

ANNUAL REPORT 2020



Trust Modaraba

Managed By:

Al-Zāmin Modaraba Management (Pvt) Ltd

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Mission Statement

Trust Modaraba aims to evolve and practice exemplary standards of integrity and proficiency by achieving balanced growth, building quality investment portfolio, maintaining high standards of efficiency and providing good return to its certificate holders. Trust Modaraba shall endeavor to maintain a comprehensive edge in the industry and contribute effectively in promotion of Islamic Financial Regime. It shall adopt a management culture based on participation, motivation and accountability to achieve professional and personal excellence and growth of human resource. Trust Modaraba shall achieve a balanced texture of being a prudent and progressive organization with a sound image in the market place.

CORPORATE INFORMATION

Modaraba Company

Al-Zamin Modaraba Management (Private) Limited

Board of Directors

Mian Sheikh Arshad Farooq	Chairman
Mr. Basheer A. Chowdry	Chief Executive
Mr. Syed Shahnawaz Ahmed Rizvi	Director
Mr. Syed Etrat Hussain Rizvi	Director
Mr. Mohammad Yasin	Director
Mr. Sohail Ansar	Director
Dr. Namooos Baquar	Director

Management

Mr. Basheer Ahmed Chowdry	Chief Executive
Ms. Hamida Aqeel	Chief Operating Officer/Company Secretary
Mr. Ijaz Ahmed Khan	Chief Financial Officer/Regional Head

Audit Committee

Mr. Syed Shahnawaz Ahmed Rizvi	Chairman
Mr. Shaikh Arshad Farooq	Member
Mr. Etrat Hussain Rizvi	Member
Mr. Sohail Ansar	Member

Human Resource Committee

Mr. Syed Etrat Husain Rizvi	Chairman
Mr. Syed Shahnawaz Ahmed Rizvi	Member
Mr. Basheer A. Chowdry	Member
Mr. Muhammad Yasin	Member

Internal Auditors

Grant Thornton Anjum Rahman.
Chartered Accountants

Auditors of the Modaraba

Crowe Hussain Chaudhary & Co.
Chartered Accountant

Bankers

Meezan Bank Limited
The Bank of Punjab

Legal Advisors

Salim & Baig, Advocate
Shakeel Ahmed Awan
S&B Durrani Law Associates
Sameera Usto & Associates

Registered Office/Principal Place of Business

104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi-75600
Telephone: 021-35876651, 35876652
Fax : 021-35870408 Web: trustmodaraba.com
Email : info@trustmodaraba.com

Regional Office

301-320, 3rd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore
Telephone: 042-35941957-8 Fax: 042 35866513

Gujranwala Office

51-A, Adjacent Standerd Chartered Bank, Trust Plaza G.T Road, Gujranwala
Telephone: 055-3730308, 3730300 Fax: 055-3731108

Registrars

Hameed Majeed Associates (Private) Limited
1st Floor, H.M. House, 7-Bank Square, Lahore Telephone: 042- 37235081-2 Fax: 042-37358817



Trust Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of Trust Modaraba to review the performance of the Modaraba for the year ended June 30, 2020 will be held on Thursday 22th October, 2020 at 9.00 am at NBF1 & Modaraba Association of Pakistan, 602, Progressive Centre, 30-A, Block-6, PECHS, Shahrah-e-Fasial, Karachi-75400.

The certificate transfer books of the Modaraba will remain closed from **15th October, 2020 to 22th October, 2020** (both days inclusive).

Hamida Aqeel

Company Secretary

Karachi

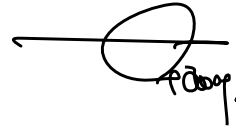
September 23rd, 2020.

REVIEW REPORT BY THE CHAIRMAN

As required under the code of Corporate Governance, an annual evaluation of the board of Directors of Al-Zamin Modaraba Management (Private) Limited is carried out. The purpose of evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Modaraba.

For the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as Satisfactory is based on an evaluation of integral components, including visions, mission and values; engagement in strategic planning, formulation of policies, monitoring the organization's business activities; monitor financial resource management, effective fiscal oversight, equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board's of Directors of the Company received agendas and supporting written material including follow up material in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequate discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.



Mian Sheikh Arshad Farooq

CHAIRMAN

Karachi

September 23rd, 2020.



Directors' Report

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited presents herewith the financial statements of Trust Modaraba for the year ended 30th June, 2020.

Economy Review

The rapid spread of COVID-19 virus since February 2020 has brought economic activity to a near halt in the world as well as in Pakistan. The closure of non-essential businesses and domestic supply chain disruptions are having significant impact on wholesale and retail trade, transport, storage and communication, service sector, tourism and production linkage. In addition, the country's main industrial sector i.e textile is highly exposed to COVID-19 related impacts due to its labor intensity. The total public debt, as of June 30, 2020 has increased to Rs.36.3 trillion or 87.2% of the GDP. About 42% of the additional debt in the past two years was due to debt servicing expenses. The global economy is projected to contract sharply by 3% which will be much worse than during the 2008-09 financial crises. Likewise, Pakistan GDP growth is on negative footing in financial year 2020 as domestic and global economic activity slowed down sharply in the last four months of the fiscal year. According to the global economic prospect reports, Pakistan's economy has shown greater resilience than its peers in South Asia. Economic activity should be gaining some momentum as most nationwide lockdown measures were eased from May. In July, exports rebounded on the back of growth in shipment of textile and food products, while remittances also registered increase. Pakistan's rating has been placed at B-3 with a "stable outlook", citing micro prudential policies implemented ahead of the crises which should contain economic vulnerability induced by the pandemic. Current account deficit (CAD) narrowed down due to 18.6% decline in goods import.

Performance Review

During the year under review, your Modaraba has earned a net profit of Rs. 1.73 million after management fee and taxation as compared to Rs.1.03 million during the last year. Increase in profit is due to better returns achieved in Musharakah financing, reversal of income suspended earlier as a result of settlement achieved in a murabahah account and increase in returns from stock market operations.

Liquidity generated through available resources was deployed efficiently towards diversified businesses during the year by disbursing Rs.27.9 million towards Ijarah, Rs.28.4 million towards Murabahah, Rs. 35.30 million towards Musharakah transactions and fresh investments of Rs. 25.05 million in stock market operations for averaging the deteriorating effects which has yielding effect during current year.

Balance sheet footing of your Modaraba stood at Rs.357.504 million. Certificate holder's equity stood at Rs. 306.86 million. Administrative expenses were effectively controlled and registered minimal increase.

Future Outlook

In spite of our continuous efforts, significant recoveries from litigated portfolio could not be realized during year under review but are near final stages of actualization, through court as well as out of court settlements. The resources thus mobilized will enable optimization of the current infrastructure and core business modes without adding much to the operating costs and also provide expansion into fresh products and services menu, with effective risk management and compliance regime. Steps have also been taken to participate in micro-finance activities for which regulatory requirements are being completed.

After frustration of our intense efforts to increase Modaraba's equity through the existing investors, possibilities of achieving merger with other Modarabas are now being explored actively as it would enhance the sustainability and revenue earning of the participants and create healthier conditions for them. In any case, the management of your Modaraba is committed to achieve a significant growth in the forthcoming period to make your entity a significant member of the Modaraba sector.

Dividend distribution

Trust Modaraba has distributed 90% of its profit to the certificate holders in the past. However, non-availability of financial resources and the factors enumerated above, the net earnings of the year under review do not justify any distribution as the process will be uneconomical for the Modaraba as well as to the certificate holders. The Board has therefore, most reluctantly, decided to pass over the dividend payout this year and shall endeavor to compensate the certificate holders during the following years by implementing the plans explained above.

Compliance under Code of Corporate Governance

- The financial statements prepared by the management of Trust Modaraba present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements of Modaraba and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modaraba, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- Trust Modaraba has put in place a sound Anti Money Laundering and Risk Management Policy with elaborate guidelines as to the main responsibilities expected from the Senior Management and employees and how to identify, manage and report different types of risks associated with the customers.
- There are no doubts about Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices and corporate governance as detailed in the listing regulations.

Composition of Board & Meetings

Total number of directors is 7 (seven) as per following:

Male	6 (Six)
Female	1 (One)

		No. of Meetings Attended
a) Independent Directors	Mr.Syed. Shahnawaz A. Rizvi	4
	Mr. Syed Etrat Hussain Rizvi	4
	Mr. Muhammad Yasin	1
b) Non-Executive Directors	Mr. Sheikh Arshad Farooq	3
	Mr. Sohail Ansar	1
	Ms Dr. Namoos Baquar	4
c) Executive Director.	Mr. Bashir A. Chowdry	4

Four meetings of the Board were held pertaining to Trust Modaraba, which were attended as above.



Leave of absence was granted to the members who had informed of their inability to attend the meeting due to their pre-occupation.

Director's Remuneration

Chairman, non-executive directors and independent directors are entitled only for the fee for attending the meetings from the Modaraba Management Company.

Changes in the Board of Directors

Due to his personal reasons, Mr. Imran-ul-Haq decided to resign from the Board. He remains associated as a shareholder and supporter of the Modaraba and its management. His valuable contributions in establishing and managing the entity over a long period are sincerely acknowledged and appreciated by the Board.

To fill the vacancy thus occurred, Mr. Muhammad Yasin was appointed as a Director. The Board looks forward to his effective contribution in defining and achieving a successful future of the Modaraba and its stakeholders.

Audit Committee and Internal Control system

The Management of your Modaraba believes in good Corporate Governance, implemented through a well-defined system of check and balances, The Board of Directors have established a system of sound internal controls, which is effectively implemented at all levels within the Modaraba.

The Audit committee comprises of four members who are all non-executive directors including the Chairman of the committee.

Human Resource and Remuneration Committee

One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation for yearly staff compensation amount.

Current composition of the Board Committees is as per the requirements of the listed companies Code of Corporate Governance Regulations, 2019.

Auditors

The present auditors M/s Crowe Hussain Chaudhury & Co., Chartered Accountants have retired on the conclusion of the term and being eligible have offered themselves for re appointment. As per recommendations of the Audit Committee, the Board has approved the re-appointment of M/s. Crowe Hussain Chaudhury & Co. Chartered Accountants as external Auditors for the financial year ending June 30, 2021.

Pattern of Certificate holding

Pattern of certificate holding as at 30th June 2020 is attached. No trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Value of the Funds investment

The Modaraba operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Modaraba and employees to the fund @10% of the basic salary. Based on latest accounts of the fund, the value of its investments as at 30th June, 2020 works out to be Rs.4,587,912/.

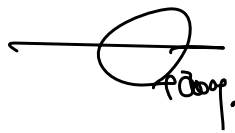
Earning per Certificate

The earning per certificate of the Modaraba for the year ended 30th June, 2020 stood at Rs.0.06 per certificate as compared to Rs.0.03 per certificate for the previous year.

Acknowledgements

The Board wishes to place on record its appreciations for the support and guidance provided by the Registrar Modarabas and Securities and Exchange Commission of Pakistan. The Board also acknowledges the hard work and commitment of the executives and staff members. Finally, the Board extends its gratitude to the certificate-holders who remained committed to the Modaraba and looks forward to their continued support in future.

For and on behalf of the Board of Directors



Mian Sheikh Arshad Farooq
Chairman



Basheer A. Chowdry
Chief Executive

Karachi.

Date: September 23rd, 2020.



ڈائریکٹر کی رپورٹ

الضامن مضاربہ بینجمنٹ (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز (بورڈ کے نامائین)، ٹرسٹ مضاربہ بینجمنٹ سے 30 جون 2020 کو اختتام پذیر سال کی مالیاتی دستاویزات پیش کرتے ہیں۔

معاشی جائزہ

فروری 2020 سے تیزی سے پھیلنے والے کووڈ-19 وائرس نے تمام دنیا کے ساتھ ساتھ پاکستان میں معاشی سرگرمیوں کو سکت کر دیا ہے۔ غیر لازمی کاروبار کی بندش اور ملکی مال کی فراہمی کے تسلسل (supply chain) میں خلل کے خاصے اثرات تھوک فروشی (wholesale) اور پرچون (retail) کے کاروبار، ذریعہ نقل و حمل، ذخیرہ اندوزی اور مواصلات، خدمات کا شعبہ، سیاحت اور پیداواری عمل کا رابطہ پر پڑے ہیں۔ اس کے علاوہ، ملک کا بنیادہ صنعتی شعبہ یعنی ٹیکسٹائل، وہ کووڈ-19 سے متعلق اثرات سے بری طرح متاثر ہوا۔ 30 جون 2020 پر کل پبلک قرضہ بڑھ کر 36.3 ٹریلین روپے ہو چکا ہے جو مجموعی قومی پیداوار کا 87.2 فیصد ہے۔ گذشتہ دو سالوں میں اضافی قرضوں کا تقریباً 42 فیصد کی وجہ قرضوں کی ادائیگی کے اخراجات کے لیے تھا۔ تخمینہ ہے کہ عالمی معیشت تیزی سے 3 فیصد تک سکرے گی جو 2008-09 کے دوران ہونے والے مالی بحران سے کہیں زیادہ ہو گا۔ اسی طرح، مالی سال 2020 میں پاکستان کی مجموعی قومی پیداوار منفی رہی کیونکہ اقتصادی سال کے آخری چار ماہ میں ملکی اور عالمی معاشی سرگرمیاں تیزی سے سست روی کا شکار رہیں۔ عالمی اداروں کی معیشت کی امکانی رپورٹوں کے مطابق، پاکستان کی معیشت نے جنوبی ایشیا کے اپنے ہمسر ملکوں سے بہت زیادہ پلک کا مظاہرہ کیا ہے۔ معاشی سرگرمیوں کی رفتار میں تیزی آئی چاہیے کیونکہ مئی سے ملکی سطح کی بندش (lockdown) کے اقدامات میں نرمی کر دی گئی ہے۔ جولائی میں، ٹیکسٹائل اور خوراک کی مصنوعات (food products) کی کھپ میں اضافے کے پس منظر میں برآمدات میں اضافہ ہوا اور ترسیل کرنے بھی اضافے کا اندراج کیا ہے۔ پاکستان کی درجہ بندی مستحکم منظر نامہ کے ساتھ B-3 کر دی گئی ہے، جس کا حوالہ عالمی وباء کے اثرات سے معیشت کی زود پذیری (vulnerability) کو قابو کرنے کے لیے بحران سے پہلے مائیکرو پروڈنشل پالیسیوں کا نفاذ ہے۔ جاری کھاتے کا خسارہ (CAD) ایشیا کی درآمدیں 18.6 فیصد کمی سے کم ہو گیا ہے۔

کارکردگی کا جائزہ

زیر جائزہ سال کے دوران، آپ کے مضاربہ نے قبل از بینجمنٹ فیس اور محصول کے 1.73 ملین روپے کا خالص منافع کمایا جو گذشتہ سال 1.03 ملین روپے تھا۔ منافع میں اضافہ مشارکہ میں سرمایہ کاری، مراحبہ کھاتے میں تصفیے سے آمدنی کی واپسی جس کو پہلے معطل کیا گیا اور اسٹاک مارکیٹ آپریشن سے آمدنی میں اضافے کا نتیجہ ہیں۔

دستیاب وسائل سے حاصل شدہ سیاحت کو سال کے دوران مؤثر طور پر متنوع کاروباروں میں استعمال کیا گیا؛ 27.9 ملین روپے اجارہ، 28.4 ملین روپے مراحبہ، 35.30 ملین روپے مشارکہ کے لین دین کے لیے جاری کئے اور 25.05 ملین روپے کی نئی سرمایہ کاری اسٹاک مارکیٹ آپریشن میں کی تاکہ سال کے دوران ہونے والے بدتر اثرات کو کم کیا جاسکے۔

آپ کے مضاربہ کی بیلنس شیٹ 357.504 ملین روپے رہی۔ سرٹیفیکیٹ کنندگان کے ملکیتی سرمایہ 306.86 ملین روپے رہا۔ انتظامی اخراجات پر مؤثر طور پر قابو پایا گیا اور اس میں معمولی اضافہ ہوا۔

امید مستقبل

ہماری مسلسل کوششوں کے باوجود زیر جائزہ سال کے دوران مقدمے کا شکار پورٹ فولیو سے وصولیاتی نہ ہو سکیں لیکن وہ عدالت کے ذریعے باعدالت کے باہر تصفیے کے ذریعے حقیقت بننے کے قریب ہیں۔ اس طرح سے وسائل کو متحرک کرنے سے موجودہ ڈھانچے اور بنیادی کاروباری موڈز (modes) کو آپریٹنگ لاگت کو بغیر کسی اضافے کے بہتر استعمال ہو گا اور مؤثر خطرے کے انتظام اور تقبلی نظام کے ساتھ نئی مصنوعات اور خدمات کی فہرست میں توسیع کا موقع فراہم کرے گا۔ مائیکرو فنانس سرگرمیوں میں حصہ لینے کے لیے بھی اقدامات لیے جا چکے ہیں جس کے لیے ضابطے کو کاروائی مکمل ہو چکی ہے۔

مضاربہ کے ملکیتی سرمایہ میں اضافے کے لیے موجودہ سرمایہ کاروں کے ساتھ سخت کوششوں سے مایوسی ہونے کے بعد دیگر مضاربہ سے انضمام کے امکانات پر سرگرمی سے غور کیا جا رہا ہے اور اس سے مضاربہ کے تسلسل سے جاری رہنے اور شراکت داروں کی مالگداری سے آمدنی میں اضافہ ہو گا اور ان کے لیے صحت مند صورتحال پیدا ہوگی۔ کسی بھی صورت میں آپ کے مضاربہ کی انتظامیہ آنے والی مدت میں خاصی نمو حاصل کرنے کے لیے پر عزم ہے تاکہ آپ کے ادارے کو مضاربہ سیکٹر کا ایک اہم رکن بنائے۔

منتظم منافع کی تقسیم

ماضی میں ٹرسٹ مضاربہ اپنے منافع کا 90 فیصد اپنے سرٹیفیکیٹ رکھنے والوں کو تقسیم کر چکا ہے۔ تاہم مالی وسائل کی عدم دستیابی اور مذکورہ بالا بیان کردہ عوامل کی بنیاد پر اس سال کی خالص آمدنی اس بات کا حق نہیں دیتی کہ منتظم منافع تقسیم کیا جائے اور ایسا عمل مضاربہ اور اس کے سرٹیفیکیٹ کنندگان کے لیے غیر سود مند (uneconomical) ہو گا۔ اس لیے بورڈ نے بادل خواستہ فیصلہ کیا ہے اس سال منتظم منافع نہ دیا جائے، مضاربہ کو شش کرے گا کہ وہ سرٹیفیکیٹ رکھنے والوں کو اگلے سال، اوپر بیان کردہ منصوبوں کے نفاذ سے ان کی تلافی کرے۔

اداراتی نظم و ضبط کے ضابطے کے تحت تعمیل

- ٹرسٹ مضاربہ کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے فنڈز کے معاملات کی صورت حال، عملی امور کے نتائج، کیش فلو اور تقسیم شدہ ملکییتی سرمایہ (equity) میں تبدیلیوں کو بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب عملی یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر رکھی ہے۔
- مضاربہ پر قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی دستاویزات تیار کئے گئے ہیں اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کا نظام کاڈیزائن مضبوط ہے اور اس کا موثر نفاذ اور نگرانی کی گئی ہے۔
- مضاربہ کے ایک جاری رہنے والے ادارے کے طور پر چلنے رہنے میں کوئی شبہ نہیں ہے۔
- لسٹنگ ضوابط میں اداراتی نظم و ضبط کی دی گئی تفصیلات کی بہترین مشقوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔

بورڈ کی ساخت اور اجلاس

درج ذیل کے مطابق ڈائریکٹرز کی کل تعداد 7 (سات)

مرد	6 (چھ)
خاتون	1 (ایک)

اجلاس میں شرکت کی تعداد

4	سید شاہ نواز اے۔ رضوی	(a) آزاد ڈائریکٹرز
4	سید عترت حسین رضوی	
1	جناب محمد یاسین	
3	جناب شیخ ارشد فاروق	(b) نان ایگزیکٹو ڈائریکٹرز
1	جناب سہیل انصار	
4	محترمہ ڈاکٹر ناموس باقر	
4	جناب بشیر اے۔ چودھری	(c) ایگزیکٹو ڈائریکٹرز

ٹرسٹ مضاربہ کے حوالے سے بورڈ کے چار اجلاس کا انعقاد ہوا جن میں شرکت کی تفصیل اوپر دی گئی ہے۔

جن ارکان کی پہلے سے مصروفیت کی وجہ سے اجلاس میں شرکت نہ کر سکنے کی اطلاع دے چکے تھے ان کو رخصت دے دی گئی۔

ڈائریکٹرز کا مشاہرہ

مضاربہ منجمنٹ کمیٹی کے اجلاس میں شرکت کے لیے چیئرمین، نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز اجلاس میں شرکت کی فیس کے حقدار ہیں۔

بورڈ آف ڈائریکٹرز میں تبدیلی

اپنی ذاتی وجوہات کی بنا پر جناب عمران الحق نے فیصلہ کیا ہے کہ وہ بورڈ سے مستعفی ہو جائیں۔ آپ مضاربہ اور اس کی انتظامیہ سے بطور حصہ دار (shareholder) اور اس کے حمایتی کے منسلک رہیں گے۔

بورڈ ان کی ادارے کی تشکیل اور طویل عرصہ تک ادارے کے چلانے میں قابل قدر حصہ ڈالنے کے عمل کو بورڈ نے صرف اس کا معترف ہے بلکہ سراہتا بھی ہے۔

اس طرح سے خالی ہونے والی آسامی کو پُر کرنے کے لیے جناب محمد یاسین نے درخواست دی ہے۔ بورڈ آپ کے مضاربہ اور اس کے شرکاء مفاد (stakeholders) کا مابست مستقبل کا تعین اور اس کے حصول کے لیے ان سے مؤثر کردار کی توقع کر رہے ہیں۔

آڈٹ کمیٹی اور اندرونی نگرانی کا نظام

آپ کے مضاربہ کی انتظامیہ اچھے اداراتی نظم و ضبط پر یقین رکھتی ہے، اس کا نفاذ متوازن نگرانی کا اچھی طرح وضاحت کردہ نظام کے ذریعے سے کر دیا ہے۔ بورڈ آف ڈائریکٹرز نے اندرونی نگرانی کا ایک مستحکم نظام تشکیل دیا ہے اور اسے موثر طور پر مضاربہ کے تمام مراحل پر نافذ کر دیا ہے۔

آڈٹ کمیٹی تین افراد پر مشتمل ہے اور وہ تمام بشمول چیئرمین نان۔ ایگزیکٹو ڈائریکٹرز ہیں۔

**انسانی وسائل اور مشاہرہ کمیٹی**

انسانی وسائل اور مشاہرہ کمیٹی کا ایک اجلاس ہوا تاکہ عملہ کے تنخواہوں میں سالانہ اضافے کی تجاویز کو حتمی شکل دی جائے۔

بورڈ کی کمیٹیوں کی موجودہ ساخت لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019 کے مطابق ہے۔

مختص (Auditors)

موجودہ مختص میسرز۔ ہوروارتھ حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، 30 جون کو ریٹائر ہو چکے ہیں اور معاہدے کی شرائط کے تحت وہ دوبارہ خدمات دینے کے لیے اہل ہیں۔ آڈٹ کمیٹی کے مشورے کے تحت، بورڈ میسرز۔ ہوروارتھ حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی بطور بیرونی مختص کے 30 جون 2021 کو ختم ہونے والے سال کے لیے ان کی دوبارہ تقرری کی تجویز دے چکا ہے۔

سرٹیفیکیٹ رکھنے کا رجحان

30 جون 2020 پر سرٹیفیکیٹ رکھنے کا رجحان منسلک ہے۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور ان کے شرکاء حیات اور ان کے نابالغ بچوں نے سرٹیفیکیٹس کا کوئی خرید و فروخت نہیں کی ہے۔

فنڈز کی سرمایہ کاری کی مالیت

مضاربہ اپنے مستقل ملازمین کے لیے شرائطی پروویڈنٹ فنڈ چلاتا ہے۔ مضاربہ اور ملازمین دونوں اس فنڈ میں ماہانہ مساوی حصہ، جو بنیادی تنخواہ کا 10 فیصد کی شرح ہوتا ہے اس فنڈ میں جمع کرتے ہیں۔ تازہ ترین فنڈ کے کھاتے کی بنیاد پر، 30 جون 2020 پر اس فنڈ کے سرمایہ کاری کی حساب کردہ مالیت، /4,587,912 روپے ہے۔

آمدنی فی سرٹیفیکیٹ

30 جون 2020 کو ختم ہونے والے سال پر آمدنی فی سرٹیفیکیٹ 0.06 روپے فی سرٹیفیکیٹ تھی جبکہ گذشتہ سال یہ آمدنی 0.03 روپے فی سرٹیفیکیٹ تھی۔

اعتراف

بورڈ خواہش مند ہے کہ رجسٹرار مضاربہ، سیکوریٹریز اینڈ ایکسچینج کمیشن آف پاکستان کا ان کی حمايت اور رہنمائی کرنے پر ان کا شکریہ ادا کرے۔
بورڈ اپنے افسران اور عملے کے ارکان کی سخت محنت اور عزم کا بھی اعتراف کرتا ہے۔ اور آخر میں بورڈ اپنے سرٹیفیکیٹ کنندگان کے مضاربہ کے ساتھ پر عزم رہنے پر ممنونیت کا بھی اظہار کرنا چاہتا ہے اور ان کی مستقبل میں مسلسل حمايت کی امید رکھتا ہے۔

برائے بورڈ آف ڈائریکٹرز کے جانب سے

بشیر احمد چودھری
چیف ایگزیکٹو آفیسر

میرزا شفیق فاروق
چیرمین

کراچی

23 ستمبر 2020

Key Operating & Financial Data for the Last Six Years

	(Rupees in Thousands)					
	2020	2019	2018	2017	2016	2015
Total assets	357,503	371,269	377,335	389,933	396,172	411,442
Ijara Financing	196,778	211,387	196,191	244,702	252,728	286,673
Morabaha financing	118,167	140,145	141,296	132,409	156,537	155,551
Musharakah financing	32,562	31,698	26,119	23,736	16,522	6,602
Assets own use	11,971	12,263	22,913	23,434	14,076	13,634
Current Assets	220,395	213,457	237,430	220,782	207,553	205,326
Current Liabilities	26,024	40,102	49,822	45,800	45,581	46,992
Total Liabilities	50,638	67,398	71,332	74,765	86,007	101,383
Paid-up capital	298,000	298,000	298,000	298,000	298,000	298,000
Reserves	8,865	5,870	8,002	17,168	12,165	12,058
Net equity	306,865	303,870	306,002	315,168	310,165	310,058
Income Statement						
Income	33,713	31,030	29,844	84,158	84,193	90,718
Operating expenses	30,504	29,699	27,584	68,431	69,715	71,378
Profit/(Loss) before management fee	3,209	1,331	2,260	15,727	14,478	19,339
Profit/(Loss) after taxation	1,732	1,037	1,922	14,154	13,030	17,405
Earning/(Loss) per certificate	0.06	0.03	0.06	0.47	0.44	0.58



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Trust Modaraba Managed by Al-Zamin Modaraba Management (Pvt.) Limited Year ending June 30, 2020

The Modaraba Company has complied with the requirements of the Regulations in the following manner:

The Modaraba Company has applied the principles contained in the CCG in the following manner:

1. Total number of directors are 7 (Seven) as per following:
 - a. Male: 6 (Six)
 - b. Female: 1 (One)
2. The Composition of board is as follows:

Category	Names
a) Independent Director	Mr. Syed Shahnawaz A.Rzivi Mr. Syed Etrat Hussain Rizvi Mr. Muhammad Yasin
b) Non-Executive Directors	Mr. Sheikh Mian Arshad Farooq Mr. Sohail Ansar Dr. Mrs. Namoos Baquar
c) Executive Director	Mr. Basheer Ahmed Chowdry

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the

requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board; .

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Five Directors of the Modaraba Company have already obtained director's training certification from Pakistan Institute of Corporate Governance and two directors are exempted from the requirement by virtue of their experience as prescribed by the listing regulations of the Pakistan Stock Exchange.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

- a) **Audit Committee**

Mr. Syed Shahnawaz A. Rizvi	- Chairman
Mr. Sheikh Arshad Farooq	- Member
Mr. Syed Etrat Hussain Rizvi	- Member
Mr. Sohail Ansar	- Member
- b) **HR and Remuneration Committee**

Mr. Syed Etrat Husain Rizvi	- Chairman
Mr. Syed Shahnawaz A. Rizvi	-Member
Mr. Basheer Ahmed Chowdry	- Member
Mr. Muhammad Yasin	- Member
- c) **Risk Management Committee**

Mr. Sheikh Arshad Farooq	
Dr. Ms. Namoos Baquar	

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committees were as per following:

- | | |
|----------------------------------|-------------|
| a) Audit Committee | - Quarterly |
| b) HR and Remuneration Committee | - Annually |
| c) Risk Management Committee | - Annually |



15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. We confirm that all requirements, other than regulations referred in clause 18 above have been duly complied.

Mian Sheikh Arshad Farooq

CHAIRMAN

Karachi.

Date: September 23rd, 2020.

Report of Shariah Advisor

I have conducted Shariah Review of Trust Modaraba managed by Al-Zamin Modaraba Management (Private) Limited for the financial year ended 30th June, 2020 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. the Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
- ii. Following were the major developments that took place during the year:
 - a) Research and new product developments.
Adopted new inducted Shariah Compliance and Shariah Audit Mechanism.
 - b) Followed Model Islamic Financing Agreements approved by Religious Board.
- iii. the agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
- v. profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conform to the basis and principles of Shariah.
- vi. No earnings have been realized by any means prohibited by Shariah.

In my opinion, the operations of Trust Modaraba are in conformity with the Shariah Compliance and Audit Mechanism for Modarabas.



Signature

Stamp of Shariah Advisor.

Karachi

September 23rd, 2020.

Muhammad Zubair Usmani
Jamia Darul Uloom Karachi



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TRUST MODARABA

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors Al-Zamin Modaraba Management (Private) Limited for and on behalf of Trust Modaraba (the Modaraba) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

Engagement Partner: Muhammad Nasir Muneer

Date: September 23rd, 2020.

Lahore

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **Trust Modaraba** (“the Modaraba”) as at June 30, 2020 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company’s [Al-Zamin Modaraba Management (Private) Limited]] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied except for the changes as stated in note 5 with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Modaraba’s business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) in our opinion and to the best of our information and according to the explanations given to



us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba affairs as at June 30, 2020 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the matter stated in note 17.3.1 to these financial statements, the ultimate outcome of which cannot presently be determined and hence, no loss that may result therefrom has been recorded in these financial statements. Our opinion is not qualified in respect of this matter.

CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

Engagement Partner: Muhammad Nasir Muneer

Date: September 23rd, 2020.

Lahore

BALANCE SHEET

AS AT JUNE 30, 2020

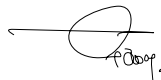
	Note	2020 -----Rupees-----	2019
ASSETS			
Current Assets			
Cash and bank balances	6	8,093,386	4,057,050
Short term investments	7	18,274,492	8,445,401
Advances, deposits, prepayments and other receivables	8	27,204,641	28,343,871
Short term murabaha finances	9	41,485,468	41,022,319
Current portion of long term murabaha finances	12	70,578,971	79,358,837
Ijarah rental receivables	10	17,151,789	14,756,103
Short term musharakah finances (secured - considered good)		31,070,328	29,336,042
Current portion of long term diminishing musharakah finances	13	598,411	912,833
Income tax refunds due from the Government		5,508,038	6,094,347
Stock in trade	11	429,561	1,130,042
Total Current Assets		220,395,085	213,456,845
Non-Current Assets			
Long term murabaha finances	12	6,102,446	19,764,637
Long term diminishing musharakah finances	13	893,033	1,448,984
Long term deposits	14	412,262	1,800,162
Long term investments	15	9,254,769	5,256,149
Investment properties	16	20,405,000	13,702,550
Fixed assets	17	100,041,154	115,839,781
Total Non-Current Assets		137,108,664	157,812,263
Total Assets		357,503,749	371,269,108
LIABILITIES			
Current Liabilities			
Current portion of customers' security deposits	21	7,651,000	12,698,000
Current portion of deferred income on murabaha	20	3,702,398	6,854,911
Current portion of lease liabilities against right of use assets	22	153,052	-
Unclaimed dividends	18	12,891,301	12,930,127
Creditors, accrued and other liabilities	19	1,626,307	2,618,976
Loan from Modaraba Management Company - interest free unsecured		-	5,000,000
Total Current Liabilities		26,024,058	40,102,014
Non-Current Liabilities			
Deferred income on murabaha	20	822,658	2,685,512
Customers' security deposits	21	23,791,315	24,610,865
Lease liabilities against right of use assets	22	-	-
Total Non-Current Liabilities		24,613,973	27,296,377
Total Liabilities		50,638,031	67,398,391
NET ASSETS		306,865,718	303,870,717
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital	23	298,000,000	298,000,000
Reserves	24	8,865,718	5,870,717
		306,865,718	303,870,717
Contingencies and commitments	25	-	-

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Al-Zamin Modaraba Management (Private) Limited
(Modaraba Management Company)



CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



CHIEF FINANCIAL OFFICER



Trust Modaraba

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 -----Rupees-----	2019
Income from ijarah - net	26	8,711,666	12,472,461
Profit on murabaha finances	27	11,694,663	11,497,803
Profit on musharakah finances	28	8,024,224	5,507,677
Income from investments - net	29	937,479	209,496
Trading income	30	64,497	1,805,243
Other income	31	5,391,945	2,114,756
		34,824,474	33,607,436
(Provision) / Reversal of provision against assets	32	(1,933,815)	383,052
Unrealized gain / (loss) on revaluation of financial assets at fair value through profit or loss		822,228	(2,960,712)
		33,712,887	31,029,776
Operating expenses	33	(30,503,614)	(29,698,613)
		3,209,273	1,331,163
Modaraba Management Company's fee		(320,927)	(133,116)
Workers' Welfare Fund		(222,925)	-
Profit before taxation		2,665,421	1,198,047
Taxation	34	(933,668)	(161,210)
Net Profit for the Year		1,731,753	1,036,837
Earnings per certificate - Basic and Diluted	35	0.06	0.03

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Al-Zamin Modaraba Management (Private) Limited
(Modaraba Management Company)

CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

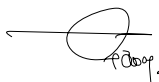
	Note	2020 -----Rupees-----	2019
Net Profit for the year		1,731,753	1,036,837
Other Comprehensive Income:			
Items that will not be reclassified to profit and loss account		-	-
- Net change in fair value of investments classified as fair value through other comprehensive income	24.3	1,887,263	(3,168,990)
Items that may be reclassified subsequently to profit and loss account		-	-
Other comprehensive income / (loss) for the year		1,887,263	(3,168,990)
Total Comprehensive Income / (Loss) for the Year		<u>3,619,016</u>	<u>(2,132,153)</u>

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Al-Zamin Modaraba Management (Private) Limited
(Modaraba Management Company)



CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



CHIEF FINANCIAL OFFICER



Trust Modaraba

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 -----Rupees-----	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations			
Cash generated from operations	36	25,484,162	49,080,635
Decrease in non-current assets:			
- Long term murabaha finances		17,689,505	1,578,360
- Long term musharakah finances		870,373	3,167,485
(Decrease) / increase in non-current liabilities:			
- Deferred income on murabaha		(5,015,367)	210,514
- Customers security deposits		8,664,900	15,356,915
Purchase of ijarah assets		(36,566,300)	(67,439,150)
Proceeds from disposal of ijarah assets		9,548,749	4,833,528
Income tax paid / deducted		(347,359)	(1,353,450)
Net Cash Generated from Operating Activities		20,328,663	5,434,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of owned assets		(229,895)	(356,498)
Proceeds from disposal of owned assets		-	40,000
Repayment of advance under IMBL project fund		-	(4,840,096)
(Purchase) / Disposal of investments - net		(11,168,957)	(2,009,839)
Long term deposits		200,500	906,528
Dividends received		371,901	720,700
Net Cash Used in Investing Activities		(10,826,451)	(5,539,205)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made against lease liability		(427,050)	-
Loan obtained from a director		1,000,000	-
Loan repaid to director		(1,000,000)	-
Repayment of loan from Modaraba Management Company		(5,000,000)	-
Profit distributed to certificate holders		(38,826)	(421)
Net cash used in financing activities		(5,465,876)	(421)
Net Increase / (Decrease) in Cash and Cash Equivalents		4,036,336	(104,789)
Cash and cash equivalents at beginning of the year		4,057,050	4,161,839
Cash and Cash Equivalents at the End of the Year	6	8,093,386	4,057,050

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Al-Zamin Modaraba Management (Private) Limited
(Modaraba Management Company)

CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

CHIEF FINANCIAL OFFICER

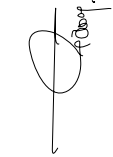
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

Particulars	Certificate capital	Statutory Reserve (Mandatory Reserve)	Surplus on Revaluation of Fixed Assets (Capital Reserve)	Revenue reserves		Total Reserves	Total Equity
				Unrealized loss on revaluation of investments	Accumulated loss		
Balance as at June 30, 2018	298,000,000	79,637,766	2,457,200	(3,586,151)	(70,505,945)	8,002,870	306,002,870
Net profit for the year	-	-	-	-	1,036,837	1,036,837	1,036,837
Other comprehensive income for the year	-	-	-	(3,168,990)	-	(3,168,990)	(3,168,990)
Total comprehensive income / (loss) for the year	-	-	-	(3,168,990)	1,036,837	(2,132,153)	(2,132,153)
Transfer to statutory reserve at 20%	-	207,367	-	-	(207,367)	-	-
Balance as at June 30, 2019	298,000,000	79,845,133	2,457,200	(6,755,141)	(69,676,475)	5,870,717	303,870,717
Net profit for the year	-	-	-	-	1,731,753	1,731,753	1,731,753
Other comprehensive income for the year	-	-	-	1,887,263	-	1,887,263	1,887,263
Total comprehensive income for the year	-	-	-	1,887,263	1,731,753	3,619,016	3,619,016
Transfer to accumulated loss relating to investments de-recognized	-	-	-	-	(624,015)	(624,015)	(624,015)
Transfer to statutory reserve at 20%	-	346,351	-	-	(346,351)	-	-
Balance as at June 30, 2020	298,000,000	80,191,484	2,457,200	(4,867,878)	(68,915,088)	8,865,718	306,865,718

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Al-Zamin Modaraba Management (Private) Limited
(Modaraba Management Company)



CHAIRMAN



DIRECTOR



CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE



NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

Trust Modaraba (the Modaraba) was formed in Pakistan under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and is being managed by Al-Zamin Modaraba Management (Private) Limited (AZMML). The Modaraba commenced its business operations on November 12, 1991. It is listed on Pakistan Stock Exchange.

The Modaraba is perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabaha, Musharakah and Ijarah financing, investment in marketable securities, trading and other permissible businesses. The principal place of business and registered office is located at 104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi - 75600 while regional office is located at 301-320, 3rd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore. The Modaraba also has a branch office situated at 50-A, Block H, Trust Plaza Adjacent Standard Chartered Bank G.T. Road, Gujranwala.

2 BASIS OF PREPARATION

2.1 Statement Of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the relevant laws).

Wherever the requirements of the approved accounting standards differ from the relevant laws, the relevant laws have been followed.

2.2 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Modaraba's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.3 Basis Of Measurement

These financial statements have been prepared under the historical cost convention, except investment property, investments, lease liabilities and right-of-use assets. Investment properties and investments are measured at fair value. Lease liabilities and right-of-use assets are initially measured at the present value of the lease payments that are not paid at the commencement date. Basis of measurement has been discussed in related notes 4.5, 4.2 and 4.10 respectively.

2.4 Changes in accounting standards, interpretations and pronouncements

2.4.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following amendments to existing standards and interpretations have been published and are mandatory for the year ended June 30, 2020 and are considered to be relevant to the Modaraba's financial statements:

Standard or Interpretation	Effective date (Periods beginning on or after)
-----------------------------------	---

IFRS 9 Financial Instruments [Amendments]	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16 Leases	January 1, 2019
Annual improvements to IFRSs (2015-2017 Cycle)	January 1, 2019

The following standards, amendments and interpretations thereto as notified under the Companies Act, 2017 are either not relevant to the Modaraba's operations or are not likely to have significant impact on the Modaraba's financial statements:

IAS 28 Investments in Associates and Joint Ventures [Amendments]	January 1, 2019
IAS 23 Borrowing costs [Amendments]	January 1, 2019
IAS 19 Employee Benefits [Amendments]	January 1, 2019
IFRS 3 Business Combinations [Amendments]	January 1, 2019
IFRS 11 Joint Arrangement [Amendments]	January 1, 2019

2.4.2 **Standards, interpretation and amendments to approved accounting standards that are not yet effective**

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

Conceptual Framework in IFRS Standards [Amendments]	January 1, 2020
IFRS 7 Financial Instruments: Disclosures [Amendments]	January 1, 2020
IFRS 9 Financial Instruments [Amendments]	January 1, 2020
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IFRS 16 Leases [Amendments]	June 1, 2020
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2020
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The Modaraba is currently evaluating the potential impact on its financial statements.

3 **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

In the process of applying the Modaraba's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:



3.1 **Useful lives, pattern of flow of economic benefits and impairment**

The Modaraba's management determines the useful lives and related depreciation charge, the residual values and impairment of its fixed assets on regular basis. These are reviewed at the end of each reporting period and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets and the residual values, the same is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

3.2 **Provision against non performing financings**

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

3.3 **Impairment of other financial assets**

Provision is recognised based on management judgment regarding the recoverability of balance under expected credit loss method. Balances considered bad and irrecoverable are written off when identified.

3.4 **Provision for taxation**

No provision has been made in these financial statements for income taxes (both current and deferred) as the Modaraba expects to distribute at least 90% of its profits (after appropriation to mandatory reserves as required under the Modaraba Ordinance) to the certificate holders in current and future years.

For the above purposes, and also in respect of making an estimate for income tax currently payable by the Modaraba (if so required), the management considers the current income tax laws and the decisions of the appellate authorities on certain issues.

3.5 **Provisions and Contingencies**

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

3.6 **Valuation of investment properties (note 4.5)**

3.7 **NRV of stock in trade (note 4.7)**

4 **Summary of Significant Accounting Policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless stated otherwise.

4.1 **Cash and cash equivalents**

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

4.2 **Financial instruments**

Financial instruments include long term deposits, trade debts, advances, deposits and other receivables, cash and bank balances, murabaha finances, ijarah rental receivables, investments, creditors, accrued and other liabilities.

4.2.1 **Financial assets**

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

4.2.1.1 Classification

The management determines the classification of its financial assets at the time of initial recognition and classifies its financial assets in the following categories:

a) **Financial assets at amortized cost**

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) **Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) **Financial assets at fair value through profit or loss**

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Modaraba can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income unless these are held for trading in which case these have to be measured at fair value through profit or loss. The equity investments of the Modaraba held in short term investments are classified at fair value through profit or loss because they are frequently traded while equity investments in long term investments are classified at fair value through other comprehensive income because the Modaraba intends to hold these to collect dividends.

Reclassification

When the Modaraba changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Modaraba applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit or loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in profit or loss.

In case of reclassification out of fair value through profit or loss measurement category to the amortized cost measurement category, fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of fair value through other comprehensive income measurement category to the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through profit or loss measurement category to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

In case of reclassification out of fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.



4.2.1.2 Initial recognition and measurement

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date that is the date on which the Modaraba commits to purchase or sell the asset.

Except for receivables from Modaraba's main operations, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Modaraba's right to receive payments is established. Receivables from Modaraba's main operations are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Modaraba uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

4.2.1.3 Subsequent measurement.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. Gain or loss on financial assets not part of hedging relationship is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Modaraba recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Modaraba's right to receive payments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise. Fair values of quoted investments are based on current prices. Fair value hierarchies are described in note 4.17.

4.2.1.4 Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or
- the Modaraba has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a) the Modaraba has transferred substantially all the risks and rewards of the asset; or
 - b) the Modaraba has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the carrying amount and the consideration received is recognized in profit or loss.

If the Modaraba transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Modaraba has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Modaraba continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Modaraba also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Modaraba could be required to repay.

If the Modaraba's continuing involvement is in only a part of a financial asset, the Modaraba allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit or loss.

4.2.1.5 **Impairment of financial assets**

The Modaraba directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Modaraba recognizes the impairment at each reporting date for outstanding Ijarah, murabaha and musharakah receivables on the basis of Prudential Regulations issued for Modarabas by the Securities and Exchange Commission of Pakistan (SECP). Loss allowance calculated under IFRSs is not materially different from that calculated on the basis of Prudential Regulations.

For other financial assets, the Modaraba recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the balance sheet is not reduced.

The Modaraba measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Modaraba measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Modaraba always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Modaraba recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

4.2.2 **Financial liabilities**

4.2.2.1 **Initial recognition and measurement**

All financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument.



Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition.

The Modaraba does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss account.

4.2.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Modaraba's key management personnel. The Modaraba has not designated any financial liability as at fair value through profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit and loss account.

4.2.2.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

If the Modaraba repurchases a part of a financial liability, the Modaraba allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit or loss.

4.2.3 **Offsetting of financial assets and liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.3 **Murabaha finances**

In principal on the basis of undertaking (promise-to-purchase) from the client (the purchase ordered), the Modaraba purchases the assets/goods subject of the Murabaha from third party and takes possession thereof, however, the Modaraba can appoint the client as its agent to purchase the assets/goods on its behalf. Thereafter, its sells it to the client at cost plus the profit agreed upon in the promise. Murabaha financing is recorded at the invoiced amount and profit is recognized. Profit on that portion of sale revenue not due for payment is deferred and recognized as liability. Goods purchased by the Modaraba but remained unsold, if any with the Modaraba at reporting date constitute inventories.

4.4 **Tangible fixed assets**

4.4.1 **Operating fixed assets in own use and depreciation**

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income by applying the straight-line method at the rates given in note 17.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain/loss on disposal of assets is charged to current year's income.

4.4.2 **Assets given to customers on lease and depreciation**

Leased assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income by applying the straight line method whereby the cost of an asset less salvage value is written off over the leased period, which is considered to be the estimated useful life of the asset. Depreciation on additions and disposals during the year is charged proportionately from the date of commencement of the lease to the date of its maturity / termination.

4.4.3 **Assets given to customers held under Ijarah arrangements**

Assets given to customers under ijarah arrangements are assets available / held for ijarah which are accounted for as operating lease assets and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the period of lease term. In respect of additions and transfer during the year, depreciation is charged proportionately over the period of ijarah.

4.5 **Investment properties**

Land or a building or part of a building or both held to earn rentals or for capital appreciation or for both are classified as investment property. Investment properties are not held for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Modaraba accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognized as an asset when and only when it is probable that the future economic benefits that are associated with the investment property will flow to the Modaraba and the cost of the investment property can be measured reliably.



Investment properties are initially recognized at cost, being the fair value of the consideration given. Subsequently, these are stated at fair value at each reporting date. The fair value is determined based on market values; being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable willing parties in an arm's length transaction. Any gain or loss arising from a change in fair value is charged to the profit and loss account for the period in which it arises.

The costs of day-to-day servicing and repairs of investment properties are recognized in profit or loss as incurred.

An investment property previously measured at fair value is continued to be measured at fair value until disposal (or until the property becomes owner-occupied property or the Modaraba begins to develop the property for subsequent sale in the ordinary course of business) even if comparable market transactions become less frequent or market prices become less readily available.

When an item of operating fixed assets is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of fixed assets. Upon disposal of the item, the related surplus on revaluation is transferred to retained earnings (accumulated loss). Any loss arising in this manner is immediately charged to the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as operating fixed assets and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

Investment properties are derecognized either when they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Compensation from third parties for investment property that is impaired, lost or given up is recognized in profit or loss when the compensation becomes receivable.

4.6 **Impairment of Assets**

The Modaraba assesses, at each reporting date, whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. A previously recognized impairment loss is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit and loss account. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.7 **Stock in trade**

4.7.1 **Stock in trade for murabaha transactions**

Murabaha transactions are entered into on customer order basis, therefore, in normal circumstances there is no inventory. However, unsold inventory, if any, is measured by the Modaraba at lower of cost and net realizable value as at the reporting date. Cost is determined on weighted average basis.

4.7.2 **Stock in trade for trading purpose**

Stock in trade is measured at lower of cost and net realizable value as at the reporting date. Cost is determined on weighted average basis.

- 4.7.3 Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. If the net realizable value is lower than the carrying amount, a write-down is recognized for the amount by which the carrying amount exceeds its net realizable value. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.8 **Provisions**

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

4.9 **Ijarah assets acquired for own use**

The Modaraba has entered into ijarah contracts under which it obtains usufruct of an asset for an agreed period for an agreed consideration. The ijarah contracts are undertaken in compliance with the Shariah essentials for such contracts.

The Modaraba accounts for its ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, the Modaraba as a Mustaj'ir (lessee) in the ijarah contract recognizes the Ujrah (lease) payments as an expense in the profit and loss on straight line basis over the ijarah term.

4.10 **Leases**

For contracts entered into, or modified, on or after July 1, 2019; the Modaraba assesses whether a contract contains a lease or not at the inception of a contract. The Modaraba reassesses whether a contract is, or contains, a lease further when the terms and conditions of the contract are modified.

The Modaraba determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Modaraba is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Modaraba is reasonably certain to not to exercise that option.

The Modaraba reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Modaraba and affects whether the Modaraba is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in the determination of the lease term.

The Modaraba revises the lease term if there is a change in the non-cancellable period of a lease.

4.10.1 **Modaraba as a lessee**

Recognition

The Modaraba recognizes a right-of-use asset and a lease liability at the commencement date. A commencement date is the date on which the lessor makes an underlying asset available for use by the lessee (the Modaraba).

The Modaraba has elected not to recognize right-of-use assets and lease liabilities for short-term leases of all underlying assets that have a lease term of 12 months or less and leases for which the underlying asset, when new, is of low-value as per the threshold set by the Modaraba. The Modaraba recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

Initial measurement

Lease liability

At the commencement date, the Modaraba measures the lease liability at the present value of the lease payments that are not paid. The lease payments are discounted using the interest rate implicit in the lease, or the Modaraba's incremental borrowing rate if the implicit rate is not readily available. Generally, the Modaraba uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed payments less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable by the Modaraba under residual value guarantees; the exercise price of a purchase option if the Modaraba is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the Modaraba exercising an option to terminate the lease.

Right-of-use asset

The Modaraba initially measures the right-of-use asset at cost. This cost comprises the amount of lease liability as initially measured, plus any lease payments made on or before the commencement date, less lease incentives received, initial direct costs and estimated terminal costs (i.e. dismantling or other site restoration costs required by the terms and conditions of the lease contract).

Subsequent measurement

Lease liability

After the commencement date, the Modaraba re-measures the lease liability to reflect the effect of interest on outstanding lease liability, lease payments made, reassessments and lease modifications etc. Variable lease payments not included in the measurement of the lease liability and interest on lease liability are recognized in the profit or loss account, unless these are included in the carrying amount of another asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Lease liability payable in foreign currency is translated to local currency of the Modaraba at the reporting date. Any foreign exchange differences arising on translation of lease liability are recognized in profit or loss.

Right-of-use asset

After the commencement date, the Modaraba measures the right-of-use asset at cost less accumulated depreciation and accumulated identified impairment losses, if any, adjusted for any remeasurement of the lease liability.

The Modaraba depreciates the cost of right-of-use asset, net of residual value, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, if the lease contract transfers ownership of the underlying asset to the Modaraba by the end of the lease term or if the cost of the right-of-use asset reflects that the Modaraba will exercise the purchase option, the Modaraba depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Depreciation is charged to profit or loss account at rates given in note 17.5.

4.10.2 Modaraba as a lessor

Leases in which the Modaraba does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in profit and loss account. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Recognition

The Modaraba recognizes a right-of-use asset and a lease liability at the commencement date. A commencement date is the date on which the lessor makes an underlying asset available for use by the lessee (the Modaraba).

4.11 Revenue from Contracts with Customers

Revenue from ijarah and murabaha is recognized as per the requirements of the Islamic Financial Accounting Standards (IFASs). Repayment schedule is agreed at the start. Payments are usually due over the period of contract at different dates.

Murabaha profit

Profit on finances under murabaha arrangements is recognized on a pro-rata basis taking into account the duration of placement of funds. Income on murabaha executed on or after July 01, 2009 is accounted for on culmination of murabaha transaction. However, profit not due for payment in the current year is deferred by accounting for unearned murabaha income with corresponding credit to deferred murabaha income which is recorded as a liability. The same is then recognized as revenue on a time proportionate basis.

Musharakah profit

Profit on diminishing musharakah financings is recognized on accrual basis.

Ijarah rentals

Ijarah income is 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.

Dividend income

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

Capital gain or loss

Capital gain or loss on sale of investments is recognized in the period in which it arises.

Sale of goods

Revenue from sale of goods is recognized on dispatch of goods to customers.

Rental income

Rental income from investment properties is recognized on time proportionate basis.

Return on deposit accounts

Return on deposit accounts is recognized on accrual basis.



4.12 **Taxation**

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account applicable tax credit, rebates and exemption available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than 90% of its profits in the year after transfer to statutory reserve are distributed amongst the certificate holders.

Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary timing differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated based on the rates that have been enacted or notified for subsequent enactment up to the reporting date and are expected to apply to the period when the difference arises.

Deferred taxation has not been recognized in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit. The Modaraba has net deferred tax asset position which has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits may not be available against which the temporary differences can be utilized.

4.13 **Post employment benefits**

The Modaraba operates an approved provident fund for all its employees. The Modaraba and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary of employees.

4.14 **Dividend - Profit distribution and other appropriations of profit**

Dividend distribution to the Modaraba's certificate holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Modaraba Management Company. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

Appropriations to statutory reserves declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the year in which these are declared / approved.

4.15 **Earnings per certificate**

The Modaraba presents basic and diluted earnings per certificate (EPC). Basis EPC is calculated by dividing the profit or loss attributable to ordinary certificate holders of the Modaraba by the weighted average number of ordinary certificates outstanding during the year. Diluted EPC is determined by adjusting the profit or loss attributable to ordinary certificate holders and the weighted average number of ordinary certificates outstanding for the effects of all dilutive potential ordinary certificates, if any.

4.16 **Operating segments**

An operating segment is a component of an entity:

- a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

- b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- c) for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Modaraba has been identified as Chief Operating Decision Maker.

The Modaraba is divided into five operating segments:

- Murabaha finances;
- Ijarah finances;
- musharakah finances;
- Investments; and
- Trading of stock.

All these operating segments are located in Pakistan.

4.16.1 **Segment assets and liabilities**

The assets of a segment include all operating assets used by a segment and consist principally of receivables and fixed assets, net of allowances and provisions. Segment liabilities are primarily unallocable.

4.16.2 **Allocation of segment expenses**

All identifiable expenses are directly attributed to the respective segments.

4.17 **Fair value measurement**

The Modaraba measures certain financial instruments, and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Modaraba has access at that date. The fair value of a liability reflects the effect of non-performance risk. When applicable, the Modaraba measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring fair value, the Modaraba takes into account the characteristics of asset or liability which include the condition and location of the asset and restrictions, if any, on the sale or use of the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Modaraba uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Valuation techniques used to measure fair value are applied consistently unless a change in a valuation technique or its application results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application are accounted for as a change in accounting estimate.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within different levels of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value hierarchy categorizes into following three levels the inputs to valuation techniques used to measure fair value:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Modaraba can access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, the Modaraba has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

5 CHANGE IN ACCOUNTING POLICY

The Modaraba has consistently applied the accounting policies to all periods presented in these financial statements except for the change in accounting policy relating to leases to comply with standards, amendments and interpretations to approved accounting and reporting standards which has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, no restatement has been deemed necessary in this regard.

5.1 IFRS 16 'Leases'

The Modaraba has adopted IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) during the period that has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for virtually all of the leases. IFRS 16 includes an optional exemptions for certain short-term leases and leases of low-value assets for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. Under the previous standard, IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, as the IASB has updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. The adoption of IFRS 16 has necessitated change in accounting policy for the Modaraba.

The Modaraba has applied IFRS 16 using the cumulative catch-up approach and therefore the comparative information presented has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Modaraba has elected to use the following practical expedients under IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
- A single discount rate has been applied to portfolio of leases with reasonably similar characteristics;

- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognized in the balance sheet) even though the initial term of the leases from lease commencement date may have been more than twelve months;

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Modaraba, as a lessee, previously used to classify leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Modaraba. The Modaraba used to recognize minimum lease payments in full as an expense. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent were recognized under prepayments. Now, under IFRS 16, the Modaraba recognizes right-of-use assets and lease liabilities for all leases, after taking into account the elections made for available practical expedients described above.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Modaraba depreciates right-of-use assets in depreciation and amortization and unwinds the discount on lease liability into finance cost.

The Modaraba has applied IAS 36 Impairment of Assets to ROU assets at the date of initial application and assessed that ROU assets are not impaired as at that date.

The Modaraba used its incremental borrowing rate at July 1, 2019 to discount the lease payments. The weighted average incremental borrowing rate applied to lease liabilities on July 1, 2019 was 13.35%.

The effect of adoption of IFRS 16 as at July 01, 2019 is as follows:

Impact on Balance Sheet	As at July 1, 2019
Increase in fixed assets in own use - right of use assets	535,904
Decrease in prepayments	-
Net increase in total assets	535,904
Increase in liability against right of use asset	535,904
Net increase in total liabilities	535,904
Impact on Profit and Loss Account	For the Year 2020
Decrease in rent expense	(427,050)
Increase in depreciation expense on right of use asset	401,928
Increase in financial charges on lease liability	44,198
Net impact on profit or loss account	19,076

The reconciliation of aggregate lease liability recognized in the balance sheet at July 1, 2019 with the Modaraba's operating lease commitment as at June 30, 2019 is as follows:

	Rupees
- Commitments and Lease payments relating to renewal periods not included in operating lease commitments as at June 30, 2019	10,488,188
- Effect of discounting those lease commitments at an annual rate of 13.35%	(9,952,284)
	535,904

Lease liabilities recognized at July 1, 2019 as a result of initial application

There is no effect on prior period figures in statement of profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity.



	Note	2020	2019
-----Rupees-----			
6 CASH AND BANK BALANCES			
Cash in hand		57,993	57,436
Balances with bank in:			
Current accounts	6.1	184,870	173,365
Saving accounts	6.2	7,850,523	3,826,249
		8,035,393	3,999,614
		8,093,386	4,057,050

6.1 This includes Rs. 148,787 (2019: 148,787) held in dividend account.

6.2 These carry profit at rates ranging from 1.50% to 2.60% (2019: 2.60% to 6.26%) per annum.

7 SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss:

NIT Islamic Unit Fund	7.1	796,920	1,605,518
Meezan Islamic Fund	7.2	1,415,194	1,389,624
Shares of listed companies	7.3	16,062,378	5,450,259
		18,274,492	8,445,401

7.1 These represent 107,692.0458 (2019: 216,669.1264) number of units held as at the reporting date. Average cost of these units as at the reporting date amounts to Rs. 1.229 million (2019: Rs. 2.188 million).

7.2 These represent 30,312.7663 (2019: 28,993.4231) number of units held as at the reporting date. Average cost of these units as at the reporting date amounts to Rs. 1.826 million (2019: Rs. 1.764 million).

7.3 Shares of listed companies

Unless otherwise stated, the holdings are in fully paid ordinary shares of Rs. 10 each.

No of shares		Name of Investee	June 30, 2020		June 30, 2019	
2020	2019		Average cost	Market value	Average cost	Market value
-----Rupees-----						
11,000	5,600	Packages Limited	4,416,045	3,819,310	2,712,662	1,683,136
19,000	9,425	Attock Refinery Limited	2,588,873	1,697,080	1,743,403	728,270
25,000	4,000	The Hub Power Company Limited	2,135,546	1,812,500	503,750	315,000
20,000	12,000	Frieslandcampins Engro Foods Limited (formerly Engro Foods Limited)	2,100,712	1,470,200	1,573,598	699,960
50,000	40,000	Fauji Cement Company Limited	1,502,732	844,000	1,334,304	629,200
17,000	3,000	D.G. Khan Cement Company Ltd	1,457,686	1,450,610	293,547	169,620
70,000	70,000	Byco Petroleum Pakistan Limited	1,293,581	421,400	1,293,600	448,700
2,000	1,000	Shell Pakistan Limited	368,640	365,160	263,344	182,463
3,000	-	Lucky Cement Limited	1,350,596	1,384,740	-	-
15,000	-	Sui Northern Gas Pipelines Limited	825,338	819,000	-	-

No of shares		Name of Investee	June 30, 2020		June 30, 2019	
2020	2019		Average cost	Market value	Average cost	Market value
-----Rupees-----						
50,000	-	Hascol Petroleum Limited	968,838	680,000	-	-
3,000	-	The Searle Company Limited	601,324	597,690	-	-
5,000	-	Pakistan Petroleum Limited	461,026	433,900	-	-
20,000	-	Sui North Gas Pipeline Limited	282,128	266,800	-	-
-	1,100	Engro Corporation Limited	-	-	323,038	292,160
-	1,300	Pakistan Oxygen Limited	-	-	296,123	195,000
-	7,000	Lotte Chemical Pakistan Limited	-	-	111,611	106,750
			20,353,065	16,062,390	10,448,980	5,450,259

		Note	2020	2019
			-----Rupees-----	
8	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Loans to / receivable from employees - considered good	8.1	610,340	1,737,404
	Current portion of long term deposits	14	1,374,300	186,900
	Prepayments		4,805,943	4,522,906
	Accrued profit (secured - considered good)	8.2	2,879,504	4,701,611
	Advances to suppliers - considered good		1,821,113	-
	Trade receivables - considered good (secured)	8.3	9,886,352	11,601,100
	Legal suits' charges receivable (secured - considered good)	8.4	2,783,702	2,887,003
	Receivable against sale of vehicles		1,800,000	-
	Sundry receivables (unsecured - considered good)	8.5	1,243,387	2,706,947
			27,204,641	28,343,871
8.1	This includes the loan given to and receivables from executives amounting to Rs. 0.3 million (2019: Rs. 1.380 million) who are also the key management personnel of the Modaraba. Maximum aggregate balance due from executives and employees, at the end of any month during the year, was Rs. 1.598 million (2019: Rs. 2.090 million).			
8.2	Profit receivable on musharakah finances		2,879,504	1,691,200
	Profit receivable on murabaha finances		1,368,683	4,379,094
	Suspended income		(1,368,683)	(1,368,683)
			-	3,010,411
			2,879,504	4,701,611
8.3	Trade receivables			
	Gross amount		10,610,210	11,601,100
	Allowance for expected credit losses	8.3.2	(723,858)	-
			9,886,352	11,601,100
8.3.1	Trade receivables are secured against mortgage of properties and memorandum of deposit of title deed.			

	Note	2020 -----Rupees-----	2019
8.3.2 Allowance for expected credit losses		-	-
Opening balance		723,858	-
Add: Provision for the year		723,858	-
8.4 Legal suits' charges receivable			
Gross amount		3,555,652	3,658,953
Allowance for expected credit losses		(771,950)	(771,950)
		2,783,702	2,887,003
8.5 Sundry receivables			
Opening balance		2,139,598	3,205,401
Recovery during the year	8.5.1	(896,211)	(498,454)
		1,243,387	2,706,947
8.5.1 Allowance for expected credit losses			
Opening balance		498,454	498,454
Add: Provision for the year	32	397,757	-
		896,211	498,454
9 SHORT TERM MURABAHA FINANCES - secured			
Considered good		4,416,361	10,572,219
Considered doubtful:			
- Regular parties		4,036,596	6,218,088
- Parties under litigation	9.2	62,160,811	52,932,312
- Suspended income	9.3	(428,000)	-
		65,769,407	59,150,400
Provision for doubtful receivables	9.4	(28,700,300)	(28,700,300)
		41,485,468	41,022,319
9.1	The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation / pledge of stocks, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.		
9.2	These represent receivables from 6 (2019: 5) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 4 (2019: 5) cases for recovery of Rs. 65.442 million (2019: Rs. 73.771 million). Execution petition for one customer has been finalized and sale certificate in respect of collateral held against receivable from this party has been issued in favor of the Modaraba. Modaraba is looking for out of court settlement due to high costs of transferring the collateral in Modaraba's name.		
9.3 Suspended income			
Opening balance		-	-
Suspension made during the year	27	428,000	-
		428,000	-

	Note	2020 -----Rupees-----	2019
9.4	Provision for classified receivables under Prudential Regulations for Modarabas:		
	Opening balance	28,700,300	28,720,384
	Add: Provision for the year	-	-
		28,700,300	28,720,384
	Less: Reversal of provision	-	(20,084)
		28,700,300	28,700,300
10	IJARAH RENTAL RECEIVABLES - secured		
	Considered good	3,185,699	666,957
	Considered doubtful:		
	- Regular parties	-	123,056
	- Parties under litigation	34,824,912	34,824,912
	Suspended ijarah income - considered doubtful	10.2 (17,900,639)	(17,900,639)
	Provision for doubtful Ijarah rental receivables	10.3 (2,958,183)	(2,958,183)
		17,151,789	14,756,103
10.1	These are secured against ijarah assets and personal guarantees. In some ijarahs, additional collateral is also obtained in the form of mortgaged property. The Modaraba is entitled to repossess and sell the ijarah assets in case of default by the customers.		
10.2	Suspended ijarah income - considered doubtful		
	Opening balance	17,900,639	19,480,147
	Recovery during the year	26 -	(1,579,508)
		17,900,639	17,900,639
10.3	Provision for doubtful Ijarah rental receivables:		
	Opening balance	2,958,183	3,394,161
	Recovery during the year	-	(435,978)
	Closing balances	2,958,183	2,958,183
11	Stock in Trade		
	Potatoes	11.1 908,209	1,130,042
	Less: Write down to NRV	(478,648)	-
		429,561	1,130,042
11.1	These represent finished goods obtained for the purpose of trading business.		

		2020	2019
	Note	-----Rupees-----	
12	LONG TERM MURABAHA FINANCES - secured		
Considered good		37,801,969	55,455,838
Considered doubtful	12.2	41,939,607	46,394,243
Provision for doubtful long term murabaha finances	12.3	(3,060,159)	(2,726,607)
		76,681,417	99,123,474
Current / overdue portion shown under current assets		(70,578,971)	(79,358,837)
		6,102,446	19,764,637
12.1	The Modaraba has sold goods under murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation / pledge of stocks, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.		
12.2	Considered doubtful	43,753,927	49,833,912
	Suspended income	12.2.1	(3,439,669)
		12.2.2	41,939,607
12.2.1	Suspended income		
	Opening balance	3,439,669	3,613,002
	Recovery during the year	27	(676,471)
	Suspension made during the year	27	503,138
		1,814,320	3,439,669
12.2.2	This includes receivable from 6 (2019: 4) customers under murabaha finance which is under litigation. Legal proceedings against these customers are in process in the Honorable Court of Law. The Court has awarded decree in favour of Modaraba in 2 (2019: 3) cases for recovery of Rs. 54.123 million (2019: Rs. 60.662 million). Amount receivable from one party has been settled through purchase of properties and cash. (note 31.1)		
12.3	Provision for doubtful long term murabaha finances		
	Opening balance	2,726,607	2,726,607
	Provision for the year	333,552	-
	Closing balances	3,060,159	2,726,607
13	Long Term Diminishing Musharakah Finances - Secured		
	Considered good	1,491,444	1,800,399
	Considered doubtful	-	561,418
		1,491,444	2,361,817
	Current / overdue portion grouped under current assets	(598,411)	(912,833)
		893,033	1,448,984
13.1	These are secured by way of personal guarantees and mortgage of properties.		

		2020	2019
		-----Rupees-----	
14	Long Term Deposits	Note	
	Central Depository Company of Pakistan Limited		154,862
	Rented property		560,500
	Less: current portion shown under current assets		-
			560,500
	Ijarah deposit money		1,241,700
	Less: current portion shown under current assets	8	(186,900)
			1,054,800
	Others		30,000
			412,262
			1,800,162

15 **Long Term Investments**
Long Term Investments at Fair Value through OCI

Shares of Listed Companies

Unless otherwise stated, the holdings are in fully paid ordinary shares of Rs. 10 each.

No of shares		Name of Investee	June 30, 2020		June 30, 2019	
2020	2019		Average cost	Market value	Average cost	Market value
-----Rupees-----						
10,000	3,000	Shell Pakistan Limited	2,577,617	1,825,800	1,318,331	547,380
4,500	3,500	Lucky Cement Limited	2,575,204	2,077,110	2,112,901	1,331,645
20,000	11,000	Sui Northern Gas Pipelines Limited	2,087,390	1,092,000	1,589,637	764,390
5,175	5,175	The Searle Company Limited	1,999,367	1,031,015	1,999,376	758,438
15,000	8,000	D.G. Khan Cement Company Ltd	1,891,516	1,279,950	1,321,722	452,320
130,000	110,000	Pakistan Telecommunication Company Limited	1,887,000	1,154,400	1,723,144	909,700
30,581	11,125	Maple Leaf Cement Factory	1,104,553	794,494	730,203	265,776
-	10,000	Pioneer Cement Limited	-	-	591,961	226,500
			14,122,647	9,254,769	11,387,275	5,256,149



	Note	2020	2019
		-----Rupees-----	
16 Investment Properties			
Opening balance		13,702,550	2,835,000
Transferred from owner-occupied property	17.3	-	10,397,550
Additions during the year	31.1	6,600,000	-
Fair value gain on revaluation of investment property	31	102,450	470,000
Closing balance		20,405,000	13,702,550

These are obtained by taking possession of collateral which the Modaraba held as security against its receivables. Particulars of investment properties as at the reporting date are as follows:

Property Type	Location	Area	Independent Valuer	Fair Value Rupees	Forced Sale Value Rupees
Land	District Faisalabad	18.89 marlas	M/s Star Tech Consultant	3,305,000	2,810,000
Agricultural Land	District Gujranwala	20 kanals	M/s Husnain Associates	10,500,000	8,400,000
Shops	District Hyderabad	138 sq. ft.	M.J Surveyors (Pvt.) Limited	6,600,000	5,280,000
				<u>20,405,000</u>	<u>16,490,000</u>

The Modaraba has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value measurements

There are no level 1 and level 3 assets or transfers between levels 1, 2 and 3 during 2020.

Valuation techniques used to derive level 2 fair values

Description	Valuation Technique	Significant Unobservable Inputs	Range (weighted average)
Land	Sales comparison approach adjusted by prices of comparable land in close proximity for differences in key attributes such as location and size of the property. Inquiries in the vicinity and also through property dealers of the area.	Price per marla / Price per sq. ft.	Reasonable fair value estimates
Shops	Research and analysis of the neighborhood and calling the leading realtors of the area.	Price per marla / Price per sq. ft.	Reasonable fair value estimates

The Modaraba as a lessor has entered into operating lease on its investment property situated in District Gujranwala. The lease has term of 1 years.

Future minimum rentals receivable under non-cancellable operating lease as at the reporting date are as follows:

	Within one year	After one year but not more than five years	More than five years
	-----Rupees-----		
Undiscounted	93,337	-	-

		2020	2019
	Note	-----Rupees-----	
17	FIXED ASSETS		
	Intangible asset	-	-
	Operating fixed assets given on lease / ijarah - tangible	87,935,874	103,576,825
	Operating fixed assets in own use - tangible	11,971,304	12,262,956
	Right of use assets	133,976	-
		<u>100,041,154</u>	<u>115,839,781</u>
17.1	This represents fully amortized Enterprise Resource Planning (ERP) software costing Rs. 1.05 million (2019: Rs. 1.05 million).		

17.3 Operating fixed assets in own use - tangible

PARTICULARS	2020						Book Value as at June 30, 2020			
	Cost			Accumulated Depreciation						
	As at July 01, 2019	Additions	Revaluation Adjustment	Disposals / Transfers	As at June 30, 2020	Depreciation Rate		As at July 01, 2019	Charge for the year	Disposals / Transfers
OWNED										
Land (17.3.1)	10,728,400	-	-	-	10,728,400	-	-	-	-	10,728,400
Furniture & fixtures	1,761,796	115,815	-	-	1,877,611	10%	1,482,551	93,756	-	1,576,307
Office equipment	3,056,160	71,630	-	-	3,127,790	10%	2,340,894	261,192	-	2,602,086
Vehicles	757,711	-	-	-	757,711	20%	549,946	91,014	-	640,960
Lease hold improvements	700,000	-	-	-	700,000	20%	700,000	-	-	700,000
Books	16,423	-	-	-	16,423	20%	16,423	-	-	16,423
Electrical equipments	945,751	42,450	-	-	988,201	10%	613,471	75,585	-	689,056
Total 2020	17,966,241	229,895	-	-	18,196,136		5,703,285	521,547	-	6,224,832

PARTICULARS	2019						Book Value as at June 30, 2019			
	Cost			Accumulated Depreciation						
	As at July 01, 2018	Additions	Revaluation Adjustment	Disposals / Transfers	As at June 30, 2019	Depreciation Rate		As at July 01, 2018	Charge for the year	(Disposals)
OWNED										
Land	21,125,950	-	-	-	10,728,400	-	-	-	-	10,728,400
Furniture & fixtures	1,665,276	96,520	-	-	1,761,796	10%	1,370,160	112,391	-	1,482,551
Office equipments	2,899,882	156,278	-	-	3,056,160	10%	2,079,643	261,251	-	2,340,894
Vehicles	757,711	-	-	-	757,711	20%	399,622	150,324	-	549,946
Lease hold improvements	700,000	-	-	-	700,000	20%	700,000	-	-	700,000
Books	16,423	-	-	-	16,423	20%	16,423	-	-	16,423
Electrical equipments	1,036,517	103,700	-	-	945,751	10%	722,424	85,513	(194,466)	613,471
Total 2019	28,201,759	356,498	-	(10,592,016)	17,966,241		5,288,272	609,479	(194,466)	5,703,285

17.3.1 It represents a piece of land measuring 10 Kanals, costing Rs. 10,728,400 situated at Mauza Amer Sidhu, Lahore Cantt. acquired through settlement of certain Murabaha facilities. The subject land is presently in the possession of Defence Housing Authority, Lahore (DHA). The Modaraba has filed legal suit for possession of land in the Civil Court, Lahore. The management and legal counsel of the Modaraba are confident that Modaraba has valid claim against DHA because title and sale deed is in the name of the Modaraba and accordingly no loss has been charged against such land.



17.4 Disposal of operating fixed assets

17.4.1 Disposal of fixed assets given on jjarah.

Rupees							
Description	Cost	Accumulated depreciation	Book value	Adjustment / Sale proceeds	Gain	Mode of disposal	Particulars of Buyer
Motor Vehicle	1,845,500	1,053,975	791,525	900,844	109,319	Term of jjarah agreement	COLLEGE OF ACCOUNTANCY & PROFESSIONAL STUDIES
Motor Vehicle	1,044,000	522,000	522,000	522,000	-	Term of jjarah agreement	SAJID ALI RAZA
Motor Vehicle	1,200,000	700,000	500,000	500,000	-	Term of jjarah agreement	SYED AHMER HUSSAIN
Motor Vehicle	1,817,500	1,247,097	570,403	632,479	62,076	Term of jjarah agreement	SABOOR AHMED
Motor Vehicle	1,019,000	534,960	484,040	537,842	53,802	Term of jjarah agreement	HAJI MUHAMMAD LATIF & SON
Motor Vehicle	1,024,000	512,000	512,000	512,000	-	Term of jjarah agreement	ANWAR UL HAQ
Motor Vehicle	1,200,000	960,000	240,000	240,000	-	Term of jjarah agreement	MUHAMMAD USMAN REHMAN
Motor Vehicle	850,000	438,273	411,727	453,442	41,715	Term of jjarah agreement	COLLEGE OF ACCOUNTANCY & PROFESSIONAL STUDIES
Motor Vehicle	1,377,000	1,101,600	275,400	275,400	-	Term of jjarah agreement	MEGATECH TRACKERS (PVT) LTD
Motor Vehicle	680,000	442,000	238,000	238,000	-	Term of jjarah agreement	NAIK MUHAMMAD
Motor Vehicle	2,217,000	599,994	1,617,006	1,660,502	43,496	Term of jjarah agreement	NAVEED HASAN SYED
Motor Vehicle	6,495,000	3,495,000	3,000,000	3,000,000	-	Term of jjarah agreement	MEGATECH TRACKERS (PVT) LTD
Motor Vehicle	1,074,000	751,800	322,200	322,200	-	Term of jjarah agreement	MUHAMMAD NAEEM SHAFIQUE
Motor Vehicle	4,205,500	3,235,191	970,309	1,240,853	270,544	Term of jjarah agreement	SABS THE SALON
Motor Vehicle	105,500	84,400	21,100	21,100	-	Term of jjarah agreement	SAJID ALI RAZA
Motor Vehicle	650,000	270,840	379,160	415,407	36,247	Term of jjarah agreement	MUSTAJAB INDUSTRIES (PVT) LTD
Motor Vehicle	1,094,000	875,200	218,800	218,800	-	Term of jjarah agreement	SUFI BRICKS COMPANY
Motor Vehicle	47,000	37,600	9,400	9,400	-	Term of jjarah agreement	NAYYER IMAM
Motor Vehicle	2,762,000	724,598	2,037,402	2,233,709	196,307	Term of jjarah agreement	KHALID MEHMOOD CHAUDHRY
Motor Vehicle	50,000	40,000	10,000	10,000	-	Term of jjarah agreement	S. M DANYAL IMAM
Motor Vehicle	2,175,000	271,880	1,903,120	2,036,433	133,313	Term of jjarah agreement	FARZANA KAUSAR
Motor Vehicle	1,800,000	720,000	1,080,000	1,161,005	81,005	Term of jjarah agreement	CRESCENT STAR INSURANCE LIMITED.
Motor Vehicle	1,800,000	1,200,000	600,000	615,197	15,197	Term of jjarah agreement	SHAHID AHMED KHAN
Motor Vehicle	3,613,000	626,249	2,986,751	3,148,912	162,161	Term of jjarah agreement	COLLEGE OF ACCOUNTANCY & PROFESSIONAL STUDIES
SUZUKI CULTUS BGV-245	1,167,000	836,350	330,650	900,000	569,350	Quotation	MR. SHAHRUKH
SUZUKI CULTUS BHL-780	1,162,740	794,539	368,201	900,000	531,799	Quotation	MR. SHAHRUKH
Plant and Machinery							
Generator	3,700,000	3,200,000	500,000	500,000	-	Term of jjarah agreement	INTERNATIONAL LEATHER INDUSTRIES (PVT) LTD
Generator	2,000,000	1,022,212	977,788	1,069,871	92,083	Term of jjarah agreement	SABS THE SALON
Plant and machinery	2,000,000	1,022,212	977,788	1,069,871	92,083	Term of jjarah agreement	SABS THE SALON
Generator	1,000,000	511,107	488,893	534,932	46,039	Term of jjarah agreement	SABS THE SALON
Total 2020	51,174,740	27,831,077	23,343,663	25,880,199	2,536,536		
Total 2019	52,437,866	32,573,054	19,864,812	20,424,748	559,936		

	Note	2020	2019
		-----Rupees-----	
17.5 Right of use assets			
Opening balance		-	-
Impact of adoption of IFRS 16		535,904	
		535,904	-
Depreciation charge for the year		(401,928)	-
Closing balance		133,976	-
Lease Term (Years)		16 Months	N/A
There are no variable lease payments in the lease contracts. There were no leases with residual value guarantees or leases not yet commenced to which the Modaraba is committed.			
18 UNCLAIMED DIVIDENDS			
Opening balance		12,930,127	12,930,548
Less: Dividends paid		(38,826)	(421)
		12,891,301	12,930,127
Reconciliation of amount kept in separate bank account (current account) is as follows:			
Opening balance		148,787	149,625
Amount transferred during the year		-	-
Dividend claim received and settled		-	(421)
Bank charges		-	(417)
Closing balance		148,787	148,787
19 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Salaries and benefits payable		9,363	9,360
Payable to Modaraba Management Company		320,927	133,116
Provision for Workers' Welfare Fund		78,846	-
Payable to SQZ Business Management Consultancy (Private) Limited		159,904	159,904
Accrued expenses		582,234	472,748
Other liabilities	19.1	475,033	1,843,848
		1,626,307	2,618,976
19.1	It includes charity payable amounting to Rs. 109,223 (2019: Rs. 100,054). The reconciliation is as follows:		
Opening balance		100,054	66,292
Additions during the year		9,169	50,762
Charity paid during the year		-	(17,000)
Closing balance		109,223	100,054
None of the directors and employees of the Modaraba Management Company have any interest in the charity.			



	Note	2020	2019
		-----Rupees-----	
20	Deferred income on murabaha		
	Opening balance	9,540,423	9,329,909
	Additions during the year	5,006,409	10,619,958
	Recognized during the year	(10,021,776)	(10,409,444)
		4,525,056	9,540,423
	Current portion shown as current liabilities	(3,702,398)	(6,854,911)
		822,658	2,685,512
21	CUSTOMERS' SECURITY DEPOSITS		
	Opening balance	37,308,865	37,503,170
	Received during the year	8,664,900	15,356,915
	Adjusted during the year	21.1 (14,531,450)	(15,551,220)
	Closing balance	31,442,315	37,308,865
	Current portion shown as current liabilities	(7,651,000)	(12,698,000)
		23,791,315	24,610,865
21.1	These represent deposits received from customers to secure the ijarah finances given to them.		
22	LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS		
	Opening balance	-	-
	Impact of adoption of IFRS 16	535,904	-
		535,904	-
	Add: Interest expense	33 44,198	-
	Less: Payments made during the year	(427,050)	-
	Gross liability	153,052	-
	Less: Current portion	(153,052)	-
	Closing balance	-	-
22.1	Maturity analysis of contractual cash flows		
	At June 30, 2020	Within one year	Later than one year but not later than five years
			Later than five years
		------(Rupees)-----	
	Undiscounted cash flows	155,743	-
	Less: Discounting	(2,691)	-
	Discounted Cash Flows	153,052	-
22.2	Summary of amounts relating to leases charged in different line items of the financial statements is as follows:		

	Included in	Note	2020	2019
			-----Rupees-----	
Carrying amount of ROU assets	Balance sheet	17.5	133,976	-
Depreciation charge	Operating expenses	33	401,928	-
Interest expense		33	44,198	-
Repayment of lease liability	Cash flow statement		427,050	-
22.3	Nature of leasing activities			
	The Modaraba's leases comprise space taken for its branch office. Periodic rentals are fixed over the lease term. These neither contain any variable lease payments nor any lease incentives. The Modaraba is not committed to any lease not yet commenced as at the reporting date.			
	Remaining lease term of existing lease contract as at reporting date is 4 months for which lease liability is recorded.			
23	CERTIFICATE CAPITAL			
	Authorized Capital			
	50,000,000 (2019: 50,000,000) Modaraba Certificates of Rs.10/- each			
			500,000,000	500,000,000
	Issued, subscribed and paid-up capital			
	15,000,000 (2019: 15,000,000) Modaraba Certificates of Rs.10/- each fully paid-up in cash			
			150,000,000	150,000,000
	12,300,000 (2019: 12,300,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates			
			123,000,000	123,000,000
	2,500,000 (2019: 2,500,000) fully paid Modaraba Certificates of Rs.10/- each issued as a result of take over			
			25,000,000	25,000,000
		23.1	298,000,000	298,000,000
23.1	Al-Zamin Modaraba Management (Private) Limited holds 5,261,388 (2019: 5,261,388) Modaraba certificates as required by the SECP vide Order No. SC/M/RW/Trust/2009-43.			
23.2	As at June 30, 2020, Mr. Aslam Motiwala, a major certificate holder of the Modaraba, holds 16,930,000 modaraba certificates (2019: 16,930,000) of the Modaraba representing 56.81% (2019: 56.81%) holding.			
24	RESERVES			
	Statutory reserve	24.1	80,191,484	79,845,133
	Surplus on revaluation of fixed assets	24.2	2,457,200	2,457,200
	Revenue reserves:			
	- Unrealized loss on revaluation of long term investments	24.3	(4,867,878)	(6,755,141)
	- Accumulated loss		(68,915,088)	(69,676,475)
			(73,782,966)	(76,431,616)
			8,865,718	5,870,717
24.1	This represents profit set aside to comply with the Prudential Regulations for modarabas issued by the SECP which is not available for distribution. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time that reserves equal to 100% of the paid up capital and thereafter, a sum not less than 5% of its after tax profits. During the current year, the Modaraba has transferred an amount of Rs. 348,149 (2019: Rs. 207,367) which represents 20% (2019: 20%) of the profit after tax.			



- 24.2 This represents surplus over book value resulting from the revaluation of owner-occupied land that became investment property. Revaluation surplus cannot be distributed to the certificate holders.
- 24.3 This represents deficit on revaluation of investments classified as fair value through other comprehensive income. This cannot be distributed to the certificate holders. Reconciliation of the carrying amount is as follows:

	Note	2020 -----Rupees-----	2019
Opening balance		(6,755,141)	(3,586,151)
Surplus / (deficit) on revaluation during the year		1,263,248	(3,168,990)
Transferred to accumulated loss during the year		624,015	-
		<u>1,887,263</u>	<u>(3,168,990)</u>
		<u>(4,867,878)</u>	<u>(6,755,141)</u>

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 During the last year, a notice was served to Trust Modaraba, along with certain other modarabas, by Sindh Revenue Board (SRB) for the recovery of tax under Sindh Sales Tax on Services Act, 2011 amounting to Rs. 38.50 million comprising unpaid sales tax on services rendered in Sindh from years 2011-12 to 2017-18. The Modaraba along with other Modarabas has filed a petition in Honourable Sindh High Court (SHC) on September 1, 2018 challenging the demand of Sindh Revenue Board (SRB) on the grounds of non-applicability of sales tax. A stay order in this regard has been granted by the SHC stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.. The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the Court and the merits of the matter involved, the impugned charge of sales tax will be quashed and hence no provision for any sales tax liability on rentals of lease financing has been made in the financial statements.

25.1.2 In contravention of section 244 of the Companies Act, 2017; the Modaraba did not transfer the total amount of dividend which remains unpaid or unclaimed to a separate profit bearing account to be called the unpaid dividend account opened by the Modaraba for this purpose in any scheduled bank. The Modaraba and every officer of the Modaraba shall be liable to a penalty of level 3 on the standard scale upto Rs. 100 million. The Modaraba may also be liable to additional penalty upto Rs. 0.5 million per day during which the default continues. However, the present management of the Modaraba is of the view that they are not responsible for amounts of dividend before take over management i.e. February 2009 as there were no amount of dividend available in dividend bank account. Hence, no provision has been made in these financial statements as the management believes that the Modaraba is not liable to any penalty.

25.2 Ijarah commitments

The Modaraba has entered into ijarah arrangements for vehicles. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future ijarah payments due under these arrangements at the year end are as follows:

Not later than one year		1,144,581	1,800,000
Later than one year and not later than five years		461,151	1,219,602
		<u>1,605,732</u>	<u>3,019,602</u>
Disbursement of Ijarah / Murabaha / Musharakah to be made	25.2.1	<u>7,900,000</u>	<u>2,000,000</u>

25.2.1 These represent facilities committed and yet not disbursed as on the reporting date.

		2020	2019
	Note	-----Rupees-----	
26	INCOME FROM IJARAH - net		
	Income from Ijarah operations	40,388,398	40,440,481
	Receipts against suspended income	10.2	1,579,508
		40,388,398	42,019,989
	Less: Depreciation on fixed assets given on ijarah	17.2	(27,313,085)
	Less: Insurance on ijarah assets	(2,813,144)	(2,234,443)
		8,711,666	12,472,461
27	PROFIT ON MURABAHA FINANCES		
	Profit on Murabaha finances	10,497,314	11,324,470
	Income suspended during the year	(605,313)	(503,138)
	Receipts against suspended income	27.1	676,471
		11,694,663	11,497,803
27.1	This includes reversal of suspension amounting to Rs. 1.686 million (2019: Nil) in respect of a party with whom settlement was arrived as explained in note 31.1.		
28	PROFIT ON MUSHARAKAH FINANCES		
	Profit on Musharakah finances	8,024,224	5,988,677
	Commission of selling agent	-	(481,000)
		8,024,224	5,507,677
29	INCOME FROM INVESTMENTS - NET		
	Dividend income on equity investments classified at FVTPL	259,951	277,725
	Dividend income on equity investments classified at FVTOCI:		
	Investments de-recognized during the year	-	18,000
	Investments held at the end of reporting year	104,250	337,675
		364,201	633,400
	Profit on sale of long term investments	29.1	71,824
	Profit / (loss) on sale of short term investments	536,167	(495,728)
		937,479	209,496
29.1	The investment was disposed as disposal benefit outweighed contractual cash flows. Fair value at the date of derecognition was Rs. 628,038.		



		2020	2019
	Note	-----Rupees-----	
30	TRADING INCOME		
	Sales	286,330	37,617,459
	Cost of sales:		
	- Opening stock	1,130,042	12,570,471
	- Add: Purchases	-	24,371,787
	- Less: Closing stock	(908,209)	(1,130,042)
		(221,833)	(35,812,216)
		64,497	1,805,243
30.1	Trading income is derived from trading of stock as disclosed in note 11.		
31	OTHER INCOME		
	Gain on disposal of ijarah assets	2,536,536	519,936
	Gain on disposal of owned fixed assets	-	40,000
	Profit on deposit and saving accounts with banks	283,506	232,935
	Rental income from investment properties	80,000	93,333
	Fair value gain on investment properties	102,450	470,000
	Gain on settlement	1,947,699	-
	Miscellaneous income	441,754	758,552
		5,391,945	2,114,756
31.1	This represents gain on acquisition of collateral held as security against murabaha receivable amounting to Rs. 1.948 million (2019: Nil). Settlement value for outstanding receivable of Rs. 6.219 million was arrived at Rs. 8.4 million including transfer of two shops having market value of Rs. 6.6 million and remaining Rs. 1.8 million to be paid in cash. The collateral held was shops situated in District Hyderabad, measuring 138 sq. ft. Detail of carrying values adjusted under this settlement is as follows:		
	Fair value of shops acquired	6,600,000	-
	Agreed payment in cash	1,800,000	-
	Settlement of legal suit charges receivable	(233,301)	-
	Settlement of long term murabaha finances	(6,219,000)	-
	Resultant gain on settlement	1,947,699	-
	From the above reached settlement, subsequent to the reporting date, title of one of the shops has been transferred in the name of the Modaraba and sub-lease deed for 99 years has been signed in respect of the second shop. From the cash of Rs. 1.8 million, the Modaraba has received Rs. 300,000 as at the reporting date. No further recovery made subsequent to the reporting date. The Modaraba intends to sell the shops acquired, however, no formal plan to sale is started yet.		
31.2	This includes an amount of Rs. 333,200 (2019: Rs. 483,300) pertaining to documentation fee.		

	Note	2020	2019
		-----Rupees-----	
32 REVERSAL OF PROVISION / (PROVISION) AGAINST NON PERFORMING MURABAHA FINANCES AND OTHER RECEIVABLES - NET			
Provision recorded:			
Long term murabaha finances	12.3	(333,552)	-
Trade receivables	8.3.1	(723,858)	-
Sundry receivables	8.5.1	(397,757)	-
Write down of stock to NRV	11	(478,648)	-
Legal suits charges receivable		-	(73,010)
		(1,933,815)	(73,010)
Provision reversed:			
Ijarah rent receivable	10.3	-	435,978
Short term murabaha finances	9.4	-	20,084
		-	456,062
		(1,933,815)	383,052
33 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	33.1	13,688,587	13,690,815
Legal and professional charges		1,244,078	653,740
Fees and subscription		3,147,667	2,762,670
Electricity, gas and water		869,908	895,502
Telephone, postage and courier		701,403	758,699
Advertisement		213,200	287,600
Printing and stationery		625,175	772,362
Traveling and conveyance		480,191	371,832
Entertainment		466,206	529,494
Insurance		232,908	299,796
Vehicle running		2,102,388	2,274,950
Rent, rates and taxes	33.2	1,583,659	1,962,799
Auditors' remuneration	33.3	400,000	385,000
Repairs and maintenance		1,546,160	1,313,869
Registrar's services		116,624	98,749
Depreciation on own assets	17.3	521,547	609,479
Depreciation on right of use assets	17.5	401,928	-
Unwinding of lease liabilities	22	44,198	-
Bank charges and commission		4,001	45,025
Charity	33.4	9,169	50,762
Balances written off		-	35,364
Ijarah rental expense		1,901,088	1,800,000
Miscellaneous		203,529	100,106
		30,503,614	29,698,613

33.1 This includes Rs. 0.707 million (2019: Rs. 0.641 million) in respect of contribution to the staff provident fund. This comprises salaries and allowances of executives as per the following details:

	2020		
	Executives	Others	Total
	-----Rupees-----		
Basic salary	3,904,017	4,554,660	8,458,677
House rent allowance	1,561,607	1,821,864	3,383,471
Medical allowance	390,402	455,466	845,868
Other allowances	-	294,064	294,064
Retirement benefits	390,402	316,105	706,507
	<u>6,246,428</u>	<u>7,442,159</u>	<u>13,688,587</u>
Number of persons	3	19	

	2019		
	Executives	Others	Total
	-----Rupees-----		
Basic salary	3,904,017	4,245,534	8,149,551
House rent allowance	1,561,607	1,698,214	3,259,821
Medical allowance	390,402	424,553	814,955
Other allowances	244,000	581,543	825,543
Retirement benefits	390,402	250,543	640,945
	<u>6,490,428</u>	<u>7,200,387</u>	<u>13,690,815</u>
Number of persons	3	18	

33.1.1 Executives have been provided with modaraba maintained cars and are also entitled for reimbursement of fuel expenses.

33.2 This includes expense relating to short term leases amounting to Rs. 1,032,618 (2019: operating lease rentals amounting to Rs. 1,839,920).

	Note	2020	2019
		-----Rupees-----	
33.3 Auditors' remuneration			
Annual audit fee		287,500	275,000
Half yearly review		57,500	55,000
Out of pocket expenses		55,000	55,000
		<u>400,000</u>	<u>385,000</u>

33.4 No Director of Modaraba Management Company has any interest in any donee charitable activities.

	Note	2020	2019
		TAXATION	
Current tax expense for the year		501,577	86,450
Prior year adjustment		432,091	74,760
		<u>933,668</u>	<u>161,210</u>

The income of non-trading modarabas is exempt from tax under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, provided not less than 90% of its profits after appropriation to statutory reserve as required under Modaraba Regulations are distributed to the certificate holders. As the management is intending to follow the aforesaid policy for profit distribution, no provision with respect to deferred taxation has been made in these financial statements.

Tax charge for the current year represents Alternate Corporate Tax under section 113C of the Income Tax Ordinance, 2001 and tax on dividend income.

		2020	2019
	Note	-----Rupees-----	
35	EARNINGS PER CERTIFICATE - BASIC & DILUTED		
	Net profit for the year	Rupees 1,731,753	1,036,837
	Weighted average number of certificates	Number 29,800,000	29,800,000
	Earnings per certificate	Rupees 0.06	0.03
35.1	There is no dilution effect on the basic earnings per certificate of the Modaraba.		
36	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	2,665,421	1,198,047
	Adjustments for non-cash and other items:		
	Depreciation:		
	Under ijarah	28,863,588	27,313,085
	In own use	521,547	609,479
	Right of use assets	401,928	-
	(Provision) / Reversal of provision against assets	1,933,815	(383,052)
	Gain on disposal of ijarah assets	(2,536,536)	(519,936)
	Gain on settlement of murabaha receivable	(1,947,699)	-
	Gain on disposal of owned fixed assets	-	(40,000)
	Profit on long term investment	(37,111)	(71,824)
	Balances written off	-	35,364
	(Profit) / loss on sale of short term investments	(536,167)	495,728
	Unrealized gain / (loss) on revaluation of financial value through profit or loss assets at fair	(822,228)	2,960,712
	Unwinding of lease liabilities	44,198	-
	Fair value gain on investment properties	(102,450)	(470,000)
	Workers' Welfare Fund	222,925	-
	Dividend income	(364,201)	(633,400)
		25,641,609	29,296,156
	Operating profit before working capital changes	28,307,030	30,494,203
	Decrease / (increase) in current assets		
	Advances, deposits, prepayments and other receivables	(246,397)	9,655,430
	Short term murabaha finances receivables	2,547,262	(406,494)
	Short term musharakah finances receivables	(1,734,286)	(8,746,042)
	Ijarah rental receivables	(2,395,686)	5,752,735
	Stock in trade	221,833	11,440,429
	Increase / (Decrease) in current liabilities		
	Creditors, accrued and other liabilities	(1,215,594)	890,374
		(2,822,868)	18,586,432
	Cash generated from operations	25,484,162	49,080,635

36.1 **Changes in Financing Activities**

	As at June 30, 2019	Non-cash changes	Cash flows (Net)	As at June 30, 2020
	----- Rupees -----			
Unclaimed dividends	12,930,127	-	(38,826)	12,891,301
Loan from Modaraba Management Company	5,000,000	-	(5,000,000)	-
Lease liabilities against right of use assets	-	580,102	(427,050)	153,052
	<u>17,930,127</u>	<u>580,102</u>	<u>(5,465,876)</u>	<u>13,044,353</u>

	As at June 30, 2018	Non-cash changes	Cash flows (Net)	As at June 30, 2019
	----- Rupees -----			
Unclaimed dividends	12,930,548	-	(421)	12,930,127
Loan from Modaraba Management Company	5,000,000	-	-	5,000,000
	<u>17,930,548</u>	<u>-</u>	<u>(421)</u>	<u>17,930,127</u>

Impact of non-cash changes in lease liabilities comprise effect of adoption of IFRS 16 (Rs. 535,904) and interest charge on lease liabilities (Rs. 44,198) (refer to note 22).

MATURITIES OF ASSETS AND LIABILITIES

	2020			
	Total	Up to one year	Over one to five years	Over five years
	Rupees			
Assets:				
Cash and bank balances	8,093,386	8,093,386	-	-
Short term investments	18,274,492	18,274,492	-	-
Advances, deposits, prepayments and other receivables	27,204,641	27,204,641	-	-
Ijarah rental receivables	17,151,789	17,151,789	-	-
Income tax refunds due from the Government	5,508,038	5,508,038	-	-
Stock in trade	429,561	429,561	-	-
Murabaha finances	118,166,885	112,064,439	6,102,446	-
Musharakah finances	32,561,772	31,668,739	893,033	-
Long term deposits	412,262	-	257,400	154,862
Long term investments	9,254,769	-	9,254,769	-
Investment properties	20,405,000	-	20,405,000	-
Operating fixed assets given on lease / ijarah - tangible	87,935,874	10,422,190	77,513,684	-
Operating fixed assets in own use - tangible	11,971,304	-	11,971,304	-
Right of use assets	133,976	133,976	-	-
	357,503,749	230,951,251	126,397,636	154,862
Liabilities:				
Unclaimed dividends	12,891,301	12,891,301	-	-
Creditors, accrued and other liabilities	1,626,307	1,626,307	-	-
Lease liabilities against right of use assets	153,052	153,052	-	-
Deferred income on murabaha	4,525,056	3,702,398	822,658	-
Customers' security deposits	31,442,315	7,651,000	23,791,315	-
	50,638,031	26,024,058	24,613,973	-
Net Balance	306,865,718	204,927,193	101,783,663	154,862
Certificate holders' equity	306,865,718			
	2019			
Assets:				
Cash and bank balances	4,057,050	4,057,050	-	-
Short term investments	8,445,401	8,445,401	-	-
Advances, deposits, prepayments and other receivables	28,343,871	28,343,871	-	-
Ijarah rental receivables	14,756,103	14,756,103	-	-
Income tax refunds due from the Government	6,094,347	6,094,347	-	-
Stock in trade	1,130,042	1,130,042	-	-
Murabaha finances	140,145,793	120,381,156	19,764,637	-
Musharakah finances	31,697,859	30,248,875	1,448,984	-
Long term deposits	1,800,162	186,900	1,458,400	154,862
Long term investments	5,256,149	-	5,256,149	-
Investment properties	13,702,550	-	13,702,550	-
Operating fixed assets given on lease / ijarah - tangible	103,576,825	22,970,452	80,606,373	-
Operating fixed assets in own use - tangible	12,262,956	-	12,262,956	-
	371,269,108	236,614,197	134,500,049	154,862
Liabilities:				
Unclaimed dividends	12,930,127	12,930,127	-	-
Creditors, accrued and other liabilities	2,618,976	2,618,976	-	-
Loan from Modaraba Management Company - interest free unsecured	5,000,000	5,000,000	-	-
Deferred income on murabaha	9,540,423	6,854,911	2,685,512	-
Customers' security deposits	37,308,865	12,698,000	24,610,865	-
	67,398,391	40,102,014	27,296,377	-
Net Balance	303,870,717	196,512,183	107,203,672	154,862
Certificate holders' equity	303,870,717			



38 FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Modaraba's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) of the Management Company, chief operating officer and chief financial officer. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Modaraba's overall risk management procedures, to minimize the potential adverse effects of financial market on the Modaraba's performance, are as follows:

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Modaraba's income or the value of its holdings of financial instruments.

38.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Modaraba is not exposed to currency risk arising from currency exposure as Modaraba is not involved in foreign currency transactions.

38.1.2 Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is exposed to equity price risk as it holds investments at fair value through profit and loss and fair value through OCI. The sensitivity analysis for fluctuation in equity prices, represented as a function of KSE Price Index, is given below:

				2020	2019
Reporting date all index points				34,422	33,902
		Changes in KSE all Index	Effects on Profit Before Tax	Effects on Equity	
-----Rupees-----					
Investment at fair value through OCI	2020	+1%	-	92,548	
		-1%	-	(92,548)	
	2019	+1%	-	52,561	
		-1%	-	(52,561)	
Investment at fair value through profit and loss	2020	+1%	160,624	-	
		-1%	(160,624)	-	
	2019	+1%	54,503	-	
		-1%	(54,503)	-	

38.1.3 Profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

As at the reporting date the profit rate profile of the Modaraba's profit bearing financial instruments were as under:

	2020	2019
	-----Rupees-----	
<u>Fixed rate instruments</u>		
Financial assets:		
Short term murabaha finances	41,485,468	41,022,319
Long term murabaha finances	76,681,417	99,123,474
Ijarah rental receivables	17,151,789	14,756,103
Musharakah finances	32,561,772	31,697,859
<u>Floating rate instruments</u>		
Financial assets:		
Bank balances - deposit accounts	7,850,523	3,826,249

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Modaraba.

Cash flow sensitivity analysis for variable rate instruments

If profit rates, as at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 78,505 (2019: Rs. 38,262) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

38.2 Credit risk

38.2.1 Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, net of impairment, was as follows:

Bank balances	8,035,393	3,999,614
Short term murabaha finances	41,485,468	41,022,319
Ijarah rental receivables	17,151,789	14,756,103
Musharakah finances	32,561,772	31,697,859
Long term murabaha finances	76,681,417	99,123,474
Long term deposits	412,262	1,800,162
Short term investments	18,274,492	8,445,401
Long term investments	9,254,769	5,256,149
Advances, deposits and other receivables	17,793,883	23,634,065
	<u>221,651,245</u>	<u>229,735,146</u>



33.2.2 Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables (murabaha financing, musharakah financing and ijarah / lease rental receivables) as at the reporting date by type of customer was:

	2020	2019
	-----Rupees-----	
Textile Composite	19,597,493	19,597,493
Engineering	-	105,387
Sugar and allied	1,033,280	1,084,012
Steel	122,024	-
Insurance	-	261,134
Vanaspati and Allied Industries	12,000,000	12,000,000
Food and Allied	38,308,395	50,308,395
Educational Institutions	17,035,089	11,413,295
Miscellaneous	93,947,329	110,285,358
Agriculture	40,698,437	43,340,373
	222,742,047	248,395,447

38.2.3 The aging of murabaha, musharakah, lease / ijarah rental and trade receivables and related impairment loss as at the reporting date is as follows:

Aging of murabaha, musharika and lease / ijarah rental receivables

Not past due	65,709,250	98,329,592
Past due 1 - 180 days	13,381,695	13,381,417
Past due 181 days - 1 year	7,731,397	9,312,083
Past due 1 - 2 years	12,754,733	2,903,310
More than 2 years	140,162,967	136,070,145
	239,740,042	259,996,547

Aging of impaired murabaha, musharakah, lease / ijarah rental and trade receivables

Past due 181 - 365 days	42,816	356,269
1 - 2 years	859,548	138,561
More than 2 years	56,947,989	56,599,251
	57,850,353	57,094,081

The Modaraba has adopted a policy of only dealing with creditworthy parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed annually.

The management monitors and limits Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

- 38.2.4 The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances and investments held with some major counterparties at the reporting date:

Banks	Rating		Rating	2020	2019
	Short term	Long term	Agency	-----Rupees-----	
The Bank of Punjab	A1+	AA	PACRA	148,787	148,787
Meezan Bank Limited	A-1+	AA+	JCR-VIS	7,857,710	3,831,096
State Bank of Pakistan				28,896	19,731
				8,035,393	3,999,614

Further, the Modaraba's exposure to credit risk and impairment losses related to Investments, Murabaha financing, Ijarah financing, and other receivables are disclosed in the relevant notes to the financial statements.

The Modaraba's exposure related to ijarah receivables, murabaha receivables and musharakah receivables are secured by collaterals held and the Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

38.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Owing to the fact that the Modaraba is in a positive working capital position at the year end, the management believes the liquidity risk to be low.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equate to their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	------(Rupees)-----				
June 30, 2020					
Lease liabilities against right of use assets	153,052	155,743	155,743	-	-
Unclaimed dividends	12,891,301	12,891,301	12,891,301	-	-
Creditors, accrued and other liabilities	1,626,307	1,626,307	1,626,307	-	-
	14,670,660	14,673,351	14,673,351	-	-
June 30, 2019					
Loan from Modaraba Management Company	5,000,000	5,000,000	5,000,000	-	-
Unclaimed dividends	12,930,127	12,930,127	12,930,127	-	-
Creditors, accrued and other liabilities	2,618,976	2,618,976	2,618,976	-	-
	20,549,103	20,549,103	20,549,103	-	-



Note 37 to the financial statements summarizes the maturity profile of the Modaraba's assets and liabilities.

38.4 Fair value of financial instruments

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost.

The carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Fair value estimation

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

Fair value hierarchy

Fair value hierarchy categories are described in note 4.17 to the financial statements.

The following table presents the Company's financial assets that are measured at fair value at June 30, 2020:

	Level 1	Level 2	Level 3	Total
	------(Rupees)-----			
Financial assets:				
Short term investments (Note 7)	18,274,492	-	-	18,274,492
Long term investments (Note 15)	9,254,769	-	-	9,254,769

The following table presents the Company's financial assets that are measured at fair value at June 30, 2019:

Financial assets:				
Short term investments (Note 7)	8,445,401	-	-	8,445,401
Long term investments (Note 15)	5,256,149	-	-	5,256,149

38.5 Financial instruments by categories

Financial assets as at June 30, 2020

	At fair value through OCI (equity instruments designated upon initial recognition)	Amortized cost	Assets at fair value through profit or loss (Mandatorily Measured)	Total
	------(Rupees)-----			
Cash and bank balances	-	8,093,386	-	8,093,386
Short term investments	-	-	18,274,492	18,274,492
Advances, deposits and other receivables	-	17,793,883	-	17,793,883
Short term murabaha finances	-	41,485,468	-	41,485,468
Short term musharakah finances (secured - considered good)	-	31,070,328	-	31,070,328
Long term diminishing musharakah finances	-	1,491,444	-	1,491,444
Ijarah rental receivables	-	17,151,789	-	17,151,789
Long term murabaha finances	-	76,681,417	-	76,681,417
Long term deposits	-	412,262	-	412,262
Long term investments	9,254,769	-	-	9,254,769
	9,254,769	194,179,977	18,274,492	221,709,238

Financial assets as at June 30, 2019

	At fair value through OCI (equity instruments designated upon initial recognition)	Amortized cost	Assets at fair value through profit or loss (Mandatorily Measured)	Total
------(Rupees)-----				
Cash and bank balances	-	4,057,050	-	4,057,050
Short term investments	-	-	8,445,401	8,445,401
Advances, deposits and other receivables	-	23,634,065	-	23,634,065
Short term murabaha finances	-	41,022,319	-	41,022,319
Short term musharakah finances (secured - considered good)	-	29,336,042	-	29,336,042
Long term diminishing musharakah finances	-	2,361,817	-	2,361,817
Ijarah rental receivables	-	14,756,103	-	14,756,103
Long term murabaha finances	-	99,123,474	-	99,123,474
Long term deposits	-	1,800,162	-	1,800,162
Long term investments	5,256,149	-	-	5,256,149
	<u>5,256,149</u>	<u>216,091,032</u>	<u>8,445,401</u>	<u>229,792,582</u>

Financial liabilities at amortized cost

	2020	2019
-----Rupees-----		
Lease liabilities against right of use assets	153,052	5,000,000
Unclaimed dividends	12,891,301	12,930,127
Creditors, accrued and other liabilities	1,626,307	2,618,976
	<u>14,670,660</u>	<u>20,549,103</u>

38.6 Operational Risks

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

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;



- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

38.7 Capital Risk Management

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue as a going concern in order to provide return for certificate holders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize certificate holders value. The Modaraba manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. There were no changes to the Modaraba's approach to capital management during the year and the modaraba is not subject to externally imposed capital requirement.

39 REMUNERATION OF EXECUTIVES / KEY MANAGEMENT PERSONNEL

Aggregate amounts charged in the financial statements for the year as remuneration and benefits to executives / key management personnel of the Modaraba are as follows:

	Executives	
	2020	2019
	-----Rupees-----	
Managerial remuneration	3,904,017	3,904,017
House rent allowance	1,561,607	1,561,607
Medical allowance	390,402	390,402
Other allowances	-	244,000
Meeting fee allowance	420,000	246,000
Retirement benefits	390,402	390,402
	6,666,428	6,736,428
Number of persons	3	3

- 39.1 These executives have been provided with the Modaraba maintained cars and are also entitled for reimbursement of fuel expenses.

40 TRANSACTIONS WITH RELATED PARTIES

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

A related party is a person or entity that is related to the entity. Related parties of the Modaraba include the Modaraba Management Company [Al-Zamin Modaraba Management (Private) Limited], directors and key management personnel of the Modaraba Management Company, key management personnel of the Modaraba and their close family members, the provident fund trust and entities with common directors or under common management and control.

Contribution to the provident fund is made in accordance with the services rules. Modaraba Management fee, if any, is accrued in accordance with the requirements of the Modaraba Regulations. Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are carried out at agreed terms.

Amounts due from and due to related parties are shown under respective notes to these financial statements. All transactions are based on commercial terms and are approved by the Board of Directors. Outstanding balances at the reporting date are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

Transactions during the year			2020	2019
Related party	Relationship	Nature of Transaction	-----Rupees-----	
Al-Zamin Modaraba	Modaraba	Management fee	320,927	133,116
Management (Private) Limited	Management Company	Loan repaid during the year	5,000,000	-
Employees' Provident Fund	Associated undertaking	Contributions for the year	706,507	640,948
Director	Director	Interest free loan obtained	1,000,000	-
		Interest free loan repaid	1,000,000	-
Executives and close relatives thereof	Associated persons	Loan given during the year	300,000	200,000
		Repayment of loan received	1,048,002	185,332
		Receipt of principal under long term diminishing musharakah finances	-	200,006
		Profit accrued under long term diminishing musharakah finances	-	9,998
		Receipts of profit under long term diminishing musharakah finances	-	9,998
		Receipts against sale of vehicles	332,062	-

The amounts above do not include salaries and other employee benefits of the executives of the Company which have been disclosed in note 39.



		2020	2019
		-----Rupees-----	
Outstanding Balance as at the year end			
Al-Zamin Modaraba Management (Private) Limited	Payable against management fee and others	320,927	133,116
	Loan payable	-	5,000,000
Executives and close relatives thereof	Loan receivables	300,000	1,048,002
	Receivable against sale of vehicle	-	332,062

41 SEGMENT INFORMATION

41.1 An operating segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Chief Executive Officer (Chief Operating Decision Maker) for allocation of resources and assessments of performance. Based on internal management reporting structure and products produced and sold, the Modaraba is organized into following five operating segments:

Types of segments	Nature of business
Murabaha finances	Sale of goods under murabaha arrangement
Ijarah finances	Giving right to the benefit of using an asset for a consideration
Musharakah finances	Joint enterprise formed for conducting some business
Investments	Investments made in equity instruments of other companies and other investments
Trading of stock	Purchase and sale of stock in trade, including potatoes, rice, tractors, chillies, vehicles etc.

No operating segments have been aggregated to or form the above reportable operating segments.

The Chief Executive Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. There were no transfers between operating segments during the year (2019: Nil).

41.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2020 is as follows:

	June 30, 2020					June 30, 2019						
	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total
Segment revenues / profits												
Gross revenue from external customers	11,694,663	40,388,398	8,024,224	937,479	286,330	61,331,094	11,497,803	42,019,989	5,507,677	209,496	37,617,459	96,852,424
Cost of sales	-	-	-	-	(221,833)	(221,833)	-	-	-	-	(35,812,216)	(35,812,216)
Depreciation	-	(28,863,588)	-	-	-	(28,863,588)	-	(27,313,085)	-	-	-	(27,313,085)
Insurance expense	-	(2,813,144)	-	-	-	(2,813,144)	-	(2,234,443)	-	-	-	(2,234,443)
Other income	42,170	2,656,616	170,950	-	-	2,869,736	70,000	-	174,700	-	-	244,700
Net revenue	11,736,833	11,368,282	8,195,174	937,479	64,497	32,302,265	11,567,803	12,472,461	5,682,377	209,496	1,805,243	31,737,380
Unrealized Profit / (loss) on revaluation of investments	-	-	-	822,228	-	822,228	-	-	-	(2,960,712)	-	(2,960,712)
Provision for doubtful receivables	(333,552)	(397,757)	-	-	(1,202,506)	(1,933,815)	20,084	362,968	-	-	-	383,052
Reportable segment profit	10,998,203	10,881,275	8,195,174	1,702,083	(1,138,009)	30,638,726	11,587,887	12,835,429	5,682,377	(2,751,216)	1,805,243	29,159,720
Reportable segment assets	119,875,087	111,243,717	35,441,276	27,529,262	10,315,913	304,405,255	144,590,662	122,417,662	33,389,059	13,709,250	12,731,142	326,837,775
Reportable segment liabilities	4,525,056	31,801,455	3,678	109,223	-	36,439,412	9,540,423	39,008,865	-	100,054	-	48,649,342
Additions to non-current assets	-	36,566,300	-	-	-	36,566,300	-	67,439,150	-	-	-	67,439,150



Reconciliation of reportable segments revenues, profit or loss, assets and liabilities is as follows:

	2020	2019
	-----Rupees-----	
Revenues		
Total revenues for reportable segments	32,302,265	31,737,380
Other revenues	2,522,209	1,870,056
Modaraba's revenues	34,824,474	<u>33,607,436</u>
Profit		
Total profit for reportable segments	30,638,726	29,159,720
Other income	2,522,209	1,870,056
Operating expenses	(30,000,117)	(29,698,613)
Modaraba Management Company's fee	(320,927)	(133,116)
Workers' Welfare Fund	(222,925)	-
Taxation	(885,213)	(161,210)
	1,731,753	<u>1,036,837</u>
Assets		
Total assets for reportable segments	304,405,255	326,837,775
Corporate assets unallocated:		
Advances, deposits, prepayments and other receivables	6,574,528	6,514,268
Income tax refunds due from the Government	5,508,038	6,094,347
Long term deposits	412,262	1,800,162
Investment properties	20,405,000	13,702,550
Fixed assets	12,105,280	12,262,956
	45,005,108	40,374,283
Cash and bank balances	8,093,386	4,057,050
Total assets as per the balance sheet	357,503,749	<u>371,269,108</u>
Liabilities		
Total liabilities for reportable segments	36,439,412	48,649,342
Corporate liabilities unallocated:		
Unclaimed dividends	12,891,301	12,930,127
Creditors, accrued and other liabilities	1,154,266	5,818,922
Lease liabilities against right of use assets	153,052	-
Total liabilities as per the balance sheet	50,638,031	<u>67,398,391</u>

Certain liabilities, assets, other income and other operating charges of the Modaraba cannot be allocated to a specific segment. Accordingly, these amounts have been classified as unallocated.

There are no differences between the measurements of the reportable segments' profits or losses, assets and liabilities with the Modaraba's profits or losses, assets and liabilities.

There are no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

There are no asymmetrical allocations to reportable segments.

41.3 All non-current assets of the Modaraba are located in Pakistan as at the reporting date.

	2020	2019
	-----Rupees-----	
42 NUMBER OF EMPLOYEES		
Number of employees as at June 30,	20	21
Average number of employees during the year	21	20
	2020	2019
	-----Rupees-----	
	(Audited)	(Audited)
43 PROVIDENT FUND		
Size of the fund	4,587,912	2,856,474
Percentage of investments made	90.99%	91.42%
Fair value of investments	4,199,013	2,611,483
Cost of investments made	4,174,343	2,611,483

Break-up of Investment in terms of amount and percentage of the size of the provident fund are as follows:

	2020		2019	
	Investment Rupees	Investment as a % of Size of funds	Investment Rupees	Investment as a % of Size of funds
Investment in funds	1,376,575	30.00%	1,317,033	46.11%
Cash at bank	2,822,438	61.52%	1,294,450	45.32%
	<u>4,199,013</u>		<u>2,611,483</u>	

Investments out of the funds of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

44 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The outbreak of COVID-19 pandemic and the lockdown situation in the country have impacted businesses to varying degrees, having implications on their operations, financial position, profitability, liquidity and in certain cases, the going concern status. The management has evaluated the impacts of COVID-19 on the Financial Statements of the Modaraba and has concluded as follows:

- The Modaraba has rescheduled some of its Murabaha and Ijarah contracts with its customers on the request of the customers which had no material impact on the carrying amounts of assets and liabilities or items of income and expenses as required under the relevant accounting and reporting standards, that require specific disclosure in the financial statements.
- The management has evaluated the impacts of COVID-19 on going concern status of the Modaraba and has concluded that the Modaraba is not exposed to any going concern risk.



45 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements have been made during the year for better presentation:

Nature	From	To	Amount (Rupees)
Accrued expenses	Other liabilities (Note 19)	Accrued expenses (Note 19)	472,748
Cash flows from investments	Cash genrated from operations (Note 36)	Cash flows from investing activities	(3,145,923)

46 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved for issue by the Board of Directors of the Management Company in their meeting held on 23 September 2020.

For Al-Zamin Modaraba Management (Private) Limited
(Modaraba Management Company)

CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

CHIEF FINANCIAL OFFICER

**PATTERN OF CERTIFICATE-HOLDING
As On 30 June 2020**

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING		TOTAL CERTIFICATE	PERCENTAGE HELD
	From	To		
597	1	100	27504	0.09
896	101	500	259084	0.87
606	501	1000	528700	1.77
293	1001	5000	706900	2.37
59	5001	10000	451483	1.52
15	10001	15000	185070	0.62
9	15001	20000	155857	0.52
8	20001	25000	183714	0.62
3	25001	30000	86000	0.29
1	30001	35000	31500	0.11
3	35001	40000	115550	0.39
1	45001	50000	45174	0.15
2	60001	65000	127000	0.43
2	65001	70000	135248	0.45
1	70001	75000	75000	0.25
1	75001	80000	78382	0.26
1	85001	90000	87400	0.29
2	100001	105000	206120	0.69
2	115001	120000	238100	0.80
1	120001	125000	125000	0.42
1	155001	160000	160000	0.54
1	170001	175000	172730	0.58
1	290001	295000	291200	0.98
1	395001	400000	396500	1.33
1	525001	530000	527500	1.77
1	950001	955000	953000	3.20
1	1125001	1130000	1130000	3.79
1	1255001	1260000	1258896	4.22
1	5260001	5265000	5261388	17.66
1	15795001	15800000	15800000	53.02
1	5260001	5265000	5261388	17.66
1	15795001	15800000	15800000	53.02
2513			29,800,000	100.00



CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 2020

CATEGORIES OF CERTIFICATEHOLDERS	NUMBER OF CERTIFICATE HOLDERS	TOTAL CERTIFICATES HELD	PERCENTAGE
Associated companies, undertakings and related parties			
Al-Zamin Modaraba Management (Private) Limited	1	5,261,388	17.6557
Investment Corporation of Pakistan	1	10,100	0.0339
Directors, CEO & their spouse and minor children			
Executives	-	-	-
Public sector companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	19	2,530,636	8.4921
Joint Stock Companies	20	67,843	0.2277
Individuals	2,464	21,843,533	73.3004
Others	8	86,500	0.2903
Total	2,513	29,800,000	100.00

Certificateholders holding five percent or more certificate in the Modaraba

Al-Zamin Modaraba Management (Pvt.) LTD.	1	5,261,388	17.66
Mohammad Aslam Motiwala	1	16,930,000	56.81

BOOK POST

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