Allah** Profitability will further improve in the 2<sup>nd</sup> half year of current year, **Inshallah**.

May Allah bestow the strength on us to continue our success, AMEEN!

Karachi:  
February 25, 2011

Omar Amin Bawany  
Chief Executive



**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS  
ON REVIEW OF THE CONDENSED INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **B.F. Modaraba** as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures included in the condensed interim profit and loss account, condensed interim statement of comprehensive income for the quarters ended December 31, 2009 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi

Dated : February 25, 2011

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**

Chartered Accountants

Engagement Partner: Muhammad Rafiq Dosani



**B. F. MODARABA**  
**CONDENCED INTERIM BALANCE SHEET**  
**AS AT DECEMBER 31, 2010**

	Notes	December 31, 2010	June 30, 2010
		Rupees	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances		58,553,506	8,007,972
Ijarah rentals receivable	5	803,106	-
Investments - available for sale	6	29,407,795	37,735,920
Advances, deposits, prepayments and other receivables		1,626,084	1,020,550
Trade debts - considered good		-	27,660,000
Short term murabahas	7	17,376,207	11,481,657
Stock in trade		-	17,426,776
		<b>107,766,698</b>	<b>103,332,875</b>
<b>NON-CURRENT ASSETS</b>			
Long term deposits		40,019	40,019
<b>Fixed Assets</b>			
Assets in own use	8	430,883	477,799
Assets leased out	9	16,856,046	457,340
		<b>17,286,929</b>	<b>935,139</b>
		<b>125,093,646</b>	<b>104,308,033</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities		613,054	767,450
Due to management company		1,890,607	624,437
Unclaimed dividend		278,583	278,583
Deferred murabaha income		788,279	171,036
		<b>3,570,523</b>	<b>1,841,506</b>
<b>NON-CURRENT LIABILITIES</b>			
Staff gratuity		217,850	161,150
Long term lease deposits		2,784,600	84,600
		<b>3,002,450</b>	<b>245,750</b>
<b>CERTIFICATE CAPITAL AND RESERVES</b>			
Authorized 10,000,000			
Modaraba certificates of Rs. 10/- each		<b>100,000,000</b>	<b>100,000,000</b>
Issued, subscribed and paid-up capital		75,151,587	68,319,625
Reserves		32,518,738	26,141,541
		<b>107,670,325</b>	<b>94,461,166</b>
Unrealized gain on available for sale investments		10,850,348	7,759,611
		<b>118,520,673</b>	<b>102,220,777</b>
		<b>125,093,646</b>	<b>104,308,033</b>
Contingencies and commitments	10	-	-

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

**Chairman**  
E. A. Management (Pvt) Ltd

**Chief Executive**  
E. A. Management (Pvt) Ltd

**Director**  
E. A. Management (Pvt) Ltd



**B. F. MODARABA**  
**CONDENSED INTERM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

	For the half year ended December 31,		For the Quarter ended December 31,	
	2010	2009	2010	2009
	Rupees			
<b>Revenue</b>				
Lease Rental	2,476,344	109,584	1,673,238	54,792
Capital gain / (loss) on sale of marketable securities	1,938,134	(908,627)	492,785	(108,100)
Trading profit	14,023,000	7,718,300	13,302,167	68,105
Dividend	1,489,565	1,059,656	540,361	534,796
Murabaha Profit	670,421	-	401,769	-
Profit on bank deposits accounts	1,408,755	1,610,194	1,408,755	1,610,193
Other Income	180,000	500,000	-	500,000
	<b>22,186,219</b>	<b>10,089,107</b>	17,819,075	2,659,787
<b>Expenditure</b>				
Administrative and operating expenses	1,677,669	1,311,754	933,521	709,736
Depreciation on ijarah assets	1,601,294	71,773	1,086,291	36,547
Finance charges	1,189	1,412	1,189	837
	<b>3,280,152</b>	<b>1,384,939</b>	2,021,001	747,120
Profit before impairment loss	<b>18,906,067</b>	<b>8,704,168</b>	15,798,074	1,912,667
Impairment loss on available for sale investments	-	(3,270,068)	-	(1,997,483)
Management fee	(1,890,607)	(543,410)	(1,579,808)	8,482
Workers' welfare fund	(340,309)	(97,814)	(284,365)	(97,814)
<b>Profit before taxation</b>	<b>16,675,151</b>	<b>4,792,876</b>	13,933,901	(174,148)
Taxation - current	(3,465,992)	(2,078,944)	(3,290,648)	(353,944)
<b>Profit after taxation</b>	<b>13,209,159</b>	<b>2,713,932</b>	10,643,253	(528,092)
<b>Earning per certificate - basic and diluted (2009:Restated)</b>	<b>1.76</b>	<b>0.36</b>	1.42	(0.07)

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

**Chairman**  
E. A. Management (Pvt) Ltd

**Chief Executive**  
E. A. Management (Pvt) Ltd

**Director**  
E. A. Management (Pvt) Ltd



**B. F. MODARABA**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

	For the half year ended December 31,		For the quarter ended December 31,	
	2010	2009	2010	2009
	<u>Rupees</u>			
<b>Profit / (loss) for the period</b>	13,209,159	2,713,932	10,643,253	(528,092)
Unrealized gain / (loss) on revaluation of available for sale investments	4,933,034	4,824,428	3,759,191	394,654
Gain on investments transferred to profit and loss account	(1,842,297)	(420,801)	(459,368)	(138,349)
Impairment loss transferred to profit and loss account	-	3,270,068	-	1,997,483
	3,090,737	7,673,695	3,299,823	2,253,788
<b>Total comprehensive income for the period</b>	<u>16,299,896</u>	<u>10,387,627</u>	<u>13,943,076</u>	<u>1,725,696</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

**Chairman**  
E. A. Management (Pvt) Ltd

**Chief Executive**  
E. A. Management (Pvt) Ltd

**Director**  
E. A. Management (Pvt) Ltd



**B. F. MODARABA**  
**CONDENSED INTERM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

For the half year ended December 31,  
2010                      2009

          Rupees          

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	16,675,151	4,792,876
<b>Adjustments for non cash charges and other items:</b>		
Depreciation on fixed assets in own use	46,916	59,143
Depreciation on fixed assets under Ijarah arrangements	1,601,294	71,773
(Gain) / loss on sale of investment	(1,938,134)	908,627
Provision for management fee	1,890,607	543,410
Provision for gratuity	56,700	41,825
Impairment loss on investment - net	-	3,270,068
Dividend income	(1,489,565)	(1,059,656)
	167,818	3,835,190
Operating profit before working capital changes	16,842,969	8,628,066
<b>Working capital changes</b>		
<b>Decrease/(increase) in current assets</b>		
Stock in trade	17,426,776	37,333,536
Trade debts	27,660,000	(1,814,950)
Short term murabaha	(5,894,550)	-
Advances, deposits, prepayments and other receivables	(900,716)	(4,347,185)
	38,291,510	31,171,401
<b>(Decrease)/ increase in current liabilities</b>		
Management fee paid	(624,437)	(811,102)
Deferred murabaha income	617,243	-
Accrued and other liabilities	(129,799)	(2,742,080)
	(136,993)	(3,553,182)
<b>Net increase in working capital</b>	38,154,517	27,618,219
Taxes paid	(3,902,707)	-
Workers' welfare fund paid	(177,033)	-
Net cash inflow from operating activities	(4,079,740)	-
	50,917,746	36,246,285
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions in fixed assets - own use	-	(524)
Additions in fixed assets - leased asset	(18,000,000)	-
Purchase of investments	-	(12,729,310)
Proceed from sale of investment	13,357,145	5,555,603
Long term security deposit	2,700,000	-
Dividend received	1,570,643	1,065,509
Net cash inflows/(outflows) from investing activities	(372,212)	(6,108,722)
Net increase/(decrease) in cash and cash equivalents	50,545,534	30,137,563
Cash and cash equivalents as at beginning of the period	8,007,972	15,490,527
Cash and cash equivalents as at the end of period	58,553,506	45,628,090

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

**Chairman**  
E. A. Management (Pvt) Ltd

**Chief Executive**  
E. A. Management (Pvt) Ltd

**Director**  
E. A. Management (Pvt) Ltd





**B. F. MODARABA**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

Description	Issued subscribed and paid up capital	Reserves			Unrealized gain / (loss) on available for sale investments	Total
		Statutory reserves	Unappropriated Profit	Total Reserves		
----- Rupees -----						
<b>Balance as at July 01, 2009</b>	68,319,625	16,211,482	6,527,351	22,738,833	556,510	91,614,968
Comprehensive income for half year	-	-	2,713,932	2,713,932	7,673,695	10,387,627
<b>Balance as at December 31, 2009</b>	<b>68,319,625</b>	<b>16,211,482</b>	<b>9,241,283</b>	<b>25,452,765</b>	<b>8,230,205</b>	<b>102,002,595</b>
Balance as at January 1, 2010	68,319,625	16,211,482	9,241,283	25,452,765	8,230,205	102,002,595
Comprehensive income for the half year	-	1,020,812	(332,036)	688,776	(470,594)	218,182
<b>Balance as at June 30, 2010</b>	<b>68,319,625</b>	<b>17,232,294</b>	<b>8,909,247</b>	<b>26,141,541</b>	<b>7,759,611</b>	<b>102,220,777</b>
Balance as at July 1, 2010	68,319,625	17,232,294	8,909,247	26,141,541	7,759,611	102,220,777
Issuance of bonus certificates	6,831,962	-	(6,831,962)	(6,831,962)	-	-
Comprehensive income for the half year	-	-	13,209,159	13,209,159	3,090,737	16,299,896
<b>Balance as at December 31, 2010</b>	<b>75,151,587</b>	<b>17,232,294</b>	<b>15,286,444</b>	<b>32,518,738</b>	<b>10,850,348</b>	<b>118,520,673</b>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

**Chairman**  
E. A. Management (Pvt) Ltd

**Chief Executive**  
E. A. Management (Pvt) Ltd

**Director**  
E. A. Management (Pvt) Ltd



**B. F. MODARABA**  
**CONDENSED NOTES TO INTERM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

**1. STATUS AND NATURE OF BUSINESS**

B.F. Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder, and is managed by E.A. Management (Private) Limited. The registered office of the Modaraba is situated at Habib Square, 4th floor, M.A. Jinnah Road, Karachi. The Modaraba is listed on all stock exchanges in Pakistan. It is a perpetual multi-purpose modaraba and is primarily engaged in leasing, investments, trading, musharika and morabaha transactions.

**2. STATEMENT OF COMPLIANCE**

**2.1** These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Companies Ordinance, 1984, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of Companies Ordinance, 1984, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Rules, 1981 or directives issued by SECP prevail.

**2.2** This condensed interim financial information comprises of the condensed interim balance sheet as at December 31, 2010 and the condensed interim profit and loss account, condensed interim statement of comprehensive income, the condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended which have been subjected to a review but not audited. This condensed interim financial information also includes the condensed interim profit and loss account for the quarter ended December 31, 2010 which is not subject to a review.

**2.3** The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2010 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2010 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year ended December 31, 2009 have been extracted from the condensed interim financial information for the half year ended December 31, 2009 which were subjected to a review but not audited. The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2009 included in this condensed interim financial report was not subject to a review.

**2.4 Islamic Financial Accounting Standard - 2**

During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the SECP vide an SRO 431(1)/ 2007 dated May 5, 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, SECP allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after July 1, 2008.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Modaraba in the preparation of these condensed interim financial information are the same as those applied in preparation of the proceeding published financial statements of the Company for the year ended June 30, 2010.

**4. ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.



In preparing the condensed interim financial information, the significant judgments made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Modaraba as at and for the year ended June 30, 2010.

	December 31, 2010	June 30, 2010
	Rupees	
<b>5. IJARAH RENTALS RECEIVABLE</b>		
Ijarah rental accrued	<u>803,106</u>	<u>-</u>
	<u>803,106</u>	<u>-</u>
<b>5.1 FUTURE RENTALS RECEIVABLES AGAINST IJARAH</b>		
Not later than one year	6,473,784	-
Later than one year and not later than five years	<u>11,329,122</u>	<u>-</u>
	<u>17,802,906</u>	<u>-</u>

This represents ijarah arrangements made by the modaraba at profit rates ranging from 15% to 16% per annum. The ijarah comprises of a generator. These are secured against assets under ijarah, personal / corporate guarantees, promissory notes executed by Musta'jir and other collaterals.

<b>6. INVESTMENTS</b>		
<b>Available for sale</b>		
Investments in listed shares and close ended units	24,244,573	21,160,574
Investments in open ended units	<u>5,163,221</u>	<u>16,575,346</u>
	<u>29,407,795</u>	<u>37,735,920</u>
<b>7. MURABAHA FINANCE</b>		
Murabaha finance - gross	17,376,207	11,481,657
Less : Unearned finance income	<u>(788,279)</u>	<u>(171,036)</u>
Murabaha finance - net	<u>16,587,928</u>	<u>11,310,621</u>

<b>8. ASSETS IN OWN USE</b>		
There have been no addition and disposal of fixed assets during the current interim period under review.		
<b>9. IJARAH ASSETS</b>		
Addition to ijarah assets		
- Generator	<u>18,000,000</u>	<u>-</u>
There have been no disposal of ijarah assets during the current interim period under review.		
<b>10. CONTINGENCIES AND COMMITMENTS</b>		
There are no known contingencies and commitments as at December 31, 2010.		

	December 31, 2010	June 30, 2010
	Rupees	
<b>11. TRANSACTIONS WITH RELATED PARTIES</b>		
<b>Balances with related parties at the end of the period are as follows:</b>		
<b>Payable to related parties</b>		
Management company	1,890,607	624,437
Group companies	69,350	47,155
<b>Significant transactions with the related parties during the half year ended are as follows:</b>		
	July 1 to December 31, 2010	December 31, 2010
	Rupees	
Management Fee paid	624,437	811,102
Insurance expense	22,133	20,376
Purchase of sugar	38,797,552	4,378,372

**12. CORRESPONDING FIGURES**  
Corresponding figures have been rearranged wherever necessary, for the purposes of comparison and better presentation.

**13. DATE OF AUTHORIZATION FOR ISSUE**  
These condensed interim financial information were authorized for issue by the Board of Directors of the Modaraba Management Company on Feb 25, 2011.

Chairman  
E. A. Management (Pvt) Ltd

Chief Executive  
E. A. Management (Pvt) Ltd

Director  
E. A. Management (Pvt) Ltd