

# ANNUAL REPORT 2019



**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

Mr. Shaikh Arshad Farooq	Chairman
Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Etrat Hussain Rizvi	Director
Mr. Mohammad Imranul Haque	Director
Mr. Sohail Ansar	Director
Dr. Namooos Baquar	Director
Mr. Syed shahnawaz A. Rizvi	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 A. Rizvi	Chairman
Mr. Shaikh Arshad Farooq	Member
Mr. Sohail Ansar	Member
Mr. Etrat Hussain Rizvi	Member
Ms. Hamida Aqeel	Secretary Audit committee

#### Human Resource Committee

Mr. Shaikh Arshad Farooq	Chairman
Mr. Syed shahnawaz A. Rizvi	Member
Mr. Basheer Ahmed Chowdry	Member
Dr. Namooos Baquar	Member

#### Internal Auditors

Grant Thornton Anjum Rahman.  
Chartered Accountants

#### Auditors of the Modaraba

Horwath Hussain Chaudhury & Co.  
Chartered Accountant

#### Bankers

Meezan Bank Limited  
The Bank of Punjab

#### Legal Advisors

Salim & Baig, Advocate  
Shakeel Ahmed Awan, Advocate  
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

#### Regional Office

301-320, 3<sup>rd</sup> 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  
1<sup>st</sup> 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, 2019 will be held on Friday 25<sup>th</sup> October, 2019 at 09:30 am at NBFi & Modaraba Association of Pakistan, 602, Progressive Centre, 30-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi-75400.

The certificate transfer books of the Modaraba will remain closed from **17<sup>th</sup> October, 2019 to 25<sup>th</sup> October, 2019** (both days inclusive).

**Hamida Aqeel**

Company Secretary

Karachi

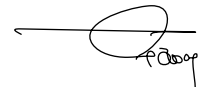
September 19, 2019

## 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, 2019, 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.



**Sheikh Arshad Farooq**  
CHAIRMAN

Karachi

September 19, 2019



## Directors' Report.

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited presents herewith the financial statements of Trust Modaraba for the year ending 30th June, 2019.

### Economy Review

Pakistan economy unfortunately ended the Financial Year 2019 on a sour note. Industrial production declined while exports fell sharply throughout last quarter. Almost all financial indicators have seen a downward trend. The growth rate fell by almost 50% from 6.2% to 3.3%. It is expected to go down further to 2.4% next year which will be country's lowest in the past ten years. The Pak Rupee has lost 20% of its value against the US\$ since the beginning of financial year 2019. Inflation is expected to hover around 13% over the next 12 months reaching a ten years high as well. Pakistan having low sources of revenue and high non-development expenditure, is apparently faced with a financial adversity. Currently, only 1% of Pakistanis pay their taxes and the country has one of the lowest Tax-to-GDP ratio in the world. Pakistan appears to be stuck in a vicious cycle of accommodating powerful economic elite and security requirements thereby crippling its economy and being forced to continue borrowing from international creditors, sinking further into debt and inching closer to an economic collapse. Furthermore, tension between Pakistan and India escalated in recent weeks after India removed special status of Muslim dominated Jammu & Kashmir State over which two countries have already fought three wars. While the current regime is endeavoring to mitigate the economic impact through various means, a further escalation of cross-border tension could cause more damage to economic viability, investor confidence and investment climate.

### Performance Review

During the year under review, your Modaraba has earned a profit of Rs. 1.3 million before management fee as compared to Rs.2.26 million during the last year. Decrease in the net profit was caused mainly due to miserable performance of stock market during the year causing a value depletion of Rs.4.95 million in listed securities portfolio.

Liquidity generated through available resources was deployed efficiently towards diversified business during the year by disbursing Rs.43.725 million towards Ijarah, Rs.80.8 million towards Morabaha and Musharaka transactions, Rs.24.26 million towards diversification and fresh investments of Rs.3.337 million in stock market operations for averting the deteriorating effects.

It has indeed been a very difficult task to improve the Modaraba's operations and profitability in the context of diverse challenges and impacts, most of them being out of management's control. Nevertheless, every effort was made to continue to maintain business flows and continuity.

Balance sheet footing of your Modaraba stood at Rs. 371 million. Certificate holder's equity stood at Rs. 304 million. Administrative expenses were effectively controlled and increased by 7.66% compared to the much higher inflation levels.

### Future Outlook

As previously stated, the main issue of your Modaraba is the limited level of its funding pool for doing business thereby restricting its growth and profitability. Strenuous efforts made during the past years to supplement its equity base through suitable investors have not yet come to fruition. Although all arrangements had been finalized to inject fresh equity of Rs 200 million in two tranches of Rs 100 million each and all regulatory and legal processes for this purpose had been completed, yet the final implementation is still pending with SECP.



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.

Possibilities of achieving merger with other Modarabas are also 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 been distributing 90% of its profit to the certificate holders regularly since 2010. However, non-availability of funding during the period under review 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 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 judgement.
- 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.



## Board Meetings

Four meetings of the Board were held pertaining to Trust Modaraba, which were attended as follows:

		No. of Meetings Attended
Mr. Manzoor Hussain Shah Kazmi	Chairman	3
Mr. Bashir A. Chowdry	Chief Executive	5
Mr. Sheikh Arshad Farooq	Director	4
Dr. Namooos Baquar	Director	5
Syed. Shahnawaz A. Rizvi	Director	4
Mr. Sohail Ansar	Director	1
Mr. Mohammad Imran ul Haq	Director	(Nil) Out of country

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 as per remuneration policy for the Board of Directors.

## Changes in the Board of Directors:

Due to his personal health reasons, Mr. Manzoor Hussain Shah Kazmi has decided to resign from the Board . Being a founder member, he remains associated as a shareholder and supporter of the Modaraba and its management. His valuable contribution in establishing and managing the entity over a long period is sincerely acknowledged and appreciated by the Board.

To fill the vacancy thus occurred, Mr. Etrat Hussain Rizvi has been opted as a Director. Your Board is indeed grateful for the participation of a well recognized professional of his caliber, standing and experience and looks forward to his effective and fruitful 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 established a system of sound internal controls, which is effectively implemented at all levels within the Modaraba.

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

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

## Credit Rating:

JCR – VIS Credit Rating Agency has placed the entity ratings of ' BBB-/A-3, (Tripple B Minus/A-3) assigned to Trust Modaraba on ' Rating Watch-Negative status. The ratings signifies adequate credit quality, protection factors are reasonable and sufficient while risk factors are considered variable if changes occur in the economy.

## Auditors

As per recommendation of the Audit Committee, the Board has approved the reappointment of M/s.Horwath Hussain Chaudhury & Co. Chartered Accountants as external Auditors,for the financial year ending June 30, 2020.

## Patter of Certificate holding

Pattern of certificate holding as at 30th June 2019 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, 2019 works out to be Rs.2,856,474.

## Earning per Certificate

The earning per certificate of the Modaraba for the year ended 30thJune, 2019 stood at Rs.0.03 per certificate as compared to Rs.0.06 per certificate for the previous year.

## “JAMAPUNJI” NOTIFICATION

In compliance of SRO No.924(i)/2015 of Securities & Exchange Commission of Pakistan, their “Jamapunji” notification has been incorporated in this report.

## 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



**Director**



**Basheer A. Chowdry**  
Chief Executive

Karachi.  
September 19, 2019



## ڈائریکٹر کی رپورٹ

الضامن مضاربہ اینجمنٹ (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز (بورڈ کے ناظمین)، ٹرسٹ مضاربہ کے 30 جون 2019 کو اختتام پذیر سال کی مالیاتی دستاویزات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### معاشی جائزہ

بد قسمتی سے پاکستانی معیشت نے مالیاتی سال 2019 کا اختتام تلخ یادوں کے ساتھ کیا۔ صنعتی پیداوار کم ہوئی جبکہ تیسری سہ ماہی میں برآمدات تیزی سے کم ہوئیں۔ تقریباً تمام مالیاتی اشاروں میں کمی کارجمان دیکھا گیا۔ نمو کی شرح میں 50 فیصد کمی کے ساتھ 6.2 فیصد سے گھٹ کر 3.3 فیصد رہ گئی۔ یہ توقع کی جاتی ہے کہ اگلے سال مزید کم ہو کر 2.4 فیصد ہو جائے گی جو ملک کی گزشتہ 10 سالوں میں کم ترین سطح ہے۔ مالیاتی سال 2019 کے آغاز سے روپے کی قدر میں امریکی ڈالر کے مقابلے میں 20 فیصد کمی آئی ہے۔ توقع ہے کہ اگلے 12 ماہ میں افراط زر تقریباً 13 فیصد کے آس پاس رہے گا جو 10 سال کی بلند ترین سطح بھی ہے۔ پاکستان جس کے پاس مالگذاری (revenue) کے کم ذرائع اور بلند غیر ترقیاتی اخراجات ہیں جس کو بظاہر مالیاتی افتادہ کو سامنا ہے۔ فی الوقت صرف 1 فیصد پاکستانی ٹیکس ادا کرتے ہیں اور ملک کا محصول سے مجموعی قومی پیداوار کا تناسب دنیا کم ترین میں سے ایک ہے۔ ایسا لگتا ہے کہ پاکستان شیطانی چکر میں پھنس گیا ہے جس میں وہ معیشت کے اشرافیہ کو فائدہ پہنچا رہا ہے اور تحفظ کی ضروریات سے معیشت لڑکھڑاہی ہے اور اس کو مجبور کیا جا رہا ہے کہ وہ عالمی قرض دینے والوں سے قرضہ لینا جاری رکھے اور قرضوں میں مزید ڈوب جائے اور معاشی تباہی کے قریب پہنچ جائے۔ علاوہ ازیں، بھارت کے مسلمانوں کی اکثریت کے علاقے جموں کشمیر کی ریاستی حیثیت ختم کرنے سے حالیہ ہفتوں میں پاکستان اور بھارت میں تناؤ بڑھ گیا ہے اور اس مسئلہ کی وجہ سے دونوں ملک تین جنگیں لڑ چکے ہیں۔ جبکہ موجودہ حکومت معیشت کے اثرات کو حل کرنے کو شش کے سلسلے میں متعدد اقدامات کر رہی ہے، اور سرحد پار سے مزید تناؤ میں اضافے کی صورت یہ معیشت کی نمو پذیری (viability)، سرمایہ کاروں کا اعتماد اور سرمایہ کاری ماحول کو زیادہ نقصان پہنچائے گا۔

### کارکردگی کا جائزہ

زیر غور سال میں، آپ کے مضاربہ نے قبل از اینجمنٹ فیس کے 1.3 ملین روپے کا منافع کمایا جو گزشتہ سال 2.26 ملین روپے تھا۔ یہ خالص منافع میں اہم کمی کی وجہ سے سال کے دوران حصص منڈی کی مایوس کن کارکردگی جس کا نتیجہ 4.95 ملین روپے کی قدر میں کمی کی صورت میں ضائع ہو گئے جس کی مندرجہ تسکات پورٹ فولیو میں سرمایہ کاری کی گئی تھی۔ سال کے دوران دستیاب وسائل سے ہونے والی سیالیت کو مؤثر طور پر متنوع کاروبار میں استعمال کیا اور اجارہ کے لیے 43.725 ملین روپے، مرابحہ اور مشارکہ سودوں کے لیے 80.8 ملین روپے اور دیگر 24.26 ملین روپے تنوع کے لیے ادائیگی کی گئی اور 3.337 ملین روپے حصص منڈی کے لیے مختص کیے ہیں تاہم اس کے خراب ہوتے ہوئے اثرات کو کم کیا جاسکے۔

متضاد مسائل کے اور اثرات کے تناظر میں، جن میں زیادہ تر انتظامیہ کے اختیار سے باہر ہیں، مضاربہ کے آپریشن اور منافع بخشی میں بہتری لانا یقیناً ایک انتہائی مشکل کام ہے۔ اس کے باوجود، ہر ممکن کوشش کی گئی کہ کاروبار کے بہاؤ اور تسلسل کو جاری اور برقرار رکھا جاسکے۔

آپ کے مضاربہ کی بیلنس شیٹ 371 ملین روپے رہی۔ سرٹیفیکٹ کنندگان کا ملکیتی سرمایہ 304 ملین روپے رہا۔ انتظامی اخراجات کی مؤثر طور پر قابو میں رہے اور زیادہ بلند تر افراط زر کے مقابلے میں 7.66 فیصد کا اضافہ ہوا۔

### مستقبل کا منظر نامہ

جیسا کہ پہلے بیان کیا گیا ہے آپ کے مضاربہ کا مسئلہ کاروبار کرنے کے لیے سرمایہ کے پول کی محدود سطح ہے جو اس کی نمو اور منافع بخشی کو بھی محدود کر رہی ہے۔ گزشتہ سال کسی مناسب سرمایہ کاری کی جانب سے ملکیتی سرمایہ کی بنیاد میں اضافہ کے لیے کی جانے والی سرگرم کوششیں بار آور نہ ہو سکیں۔ اگرچہ 200 ملین کے ملکیتی سرمایہ کی 100 ملین کی دو اقساط کی فراہمی کے تمام انتظامات مکمل ہو چکے تھے اور اس مقصد کے لیے تمام انضباطی اور قانونی عمل کیا جا چکا تھا لیکن اس کا حتمی نفاذ فیصلہ SECP کے پاس زیر غور ہے۔

ہماری مسلسل کوششوں کے باوجود، مقدمے کے شکار پورٹ فولیوز سے خاصی وصولیاں نہ ہو سکیں لیکن وہ حقیقت بننے کے، عدالت یا عدالت سے باہر تصفیوں کے ذریعے، حتمی مراحل کے قریب ہے۔ متحرک کردہ وسائل موجودہ ڈھانچہ اور بنیادی کاروبار کی روش کا بہترین استعمال کیا جائے گا بغیر اضافی لاگتوں کے اور وہ نئی مصنوعات اور خدمات کی فہرست میں توسیع فراہم کرے گا اور مؤثر خطرے سے نپٹنے اور تعمیل کے انتظام کے ساتھ۔ مائیکرو فنانس کے لیے بھی اقدامات اٹھائے جاسکے ہیں اور انضباطی ضروریات مکمل کی جا رہی ہیں۔

دیگر مضاربہ سے ساتھ انضمام کرنے کے امکانات بھی سرگرمی سے جاری ہیں اور اس میں شرکاء کے کاروبار کے جاری رہنے کے عملیات اور مالگذاری سے آمدنی میں اضافہ ہو گا اور ان کے صحت مند حالات پیدا کرے گا۔ کسی بھی صورت میں، آنے والی مدت میں، آپ کے مضاربہ کی انتظامیہ خاصی ترقی کے حصول کے لیے پر عزم ہے تاکہ وہ آپ کے مضاربہ کو مضاربہ کے سیکٹر کا ایک اہم رکن بنا سکے۔

## منتقسمہ منافع کی تقسیم

ٹرسٹ مضاربہ سال 2010 سے اپنے منافع کا 90 فیصد اپنے حالمین سرٹیفیکیٹ کو تقسیم کرتا رہا ہے۔ تاہم، زیر جائزہ مدت میں سرمایہ کی عدم دستیابی اور اوپر بیان کردہ عوامل، زیر جائزہ خالص آمدنی کے سبب حالات کسی منتقسمہ منافع کی تقسیم کے لیے مناسب نہیں ہے اور ایسا طریق عمل (process) مضاربہ اور حالمین سرٹیفیکیٹ کے لیے غیر سود مند ہو گا۔ اس لیے بورڈ نے، انتہائی تردد کے ساتھ، یہ فیصلہ کیا ہے کہ منافع کی تقسیم اس سال کے لیے مؤخر کر دیا جائے اور کوشش کی جائے کہ آنے والے سالوں میں اوپر بیان کردہ منصوبوں کے نتائج سے حالمین سرٹیفیکیٹ کی تلافی کر دی جائے۔

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 ملکیتی سرمایہ (equity) میں تبدیلیوں کو بہتر طور پر پیش کرتے ہیں۔
- کچینی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- مضاربہ کی مالیاتی دستاویزات کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیاں یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر رکھی ہے۔
- پاکستان میں 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۔
- ٹرسٹ مضاربہ نے سیاہ دھن کو سفید کرنے اور خطرے سے نپٹنے کی ایک مضبوط پالیسی، بیع واضح ہدایات جس میں اعلیٰ انتظامیہ اور ملازمین کی بنیادی ذمہ داریاں کہ گاہکوں کو مختلف اقسام کے درپیش خطرات کی شناخت، اندراج اور اس کی اطلاع کیے کی جانے
- مضاربہ کے ایک جاری رہنے والے ادارے کے طور پر چلتے 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 کے اجلاس

ٹرسٹ مضاربہ سے متعلق بورڈ کے پانچ اجلاس ہوئے جن میں شرکت کی تفصیل درج ذیل ہے۔

اجلاس میں شرکت کی تعداد

3	چیرمین	جناب منظور حسین شاہ کاظمی
5	چیف ایگزیکٹو آفیسر	جناب بشیر احمد چودھری
4	ڈائریکٹر	جناب شیخ میاں ارشد فاروق
5	ڈائریکٹر	ڈاکٹر ناموس باقر
4	ڈائریکٹر	سید شاہ نواز اے رضوی
1	ڈائریکٹر	جناب سہیل انصار
کوئی نہیں (بیرون ملک ہیں)	ڈائریکٹر	جناب محمد عمران الحق

جوارکان پہلے سے مصروفیت کی وجہ سے اجلاس میں شرکت نہ کر سکے ان کو غیر حاضر سے رخصت دے دی گئی۔

**ڈائریکٹر کا مشاہرہ**

چیرمین اور نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز مضاربہ مینجمنٹ کمیٹی کی جانب سے اجلاس میں شرکت کی فیس کے حقدار ہیں۔

**بورڈ کے ڈائریکٹرز میں تبدیلی**

جناب منظور حسین شاہ کاظمی خراب صحت کی بنا پر بورڈ سے مستعفی ہونے کا فیصلہ کر چکے ہیں۔ ان کے بانی رکن ہونے کے سبب وہ مضاربہ اور اس کی انتظامیہ کے ساتھ بطور حصص کنندہ اور حمایتی کے وابستہ رہیں گے۔ بورڈ ان کی طویل عرصے تک ادارے کی تشکیل اور انتظام میں ان کا قابل قدر حصہ لینے کو سراہتا ہے۔

اس طرح سے خالی ہونے والی آسامی کی جگہ جناب عزت حسین رضوی کو بطور ڈائریکٹر چنا جا چکا ہے۔ آپ کا بورڈ یقیناً بہتر شناخت کے پیشہ ور، ان کی صلاحیت، مقام اور تجربے کے حامل شخص کا حصہ بننے پر شکر گزار ہے اور مضاربہ اور اس کے حصص کنندگان کے لیے کامیاب مستقبل کے تعین کرنے اور اس کے حصول کے لیے ان کے 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 چیرمین نان-ایگزیکٹو ڈائریکٹرز ہیں۔

انسانی وسائل اور مشاہرہ کمیٹی ہوتا کہ ملازمین کے سالانہ اجرتوں کی رقم کا تعین کیا جاسکے۔

**گریڈت درجہ بندی**

JCR- VIS گریڈ ریٹنگ ایجنسی نے ٹرسٹ مضاربہ کو بئینٹیٹی کی درجہ بندی "BBB-/A-3" (منفی تین B/A-3) درجہ بندی واضح منفی حیثیت تفویض کی ہے۔ یہ درجہ بندی گریڈت کے مناسب معیار، تحفظ کی عوامل معقول اور کافی ہیں اور خطرات کے عوامل متغیر ہیں اگر معیشت میں تبدیلی ہونے کو ظاہر کرتی ہے

**مختص (Auditors)**

آڈٹ کمیٹی کے مشورے پر، بورڈ، میسرز۔ ہور وائر حسین چوہدری اینڈ کمیٹی، چارٹرڈ اکاؤنٹنٹس کی 30 جون 2020 کے اختتام تک کے لیے دوبارہ تقرری کی تجویز دے چکا ہے۔

**سرٹیفیکیٹ رکھنے کا رجحان**

30 جون 2019 پر سرٹیفیکیٹ رکھنے کا رجحان منسلک ہے۔ ڈائریکٹرز، CFO، CEO، کمپنی سیکریٹری اور ان کے شرکاء حیات اور ان کے نابالغ بچوں نے مضاربہ کے سرٹیفیکیٹس کی کوئی خرید و فروخت نہیں کی ہے۔

**فنزڈ کی سرمایہ کاری کی مالیت**

مضاربہ اپنے مستقل ملازمین کے لیے شرائطی پراویڈینٹ 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 2019 پر اس فنڈ کے سرمایہ کاری کی حساب کردہ مالیت 2,856,474 روپے ہے۔

**آمدنی فی سرٹیفیکیٹ**

30 جون 2019 کو ختم ہونے والی سال پر آمدنی فی سرٹیفیکیٹ 0.03 روپے فی سرٹیفیکیٹ رہی جبکہ گذشتہ سال یہ آمدنی 0.06 روپے فی سرٹیفیکیٹ تھی۔

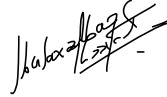
**جمع پونجی کا اعلامیہ**

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے SRO نمبر 2015924/2015 کی تعمیل کرتے ہوئے ان کا جمع پونجی کا اعلامیہ کا اس رپورٹ میں شامل کیا جا چکا ہے۔


## اعتراف

بورڈ خواہش مند ہے کہ رجسٹرار مضاربہ، سیکوریٹری اینڈ ایگزیکٹو کمیشن آف پاکستان کا ان کی حمایت 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 حمایت کی امید رکھتا ہے۔

برائے بورڈ آف ڈائریکٹرز کے جانب سے



ڈائریکٹر



بشیر احمد چودھری

چیف ایگزیکٹو

کراچی:

19 ستمبر، 2019

**Key Operating & Financial Data for the Last Six Years**

(Rupees in Thousands)

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total assets	<b>371,269</b>	377,335	389,933	396,172	411,442	418,229
Ijara Financing	<b>211,387</b>	196,191	244,702	252,728	286,673	291,356
Morabaha financing	<b>140,145</b>	141,296	132,409	156,537	155,551	166,989
Musharakah financing	<b>31,698</b>	26,119	23,736	16,522	6,602	18,890
Assets own use	<b>12,263</b>	22,913	23,434	14,076	13,634	13,688
Current Assets	<b>213,457</b>	237,430	220,782	207,553	205,326	203,647
Current Liabilities	<b>40,102</b>	49,822	45,800	45,581	46,992	50,255
Total Liabilities	<b>67,398</b>	71,332	74,765	86,007	101,383	111,546
Paid-up capital	<b>298,000</b>	298,000	298,000	298,000	298,000	298,000
Reserves	<b>5,870</b>	8,002	17,168	12,165	12,058	8,683
Net equity	<b>303,870</b>	306,002	315,168	310,165	310,058	306,683
<b>Income Statement</b>						
Income	<b>31,030</b>	29,844	84,158	84,193	90,718	103,039
Operating expenses	<b>29,699</b>	27,584	68,431	69,715	71,378	80,562
Profit/(Loss) before management fee	<b>1,331</b>	2,260	15,727	14,478	19,339	22,476
Profit/(Loss) after taxation	<b>1,037</b>	1,922	14,154	13,030	17,405	20,229
Earning/(Loss) per certificate	<b>0.03</b>	0.06	0.47	0.44	0.58	0.68



## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

### Trust Modaraba Managed by Al-Zamin Modaraba Management (Pvt.) Limited Year ending June 30, 2019

The Modaraba Company has complied with the requirements of the Regulations 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. Etrat Hussain Rizvi
b) Non Executive Directors	Mr. Sheikh Mian Arshad Farooq Mr. Sohail Ansar Mr. Muhammad Imran-UI-Haq Dr. Mrs. Namoos Baquar
c) Executive Directors	Mr. Basheer Ahmed Chowdry

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Modaraba Company.
4. The Modaraba 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 Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
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 board.



8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Three directors of the Modaraba Company have already obtained director's training certification from Pakistan Institute of Corporate Governance and four 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 CFO, 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. CFO and CEO dully 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. Etrat Hussain Rizvi	- Member
Mr. Sheikh Arshad Farooq	- Member
Mr. Sohail Ansar	- Member
Ms. Hamida Aqeel	- Secretary Audit Committee
  - b) **HR and Remuneration Committee**

Mr. Syed Shahnawaz A. Rizvi	- Chairman
Mr. Sheikh Arshad Farooq	- Member
Mr. Basheer Ahmed Chowdry	- Member
Dr. Namoos Baquar	- 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 outsourced the internal audit function to M/s. Grant Thornton Anjum Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
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 ICAP and registered

with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 other requirements of the Regulations have been complied with.



**Basheer A. Chowdry**  
Chief Executive



**Director**

Karachi.

September 19, 2019



## 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, 2019 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 19, 2019

**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, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (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, 2019 in accordance with the requirements of regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not

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, 2019.

#### **HORWATH HUSSAIN CHAUDHURY & CO.**

Chartered Accountants

**Engagement Partner:** Muhammad Nasir Muneer

Date: September 19, 2019

Lahore



## **AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of **Trust Modaraba** (“the Modaraba”) as at June 30, 2019 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, 2019 and of the profit, comprehensive loss, 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.

**HORWATH HUSSAIN CHAUDHURY & CO.**

Chartered Accountants

**Engagement Partner:** Muhammad Nasir Muneer

Date: September 19, 2019

Lahore



Trust Modaraba

**BALANCE SHEET**

AS AT JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	6	4,057,050	4,161,839
Short term investments	7	8,445,401	8,755,918
Advances, deposits, prepayments and other receivables	8	28,343,871	38,159,611
Short term murabaha finances	9	41,022,319	40,595,741
Current portion of long term murabaha finances		79,358,837	82,462,816
Ijarah rental receivables	10	14,756,103	20,108,224
Short term musharakah finances (secured - considered good)		29,336,042	20,590,000
Current portion of long term diminishing musharakah finances	13	912,833	5,123,180
Tax refunds due from the Government		6,094,347	4,902,107
Stock in trade	11	1,130,042	12,570,471
<b>Total Current Assets</b>		<b>213,456,845</b>	<b>237,429,907</b>
<b>Non-Current Assets</b>			
Long term murabaha finances	12	19,764,637	18,239,018
Long term diminishing musharakah finances	13	1,448,984	406,122
Long term deposits	14	1,800,162	2,706,690
Long term investments	15	5,256,149	9,489,399
Investment properties	16	13,702,550	2,835,000
Fixed assets	17	115,839,781	106,229,059
<b>Total Non-Current Assets</b>		<b>157,812,263</b>	<b>139,905,288</b>
<b>Total Assets</b>		<b>371,269,108</b>	<b>377,335,195</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current portion of customers' security deposits	21	12,698,000	18,747,319
Current portion of deferred income on murabaha	20	6,854,911	6,575,950
Unclaimed dividends		12,930,127	12,930,548
Creditors, accrued and other liabilities	18	2,618,976	1,568,698
Loan from Modaraba Management Company - interest free unsecured		5,000,000	5,000,000
IMBL Project Fund	19	-	5,000,000
<b>Total Current Liabilities</b>		<b>40,102,014</b>	<b>49,822,515</b>
<b>Non-Current Liabilities</b>			
Deferred income on murabaha	20	2,685,512	2,753,959
Customers' security deposits	21	24,610,865	18,755,851
<b>Total Non-Current Liabilities</b>		<b>27,296,377</b>	<b>21,509,810</b>
<b>Total Liabilities</b>		<b>67,398,391</b>	<b>71,332,325</b>
<b>NET ASSETS</b>		<b>303,870,717</b>	<b>306,002,870</b>
<b>REPRESENTED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Certificate capital	22	298,000,000	298,000,000
Reserves	23	5,870,717	8,002,870
Contingencies and commitments	24	-	-
		<b>303,870,717</b>	<b>306,002,870</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
Income from ijarah - net	25	12,472,461	11,890,694
Profit on murabaha finances	26	11,497,803	8,877,003
Profit on musharakah finances	27	5,507,677	5,237,882
Income from investments - net	28	209,496	1,236,348
Trading income	29	1,805,243	2,751,838
Other income	30	2,114,756	2,023,936
		<b>33,607,436</b>	32,017,701
Reversal of provision / (Provision) against non performing finance and other receivables - net	31	383,052	(135,084)
Unrealized loss on revaluation of financial assets at fair value through profit and loss		(2,960,712)	(2,038,814)
		<b>31,029,776</b>	29,843,803
Operating expenses	32	(29,698,613)	(27,583,731)
		<b>1,331,163</b>	2,260,072
Modaraba Management Company's fee		(133,116)	(226,007)
<b>Profit before taxation</b>		<b>1,198,047</b>	2,034,065
Taxation	33	(161,210)	(111,195)
<b>Net Profit for the Year</b>		<b>1,036,837</b>	1,922,870
<b>Earnings per certificate - Basic and Diluted</b>	34	<b>0.03</b>	0.06

The annexed notes from 1 to 44 form an integral part of these financial statements.

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



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	-----Rupees-----	
<b>Net Profit for the year</b>	<b>1,036,837</b>	1,922,870
<b>Other Comprehensive Income:</b>		
<b>Items that will not be reclassified to profit and loss</b>		
- Surplus on revaluation of fixed assets	-	2,457,200
<b>Items that may be reclassified subsequently to profit and loss</b>		
- Net change in fair value of available-for-sale investments	<b>(3,168,990)</b>	(3,116,101)
Other comprehensive loss for the year	<b>(3,168,990)</b>	(658,901)
<b>Total Comprehensive (Loss) / Income for the Year</b>	<b><u>(2,132,153)</u></b>	<u>1,263,969</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>			
Cash generated from operations	35	45,934,712	4,048,829
Decrease in non-current assets:			
- Long term murabaha finances		1,578,360	1,553,197
- Long term musharakah finances		3,167,485	1,806,820
Increase in non-current liabilities:			
- Deferred income on murabaha		210,514	369,584
- Customers security deposits		15,356,915	7,826,150
Purchase of ijarah assets		(67,439,150)	(38,294,840)
Proceeds from disposal of ijarah assets		4,833,528	16,229,527
Income tax paid / deducted		(1,353,450)	(392,712)
<b>Net cash generated from / (used in) operating activities</b>		<b>2,288,914</b>	<b>(6,853,445)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of owned assets		(356,498)	(658,467)
Proceeds from disposal of owned assets		40,000	256,112
Receipt of loan from Modaraba Management Company (Repayment) / Receipt of advance under IMBL project fund		-	5,000,000
Disposal / (Purchase) of investments - net		(4,840,096)	5,000,000
Long term deposits		1,136,084	(4,447,975)
Dividends received		906,528	(613,100)
Dividends received		720,700	600,407
<b>Net cash (used in) / Generated from investing activities</b>		<b>(2,393,282)</b>	<b>5,136,977</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Profit distributed to certificate holders		(421)	(10,118,505)
<b>Net cash used in financing activities</b>		<b>(421)</b>	<b>(10,118,505)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(104,789)</b>	<b>(11,834,973)</b>
Cash and cash equivalents at beginning of the year		4,161,839	15,996,812
<b>Cash and cash equivalents at end of the year</b>		<b>4,057,050</b>	<b>4,161,839</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

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



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

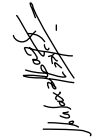
Particulars	Certificate capital	Statutory Reserve	Surplus on Revaluation of Fixed Assets	Revenue Reserves		Total Reserves	Total Equity
				Unrealized loss on revaluation of investments	Accumulated loss		
<b>Balance as at June 30, 2017</b>	298,000,000	79,253,192	-	(470,050)	(61,614,241)	17,168,901	315,168,901
Net profit for the year	-	-	-	-	1,922,870	1,922,870	1,922,870
Other comprehensive income for the year	-	-	2,457,200	(3,116,101)	-	(658,901)	(658,901)
Total comprehensive income / (loss) for the year	-	-	2,457,200	(3,116,101)	1,922,870	1,263,969	1,263,969
Transfer to statutory reserve at 20%	-	384,574	-	-	(384,574)	-	-
<b>Transaction with certificate holders</b>							
Profit distribution for the year ended June 30, 2017	-	-	-	-	(10,430,000)	(10,430,000)	(10,430,000)
<b>Balance as at June 30, 2018</b>	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)	-	-
<b>Balance as at June 30, 2019</b>	<b>298,000,000</b>	<b>79,845,133</b>	<b>2,457,200</b>	<b>(6,755,141)</b>	<b>(69,676,475)</b>	<b>5,870,717</b>	<b>303,870,717</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

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



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

### 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 Murabahas, musharakahs, Ijarah, 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.

### 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 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 (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

Wherever, the requirements of the approved accounting standards differ with the requirement of the Companies Act, 2017, Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP), the requirements of latter take precedence.

#### 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 and investments which are measured at fair value.

#### 2.4 Adoption of new and revised standards, amendments and interpretations:

##### 2.4.1 New and amended standards and interpretations to published approved accounting standards that are effective in the current year:

The following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after July 1, 2018 and are considered to be relevant to the Modaraba's financial statements:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after July 01, 2018). IASB has published the complete version of IFRS 9 which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used previously.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after July 1, 2018) replaces IAS 18 Revenue, IAS 11 Construction Contracts, and other related interpretations on revenue recognition. IFRS 15 introduces a five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Amendments to IAS 40 'Investment Property' (effective for annual periods beginning on or after January 01, 2018). The Standard was amended to clarify transfers to and from investment property. Property may only be transferred when there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

#### **2.4.2 New and amended standards and interpretations to published approved accounting standards that are not yet effective in the current year**

The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Modaraba. The Modaraba intends to adopt these standards, if applicable, when they become effective.

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 17 Insurance Contracts	January 01, 2021
Annual improvements to IFRSs (2015-2017 Cycle)	January 01, 2019
IAS 19 Employee Benefits [Amendments]	January 01, 2019
Conceptual Framework in IFRS Standards [Amendments]	January 01, 2020
IAS 1 and IAS 8 [Amendments]	January 01, 2020
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures	January 01, 2019
IFRS 16 Leases	January 01, 2019

IFRS 17 outlines the principles governing the recognition, measurement, presentation and disclosure of insurance contracts. The objective of the Standard is to ensure that the reporting entity provides relevant information that faithfully represents those insurance contracts. This information gives users of financial statements better insights into the effects that insurance contracts have on an entity's net assets, financial position, results of operations and cash flows.

Annual improvements to IFRSs (2015-2017 Cycle) relates to IFRS 3 and IFRS 11, as well as IAS 12 and IAS 23.

Amendments to IAS 19 specify the basis for determining the current service cost and the net interest expense / income for the period between a defined benefit retirement plan amendment, curtailment or settlement and the end of the reporting period.

The IASB has published a revised Conceptual Framework for Financial Reporting that will be used to develop new Standards and Interpretations in future. In particular, the definitions of assets and liabilities as well as the guidance on measurement and derecognition, presentation and disclosures are amended. This has not resulted in any technical amendments to current Standards to date. The amendments merely update the references to the Conceptual Framework in existing Standards. The Conceptual Framework itself is not subject of the endorsement procedure.

Amendments to IAS 1 and IAS 8 clarify the definition of “material”. Besides additional explanations, the definition of “material” in the Conceptual Framework as well as all Standards was aligned with the central definition no anchored in IAS 1.

IFRIC 23 clarifies the requirements for measuring and recognizing uncertain income tax items. The interpretation must be applied to the determination of taxable profit / loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12.

Amendment to IAS 28 clarifies that IFRS 9 must be applied to long-term interests that, in substance, form part of the net investment in an associate or joint venture to which the equity method is applied.

IFRS 16 ‘Leases’ (effective for annual periods beginning on or after 1 January 2019) is introduced during the year that 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 all the leases with a term of more than 12 months, unless the underlying asset is of low value. 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. 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. IFRS 16 replaces 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.

The management is in the process of assessing the impact of changes laid down by these standards 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**

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of assets for possible impairment on annual basis and any change in the estimates in the future that might affect the carrying amount of respective item of investment properties and fixed assets, with a corresponding effect on the depreciation charge and impairment is established. Assets are derecognized when disposed or when no future economic benefits are expected from their use or disposal.



### **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.

## **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 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.



## 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 trade receivables, 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. Trade receivables 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. If the market for a financial asset is not active (and for unlisted securities), the Modaraba measures the investments at cost less impairment in value, if any.

#### **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).

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**

Murabaha to the purchase ordered is sale transaction wherein the first party (the Modaraba) sells to the client / customer (the second party) sharia compliant asset / goods for cost plus a pre-agreed profit. 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 Musharakah Financing**

In Diminishing musharakah based financing, the Modaraba enters into a musharakah based on Shirkatul-milk for financing an agreed share of asset (e.g. house, land, plant or machinery, crops etc.) with its customers and enters into periodic profit payment agreement for the utilization of the Modaraba's musharakah share by the customer.

#### **4.5 Tangible fixed assets**

##### **4.5.1 Operating fixed assets in own use and depreciation**

Operating fixed assets are stated at cost less accumulated depreciation. 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.

##### **4.5.2 Assets given to customers on lease and depreciation**

Leased assets are stated at cost less accumulated depreciation. 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.

##### **4.5.3 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 shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately over the period of ijarah.

#### **4.6 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. 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. 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 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.

#### **4.7 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.

#### **4.8 Stock in trade**

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.

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.

#### **4.9 Ijarah assets for own use**

The Modaraba recognizes ijarah payments under an ijarah agreement as an expense in the profit and loss account on a straight line basis over the ijarah term.

#### **4.10 Revenue from Contracts with Customers**

Revenue from ijarah, murabaha and musharakah is recognized as per the requirements of the Islamic Financial Accounting Standards (IFASs)

##### **4.10.1 Murabaha profit**

Profit on finances under murabaha arrangements is recognized on a pro-rata basis taking into account the duration of placement of funds. 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.

##### **4.10.2 Musharakah profit**

Profit on diminishing musharakah financings is recognized on accrual basis.

##### **4.10.3 Ijarah rentals**

Ijarah rentals are recognized as income on accrual basis, as and when the rental becomes due over the ijarah period.

##### **4.10.4 Dividend income**

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

##### **4.10.5 Capital gain or loss**

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

##### **4.10.6 Sale of goods**

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

##### **4.10.7 Rental income**

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

#### **4.11 Taxation**

##### **4.11.1 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.

##### **4.11.2 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 substantively enacted up to the reporting date and are expected to apply to the period when the difference arises.

There is no deferred tax implication on the Modaraba as taxation of the Modaraba is exempt under the taxation laws.



#### **4.12 Retirement and termination 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.

#### **4.13 Dividend**

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.

#### **4.14 Earnings per certificate**

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year.

#### **4.15 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 operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Modaraba is divided into five business segments:

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

All these business segments are located in Pakistan.

##### **4.15.1 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.

##### **4.15.2 Allocation of segment expenses**

All identifiable expenses are directly attributed to the respective segments.

#### **4.16 Fair value measurement**

The Modaraba measures 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.

When measuring the fair value of a liability, the Modaraba takes into account the effect of its credit risk (credit standing) and any other factors that might influence the likelihood that the obligation will or will not be fulfilled.

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 POLICIES**

Except for the changes mentioned below, the Modaraba has consistently applied the accounting policies to all periods presented in these financial statements.

### IFRS 15 'Revenue from Contracts with Customers'

This Standard had been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This Standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations.

The timing of revenue and cost recognition has changed to a significant extent for certain types of contracts due to IFRS 15 because revenue is now recognized over time rather than at a point in time. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Before adoption of IFRS 15, the Modaraba used to recognise trade receivables, even if the receipt of the total consideration was conditional on successful completion of installation services. Under IFRS 15, any earned consideration that is conditional shall now be recognised as a contract asset rather than a receivable. In addition, the standard requires extensive disclosures.

The application of IFRS 15 does not have any impact on the revenue recognition policy of the Modaraba and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is nil on the reporting date.

#### - Financial Instruments under IFRS 9

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 1007(I)/2017 dated October 4, 2017 had notified that IFRS 9, 'Financial Instruments' would be applicable for annual periods beginning on or after July 1, 2018, however, subsequent to reporting date, SECP through SRO 229(I)/2019 dated February 14, 2019 has notified the deferment of this standard to reporting period/year ending on or after June 30, 2019 (earlier application is permitted). Consequently, the Modaraba has adopted this standard in the preparation of these financial statements for the year ended June 30, 2019.

The Modaraba has adopted IFRS 9 'Financial Instruments' during the year that has replaced IFRIC 9 - Reassessment of Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). IFRS 9 shall now govern the recognition, measurement, presentation and disclosure of financial instruments.

IFRS 9 has introduced new requirements governing the recognition and measurement of financial instruments and impairment losses on financial assets. IFRS 9 also includes new guidelines on hedge accounting. The financial assets are now classified on the basis of the business model in which they are held and their cash flow characteristics. Equity instruments currently classified as held for trading financial assets may now be recognized at fair value through other comprehensive income. The change in recognition of impairment of financial assets from the incurred loss model to the expected loss model will result in earlier recognition of expected losses in the profit and loss account. The loss allowances to be recognized on receivables will now be determined using the full lifetime expected loss model. The default rates will be based on historical and forward-looking data. The requirements regarding financial liabilities remain mostly unchanged.

The Modaraba has applied IFRS 9 prospectively, with an initial application date of July 1, 2018.

#### Effects of IFRS 9, Financial Instruments

The reclassification of financial instruments from IAS 39 to IFRS 9 categories depending on the applicable business model and the associated contractual cash flows did not materially affect the financial statements.

#### (a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Modaraba's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Modaraba's business model was made as of the date of initial application, July 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Modaraba. The Modaraba continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Modaraba's financial assets:

- Financial assets classified as Loans and receivables as at June 30, 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning July 1, 2018.
- Investments classified as Available-for-sale (AFS) financial assets as at June 30, 2018 are classified and measured as financial assets at fair value through OCI beginning July 1, 2018. The Modaraba expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The Modaraba has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Modaraba's financial liabilities.

In summary, upon the adoption of IFRS 9, the Modaraba had the following required or elected reclassifications as at July 1, 2018:

IAS 39 Category	IFRS 9 Category			
	Amount under IAS 39	Fair value through profit or loss	Amortized cost	Fair value through OCI
	-----Rupees in thousand-----			
<b>Loans and receivables</b>				
Cash and bank balances	4,161,839	-	4,161,839	-
Advances, deposits, prepayments and other receivables	30,112,798	-	30,112,798	-
Short term murabaha finances	40,595,741	-	40,595,741	-
Short term musharakah finances	20,590,000	-	20,590,000	-
Long term diminishing musharakah finances	5,529,302	-	5,529,302	-
Ijarah rental receivables	20,108,224	-	20,108,224	-
Long term murabaha finances	100,701,834	-	100,701,834	-
Long term deposits	2,706,690	-	2,706,690	-
<b>Available for sale</b>				
Long term investments	9,489,399	-	-	9,489,399

The IFRS 9 does not have any other material impact on financial statements of Modaraba for the year ended June 30, 2019.

	Note	2019	2018
		-----Rupees-----	
<b>6 CASH AND BANK BALANCES</b>			
Cash in hand		57,436	83,858
Balances with bank in:			
Current accounts		173,365	173,008
Saving accounts		3,826,249	3,904,973
		<b>3,999,614</b>	4,077,981
		<b>4,057,050</b>	4,161,839

	Note	2019	2018
		-----Rupees-----	
<b>7 SHORT TERM INVESTMENTS</b>			
Financial assets at fair value through profit and loss			
NIT Islamic Unit Fund - at cost		2,187,970	2,187,970
Meezan Islamic Fund - at cost		1,763,965	1,763,965
Shares of listed companies - at cost	7.1	10,448,980	7,798,785
		14,400,915	11,750,720
Unrealized loss on revaluation - net		(5,955,514)	(2,994,802)
		<b>8,445,401</b>	<b>8,755,918</b>

### 7.1 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, 2019		June 30, 2018	
2019	2018		Average cost	Market value	Average cost	Market value
-----Rupees-----						
9,425	2,500	Attock Refinery Limited	1,743,403	728,270	904,664	538,275
4,000	3,500	Hub Power Company Limited	503,750	315,000	457,676	322,560
12,000	10,000	Engro Foods Limited	1,573,598	699,960	1,421,855	890,600
40,000	20,000	Fauji Cement Company Limited	1,334,304	629,200	899,160	457,000
1,300	1,000	Pakistan Oxygen Limited (formerly Linde Pakistan Limited)	296,123	195,000	296,127	240,000
5,600	3,500	Packages Limited	2,712,662	1,683,136	2,705,577	1,714,020
70,000	50,000	Byco Petroleum Pakistan Limited	1,293,600	448,700	1,113,726	610,000
1,100	-	Engro Corporation Pakistan	323,038	292,160	-	-
3,000	-	D.G Khan Cement Co. Ltd	293,547	169,620	-	-
7,000	-	Lotte Chemical Pakistan Limited	111,611	106,750	-	-
1,000	-	Shell Pakistan Ltd	263,344	182,463	-	-
			<b>10,448,980</b>	<b>5,450,259</b>	<b>7,798,785</b>	<b>4,772,455</b>

		2019	2018
	Note	-----Rupees-----	
<b>8</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances to employees against salary - considered good		-	17,000
Loans to / receivable from employees - considered good	8.1	<b>1,737,404</b>	1,860,733
Security deposits		-	4,500
Current portion of long term deposits	14	<b>186,900</b>	-
Prepayments		<b>4,522,906</b>	1,796,313
Accrued profit	8.2	<b>4,701,611</b>	3,918,035
Advances to suppliers - considered good		-	1,229,000
Advances for murabaha		-	5,000,000
Trade receivables - considered good (secured)		<b>11,601,100</b>	17,782,283
Legal suits' charges receivable		<b>3,658,953</b>	3,509,713
Provision for doubtful receivables	8.3	<b>(771,950)</b>	(844,960)
		<b>2,887,003</b>	2,664,753
Sundry receivables		<b>3,205,401</b>	4,385,448
Provision for doubtful receivables		<b>(498,454)</b>	(498,454)
		<b>2,706,947</b>	3,886,994
		<b>28,343,871</b>	38,159,611
<b>8.1</b>	This includes the loan given to and receivables from executives amounting to Rs. 1.380 million (2018: Rs. 1.365 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. 2.090 million (2018: Rs. 1.835 million).		
<b>8.2</b>	Profit receivable on long term investment	-	8,872
	Profit receivable on diminishing musharakah finances	<b>1,691,200</b>	988,765
	Suspended income	-	(90,013)
		<b>1,691,200</b>	898,752
	Profit receivable on murabaha finances	<b>4,379,094</b>	4,776,844
	Suspended income	<b>(1,368,683)</b>	(1,766,433)
		<b>3,010,411</b>	3,010,411
		<b>4,701,611</b>	3,918,035
<b>8.2.1</b>	Suspended income account against diminishing musharakah profit receivable is as follows:		
	Opening balance	<b>90,013</b>	74,373
	Suspended during the year	-	15,640
	Suspension reversed during the year	<b>(90,013)</b>	-
		-	90,013



		2019	2018
	Note	-----Rupees-----	
<b>8.3</b>	<b>Provision for doubtful receivables</b>		
	Opening balance	844,960	729,960
	Recovery during the year	-	115,000
		<b>844,960</b>	844,960
	Less: Reversel of provision	<b>(73,010)</b>	-
		<b>771,950</b>	844,960
<b>9</b>	<b>SHORT TERM MURABAHA FINANCES - secured</b>		
	Considered good	10,572,219	12,863,729
	Considered doubtful:		
	- Regular parties	6,218,088	20,084
	- Parties under litigation	52,932,312	56,432,312
		59,150,400	56,452,396
	Provision for classified receivables under Prudential Regulations for Modarabas	(28,700,300)	(28,720,384)
		<b>41,022,319</b>	40,595,741
<b>9.1</b>	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.		
<b>9.2</b>	These represent receivables from 5 (2018: 6) 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 5 (2018: 6) cases for recovery of Rs. 73.771 million (2018: Rs. 77.58 million), while execution petitions for these cases are pending.		
<b>9.3</b>	<b>Provision for classified receivables under Prudential Regulations for Modarabas:</b>		
	Opening balance	28,720,384	28,700,300
	Add: Provision for the year	-	20,084
		<b>28,720,384</b>	28,720,384
	Less: Reversal of provision	<b>(20,084)</b>	-
		<b>28,700,300</b>	28,720,384
<b>10</b>	<b>IJARAH RENTAL RECEIVABLES - secured</b>		
	Considered good	642,783	2,141,779
	Considered doubtful:		
	- Regular parties	123,056	2,310,096
	- Parties under litigation	34,849,086	38,530,657
	Suspended ijarah income - considered doubtful	(17,900,639)	(19,480,147)
	Provision for doubtful Ijarah rental receivables	(2,958,183)	(3,394,161)
		<b>14,756,103</b>	20,108,224

		2019	2018
	Note	-----Rupees-----	
<b>10.1</b>	<b>Suspended ijarah income - considered doubtful</b>		
	Opening balance	19,480,147	19,306,847
	Recovery during the year	(1,579,508)	(563,066)
	Suspension made during the year	-	736,366
		<b>17,900,639</b>	<b>19,480,147</b>
<b>10.2</b>	<b>Provision for doubtful Ijarah rental receivables:</b>		
	Opening balance	3,394,161	3,394,161
	Recovery during the year	(435,978)	-
	Closing balances	<b>2,958,183</b>	<b>3,394,161</b>
<b>11</b>	<b>Stock in Trade</b>		
	Paddy rice	-	7,947,628
	Potatoes	1,130,042	2,284,674
	Tractors	-	2,338,169
		<b>1,130,042</b>	<b>12,570,471</b>
<b>12</b>	<b>LONG TERM MURABAHA FINANCES - secured</b>		
	Considered good	55,455,838	53,550,757
	Considered doubtful	46,394,243	49,877,684
	Provision for doubtful long term murabaha finances	(2,726,607)	(2,726,607)
		<b>99,123,474</b>	<b>100,701,834</b>
	Current / overdue portion grouped under current assets	(79,358,837)	(82,462,816)
		<b>19,764,637</b>	<b>18,239,018</b>
<b>12.1</b>	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.		
<b>12.2</b>	<b>Considered doubtful</b>	<b>49,833,912</b>	53,490,686
	Suspended income	(3,439,669)	(3,613,002)
		<b>46,394,243</b>	49,877,684
<b>12.2.1</b>	<b>Suspended income</b>		
	Opening balance	3,613,002	2,722,266
	Recovery during the year	(676,471)	(512,262)
	Suspension made during the year	503,138	1,402,998
		<b>3,439,669</b>	<b>3,613,002</b>
<b>12.2.2</b>	This includes receivable from 4 (2018: 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 3 (2018: 3) cases for recovery of Rs. 60.662 million (2018: Rs. 60.662 million), out of which 15.5 million has been recovered.		

		2019	2018
	Note	-----Rupees-----	
<b>13 Long Term Diminishing Musharakah Finances</b>			
Considered good - secured	13.1	1,800,399	4,967,884
Considered doubtful - secured		561,418	561,418
		<b>2,361,817</b>	5,529,302
Current / overdue portion grouped under current assets		<b>(912,833)</b>	(5,123,180)
		<b>1,448,984</b>	406,122
<b>13.1</b>	These include an amount of Rs. Nill (2018: Rs. 200,004) due from an executive of the Modaraba.		
<b>14 Long Term Deposits</b>			
Central Depository Company of Pakistan Limited		154,862	154,862
Rented property		560,500	1,046,278
Ijarah deposit money		1,241,700	1,241,700
Less: current portion shown under current assets	8	<b>(186,900)</b>	-
		<b>1,054,800</b>	1,241,700
Others		30,000	263,850
		<b>1,800,162</b>	2,706,690
<b>15 Long Term Investments</b>			
<b>Long Term Investments at Fair Value through OCI</b>			
Equity securities - listed	15.1	11,387,275	11,443,301
Sukuk certificates	15.2	-	1,261,586
Total investment at cost		<b>11,387,275</b>	12,704,887
Unrealized loss on revaluation of investments		<b>(6,131,126)</b>	(3,215,488)
Net investments at fair value		<b>5,256,149</b>	9,489,399

#### 15.1 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, 2019		June 30, 2018	
2019	2018		Average cost	Market value	Average cost	Market value
-----Rupees-----						
8,000	6,000	D.G Khan Cement Co. Limited	1,321,722	452,320	1,115,513	686,940
-	1,000	Engro Corporation Pakistan	-	-	371,443	313,860
3,500	4,000	Lucky Cement Limited	2,112,901	1,331,645	2,588,636	2,031,720
11,000	11,000	Sui North Gas Pipeline Limited	1,589,637	764,390	1,589,629	1,102,420
110,000	100,000	Pakistan Telecommunication Company Limited	1,723,144	909,700	1,627,207	1,144,000
11,125	5,625	Maple Leaf Cement Factory Limited	730,203	265,776	498,917	285,413
3,000	3,000	Shell Pakistan Limited	1,318,331	547,380	1,318,331	948,270
10,000	4,000	Pioneer Cement Limited	591,961	226,500	334,239	187,440
5,175	4,500	The Searle Company Limited	1,999,376	758,438	1,999,386	1,527,750
			<b>11,387,275</b>	<b>5,256,149</b>	11,443,301	8,227,813



- 15.2** This represented investment in sukuk certificates issued by B.R.R. Guardian Modaraba (An Islamic Financial Institution), managed by B.R.R Investment (Private) Limited. During the year, the Modaraba has redeemed the sukuk certificates.

	Note	2019 -----Rupees-----	2018
<b>16 Investment Properties</b>			
Opening balance		2,835,000	-
Transferred from owner-occupied property	17.3	10,397,550	2,835,000
Fair value gain on revaluation of investment property	30	470,000	-
Closing balance		<u>13,702,550</u>	<u>2,835,000</u>

It includes a piece of land measuring 18.89 marlas approximately situated in district Faisalabad. An independent valuer, M/s Star Tech Consultant, revalued this investment property to Rs. 3,305,000.

It also includes the agricultural land, measuring 20 Kanals, situated in Gujranwala, which the Modaraba has transferred from owned assets to investment property during the year. As at the reporting date, the net book value of this land is Rs. 10.397 million which approximates its fair value.

The Company 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 2019.

#### 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.	Price per marla	Reasonable fair value estimates

	Note	2019 -----Rupees-----	2018
<b>17 FIXED ASSETS</b>			
Intangible asset	17.1	-	-
Operating fixed assets given on lease / ijarah - tangible	17.2	103,576,825	83,315,572
Operating fixed assets in own use - tangible	17.3	12,262,956	22,913,487
		<u>115,839,781</u>	<u>106,229,059</u>

- 17.1** This represents fully amortized Enterprise Resource Planning (ERP) software costing Rs. 1.05 million.

17.2 Operating fixed assets given on lease (ijarah) - tangible

Year ended June 30, 2019

PARTICULARS	Cost			Accumulated Depreciation			Book Value as at June 30, 2019
	As at July 01, 2018	Additions / Transfers	Disposals / Transfers	As at June 30, 2019	Charge for the year	Disposals / Transfers	
Plant and equipments	85,860,013	1,230,000	(11,433,900)	75,656,113	3,941,831	(6,010,488)	8,445,397
Vehicles	110,331,166	66,209,150	(40,809,500)	135,730,816	23,371,254	(26,368,100)	95,131,428
<b>Total 2019</b>	<b>196,191,179</b>	<b>67,439,150</b>	<b>(52,243,400)</b>	<b>211,386,929</b>	<b>27,313,085</b>	<b>(32,378,588)</b>	<b>103,576,825</b>

----- Rupees -----

Year ended June 30, 2018

PARTICULARS	Cost			Accumulated Depreciation			Book Value as at June 30, 2018
	As at July 01, 2017	Additions / Transfers	Disposals / Transfers	As at June 30, 2018	Charge for the year	Disposals / Transfers	
Plant and equipments	89,287,504	8,064,000	(11,491,491)	85,860,013	3,916,086	(8,825,781)	16,580,640
Vehicles	155,415,299	30,230,840	(75,314,973)	110,331,166	26,111,530	(42,891,115)	66,734,932
<b>Total 2018</b>	<b>244,702,803</b>	<b>38,294,840</b>	<b>(86,806,464)</b>	<b>196,191,179</b>	<b>30,027,616</b>	<b>(51,716,896)</b>	<b>83,315,572</b>

----- Rupees -----

17.2.1 The Modaraba has filed suits for possession of leased assets valuing Rs. 67.037 million (2018: Rs. 78.053 million) against 6 clients (2018: 8 clients). The respective courts have granted decrees against 5 (2018: 7) clients in favor of the Modaraba. The Courts have decided to attach some properties of customers in addition to their assets to the Modaraba. However, execution petitions for recovery of the decretal amount are still pending.

17.2.2 Assets under ijarah arrangements are depreciated using the straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately over the period of ijarah.

17.2.3 Aggregate amount of future ijarah rentals receivable on the basis of agreements executed upto the reporting date are as follows:

	2019	2018
	36,028,750	31,326,816
	42,800,576	30,274,491
	<b>78,829,326</b>	<b>61,601,307</b>

-----Rupees-----

Receivable not later than one year  
Receivable later than one year but not later than 5 years

## 17.3 Operating fixed assets in own use - tangible

## Year ended June 30, 2019

PARTICULARS	Cost					Rate (%)	Accumulated Depreciation		Book Value as at June 30, 2019
	As at July 01, 2018	Additions	Revaluation Adjustment	Disposals / Transfers	As at June 30, 2019		Charge for the year	Disposals / Transfers	
Land (17.3.1)	21,125,950	-	-	(10,397,550)	10,728,400	-	-	-	10,728,400
Furniture & fixtures	1,665,276	96,520	-	-	1,761,796	10%	112,391	1,482,551	279,245
Office equipments	2,899,882	156,278	-	-	3,056,160	10%	261,251	2,340,894	715,266
Vehicles	757,711	-	-	-	757,711	20%	150,324	549,946	207,765
Lease hold improvements	700,000	-	-	-	700,000	20%	-	700,000	-
Books	16,423	-	-	-	16,423	20%	-	16,423	-
Electrical equipments	1,036,517	103,700	-	(194,466)	945,751	10%	85,513	613,471	332,280
<b>Total 2019</b>	<b>28,201,759</b>	<b>356,498</b>	<b>-</b>	<b>(10,592,016)</b>	<b>17,966,241</b>		<b>609,479</b>	<b>5,703,285</b>	<b>12,262,956</b>

## Year ended June 30, 2018

PARTICULARS	Cost					Rate (%)	Accumulated Depreciation		Book Value as at June 30, 2018
	As at July 01, 2017	Additions	Revaluation Adjustment	Disposals / Transfers	As at June 30, 2018		Charge for the year	Disposals / Transfers	
Land (17.3.1)	21,503,750	-	2,457,200	(2,835,000)	21,125,950	-	-	-	21,125,950
Furniture & fixtures	1,642,776	22,500	-	-	1,665,276	10%	133,824	1,370,160	295,116
Office equipments	2,683,080	216,802	-	-	2,899,882	10%	224,468	2,079,643	820,239
Vehicles	731,046	317,165	-	(290,500)	757,711	20%	153,484	399,622	358,089
Lease hold improvements	700,000	-	-	-	700,000	20%	-	700,000	-
Books	16,423	-	-	-	16,423	20%	-	16,423	-
Electrical equipments	934,517	102,000	-	-	1,036,517	10%	89,916	722,424	314,093
<b>Total 2018</b>	<b>28,211,592</b>	<b>658,467</b>	<b>2,457,200</b>	<b>(3,125,500)</b>	<b>28,201,759</b>		<b>601,692</b>	<b>5,288,272</b>	<b>22,913,487</b>

## 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. 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.

During the year, a land valuing Rs. 10,397 million has been transferred to investment property. (Note 16)



17.4 Disposal of operating fixed assets

17.4.1 Disposal of fixed assets given on Ijarah

Description	Cost	Accumulated depreciation	Book value	Adjustment / Sale proceeds	Gain	Mode of disposal	Particulars of Buyer
-----Rupees-----							
Honda City	800,000	600,000	200,000	200,000	-	Term of Ijarah agreement	Sagheer Ahmed Hashmi
Toyota Corolla GLI	1,690,000	1,098,500	591,500	591,500	-	Term of Ijarah agreement	Nasrullah Khan
Toyota Corolla Altis	1,800,000	1,260,000	540,000	540,000	-	Term of Ijarah agreement	Pervaiz Iqbal
Toyota Corolla XLI	1,610,500	1,127,350	483,150	483,150	-	Term of Ijarah agreement	Olhi & Co.
Suzuki Mehran VX Euro II	630,000	380,000	250,000	250,000	-	Term of Ijarah agreement	Haroon Nawaz
Toyota Land Cruiser	4,800,000	3,300,000	1,500,000	1,587,605	87,605	Term of Ijarah agreement	Muhammad Naeem Shafique
Mitsubishi Pajero	1,500,000	1,050,000	450,000	450,000	-	Term of Ijarah agreement	Dilawar Ali
Suzuki Cultus VXR E2	1,034,000	827,200	206,800	206,800	-	Term of Ijarah agreement	Pakistan Chemical & Bio Ind.
Suzuki Mehran VXR E2	678,000	542,400	135,600	135,600	-	Term of Ijarah agreement	Pakistan Chemical & Bio Ind.
FAW V2	1,049,000	839,200	209,800	209,800	-	Term of Ijarah agreement	Pakistan Chemical & Bio Ind.
Suzuki Cultus	1,034,000	827,200	206,800	206,800	-	Term of Ijarah agreement	Pakistan Chemical & Bio Ind.
Toyota Corolla XLI	1,646,000	1,316,800	329,200	329,200	-	Term of Ijarah agreement	Subhan Allah Commission Shop
Honda Civic C-Tech	2,218,000	1,552,600	665,400	665,400	-	Term of Ijarah agreement	Kisan Khushal Markez
Hino Truck	2,100,000	1,450,000	650,000	650,000	-	Term of Ijarah agreement	Aftab Afzal
Suzuki Mehran VXR	758,000	568,500	189,500	189,500	-	Term of Ijarah agreement	Sain Bux
Toyota Corolla GLI	1,500,000	1,200,000	300,000	300,000	-	Term of Ijarah agreement	Muhammad Asif
Suzuki Mehran	650,000	455,000	195,000	195,000	-	Term of Ijarah agreement	Super Asia Muhammad Din Sons Ltd
Toyota Corolla XLI	1,642,500	1,314,000	328,500	328,500	-	Term of Ijarah agreement	Mohsin Saadat Petroleum Service
Suzuki Mehran VX Euro-2	710,000	568,000	142,000	142,000	-	Term of Ijarah agreement	Megatech Trackers (Private) Limited
Honda Civic IVTEC Prometec	2,540,500	1,340,500	1,200,000	1,200,000	-	Term of Ijarah agreement	Muhammad Zubair
Toyota GLI	1,817,500	1,204,434	613,066	678,921	65,855	Term of Ijarah agreement	Sardar Oranzalib
Toyota Corolla Altis	2,065,500	1,445,850	619,650	619,650	-	Term of Ijarah agreement	SAQ Trading (Private) Limited
Toyota Corolla GLI	1,530,000	666,660	863,340	891,402	28,062	Term of Ijarah agreement	Saifullah Chattha
Suzuki Cultus VXR E2	1,204,000	767,556	436,444	471,810	35,366	Term of Ijarah agreement	Kamlesh Kumar
Unique UD	65,500	52,400	13,100	13,100	-	Term of Ijarah agreement	Sagheer Muhammad
Suzuki Mehran VXR E2	732,000	183,000	549,000	573,587	24,587	Term of Ijarah agreement	Megatech Trackers (Private) Limited
Honda CD 70	64,000	18,669	45,331	46,103	772	Term of Ijarah agreement	Khawar Abbas
Suzuki Wagonar	1,163,000	175,281	987,719	1,085,000	97,281	Negotiation	Meesam Timaar
Toyota Corolla	1,777,500	237,000	1,540,500	1,700,000	159,500	Negotiation	Farooq Motors
<b>Plant and Machinery</b>							
Generator	2,400,000	1,800,000	600,000	600,000	-	Term of Ijarah agreement	Sabs The Salon
Generator	2,450,000	1,000,000	1,450,000	1,450,000	-	Term of Ijarah agreement	Megatech Trackers (Private) Limited
Plant and machinery	5,800,000	2,997,680	2,802,320	2,802,320	-	Term of Ijarah agreement	Saif CNG Station.
Generato	783,900	212,808	571,092	592,000	20,908	Negotiation	Dawn Conventic (Private) Limited
<b>Disposal of fixed assets in own use</b>				<b>20,384,748</b>	<b>519,936</b>		
Electric equipment				<b>40,000</b>	<b>40,000</b>		Zafar ali

17.4.2

	Note	2019	2018
		-----Rupees-----	
<b>18 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Salaries and benefits payable		9,360	15,700
Withholding tax payable		-	44,524
Payable to Modaraba Management Company		133,116	226,007
Security deposit		-	40,000
Payable to SQZ Business Management Consultancy (Private) Limited		159,904	-
Other liabilities	18.1	2,316,596	1,242,467
		<b>2,618,976</b>	<b>1,568,698</b>
<b>18.1</b>	It includes charity payable amounting to Rs. 100,054 (2018: Rs. 66,292). The reconciliation is as follows:		
Opening balance		66,292	84,320
Additions during the year		50,762	61,972
Charity paid during the year		(17,000)	(80,000)
Closing balance		<b>100,054</b>	<b>66,292</b>
None of the directors and employees of the Modaraba Management Company have any interest in the charity.			
<b>19 IMBL PROJECT FUND</b>			
During the last year, a memorandum of understanding was made by and between Trust Modaraba and M/s SQZ Business and Management Consultancy (Private) Limited whereby it was agreed to establish a fund under the title of "IMBL Project Fund" (the Fund) for meeting all preliminary expenses, professional fees for preparation of feasibilities, projections, regulatory applications, legal documentation and deeds, brand-related expenses and other allied matters, to be mutually agreed, for setting up another business venture.			
It was also agreed that both parties shall subscribe initially a sum of Rs. 5 million each so as to create a pool of Rs. 10 million of the Fund, to be maintained in the books of and operated by Trust Modaraba. Last year, M/s SQZ Business and Management Consultancy (Private) Limited deposited Rs. 5 million in the fund. However, during the year funds have been withdrawn temporarily until establishment of the Fund.			
<b>20 DEFERRED INCOME ON MURABAHA</b>			
Opening balance		9,329,909	9,376,794
Addition for the year		10,619,958	9,749,190
Recognized during the year		(10,409,444)	(9,796,075)
		<b>9,540,423</b>	<b>9,329,909</b>
Current portion shown as current liabilities		(6,854,911)	(6,575,950)
		<b>2,685,512</b>	<b>2,753,959</b>
<b>21 CUSTOMERS' SECURITY DEPOSITS</b>			
Opening balance		37,503,170	49,366,822
Received during the year	21.1	15,356,915	7,826,150
Adjusted during the year		(15,551,220)	(19,689,802)
Closing balance		<b>37,308,865</b>	<b>37,503,170</b>
Current portion shown as current liabilities		(12,698,000)	(18,747,319)
		<b>24,610,865</b>	<b>18,755,851</b>



21.1 These represent deposits received from customers to secure the ijarah finances given to them.

	Note	2019 -----Rupees-----	2018
<b>22 CERTIFICATE CAPITAL</b>			
<b>Authorized Capital</b>			
50,000,000 (2018: 50,000,000) Modaraba Certificates of Rs.10/- each		<b>500,000,000</b>	500,000,000
<b>Issued, subscribed and paid-up capital</b>			
15,000,000 (2018: 15,000,000) Modaraba Certificates of Rs.10/- each fully paid-up in cash		<b>150,000,000</b>	150,000,000
12,300,000 (2018: 12,300,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates		<b>123,000,000</b>	123,000,000
2,500,000 (2018: 2,500,000) fully paid Modaraba Certificates of Rs.10/- each issued as a result of take over		<b>25,000,000</b>	25,000,000
	22.1	<b>298,000,000</b>	298,000,000

22.1 Al-Zamin Modaraba Management (Private) Limited holds 5,261,388 (2018: 5,261,388) Modaraba certificates as required by the SECP vide Order No. SC/M/RW/Trust/2009-43.

22.2 As at June 30, 2019, Mr. Aslam Motiwala, a major certificate holder of the Modaraba, holds 15,800,000 modaraba certificates (2018: 15,800,000) of the Modaraba.

<b>23 RESERVES</b>			
Statutory reserve	23.1	<b>79,845,133</b>	79,637,766
Surplus on revaluation of fixed assets	23.2	<b>2,457,200</b>	2,457,200
Revenue reserves:			
- Unrealized loss on revaluation of investments		<b>(6,755,141)</b>	(3,586,151)
- Accumulated loss		<b>(69,676,475)</b>	(70,505,945)
		<b>(76,431,616)</b>	(74,092,096)
		<b>5,870,717</b>	8,002,870

23.1 This represents profit set aside to comply with the Prudential Regulations for modarabas issued by the SECP. 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.

23.2 This represents surplus over book value resulting from the revaluation of owner-occupied land that became investment property. Revaluation surplus cannot be distributed to certificate holders as dividend.

## 24 CONTINGENCIES AND COMMITMENTS

### CONTINGENCIES

During the year, a notice was served to Trust Modaraba, alongwith 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 has filed a petition in Honourable Sindh High Court on September 1, 2018 challenging the demand of Sindh Revenue Board (SRB) on the grounds of non-applicability of sales tax. The Modaraba is confident that the notice will be reversed and hence no liability is recorded in these financial statements.

**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:

	Note	2019 -----Rupees-----	2018
Not later than one year		1,800,000	1,800,000
Later than one year and not later than five years		1,219,602	3,305,328
		<b>3,019,602</b>	5,105,328
Disbursement of Ijarah / Murabaha / Musharakah to be made		<b>2,000,000</b>	10,825,000
<b>25 INCOME FROM IJARAH - net</b>			
Income from leasing and Ijarah operations		40,440,481	44,905,390
Income suspended during the year	10.1	-	(736,366)
Receipts against suspended income	10.1	1,579,508	563,066
		<b>42,019,989</b>	44,732,090
Less: Depreciation on fixed assets given on ijarah	17.2	(27,313,085)	(30,027,616)
Less: Insurance on ijarah assets		(2,234,443)	(2,813,780)
		<b>12,472,461</b>	11,890,694
<b>26 PROFIT ON MURABAHA FINANCES</b>			
Profit on Murabaha finances		11,324,470	9,767,992
Income suspended during the year	12.2.1	(503,138)	(1,403,251)
Receipts against suspended income	12.2.1	676,471	512,262
		<b>11,497,803</b>	8,877,003
<b>27 PROFIT ON MUSHARAKAH FINANCES</b>			
Profit on Musharakah finances		5,988,677	5,593,522
Income suspended during the year	8.2.1	-	(15,640)
		<b>5,988,677</b>	5,577,882
Commission of selling agent		(481,000)	(340,000)
		<b>5,507,677</b>	5,237,882
<b>28 INCOME FROM INVESTMENTS - net</b>			
Dividend income on equity investments		633,400	585,719
Profit on long term investments		71,824	547,667
(Loss) / profit on sale of short term investments		(495,728)	102,962
		<b>209,496</b>	1,236,348



		2019	2018
	Note	-----Rupees-----	
<b>29</b>	<b>TRADING INCOME</b>		
Sales		<b>37,617,459</b>	19,347,081
Cost of sales			
- Opening stock		<b>12,570,471</b>	3,267,316
- Add: Purchases		<b>24,371,787</b>	25,898,398
- Less: Closing stock		<b>(1,130,042)</b>	(12,570,471)
		<b>(35,812,216)</b>	(16,595,243)
		<b>1,805,243</b>	2,751,838
<b>30</b>	<b>OTHER INCOME</b>		
Gain on termination of ijarah arrangements		<b>519,936</b>	829,761
Gain on disposal of owned fixed assets		<b>40,000</b>	56,470
Profit on deposit and saving accounts with banks		<b>232,935</b>	223,556
Rental income from investment properties		<b>93,333</b>	80,000
Fair value gain on investment properties	16	<b>470,000</b>	-
Miscellaneous income	30.1	<b>758,552</b>	834,149
		<b>2,114,756</b>	2,023,936
<b>30.1</b>	This includes an amount of Rs. 483,300 (2018: 300,500) pertaining to documentation.		
<b>31</b>	<b>REVERSAL OF PROVISION / (PROVISION) AGAINST NON PERFORMING MURABAHA FINANCES AND OTHER RECEIVABLES - net</b>		
Lease rent receivable		<b>435,978</b>	-
Short term murabaha finances	9.3	<b>20,084</b>	(20,084)
Legal suits charges receivable		<b>(73,010)</b>	(115,000)
		<b>383,052</b>	(135,084)
<b>32</b>	<b>OPERATING EXPENSES</b>		
Salaries, allowances and other benefits	32.1	<b>13,690,815</b>	12,723,073
Legal and professional charges		<b>653,740</b>	27,500
Fees and subscription		<b>2,762,670</b>	2,479,060
Electricity, gas and water		<b>895,502</b>	860,386
Telephone, postage and courier		<b>758,699</b>	941,616
Advertisement		<b>287,600</b>	117,748
Printing and stationery		<b>772,362</b>	740,377
Traveling and conveyance		<b>371,832</b>	412,535
Entertainment		<b>529,494</b>	526,496
Insurance		<b>299,796</b>	417,328
Vehicle running		<b>2,274,950</b>	2,143,389
Rent, rates and taxes		<b>1,962,799</b>	1,824,421
Auditors' remuneration	32.2	<b>385,000</b>	350,000
Repairs and maintenance		<b>1,313,869</b>	1,292,747



		2019	2018
	Note	-----Rupees-----	
Registrar's services		98,749	157,932
Depreciation on own assets	17.3	609,479	601,692
Bank charges and commission		45,025	95,211
Charity	32.3	50,762	-
Balances written off		35,364	-
Ijarah rental expense		1,800,000	1,617,372
Miscellaneous		100,106	254,848
		<b>29,698,613</b>	<b>27,583,731</b>

**32.1** This includes Rs. 0.641 million (2018: Rs. 0.579 million) in respect of contribution to the staff provident fund. This comprises salaries and allowances of executives as per the following details:

	2019		
	Officers	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
	<b>6,490,428</b>	<b>7,200,387</b>	<b>13,690,815</b>
Number of persons	3	18	
	2018		
	Officers	Others	Total
	-----Rupees-----		
Basic salary	3,760,008	3,830,673	7,590,681
House rent allowance	1,503,996	1,494,551	2,998,547
Medical allowance	375,996	365,731	741,727
Other allowances	235,000	577,553	812,553
Retirement benefits	376,001	203,564	579,565
	<b>6,251,001</b>	<b>6,472,072</b>	<b>12,723,073</b>
Number of persons	3	18	

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

	2019	2018
	-----Rupees-----	
<b>32.2 Auditors' remuneration</b>		
Annual audit fee	275,000	250,000
Half yearly review	55,000	50,000
Out of pocket expenses	55,000	50,000
	<b>385,000</b>	<b>350,000</b>

**32.3** No Director of Modaraba Management Company has any interest in any charitable activities.

### 33 TAXATION

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. However, tax charged on dividend income is expensed out.

	Note	2019 -----Rupees-----	2018
<b>34 EARNINGS PER CERTIFICATE - BASIC &amp; DILUTED</b>			
Net profit for the year	Rupees	<b>1,036,837</b>	1,922,870
Weighted average number of certificates	Number	<b>29,800,000</b>	29,800,000
Earnings per certificate	Rupees	<b>0.03</b>	0.06
<b>34.1</b>	There is no dilution effect on the basic earnings per certificate of the Modaraba.		
<b>35 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>1,198,047</b>	2,034,065
<b>Adjustments for non-cash and other items:</b>			
Depreciation:			
Under ijarah		<b>27,313,085</b>	30,027,616
In own use		<b>609,479</b>	601,692
(Reversal) / Charges against non performing finances - net		<b>(383,052)</b>	135,084
Gain on termination of ijarah arrangements		<b>(519,936)</b>	(829,761)
Gain on disposal of owned fixed assets		<b>(40,000)</b>	(56,470)
Profit on long term investment		<b>(71,824)</b>	(580,827)
Balances written off		<b>35,364</b>	-
Loss / (Gain) realized on sale of short term investment		<b>495,728</b>	(102,962)
Unrealized loss on revaluation of held for trading investment		<b>2,960,712</b>	2,038,814
Fair value gain on investment property		<b>(470,000)</b>	-
Dividend income		<b>(633,400)</b>	(585,719)
		<b>29,296,156</b>	30,647,467
<b>Operating profit before working capital changes</b>		<b>30,494,203</b>	32,681,532
Decrease / (increase) in current assets			
Short term investment - net		<b>(3,145,923)</b>	1,784,422
Advances, deposits, prepayments and other receivables		<b>9,655,430</b>	(8,520,624)
Short term murabaha finances		<b>(406,494)</b>	(10,576,261)
Short term musharakah finances		<b>(8,746,042)</b>	(4,190,000)
Ijarah rental receivables		<b>5,752,735</b>	4,422,724
Stock in trade		<b>11,440,429</b>	(9,303,155)
Increase / (Decrease) in current liabilities			
Creditors, accrued and other liabilities		<b>890,374</b>	(2,249,809)
		<b>15,440,509</b>	(28,632,703)
<b>Cash generated from operations</b>		<b>45,934,712</b>	4,048,829

## 36 MATURITIES OF ASSETS AND LIABILITIES

	2019			
	Total	Up to one year	Over one to five years	Over five years
	..... Rupees .....			
<b>Assets:</b>				
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	-	-
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	-
Assets given on Ijarah	103,576,825	22,970,452	80,606,373	-
Assets in own use	12,262,956	-	12,262,956	-
	<b>371,269,108</b>	<b>236,614,197</b>	<b>134,500,049</b>	<b>154,862</b>
<b>Liabilities:</b>				
Unclaimed dividends	12,930,127	12,930,127	-	-
Creditors, accrued and other liabilities	2,618,976	2,618,976	-	-
IMBL Project Fund	-	-	-	-
Loan from Modaraba Management Company	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	-
	<b>67,398,391</b>	<b>40,102,014</b>	<b>27,296,377</b>	<b>-</b>
<b>Net Balance</b>	<b>303,870,717</b>	<b>196,512,183</b>	<b>107,203,672</b>	<b>154,862</b>
Certificate holders' equity	<b>303,870,717</b>			
	2018			
<b>Assets:</b>				
Cash and bank balances	4,161,839	4,161,839	-	-
Short term investments	8,755,918	8,755,918	-	-
Advances, deposits, prepayments and other receivables	38,159,611	38,159,611	-	-
Ijarah rental receivables	20,108,224	20,108,224	-	-
Tax refunds due from the Government	4,902,107	4,902,107	-	-
Stock in trade	12,570,471	12,570,471	-	-
Murabaha finances	141,297,575	123,058,557	18,239,018	-
Musharakah finances	26,119,302	25,713,180	406,122	-
Long term deposits	2,706,690	-	2,551,828	154,862
Long term investments	9,489,399	1,261,586	8,227,813	-
Investment property	2,835,000	-	2,835,000	-
Assets given on Ijarah	83,315,572	22,970,452	60,345,120	-
Assets in own use	22,913,487	-	22,913,487	-
	<b>377,335,195</b>	<b>261,661,945</b>	<b>115,518,388</b>	<b>154,862</b>
<b>Liabilities:</b>				
Unclaimed dividends	12,930,548	12,930,548	-	-
Creditors, accrued and other liabilities	1,568,698	1,568,698	-	-
Loan from Modaraba Management Company	5,000,000	5,000,000	-	-
IMBL Project Fund	5,000,000	5,000,000	-	-
Deferred income on murabaha	9,329,909	6,575,950	2,753,959	-
Customers' security deposits	37,503,170	18,747,319	18,755,851	-
	<b>71,332,325</b>	<b>49,822,515</b>	<b>21,509,810</b>	<b>-</b>
<b>Net Balance</b>	<b>306,002,870</b>	<b>211,839,430</b>	<b>94,008,578</b>	<b>154,862</b>
Certificate holders' equity	<b>306,002,870</b>			

## 37 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:

### 37.1 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.

#### 37.1.1 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.

#### 37.1.2 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.

		2019		2018	
		-----Rupees-----			
Reporting date index points		33,902		41,911	
		Changes in KSE all Index	Effects on Profit Before Tax	Effects on Equity	
		-----Rupees-----			
Investment at fair value through OCI	2019	+1%	-	52,561	
		-1%	-	(52,561)	
	2018	+1%	-	82,278	
		-1%	-	(82,278)	
Investment at fair value through profit and loss	2019	+1%	54,503	-	
		-1%	(54,503)	-	
	2018	+1%	47,725	-	
		-1%	(47,725)	-	

### 37.1.3 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 mark up rates.

The Modaraba's mark up / profit rate risk arises from Murabaha financing, musharakah financing, investments and ijarah. As at the reporting date the interest rate profile of the Modaraba's mark up bearing financial instruments was as under:

	2019	2018
	-----Rupees-----	
<b><u>Fixed rate instruments</u></b>		
<b>Financial assets:</b>		
Short term murabaha finances	41,022,319	40,595,741
Long term murabaha finances	99,123,474	100,701,834
Ijarah rental receivables	14,756,103	20,108,224
Musharakah finances	31,697,859	26,119,302
<b><u>Floating rate instruments</u></b>		
<b>Financial assets:</b>		
Bank balances - deposit accounts	3,826,249	3,904,973
Long term investments - Fair Value through OCI	-	1,261,586

#### **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. 38,262 (2018: Rs. 51,666) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

### 37.2 Credit risk

**37.2.1** 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:

	2019	2018
	-----Rupees-----	
Bank balances	3,999,614	4,077,981
Short term murabaha finances	41,022,319	40,595,741
Ijarah rental receivables	14,756,103	20,108,224
Musharakah finances	31,697,859	26,119,302
Long term murabaha finances	99,123,474	100,701,834
Long term deposits	1,800,162	2,706,690
Trade receivables	11,601,100	17,782,283
Long term Investments	-	1,261,586
Advances, deposits and other receivables	23,634,065	30,112,798
	<b>227,634,696</b>	<b>243,466,439</b>

**37.2.2** 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:

	2019	2018
	-----Rupees-----	
Textile Composite	19,597,493	19,597,493
Fuel and Energy	-	54,316
Engineering	105,387	8,499,241
Sugar and allied	1,084,012	-
Transport and communication	-	216,530
Steel	-	269,983
Insurance	261,134	-
Vanaspati and Allied Industries	12,000,000	12,000,000
Food and Allied	50,308,395	40,067,202
Educational Institutions	11,413,295	15,915,944
Miscellaneous	110,285,358	137,231,085
Books and publications	-	3,500,000
Agriculture	43,340,373	13,873,217
	<u>248,395,447</u>	<u>251,225,011</u>

**37.2.3** The aging of murabaha, musharakah and lease / ijarah rental 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	98,329,592	92,861,735
Past due 1 - 180 days	13,381,417	19,725,602
Past due 181 - 365 days	9,312,083	14,215,631
1 - 2 years	2,903,310	8,189,818
More than 2 years	136,070,145	134,014,508
	<u>259,996,547</u>	<u>269,007,294</u>

**Aging of impaired murabaha and lease / ijarah rental receivables**

Past due 1 - 180 days	-	12,851
Past due 181 - 365 days	356,269	587,149
1 - 2 years	138,561	376,711
More than 2 years	56,599,251	58,814,036
	<u>57,094,081</u>	<u>59,790,747</u>

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.

**37.2.4** 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	2019	2018
	Short term	Long term	Agency	-----Rupees-----	
The Bank of Punjab	A1+	AA	PACRA	148,787	149,625
Meezan Bank Limited	A1+	AA+	JCR-VIS	3,831,096	3,913,820
State bank of Pakistan				19,731	14,536
				<b>3,999,614</b>	4,077,981
				<b>5,256,149</b>	9,489,399
				<b>8,445,401</b>	8,755,918

**Investments at Fair Value through OCI (Note 15)****Investments at Fair Value through profit and loss (Note 7)**

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.

Due to the long standing business relationships of Modaraba and its other related entity's with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counter parties on their obligations to the Modaraba. Accordingly, the credit risk is moderate.

**37.3 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)-----				
<b>June 30, 2019</b>					
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	-	-
	<b>20,549,103</b>	<b>20,549,103</b>	<b>20,549,103</b>	-	-
<b>June 30, 2018</b>					
Loan from Modaraba Management Company	5,000,000	5,000,000	5,000,000	-	-
IMBL Project Fund	5,000,000	5,000,000	5,000,000	-	-
Unclaimed dividends	12,930,548	12,930,548	12,930,548	-	-
Creditors, accrued and other liabilities	1,524,174	1,524,174	1,524,174	-	-
	<b>24,454,722</b>	<b>24,454,722</b>	<b>24,454,722</b>	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at June 30, 2019.

### 37.4 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

The basis for determining fair values is as follows:

#### Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by inputs to valuation techniques. Different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). (Level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs). (Level 3)

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

	Level 1	Level 2	Level 3	Total
	------(Rupees)-----			
<b>Financial assets:</b>				
Short term investments	8,445,401	-	-	8,445,401
Long term Investments	5,256,149	-	-	5,256,149

The following table presents the Company's financial assets that are measured at fair value at June 30, 2018:

#### Financial assets:

Short term investments	8,755,918	-	-	8,755,918
Long term Investments	8,227,813	-	1,261,586	9,489,399

### 37.5 Financial instruments by categories

Financial assets as at June 30, 2019

	Loans and receivables	Fair value Through OCI	Amortized cost	Assets at fair value through profit or loss	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 goods	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
	<b>216,091,032</b>	<b>5,256,149</b>	<b>-</b>	<b>8,445,401</b>	<b>229,792,582</b>



## Financial assets as at June 30, 2018

	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
Cash and bank balances	4,161,839	-	-	-	4,161,839
Short term investments	-	-	-	8,755,918	8,755,918
Advances, deposits and other receivables	30,112,798	-	-	-	30,112,798
Short term murabaha finances	40,595,741	-	-	-	40,595,741
Short term musharakah finances (secured - considered good)	20,590,000	-	-	-	20,590,000
Long term diminishing musharakah finances	5,529,302	-	-	-	5,529,302
Ijarah rental receivables	20,108,224	-	-	-	20,108,224
Long term murabaha finances	100,701,834	-	-	-	100,701,834
Long term deposits	2,706,690	-	-	-	2,706,690
Long term investments	-	9,489,399	-	-	9,489,399
	<u>224,506,428</u>	<u>9,489,399</u>	<u>-</u>	<u>8,755,918</u>	<u>242,751,745</u>

## Financial liabilities at amortized cost

	2019	2018
	-----Rupees-----	
Loan from Modaraba Management Company	<b>5,000,000</b>	5,000,000
IMBL Project Fund	-	5,000,000
Unclaimed dividends	<b>12,930,127</b>	12,930,548
Creditors, accrued and other liabilities	<b>2,618,976</b>	1,524,174
	<u><b>20,549,103</b></u>	<u>24,454,722</u>

## 37.6 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.

### 37.7 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. To maintain or adjust the capital structure, the Modaraba may adjust dividend payments to the certificate holders, return on capital to certificate holders or issue new shares.

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.

### 38 REMUNERATION OF EXECUTIVES

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

	Executives	
	2019	2018
	-----Rupees-----	
Managerial remuneration	3,904,017	3,760,008
Retirement benefits	390,402	376,001
House rent allowance	1,561,607	1,503,996
Medical allowance	390,402	375,996
Other allowances	244,000	235,000
Meeting fee allowance	150,000	198,000
Reimbursable expenses	720,000	660,000
	<b>7,360,428</b>	<b>7,109,001</b>
Number of persons	3	3

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

### 39 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. The related party transactions are made on terms equivalent to those that prevail in arm's length transactions. 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.

<b>Transactions during the year</b>			<b>2019</b>	<b>2018</b>
<b>Related party</b>	<b>Relationship</b>	<b>Nature of Transaction</b>	<b>-----Rupees-----</b>	
Al-Zamin Modaraba Management (Private) Limited	Modaraba Management Company	Management fee and others	<b>133,116</b>	226,007
		Dividend for the year	-	1,841,486
		Loan obtained	-	13,000,000
		Loan repaid	-	13,000,000
		Loan received from Modaraba Management Company	-	5,000,000
Employees' Provident Fund	Associated undertaking	Contributions for the year	<b>640,948</b>	579,565
Muhammad Aslam Motiwala	Associated person	Dividend for the year	-	5,530,000
Executives and close relatives thereof	Associated persons	Loan given during the year	<b>200,000</b>	1,100,000
		Repayment of loan received	<b>185,332</b>	758,166
		Receipt of principal under long term diminishing musharakah finances	<b>200,006</b>	266,666
		Profit accrued under long term diminishing musharakah finances	<b>9,998</b>	41,245
		Receipts of profit under long term diminishing musharakah finances	<b>9,998</b>	41,334
		Sale of vehicles	-	204,000
		Receipts against sale of vehicles	-	420,000

The amounts above do not include salaries and other employee benefits of the executives of the Company which have been disclosed in note 38.

#### **Outstanding Balance as at the reporting date**

Al-Zamin Modaraba Management (Private) Limited		Payable against management fee and others	<b>133,116</b>	226,007
		Loan payable	<b>5,000,000</b>	5,000,000
Executives and close relatives thereof		Loan receivables	<b>1,048,002</b>	1,033,334
		Receivable against sale of vehicle	<b>332,062</b>	332,062
		Principal receivable under long term diminishing musharakah finances	-	200,004
		Profit receivable under long term diminishing musharakah finances	-	66



## 40 SEGMENT INFORMATION

**40.1** A business 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:

<b>Types of segments</b>	<b>Nature of business</b>
- 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.

## 40.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2019 is as follows:

	June 30, 2019					June 30, 2018						
	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total
	--Rupees--											
<b>Segment revenues / profits</b>												
Revenue - gross	11,567,803	42,019,989	5,682,377	209,496	37,617,459	97,097,124	8,962,003	44,732,090	5,354,882	1,252,928	19,347,081	79,648,984
Cost of sales	-	-	-	-	(35,812,216)	(35,812,216)	-	-	-	-	(16,595,243)	(16,595,243)
Depreciation	-	(27,313,085)	-	-	-	(27,313,085)	-	(30,027,616)	-	-	-	(30,027,616)
Insurance expense	-	(2,234,443)	-	-	-	(2,234,443)	-	(2,813,780)	-	-	-	(2,813,780)
Loss on disposal of investments	-	-	-	-	-	-	-	-	-	(16,580)	-	(16,580)
Net revenue	11,567,803	12,472,461	5,682,377	209,496	1,805,243	31,737,380	8,962,003	11,890,694	5,354,882	1,236,348	2,751,838	30,195,765
Unrealized loss on revaluation of investments	-	-	-	(2,960,712)	-	(2,960,712)	-	-	-	(2,038,814)	-	(2,038,814)
Provision for doubtful receivables	20,084	(73,010)	-	-	-	(52,926)	(20,084)	(115,000)	-	-	-	(135,084)
<b>Reportable segment profit</b>	11,587,887	12,399,451	5,682,377	(2,751,216)	1,805,243	28,723,742	8,941,919	11,775,694	5,354,882	(802,466)	2,751,838	28,021,867
<b>Reportable segment assets</b>	149,292,273	122,417,662	33,389,059	13,709,250	12,731,142	331,539,386	151,025,239	108,197,863	27,018,054	18,349,189	30,352,754	334,943,099
<b>Reportable segment liabilities</b>	9,540,423	39,008,865	-	100,054	-	48,649,342	9,329,909	37,503,170	283,900	66,291	-	47,183,270
<b>Additions to non-current assets</b>	-	67,439,150	-	-	-	67,439,150	-	38,294,840	-	-	-	38,294,840

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

	2019	2018
	-----Rupees-----	
<b>Revenues</b>		
Total revenues for reportable segments	31,737,380	30,195,765
Other revenues	1,870,056	1,821,936
Modaraba's revenues	<u>33,607,436</u>	<u>32,017,701</u>
<b>Profit</b>		
Total profit for reportable segments	28,723,742	28,021,867
Other profit / (loss)	(27,686,905)	(26,098,997)
	<u>1,036,837</u>	<u>1,922,870</u>
<b>Assets</b>		
Total assets for reportable segments	331,539,386	334,943,099
Corporate assets unallocated	35,672,672	38,230,257
Cash and bank balances	4,057,050	4,161,839
Total assets as per the balance sheet	<u>371,269,108</u>	<u>377,335,195</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	48,649,342	47,183,270
Corporate liabilities unallocated	18,749,049	24,149,055
Total liabilities as per the balance sheet	<u>67,398,391</u>	<u>71,332,325</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.

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

	2019	2018
<b>41 NUMBER OF EMPLOYEES</b>		
Number of employees as at June 30,	21	19
Average number of employees during the year	20	20

	2019	2018
	-----Rupees-----	
	(Un-audited)	(Audited)
<b>42 PROVIDENT FUND</b>		
Size of the fund	2,860,800	2,680,374
Percentage of investments made	55.93%	74.62%
Fair value of investments	1,317,033	2,162,857
Cost of investments made	1,600,000	2,000,000

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

	2019		2018	
	Investment Rupees	Investment as a % of Size of funds	Investment Rupees	Investment as a % of Size of funds
Investment in funds	1,317,033	46.04%	2,162,857	80.69%
Cash at bank	1,294,450	45.25%	437,320	16.32%
Others	244,991	8.56%	93,184	3.48%

Investments out 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.

#### 43 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 September 19, 2019.

#### 44 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)
Unclaimed dividends	Creditors, accrued and other liabilities (Note 18)	Face of balance sheet	12,930,548
Current portion of deferred income on murabaha	Creditors, accrued and other liabilities (Note 18)	Face of balance sheet	6,575,950
Loss on long term investments	Operating expenses (Note 32)	Income from investments - net (Note 28)	16,580
Depreciation on fixed assets given on ijarah	Face of profit and loss account	Income from Ijarah - net (Note 25)	30,027,616
Insurance on ijarah assets	Operating expenses account	Income from Ijarah - net (Note 25)	2,813,780
Dividend income on equity investments	Face of profit and loss account	Income from investments - net (Note 28)	585,719



Trust Modaraba

<b>Nature</b>	<b>From</b>	<b>To</b>	<b>Amount</b>
			<b>(Rupees)</b>
Profit on long term investments	Face of profit and loss account	Income from investments - net (Note 28)	564,247
Profit on sale of short term investments	Face of profit and loss account	Income from investments - net (Note 28)	102,962
Loan from Modaraba Management Company	IMBL Project Fund (Note 19)	Face of balance sheet	5,000,000

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



**PATTERN OF CERTIFICATE-HOLDING  
As On 30 June 2019**

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING		TOTAL CERTIFICATE	PERCENTAGE HELD
	From	To		
599	1	100	27536	0.09
897	101	500	259132	0.87
611	501	1000	532897	1.79
298	1001	5000	714745	2.40
60	5001	10000	463861	1.56
14	10001	15000	171070	0.57
10	15001	20000	174357	0.59
7	20001	25000	160214	0.54
3	25001	30000	86000	0.29
1	30001	35000	31500	0.11
3	35001	40000	115550	0.39
1	45001	50000	45174	0.15
3	60001	65000	189008	0.63
1	65001	70000	67740	0.23
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	1255001	1260000	1258896	4.22
1	5260001	5265000	5261388	17.66
1	16925001	16930000	16930000	56.81
<b>2525</b>			<b>29,800,000</b>	<b>100.00</b>



## CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 2019

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	2,476	21,843,533	73.3004
Others	8	86,500	0.2903
<b>Total</b>	<b>2,525</b>	<b>29,800,000</b>	<b>100.00</b>

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

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