

# Trust Modaraba

Managed By:

Al-Zāmin Modaraba Management (Pvt) Ltd

# **ANNUAL REPORT**

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# 2021



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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

AI-Zamin Modaraba Management (Private) Limited

#### Board of Directors

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

#### Management

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

#### Audit Committee

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

#### Human Resource Committee

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

#### Internal Auditors

Grant Thornton Anjum Rahman.  
Chartered Accountants

#### Auditors of the Modaraba

Crowe Hussain Chaudhary & Co.  
Chartered Accountant

#### Bankers

Meezan Bank Limited  
The Bank of Punjab

#### Legal Advisors

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

#### Registered Office/Principal Place of Business

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

#### Regional Office

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

#### 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

## **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<sup>th</sup>, 2021 will be held on Friday 15<sup>th</sup> October, 2021 at 9:30 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 Friday, October 08<sup>th</sup>, 2021, to Friday, October 15<sup>th</sup>, 2021, (both days inclusive).

**Hamida Aqeel**  
Company Secretary

Karachi

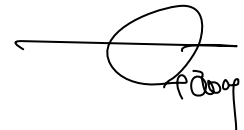
September 16<sup>th</sup>, 2021.

## REVIEW REPORT BY THE CHAIRMAN

As required under the code of Corporate Governance, an annual evaluation of the board of Directors of AI-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<sup>th</sup>, 2021, 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 its responsibilities. The non-executive and independent directors are equally involved in important decisions.



**Mian Sheikh Arshad Farooq**

CHAIRMAN

Karachi

September 16<sup>th</sup>, 2021.

## DIRECTORS REPORT

The Board of Directors of AI-Zamin Modaraba Management (Private) Limited presents financial statements of Trust Modaraba for the year ended 30th June, 2021.

## ECONOMIC REVIEW

The world economy was confronted with myriad of challenges post COVID-19 outbreak that surfaced in early 2020 and triggered unprecedented restrictions on a range of economic and social activities. Even the most developed countries, despite being advanced in medical and health care infrastructure, found it extremely challenging to cope with the human loss. A wave of fear and uncertainty engulfed the entire world. The health crises accompanied with the economic downturn severely impacted lives and livelihoods world wide pushing the low income strata into the ranks of further poverty. To respond to the dual crises of health and economic pressures, countries all over the world introduced multiple fiscal and monetary measures for the economy and provision of necessary assistance for health system including liquidity support, credit extension, vaccine coverage, fiscal policy measures, to name a few. The timely actions taken by the governments contributed significantly to contain the adverse economic impact and human cost of COVID-19.

Despite severe economic and social strains caused by the pandemic, Pakistan's economy withstood the shocks well relative to its peers. The government swiftly responded to the crises through timely economic and monetary policy interventions, smart lockdowns and phased vaccination programs extending priority to health care professionals and senior citizens. Pakistan steered well through the initial crises and achieved GDP growth of 3.94% in the financial year 2021 from a contraction of 0.5% in the financial year 2020. Manufacturing sector witnessed strong broad based growth as major sectors of large scale manufacturing like textile, automobile, cement, food & beverages have shown significant improvement over the previous year. External remittances through Roshan Digital Account grew on average at 30% YOY in the financial year 2021 reflecting a shift from informal to formal remittance channels. Foreign inflows despite further strengthening of foreign exchange reserves have also supported the appreciation of Pakistan rupee against US\$. Exports also registered phenomenal growth of US\$ 25.6 billion during the year. Pakistan successfully launched Eurobond issue of US\$ 2.5 billion which attracted strong investors demand. Stock market performed exceptionally well and was categorized as the third best performing market in Asia. Performance in agriculture sector, large scale manufacturing, construction and exports remained key drivers of economic progress achieved during the year. However, the pandemic induced problems are not yet over as new virus mutations continue to surface after a bit of respite. With all eyes on the pandemic, well calibrated policies to maintain the momentum of growth and deal with any possible threat of new strains of virus will remain an utmost challenge for the policy makers.



## PERFORMANCE REVIEW

The financial year 2021 had been a year of unprecedented challenges and the adverse spillover of the pandemic was experienced across all sectors of the society and economy. For Trust Modaraba, fall out of COVID-19 was in the form of restricted business opportunities, delays in recovery of receivables, underutilization of professional capacities and a challenging situation of recovery/settlements from legal cases. However, your management with careful analysis of the prevailing circumstances, prudently devised and implemented policies for business development, sectoral exposures, cost efficiencies and recovery of outstanding receivables. As a result, your Modaraba achieved better performance during the year under review as depicted from the following comparative financial highlights.

<b>FINANCIAL YEAR</b>	<b>2020-21</b>	<b>2019-20</b>
Total Income (Rs)	45,463,017	33,712,887
Profit before Management Fee (Rs)	9,017,057	3,209,273
Management Fee (Rs)	901,706	320,927
Workers Welfare Fund (Rs)	162,307	222,925
Profit before tax (Rs)	7,953,044	2,665,421
Profit after tax (Rs)	6,606,566	1,731,753
Net Profit margin	14.5%	5.1%
Return on equity	2.1 %	0.6%
Earning per certificate (Rs)	0.22	0.06

During the year under review, your management effectively implemented major shift in the business strategy to improve earnings and profitability. Whilst new business opportunities witnessed a downward trend due to pandemic induced lockdowns, stock market performed exceptionally well and in May 2021 recorded an all time high daily trading volume with 2.2 billion shares traded in a single session. This rising trend of stock market index provided a window of opportunity for capital gains and as a calculated strategy, fresh investments were made in stock market operations which contributed Rs.8.4 million to the income stream of the Modaraba inclusive of dividend income of Rs.1.2 million. Income from core business operations of the Modaraba amounted to Rs.25.96 million during the year under consideration. Disposal of old assets pertaining to fleet management operations also yielded a gain of Rs.5.1 million during the financial year 2021. Operating expenses were recorded at Rs.36.45 million which included one time expense of Rs.1.1 million incurred on account of fee paid to the Consultants for specific assignments related to a possible merger and AML Policy Guidelines. Two accounts classified as bad debts for an amount of Rs.2.89 million were written off during the year. Unrealized gain of Rs.1.15 million was also recorded due to

appreciation in market price of Available for Sale (AFS) investment portfolio. During the year, a major policy decision to achieve efficiencies in operating costs by way of consolidation of business operations was also implemented and the portfolio of Gujranwala branch was shifted to Lahore branch. During the year, three cases in litigation for an amount of Rs.12.80 million were settled through out of Court negotiations with the clients and the payments are being made as per the agreed terms. Additionally, negotiations were also concluded with a long outstanding client for recovery of Rs.50.00 million. Payment of the aforementioned amount was received in July, 2021. Accordingly, the financial impact of this recovery shall be reflected in the accounts of 30th September, 2021. Payments of the remaining settled accounts are being made by the clients as per the arrangements finalized. After accounting for all the expenses, your Modaraba achieved a net profit of Rs.6.61 million for the financial year ended on 30th June, 2021 as compared to Rs.1.73 million of the previous financial year.

Balance Sheet footings of your Modaraba stood at Rs.378.81 million with Certificate holders' equity at Rs.315.61 million.

### **FUTURE OUTLOOK**

Going forward, the uncertainty caused by the pandemic and its continuous transformation into new variants will remain a challenge to the business growth and profitability of the Modaraba for the ensuing period. Under the circumstances, the management will remain focused to keep its policies aligned to market realities that evolve during the coming period and make all out efforts to improve earnings through effective utilization of resources, improving internal efficiencies and cost cutting measures where ever possible without compromising on the quality of operations. Recovery from litigated portfolio will, as always, remain an area of top priority and every effort will be made to achieve early settlement of the cases at various stages of legal process.

### **DIVIDEND**

As aforementioned, all sectors of the economy including the financial sector witnessed tough operating conditions during the FY2020-21 due to the outbreak of pandemic. Various plans to augment the financial resources of the Modaraba did not materialize as a result of which achievement of projected targets for the year ended 2020-21 was delayed. Though your Modaraba achieved better profitability during the year as compared to the preceding period, yet the current level of earnings do not justify any payout as the process will be uneconomical for the Modaraba and the certificate holders. The Board has therefore, most reluctantly decided to pass over the dividend this year. Every effort will be made to compensate the certificate holders in the ensuing period.

### **CREDIT RATING**

VIS Credit Rating Company Limited has maintained the entity ratings of Trust Modaraba at BBB-/A-3 (Triple B Minus/A-3) with a "Stable" outlook. The ratings signify adequate credit quality, protection factors are reasonable and sufficient while risk factors are considered variable if changes occur in the economy.

## GOVERNANCE FRAMEWORK

Governance framework of Trust Modaraba embodies clear objectives, policies, values and control systems as its' essential components. It provides the Board to have a clear oversight of the performance of entity, its' committees and the effectiveness of the control systems.

The Board of Directors meet at least once in every quarter to review the financial performance of the Modaraba, business plans and strategies, related party transactions, regulatory compliance requirements and other significant developments in the sector impacting future performance of the Modaraba.

### Composition of the Board and Meetings

The members of the Board of Directors are qualified professionals having extensive experience of financial, industrial and corporate sectors to their credit. The composition of the Board of Directors is as under:

NAME	CATEGORY
Mian Sheikh Arshad Farooq (Chairman)	Non Executive Director
Mr. Basheer A. Chowdry (CEO)	Executive Director
Mr. Syed Etrat Hussain Rizvi	Independent Director
Mr. Syed Shahnawaz Ahmed Rizvi	Independent Director
Mr. Sohail Ansar	Non Executive Director
Dr. Namoos Baquar	Non Executive Director
Mr. Mohammad Yasin	Independent Director

All the above directors duly comply with the requirements of Code of Corporate Governance pertaining to the Director's Training Certification.

Four meetings of the Board of Directors were held during the year and the attendance of each director was as under:

NAME	NO. OF MEETINGS ATTENDED
Mian Sheikh Arshad Farooq	3
Mr. Basheer A. Chowdry (CEO)	4
Mr. Syed Etrat Hussain Rizvi	4
Mr. Syed Shahnawaz Ahmed Rizvi	3
Mr. Sohail Ansar	3
Dr. Namoos Baquar	4
Mr. Mohammad Yasin	4

Chairman, Non Executive Directors and independent directors are entitled only for the fee for attending the meetings which is paid by the Management Company.

### **Audit Committee and Internal Control System**

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

The Board has constituted Audit Committee in compliance of the requirements of the Code of Corporate Governance which comprises of four (4) members including the Chairman of the Committee who is an independent director. Four meetings of the Audit Committee were held during the year which were attended by the members as follows:

<b>NAME</b>	<b>NO. OF MEETINGS ATTENDED</b>
Mr. Syed Shahnawaz Ahmed Rizvi (Chairman)	3
Mian Sheikh Arshad Farooq	4
Mr. Syed Etrat Hussain Rizvi	4
Mr. Sohail Ansar	3

The Audit Committee meets once in every quarter to review annual and interim financial statements of the Modaraba prior to their approval by the Board. The Audit Committee also focuses on compliance with applicable accounting standards, any change in the accounting policies and practices, all related party transactions and also significant adjustments resulting from audit.

Internal Audit functions are entrusted to an independent firm of Chartered Accountants. Internal audit reports and compliance matrix are presented by the Internal Auditors to the Audit Committee on a quarterly basis.

### **Human Resource and Remuneration Committee**

The Board has constituted Human Resource and Remuneration Committee to deliberate on the key issues of human resource management policies. The Committee comprises of the following members:

Mr. Syed Etrat Hussain Rizvi	Chairman
Mr. Syed Shahnawaz Ahmed Rizvi	Member
Mr. Basheer A. Chowdry	Member
Mr. Mohammad Yasin	Member
Ms. Hamida Aqeel	Secretary.

One meeting of the Human Resource Committee was held during the year with full attendance of the members.

## **WITHDRAWAL OF TAX EXEMPTIONS**

By virtue of section 37 of the Modaraba Companies and Modarabas (Floatation & Control) Ordinance 1980, tax exemption was allowed to the Modarabas which distributed 90% of their net profits to the certificate holders. It therefore, constituted a fundamental constitutional right of the Modarabas and had been a fore-runner in the establishment and operations of the entire Modaraba sector. The said exemption has since been withdrawn in the current budget as the government is under pressure of IMF to increase its revenue collections.

The withdrawal of the tax exemption on Modarabas shall have serious negative consequences on the entire sector. On the one hand the said amendment will not bring any significant improvement in the tax collections and on the other, the certificate holders who are mostly small to medium sized individuals will be deprived of their regular earnings. The NBFBI and Modaraba Association of Pakistan had made strong representations at all levels of government functionaries against the withdrawal of tax exemptions granted in the initial law in 1980, but to no avail. This is a significant development which will change the entire dynamics of the Modaraba sector. All the members of the Modaraba sector are deliberating on the future course of action in the context of the said withdrawal of tax exemption and any further development in this regard shall be shared with the certificate holders in due course.

## **PREVENTIVE MEASURES FOR COVID 19**

As a responsible member of the financial sector and society at large, Trust Modaraba has put in place all the required protocols for the safety of the staff, their families and also the clients. Every two months, office premises undergo fumigation and detailed cleaning of the entire office areas. Sanitizers are placed at the entrance and also at every desk for frequent cleaning of the hands. Wearing masks for the staff members and also for all visitors is mandatory. Physical distance is also maintained within the office premises. Client visits are minimized and the meetings are mostly held through Zoom link facility. Entire staff of Trust Modaraba is fully vaccinated. Whenever announced by the government, rotation is implemented with 50% of the staff working from home.

Trust Modaraba as a responsible member of the financial community will maintain high standards of safety protocols and keep playing its due role in the fight against pandemic.

## **AUDITORS**

The present auditors M/s Crowe Hussain Chaudhury & Co., Chartered Accountants have completed their five years term of engagement with Trust Modaraba.

The Board acknowledges their services as external auditors of Trust Modaraba and appreciates their professional capabilities in the conduct of their assignment.

On the recommendations of the Audit Committee, the Board has approved appointment of M/s Grant Thornton Anjum Rahman, Chartered Accountants as external auditors of Trust Modaraba for the year 2021-22 subject to the approval of Registrar Modaraba.

### **PATTERN OF CERTIFICATE HOLDING**

Pattern of certificate holding as at 30th June 2021 is attached. No trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary and their spouses.

### **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 works out to be Rs. 6,467,134/ as at 30th June, 2021.

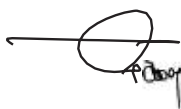
### **EARNINGS PER CERTIFICATE**

The earning per certificate of the Modaraba for the year ended 30th June, 2021 stood at Rs.0.22 per certificate as compared to Rs.0.06 per certificate for the previous year.

### **ACKNOWLEDGEMENTS**

The Board wishes to place on record its appreciations for the support and guidance provided by the Registrar Modaraba 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 too.

**For and on behalf of Trust Modaraba**



**Chairman**



**Chief Executive**

16th September, 2021.

## ڈائریکشن کی رپورٹ

انسان مضاربہ منجنت (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز (بورڈ کے ممبران) ٹرسٹ مضاربہ کی جانب سے 30 جون 2021 کو اختتام پذیر سال کی مالیاتی دستاویزات پیش کرتے ہیں۔

### معاشی جائزہ

2020 کے آغاز پر سرفہرے سرفہرے والی کوڈ-19 کی وبا کے پھیلنے کے بعد عالمی معیشت نے ان گنت مشکلات کا سامنا کیا اور جس کی وجہ سے غیر معمولی معاشی اور سماجی سرگرمیوں کی پابندیوں کا سامنا کیا جس کی کوئی نظیر نہیں ملتی۔ حتیٰ کہ انتہائی ترقی یافتہ ملکوں، جن کے پاس جدید طبی اور صحت کی دیکھ بھال کا نظام موجود ہے، ان کو بھی انسانی جانوں کے ضیاع سے نپٹنے میں انتہائی مشکلات کا سامنا کرنا پڑا۔ دنیا کو ایک خوف اور غیر یقینی صورتحال نے جکڑ دیا تھا۔ صحت کے بحران کے ساتھ ہی معاشی گراؤٹ کا رجحان لایا جس نے دنیا بھر میں زندگیوں اور ان کی کفالت کے معاملات کو بری طرح متاثر کیا اور کم آمدنی والے طبقے کو مزید عنبریت میں دھکیل دیا۔ اس صحت اور معاشی دہانے کے دہرے بحران کی صورتحال سے عہدہ بردار ہونے کے لیے دنیا بھر میں ملکوں نے معیشت اور صحت کے نظام کے معاونت کے لیے گھنٹا بھرے بشمول سپلائی کی مدد، قرضہ حیات کی واپسی کی مدت میں توسیع، ویکسین کا انتظام اور اقتصادی اقدامات جیسے چند اہم معاملات کے حل کے لیے متعدد ضروری اقتصادی اور مالیاتی اقدامات کیے۔ کوڈ-19 کو حتمی حد تک قابو میں رکھنے کے سلسلے میں حکومت کے بروقت اقدامات نے اس کے معیشت پر ناموافق اثرات اور انسانی جانوں کے نقصان سے بچنے میں مدد کی۔

عالمی وبا سے پیدا ہونے والے شدید معاشی اور سماجی دہانے کا وجود پاکستان کی معیشت نے اپنے ہمسایوں کے مقابلے میں اس کا بہتر طور پر متاثر کیا۔ حکومت کا اس بحران کے سلسلے میں نپٹنے کے لیے بروقت معاشی اور مالیاتی پالیسی، اسٹارٹ اپ سہولت اور طبی عملے اور بزرگ شہریوں کی ترجیحی حاصلہ وارڈیکسین لگانے کے پروگرام کی مداخلت کے ذریعے سے تیزی سے اقدامات پر مدد آمد کیا۔ پاکستان اب درآمدی بحران سے نکلنے میں کامیاب ہوا اور سال 2020 کے 0.5 فیصد کی مجموعی قومی پیداوار نمونے سال 2021 میں یہ نمونہ 3.94 فیصد حاصل کر لی۔ گزشتہ سال کے مقابلے میں مشینری پیداوار (Manufacturing) کے شعبے نے وسیع پیمانہ پر مستحکم نمو دکھائی ہے جس میں بڑے پیمانے کی مشینری پیداوار کے شعبہ حیات مثلاً ٹیکسٹائل، گاڑیاں، مینٹ، غذا اور مشروبات میں حتمی بہتری دکھائی ہے۔ سال 2021 میں روشن پاکستان ڈیجیٹل اکاؤنٹ کے ذریعے سے بیرونی ممالک سے ترسیل زر میں سال ب سال کی بنیاد پر 30 فیصد اضافہ ہوا جس میں ترسیل کے غیر روایتی سے روایتی ذرائع کے ذریعے ہوئیں۔ غیر ملکی ترسیل نے نہ صرف غیر ملکی زر مبادلہ کے ذخائر کو مستحکم کرنے کے ساتھ امریکی ڈالر کے مقابلے روپے کی قدر میں اضافہ کیا۔ سال کے دوران برآمدات میں حیرت انگیز اضافے سے اس کی مالیت 25.6 ارب امریکی ڈالر ہو گئی۔ پاکستان نے کامیابی سے 2.5 ارب امریکی ڈالر کے یورو یونڈ کا جراثیم کش میں مستحکم سرمایہ کاروں نے دلچسپی کا اظہار کیا۔ اسٹاک مارکیٹ نے غیر معمولی کارکردگی دکھائی اور اسے ایشیاء میں تیسری بہترین کارکردگی دکھانے والی منڈیوں میں شامل کیا گیا۔ سال کے دوران معاشی ترقی کے بنیادی محرک زراعت کے شعبے، بڑے پیمانے کی مشینری پیداوار کا شعبہ، تعمیرات اور برآمدات ہیں۔ تاہم، قحط سے دستی سکون کے بعد، عالمی وبا سے پیدا کردہ مسائل ابھی تک حتم نہیں ہوئے ہیں جس کی وجہ سے وائرس اب تبدیل شدہ شکل میں پھر نمودار ہو رہی ہے۔ عالمی وبا پر تمام توجہ کے ساتھ، ٹوکیو رفت کو برقرار رکھنے کے لیے کسی بھی نئی وائرس کے ممکنہ خطرات نپٹنے کے لیے نئی نئی پالیسیوں کی تیار کی، پالیسی سازوں کا شدید ترین امتحان ہو گا۔

### کارکردگی کا جائزہ

عالمی وبا کے ناموافق اثرات کا تمام سماج اور معیشت کے تمام شعبوں کو سامنا کرنا پڑا اور اس کے سب مالی سال 2021 غیر معمولی مسائل کا سال رہا۔ ٹرسٹ مضاربہ کے لیے کوڈ-19 کے اثرات کے نتائج، محدود کاروبار کے مواقع، قابل وصول اسیٹیوں میں تاخیر، پیشہ ورانہ کی صلاحیتوں کا کم استعمال اور قانونی کیسز سے وصولی اضعاف جیسے درہمیش مسائل کی صورتحال کا سامنا کیا۔ تاہم، آپ کی اکتفا میں موجودہ صورتحال کا مناسب تجزیہ اور کن سٹیج میں کام کرنا ہے، لاگوں میں بہتری اور بقا یا حیات قابل وصولی اسیٹیوں کی وصولیاتی کے سلسلے میں کاروبار کی ترویج کے لیے محتاط طور پر پالیسیاں تیار کیں اور نافذ کیں۔ اس کے نتیجے میں، آپ کے مضاربہ نے، زیر حیا سال کے دوران، بہتر کارکردگی دکھائی، جو درج ذیل تقابلی مالیاتی جھگیوں میں ظاہر ہے۔

مالیاتی سال	2020-21	2019-20
کل آمدنی (روپے)	45,463,017	33,712,887
منافع قبل از منجنت فیس (روپے)	9,017,057	3,209,273
منجنت فیس (روپے)	901,706	320,927
ورکر ویلٹرنٹ (روپے)	162,307	222,925
منافع قبل از ٹیکس (روپے)	7,953,044	2,665,421
منافع بعد از ٹیکس (روپے)	6,606,566	1,731,753
حتمی منافع کا ماہر جن	14.5%	5.1%
ملکی سرمایہ پر آمدنی	2.1%	0.6%
آمدنی سرٹیفیکٹ (روپے)	0.22	0.06

زیر حبانہ سال کے دوران، آپ کی انقسامیہ نے آمدنی اور منافع بخشی میں بہتری کے کے اپنے کاروبار کے حکمت عملی کے موثر نفاذ میں بڑی تبدیلی کی ہے۔ جبکہ، عملی و باہر کے اثرات کے سبب ہونے والی بندشوں کے سبب نئے کاروباری مواقعوں میں کمی کارجمان دیکھا گیا، اسٹاک مارکیٹ کی کارکردگی غیر معمولی طور پر اچھی رہی اور مئی 2021 میں روزانہ کے حصص کے سودوں کا ایک سٹیشن میں 2.2 ارب حصص کے لین دین کر کے رکارڈ قائم کیا۔ اسٹاک مارکیٹ انڈیکس میں تیزی کے رجحان نے بطور پنی تلی حکمت عملی کے سرمایہ میں انسانی کے مواقع پیدا رکھے ہیں اور اسٹاک مارکیٹ آپریشن میں نئی سرمایہ کاری کی گئی ہے جس نے مضارب کی آمدنی میں 8.4 ملین روپے بشمول 1.2 ملین روپے کے منقسم منافع کے، حصہ ڈالا۔ زیر حبانہ سال میں، مضارب کے بنیادی کاروبار کے آپریشن سے 25.961 ملین روپے کمائے۔ سال 2021 کے دوران فلیٹ منجمنٹ آپریشن کے پرانے اثاثہ حبات کی فروخت سے 5.1 ملین روپے حاصل ہوئے۔ آپریشن کے اخراجات نے 36.45 ملین روپے کا اندراج کیا جس میں کنسلٹنٹس کو مخصوص ذمہ داریوں جس کا تعلق ملٹ انضمام اور AML کی پالیسی کے رہنما اصول تیار کرنے کے سلسلے میں 1.1 ملین روپے کا ایک مرتبہ کا خرچہ شامل ہے۔ سال کے دوران دو اداؤں جس کی مجموعی مالیت 2.89 ملین ہے اسے ناقابل وصولی قرار دے کر بند کر دیا گیا ہے۔ 1.15 ملین روپے کی غیر حقیقت بننے والی آمدنی کا اندراج مارکیٹ کے نرخ پر کیا گیا بطور فروخت کے لیے دستیاب پورٹ فولیو کیا گیا۔ سال کے دوران، کاروبار کے آپریشن کے انضمام کے ذریعے آپریٹنگ لاٹ میں بہتری لانے کے لیے بڑے پالیسی فیصلے کے ذریعے گھبرانوالہ برانچ کے پورٹ فولیو کو لاہور برانچ میں منتقل کر دیا گیا ہے۔ سال کے دوران، 12.80 ملین مالیت کے تین متعدد ماسٹ کا عدالت کے باہر گنت وینڈے سے حل ہو گئے ہیں اور گاہک طے شدہ مشرانہ کے مطابق ادائیگیاں کر رہے ہیں۔ مزید یہ کہ 50.00 ملین روپے کی قابل وصولی ادائیگی کے وصولی کے سلسلے میں ہمارے دیرینہ گاہک سے نتیجہ خیز ثابت ہو چکے ہیں۔ مذکورہ مالیت کی ادائیگی جولائی 2021 میں وصول ہو گئی ہے۔ اسی مناسبت سے وصولیوں کے اثرات 30، 2021 کے مالیاتی دستاویزات میں نظر آئیں گے۔ گاہکوں کی جانب سے جہاں تصفیہ شدہ اداؤں جس کی ادائیگیاں حتمی طے شدہ انضمام کے تحت کی جباری ہیں۔ آپ کے مضارب نے تمام اخراجات کے حساب کتاب کے بعد 30 جون 2021 کو اختتام پذیر مالی سال میں 6.61 ملین کا حناس منافع کیا جبکہ اس کے متعلقہ میں گذشتہ مالی سال میں اس کی مالیت 1.731 ملین روپے تھی۔

آپ کے مضارب کی بیلنس شیٹ 378.81 ملین روپے کے ساتھ سرٹیفیکٹ کنندگان کا ملکیتی سرمایہ 315.61 ملین روپے رہا۔

## امید مستقبل

آگے بڑھتے ہوئے، عملی و باہر اور اس کی مسلسل تبدیل شدہ نئے ویرینٹس کے وجہ سے ہونے والی غیر یقینی صورتحال، آنے والی مدت میں مضارب کے کاروبار کی موار منافع بخشی کے لئے ایک مسئلہ رہے گا۔ موجودہ صورتحال میں، آنے والے دنوں میں انقسامیہ کی توجہ اپنی پالیسیوں کو مارکیٹ کی بدلتی ہوئی حقیقتوں سے ہم آہنگ کریں اور، آپریشن کے معیار کو کوئی مضرت نہ لگے بغیر، وسائل کے موثر استعمال، اندرونی کارکردگی میں بہتری لانے اور جہاں ممکن ہو سکے لاٹ میں کمی کے اقدامات کے ذریعے سے آمدنی بڑھانے کی پوری کوشش کریں۔ کوشش ہوگی کہ متعدد باہر کی مشکار پورٹ فولیو کے کیسز جو مختلف مراحل میں ہیں، ان کی وصولی، ہمیشہ سے اولین ترجیح رہے گی اور ان کے جہلاز جہلاز تصفیے کے لیے ہر ممکن کوشش کی جاتی رہے گی۔

## منقسم منافع کی تقسیم

جبکہ مذکورہ بالا میں بیان کیا گیا ہے کہ، عملی و باہر کے پھیلاؤ کی وجہ سے، مالی سال 2020-21، معیشت کے تمام نتیجہ زبشول مالی نتیجہ کو کام کرنے کے لیے سخت حالات کا سامنا رہا۔ مضارب کے مالی سال میں اضافہ کے لیے متعدد منصوبوں پر عملدرآمد نہ ہو سکا جس کا نتیجہ اختتام پذیر سال کے تخمینہ شدہ اداات کے حصول میں تاخیر ہو گئی۔ اگرچہ آپ کے مضارب گذشتہ مدت کے متعلقہ میں سال کے دوران بہتر منافع بخشی حاصل کی ہے، تاہم آمدنی کی موجودہ سطح اس بات کی اجازت نہیں دیتے کہ منقسم منافع کی ادائیگی کی جائے اور ایسا عمل مضارب اور سرٹیفیکٹ کنندگان کے لیے غیر سود مند ہوگا۔ اس لیے پورڈ نے ہول خواستہ فیصلہ کیا ہے اس سال منقسم منافع نہ دیا جائے۔ مضارب ہر ممکن کوشش کرے گا کہ وہ سرٹیفیکٹ رکھنے والوں کی آنے والی مدت میں ان کی حلائی کرے۔

## گریڈڈ درجہ بندی

وی آئی ایس۔ گریڈڈ ریٹنگ کمپنی نے ٹرٹ مضارب کی ریٹنگ ریٹنگس BBB-/A-3 (تین B نئی 3-A) کو مستحکم پس منظر کے ساتھ برقرار رکھا ہے۔ ان درجہ بندیوں کی اہمیت مناسب گریڈڈ کے معیار، تحفظ کے عناصر مناسب اور کافی ہیں جبکہ معیشت میں ہونے والے تبدیلیوں سے خطرے کے عناصر تقسیم پر یہ ہوں گے۔

## نظم و ضبط کا احاطہ

ٹرٹ، مضارب کے نظم و ضبط کے ڈھانچے کے بنیادی اجزاء میں واضح معیاس، پالیسیاں، اقدار اور نگرانی کی موثر نظم شامل ہیں۔ یہ تمام اجزاء پورڈ اور اس کی کمپنیوں کو کوہارے کی کارکردگی کی واضح نگرانی کا موقع اور نگرانی کا موثر نظم فراہم کرتا ہے۔ پورڈ کے ناظمین، مضارب کی مالیاتی کارکردگی، کاروبار کے منصوبے، حکمت عملیاں، متعلقہ فریق کے سودوں، انضباطی ضروریات کی تعمیل اور نتیجہ میں دیگر اہم تبدیلیاں جو مضارب کی کارکردگی پر اثر انداز ہو سکتی ہیں کا جائزہ لینے کے لیے ہر سہ ماہی میں کم از کم ایک مرتبہ ملاقات کرتے ہیں۔

## پورڈ کی ساخت اور اجلاس

پورڈ آف ڈائریکٹرز کے ارکان مستند پیشہ ور ہیں جن سے پاس مالیات، صنعت اور اور باہر کی سیکرٹریز کا وسیع تجربہ رکھتے ہیں۔ پورڈ آف ڈائریکٹرز کی ساخت درج ذیل ہے؛

نام	کیٹیگری
جناب میاں شیخ ارشد فاروق (چئیرمین)	نان ایگزیکٹو ڈائریکٹر
جناب بشیر اے۔ چودھری (CEO)	ایگزیکٹو ڈائریکٹر
جناب عمرت حسین رضوی	آزاد ڈائریکٹر



جناب شاہنواز رضوی	آزاد ڈائریکٹر
جناب سہیل انصار	نائب ایگزیکٹو ڈائریکٹر
جناب ڈاکٹر ناموس باقر	نائب ایگزیکٹو ڈائریکٹر
جناب محمد یاسین	آزاد ڈائریکٹر

مذکورہ بالا تمام نائبین ڈائریکٹر کی ٹریگ سرٹیفیکیشن کے حوالے سے ادارتی نظم و ضبط کے ضابطہ کی ضروریات کی پابندی طور پر تعمیل کرتے ہیں۔ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس ہوئے اور ہر ڈائریکٹر کے اجلاس میں حاضری کی تفصیلات درج ذیل ہے:

نام	اجلاس میں شرکت کی تعداد
جناب میاں شیخ ارشد فاروق (چئیرمین)	3
جناب بشیر اے۔ چودھری (CEO)	4
جناب عسرت حسین رضوی	4
جناب شاہنواز رضوی	3
جناب سہیل انصار	3
جناب ڈاکٹر ناموس باقر	4
جناب محمد یاسین	4

چئیرمین، نائب ایگزیکٹو ڈائریکٹر اور آزاد ڈائریکٹر صرف اجلاس میں شرکت کی فیس کے حقدار ہیں جس کی ادائیگی منجبت کسینی کرتی ہے۔

#### آڈٹ کسینی اور اندرونی نگرانی کا نظام

آپ کے مضارب کی انتظامیہ اچھے ادارتی 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 مضارب کے تمام مراحل پر نافذ کر دیا ہے۔

بورڈ نے ادارتی نظم و ضبط کے ضابطے کی تعمیل کرتے ہوئے آڈٹ کسینی تشکیل کر چکا ہے جو چار (4) افراد پر مشتمل ہے اور وہ تمام بشمول کسینی کے چیرمین۔

سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس ہوئے اور ہر ڈائریکٹر کے اجلاس میں حاضری کی تفصیلات درج ذیل ہے:

نام	اجلاس میں شرکت کی تعداد
جناب سید شاہنواز رضوی (چئیرمین)	3
جناب ارشد فاروق	4
جناب عسرت حسین رضوی	4
جناب سہیل انصار	3

آڈٹ کسینی، بورڈ کی منظوری سے پہلے، مضارب کی سالانہ اور درمیانی مدت کی مالیاتی دستاویزات کا جائزہ ہر سہ ماہی میں لیتی ہے۔ آڈٹ کسینی اکاؤنٹنگ کے مضارب پر لاگو معیار کی تعمیل، اکاؤنٹنگ پالیسی اور پریکٹس میں تبدیلی، تمام متعلقہ پارٹی سے لین دین اور آڈٹ کے نتیجے میں اہم رد و بدل پر بھی توجہ دیتی ہے۔

اندرونی آڈٹ کے فنکشن ایک آزاد چارٹرڈ اکاؤنٹنگ فرم کے سپرد کر دی ہیں۔ انٹرنل آڈٹ سہ ماہی کی بنیاد پر، اندرونی آڈٹ کی رپورٹس اور تعمیل کی میٹریکس آڈٹ کسینی کو پیش کرتی ہے۔

#### انسانی وسائل اور مشاہرہ کسینی

انسانی وسائل کی انتظامی پالیسیوں کے بنیادی مسائل پر غور و خوض کرنے کے لیے بورڈ نے انسانی وسائل اور مشاہرہ کسینی تشکیل دے دی ہے۔ کسینی مندرجہ ذیل ارکان پر مشتمل ہے:

جناب عسرت حسین رضوی	چئیرمین
جناب شاہنواز رضوی	رکن
جناب بشیر اے۔ چودھری	رکن
جناب محمد یاسین	رکن
جناب حمیدہ حفیظ	مستند

سال کے دوران انسانی وسائل کسینی کا ایک اجلاس ہوا جس میں تمام ارکان نے شرکت کی۔

## فیکس اسٹینڈی سے دستبرداری

مضاربہ کمپنیز اور مضاربہ (اجراء اور کنٹرول) آرڈیننس 1980 کی شق نمبر 37 کے مطابق مضاربہ کو اسٹینڈی حاصل متا کہ وہ اپنے حنا صا منافع کا 90 فیصد اپنے سرٹیفیکٹ کنڈگان میں تقسیم کرے۔ اس لیے، یہ تمام مضاربہ سٹیپ کی تشکیل اور آپریشن کے لیے یہ مقدمہ بنیادی آئینی حق کے تشکیل دیا گیا تھا۔ مذکورہ اسٹینڈی کو IMF کے دہا اور مالگڈاری کی وصولی میں انسانے کے لیے، موجودہ پوسٹ میں یہ اسٹینڈی واپس لے لیا گیا ہے۔

مضاربہ سے فیکس سے اسٹینڈی کا واپس لینے کے عمل کے تمام سٹیپ پر سنگین منفی اثرات ہوں گے۔ اس اسٹینڈی کی واپس لینے کے عمل کے ایک حنا صا فیکس کی وصولی میں حنا صا انسانہ نہیں کرے گی اور دوسری حنا صا مضاربہ کے زیادہ تر سرٹیفیکٹس کنڈگان چھوٹ سے درمیانی سائز کے افراد ہیں جو مستقل آمدنی سے محروم ہو جائیں گے۔ NBFی اور مضاربہ ایسوسی ایشن آف پاکستان حکومت کی ہر سطح پر 1980 میں دیئے گئے فیکس اسٹینڈی کی واپس لینے کے خلاف زور دار کسٹ لڑا ہے لیکن سب بے نتیجہ رہا۔ یہ ایک اہم پیش رفت ہے جو مضاربہ سٹیپ کے تمام حنا صا سٹیپ (dynamics) کو تبدیل کر دے گی۔ مضاربہ سٹیپ کے تمام ارکان، فیکس اسٹینڈی کی واپس لینے کے عمل کے سلسلے میں مستقل کے لائحہ عمل پر غور و خوض کر رہے ہیں اور اس سلسلے میں ہونے والی مزید پیش رفت کو سرٹیفیکٹس کنڈگان کے عمل میں لایا جائے گا۔

## کووڈ-19 کی روک تھام کے اقدامات

مالیاتی سٹیپ اور معاشرے کے ایک ذمہ دار رکن کے طور پر ٹرسٹ مضاربہ نے اپنے عملے، ان کے حنا صا اور گاہکوں کے تحفظ کے تمام پروٹوکول موجود ہیں۔ ہر دو ماہ میں دفتر کی جگہ کی فیسویٹیگیشن اور مکمل صفائی ہوتی ہے۔ دفتر میں داخلے کی جگہ اور ہر میز پر سینٹائزر فراہم کر دیئے گئے ہیں تاکہ بار بار ہاتھوں کی صفائی کی جاسکے۔ ہر عملے کے ہر رکن کو اور تمام دفتر میں آنے والے اشخاص کا ماسک پہنانا لازمی ہے۔ دفتر میں سماجی فاصلہ برقرار رکھا جاتا ہے۔ گاہکوں کا دفتر میں آنے سے کم کر دیا گیا ہے اور گاہکوں سے بات چیت زوم کے ٹک کی سہولت کے ذریعے ہوتی ہے۔ ٹرسٹ مضاربہ کے تمام عملے نے ویکسین لگوائی ہے۔ جب حکومت اعلان کرتی ہے تو 50 فیصد عملے کے گھر سے کام کرنے پر عملدرآمد کیا جاتا ہے۔

ٹرسٹ مضاربہ بطور مالیاتی کمیونٹی کے ایک ذمہ دار رکن کے طور پر تحفظ کے عملی پروٹوکول کو برقرار رکھے گا اور عالمی وبا کے خلاف جنگ میں اپنا کردار ادا کرتا رہے گا۔

## مختب (Auditors)

موجودہ مختب میسرز۔ کروو حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے ٹرسٹ مضاربہ کے ساتھ 5 سال کی وابستگی کی مدت مکمل کر لی ہے۔ بورڈ ان کی بطور بیرونی مختب کے ان کی خدمات کو تسلیم کرتا ہے اور ان کی تفویض کردہ کام کی انجام دہی میں ان کی پیشہ ورانہ صلاحیتوں کو سراہتا ہے۔ آڈٹ کمپنی کے مشورے کے تحت، بورڈ میسرز۔ گرانٹ ٹورنٹن انجمن رحمان، چارٹرڈ اکاؤنٹنٹس کی بطور بیرونی مختب کے 2021-22 کے لیے بطور بیرونی مختب کی منظوری دی ہے جو رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

## سرٹیفیکٹ رکھنے کا رجحان

30 جون 2021 پر سرٹیفیکٹ رکھنے کا رجحان منسلک ہے۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور ان کے مشرک حنا صا اور ان کے نائبین نے سرٹیفیکٹس کا کوئی خرید و فروخت نہیں کی ہے۔

## فنڈز کی سرمایہ کاری کی مالیت

مضاربہ اپنے مستقل ملازمین کے لیے مشرک اکیٹی ہاؤڈیزٹ چھاتا ہے۔ مضاربہ اور ملازمین دونوں اس فنڈ میں ماہانہ مساوی حصہ، جو بنیادی متھوا کا 10 فیصد کی مشرک ہوتا ہے اس فنڈ میں جمع کرتے ہیں۔ چہرہ ترین فنڈ کے کھاتے کی بنیاد پر، 30 جون 2021 پر اس فنڈ کے سرمایہ کاری کی حساب کردہ مالیت /6,467,134 روپے ہے۔

## آمدنی فی سرٹیفیکٹ

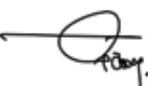
30 جون 2021 کو حنا صا ہونے سال پر آمدنی فی سرٹیفیکٹ 0.22 روپے فی سرٹیفیکٹ رہی جبکہ گذشتہ سال یہ آمدنی 0.06 روپے فی سرٹیفیکٹ تھی۔

## اعتراف

بورڈ خواہش مند ہے کہ رجسٹرڈ مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا ان کی حنا صا اور رہنمائی کرنے پر ان کا شکریہ ادا کرے۔ بورڈ اپنے افسران اور عملے کے ارکان کی حنا صا اور حنا صا کا بھی اعتراف کرتا ہے۔ اور آخر میں بورڈ اپنے سرٹیفیکٹ کنڈگان کے مضاربہ کے ساتھ ہر حنا صا پر ممنونیت کا بھی اظہار کرنا چاہتا ہے اور ان کی مستقل میں مسلسل حنا صا کی امید رکھتا ہے۔

بورڈ آف ڈائریکٹرز کی حنا صا سے

  
چیف ایگزیکٹو

  
چیرمین

16 ستمبر 2021

## Key Operating & Financial Data for the last Six Years

(Rupees in Thousands)

	2021	2020	2019	2018	2017	2016
<b>Balance Sheet</b>						
Total assets	<b>378,810</b>	<b>357,503</b>	<b>371,269</b>	377,335	389,933	396,172
Ijara Financing	<b>184,059</b>	<b>196,778</b>	<b>211,387</b>	196,191	244,702	252,728
Morabaha financing	<b>132,768</b>	<b>118,167</b>	<b>140,145</b>	141,296	132,409	156,537
Musharaka financing	<b>27,685</b>	<b>32,562</b>	<b>31,698</b>	26,119	23,736	16,522
Assets own use	<b>13,126</b>	<b>11,971</b>	<b>12,263</b>	22,913	23,434	14,076
Current Assets	<b>223,814</b>	<b>220,395</b>	<b>213,457</b>	237,430	220,782	207,553
Current Liabilities	<b>33,092</b>	<b>26,024</b>	<b>40,102</b>	49,822	45,800	45,581
Total Liabilities	<b>63,199</b>	<b>50,638</b>	<b>67,398</b>	71,332	74,765	86,007
Paid-up Capital	<b>298,000</b>	<b>298,000</b>	<b>298,000</b>	298,000	298,000	298,000
Reserves	<b>17,614</b>	<b>8,865</b>	<b>5,870</b>	8,002	17,168	12,165
Net Equity	<b>315,612</b>	<b>306,865</b>	<b>303,870</b>	306,002	315,168	310,165
<b>Income Statement</b>						
Income	<b>45,463</b>	<b>33,713</b>	<b>31,030</b>	29,844	84,158	84,193
Operating expenses	<b>36,446</b>	<b>30,504</b>	<b>29,699</b>	27,584	68,431	69,715
Profit/(Loss) before management fee	<b>9,017</b>	<b>3,209</b>	<b>1,331</b>	2,260	15,727	14,478
Profit/(Loss) after taxation	<b>6,606</b>	<b>1,732</b>	<b>1,037</b>	1,922	14,154	13,030
Earning/(Loss) per certificate	<b>0.22</b>	<b>0.06</b>	<b>0.03</b>	0.06	0.47	0.44

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

Trust Modaraba Managed by Al-Zamin Modaraba Management (Pvt.) Limited Year ending June 30, 2021

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 Ahmed Rizvi Mr. Syed Etrat Hussain Rizvi Mr. Mohammad Yasin
b) Non-Executive Directors	Mian Sheikh Arshad Farooq Mr. Sohail Ansar Dr. Namoos Baquar
c) Executive Director	Mr. Basheer A. Chowdry

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

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

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

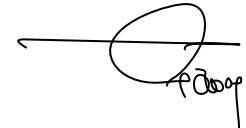
Mr. Syed Etrat Hussain Rizvi	- Chairman
Mr. Syed Shahnawaz Ahmed Rizvi	- Member
Mr. Basheer A. Chowdry	- Member
Mr. Mohammad Yasin	- Member
  - c) **Risk Management Committee**

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

a) Audit Committee	Quarterly
b) HR and Remuneration Committee	Annually
c) Risk Management Committee	Annually
15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and

non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. We confirm that all requirements, other than regulations referred in clause 18 above have been duly complied.



**Mian Sheikh Arshad Farooq**

CHAIRMAN

Karachi.

September 16th 2021.

## 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, 2021 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

**Muhammad Zubair Usmani**

Jamia Darul Uloom Karachi

Karachi

September 16<sup>th</sup>, 2021.

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

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors AI-Zamin Modaraba Management (Private) Limited for and on behalf of Trust Modaraba (the Modaraba) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

#### **CROWE HUSSAIN CHAUDHURY & CO.**

Chartered Accountants

**Engagement Partner:** Muhammad Nasir Muneer

Date: September 16<sup>th</sup>, 2021.

Lahore



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Trust Modaraba ("the Modaraba") as at June 30, 2021 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 responsibility of Modaraba Management Company [Al-Zamin Modaraba Management (Private) Limited] 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 Management 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 Management 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;
  - (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, 2021 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended;and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

**CROWE HUSSAIN CHAUDHURY & CO.**

*Chartered Accountants*

(Engagement Partner: Muhammad Nasir Muneer)

LAHORE

Date: September 16th, 2021.

## BALANCE SHEET AS AT JUNE 30, 2021

		2021	2020	2019
	Note	Rupees		
			(Restated)	(Restated)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and bank balances	6	5,394,699	8,093,386	4,057,050
Short term investments	7	26,057,529	18,274,492	8,445,401
Advances, deposits, prepayments and other receivables	8	23,568,097	27,204,641	28,343,871
Short term murabaha finances	9	41,750,837	41,485,468	41,022,319
Current portion of long term murabaha finances	12	77,841,930	70,578,971	79,358,837
Ijarah rental receivables	10	16,549,899	17,151,789	14,756,103
Short term musharakah finances (secured - considered good)		26,792,292	31,070,328	29,336,042
Current portion of long term diminishing musharakah finances	13	651,731	598,411	912,833
Income tax refunds due from the Government		4,777,383	5,508,038	6,094,347
Stock in trade	11	429,561	429,561	1,130,042
<b>Total Current Assets</b>		<b>223,813,958</b>	<b>220,395,085</b>	<b>213,456,845</b>
<b>Non-Current Assets</b>				
Long term murabaha finances	12	13,175,768	6,102,446	19,764,637
Long term diminishing musharakah finances	13	241,302	893,033	1,448,984
Long term deposits	14	707,962	412,262	1,800,162
Long term investments	15	10,515,018	9,254,769	5,256,149
Investment properties	16	22,274,000	20,405,000	13,702,550
Fixed assets	17	108,082,311	100,041,154	115,839,781
<b>Total Non-Current Assets</b>		<b>154,996,361</b>	<b>137,108,664</b>	<b>157,812,263</b>
<b>Total Assets</b>		<b>378,810,319</b>	<b>357,503,749</b>	<b>371,269,108</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Current portion of customers' security deposits	21	8,330,765	7,651,000	12,698,000
Current portion of deferred income on murabaha	20	5,143,468	3,702,398	6,854,911
Current portion of lease liabilities against right of use assets	22	-	153,052	-
Unclaimed dividends	18	12,889,720	12,891,301	12,930,127
Creditors, accrued and other liabilities	19	3,742,653	1,626,307	2,618,976
Loan from Modaraba Management Company - interest free unsecured		-	-	5,000,000
<b>Total Current Liabilities</b>		<b>30,106,606</b>	<b>26,024,058</b>	<b>40,102,014</b>
<b>Non-Current Liabilities</b>				
Deferred income on murabaha	20	1,746,246	822,658	2,685,512
Customers' security deposits	21	31,345,731	23,791,315	24,610,865
Lease liabilities against right of use assets	22	-	-	-
<b>Total Non-Current Liabilities</b>		<b>33,091,977</b>	<b>24,613,973</b>	<b>27,296,377</b>
<b>Total Liabilities</b>		<b>63,198,583</b>	<b>50,638,031</b>	<b>67,398,391</b>
<b>NET ASSETS</b>		<b>315,611,736</b>	<b>306,865,718</b>	<b>303,870,717</b>
<b>REPRESENTED BY:</b>				
<b>CAPITAL AND RESERVES</b>				
<b>Equity</b>				
Certificate capital	23	298,000,000	298,000,000	298,000,000
Reserves	24	20,340,162	13,733,596	12,625,858
<b>Total Equity</b>		<b>318,340,162</b>	<b>311,733,596</b>	<b>310,625,858</b>
Unrealized loss on revaluation of investments	25	(2,728,426)	(4,867,878)	(6,755,141)
		<b>315,611,736</b>	<b>306,865,718</b>	<b>303,870,717</b>
Contingencies and commitments	26			

The annexed notes from 1 to 45 form an integral part of these financial statements.

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

(Modaraba Management Company)



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED JUNE 30, 2021

		2021	2020
	Note	-----Rupees-----	
Income from ijarah - net	27	9,748,839	8,711,666
Profit on murabaha finances	28	10,831,033	11,694,663
Profit on musharakah finances	29	5,764,166	8,024,224
Income from investments - net	30	8,414,326	937,479
Trading income	31	-	64,497
Other income	32	9,557,743	5,391,945
		<u>44,316,107</u>	<u>34,824,474</u>
Provision against assets	33	-	(1,933,815)
Unrealized gain/ (loss) on revaluation of financial assets at fair value through profit or loss		1,146,910	822,228
		<u>45,463,017</u>	<u>33,712,887</u>
Operating expenses	34	(36,445,960)	(30,503,614)
		<u>9,017,057</u>	<u>3,209,273</u>
Modaraba Management Company's fee		(901,706)	(320,927)
Workers' Welfare Fund		(162,307)	(222,925)
<b>Profit before Taxation</b>		<u>7,953,044</u>	<u>2,665,421</u>
Taxation	35	(1,346,478)	(933,668)
<b>Net Profit for the Year</b>		<u>6,606,566</u>	<u>1,731,753</u>
<b>Earnings per Certificate - Basic and Diluted</b>	36	<u>0.22</u>	<u>0.06</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

		2021	2020
	Note	-----Rupees-----	
<b>Net Profit for the Year</b>		<b>6,606,566</b>	1,731,753
<b><i>Other Comprehensive Income:</i></b>			
<b><i>Items that will not be reclassified to profit and loss account</i></b>			
- Net change in fair value of investments classified as fair value through other comprehensive income	25.1	<b>2,139,452</b>	1,887,263
<b><i>Items that may be reclassified subsequently to profit and loss account</i></b>			
		-	-
Other comprehensive income for the year		<b>2,139,452</b>	1,887,263
<b>Total Comprehensive Income for the Year</b>		<b>8,746,018</b>	<b>3,619,016</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2021

		2021	2020
	Note	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>			
Cash generated from operations	37	26,541,494	25,484,162
<i>Decrease/ (Increase) in non-current assets:</i>			
- Long term murabaha finances		(14,336,281)	17,689,505
- Long term musharakah finances		598,411	870,373
<i>(Decrease)/ Increase in non-current liabilities:</i>			
- Deferred income on murabaha		2,364,658	(5,015,367)
- Customers security deposits		16,778,681	8,664,900
Purchase of ijarah assets		(48,755,681)	(36,566,300)
Proceeds from disposal of ijarah assets		11,780,546	9,548,749
Income tax paid/ deducted		(615,823)	(347,359)
<b>Net Cash Generated from Operating Activities</b>		<b>(5,643,995)</b>	<b>20,328,663</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of owned assets		(3,605,708)	(229,895)
Proceeds from disposal of owned assets		3,199,738	-
Disposal / (Purchase) of investments - net		1,446,528	(11,168,957)
Long term deposits		851,200	200,500
Dividends received		1,210,874	371,901
<b>Net Cash Used in Investing Activities</b>		<b>3,102,632</b>	<b>(10,826,451)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment made against lease liability		(155,743)	(427,050)
Loan obtained from a director		-	1,000,000
Loan repaid to director		-	(1,000,000)
Repayment of loan from Modaraba Management Company		-	(5,000,000)
Profit distributed to certificate holders		(1,581)	(38,826)
<b>Net Cash Used in Financing Activities</b>		<b>(157,324)</b>	<b>(5,465,876)</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>(2,698,687)</b>	<b>4,036,336</b>
Cash and cash equivalents at the beginning of the year		8,093,386	4,057,050
<b>Cash and Cash Equivalents at the End of the Year</b>	6	<b>5,394,699</b>	<b>8,093,386</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

Particulars	Certificate Capital	Statutory Reserve (Mandatory)	Surplus on Revaluation of Fixed	Unrealised loss on revaluation of	Accumulated loss - Revenue	Total Reserves	Total Equity
----- Rupees-----							
<b>Balance as at June 30, 2019 - as previously reported</b>	298,000,000	79,845,133	2,457,200	(6,755,141)	(69,676.4 75)	5,870,717	303,870,717
Impact of restatement (Note-5)	-	-	-	6,755,141	-	6,755,141	6,755,141
<b>Balance as at June 30, 2019 - as restated</b>	298,000,000	79,845,133	2,457,200	-	(69,676.475)	12,625,858	310,625,858
Net profit for the year	-	-	-	-	1,731,753	1,731,753	1,731,753
Other comprehensive Income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,731,753	1,731,753	1,731,753
Transfer to accumulated loss relating to investments de-recognized	-	-	-	-	(624,015)	(624,015)	(624,015)
Transfer to statutory reserve at 20%	-	346,351	-	-	(346,351)	-	-
<b>Balance as at June 30, 2020 - as restated</b>	298,000,000	80,191,484	2,457,200	-	(68,915,088)	13,733,596	311,733,596
<b>Balance as at June 30, 2020 - as previously reported</b>	298,000,000	80,191,484	2,457,200	(4,867,878)	(68,915,088)	8,865,718	306,865,718
Impact of restatement (Note-5)	-	-	-	4,867,878	-	4,867,878	4,867,878
<b>Balance as at June 30, 2020 - as restated</b>	298,000,000	80,191,484	2,457,200	-	(68,915,088)	13,733,596	311,733,596
Net profit for the year	-	-	-	-	6,606,566	6,606,566	6,606,566
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	6,606,566	6,606,566	6,606,566
Transfer to accumulated loss relating to investments de-recognized	-	-	-	-	-	-	-
Transfer to statutory reserve at 20%	-	1,321,313	-	-	(1,321,313)	-	-
<b>Balance as at June 30, 2021</b>	<b>298,000,000</b>	<b>81,512,797</b>	<b>2,457,200</b>	<b>-</b>	<b>(63,629,835)</b>	<b>20,340,162</b>	<b>318,340,162</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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



**CHIEF EXECUTIVE OFFICER**



**DIRECTOR**



**DIRECTOR**



**CHIEF FINANCIAL OFFICER**

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2021

### LEGAL STATUS AND NATURE OF BUSINESS

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

The Modaraba is perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabaha, Musharakah and Ijarah arrangement, 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 (IFASs), as are notified under the provisions of the Companies Act, 2017;

Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the relevant laws).

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

### 2.2 Functional and presentation currency

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

### 2.3 Basis of measurement

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



## 2.4 Changes in accounting standards, interpretations and pronouncements

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

The following amendments to existing standards and interpretations have been published and are mandatory for the year ended June 30, 2021 and are considered to be relevant to the Modaraba's financial statements:

<b>Standard or Interpretation</b>	<b>Effective Date</b> (Period beginning on or after)
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2020
IFRS 16 Leases [Amendments]	June 1, 2020
Conceptual Framework in IFRS Standards [Amendments]	January 1, 2020
IFRS 7 Financial Instruments: Disclosures [Amendments]	January 1, 2020

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

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

IAS 1 Presentation of Financial Statements [Amendments- Classification of liabilities as current and non-current]	January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2023
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IFRS 12 Disclosure of interest in other entities [Amendments]	January 1, 2023
IFRS 16 Leases [Amendments]	January 1, 2021
IFRS 9 Financial Instruments	January 1, 2021
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The Modaraba is currently evaluating the potential impact of these amendments 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 - Note 4.4 and 17**

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

### **3.2 Provision against non performing financing**

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

### **3.3 Impairment of other financial assets**

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

### **3.4 Provision for taxation - Note 35**

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

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

### **3.5 Provisions and Contingencies - Note 26**

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

### **3.6 Valuation of investment properties - Note 4.5, 16**

The Modaraba reviews the fair value of investment property at each reporting date. The fair value is determined based on market values; being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable willing parties in an arm's length transaction.

### 3.7 **NRV of stock in trade - Note 4.7 and 11**

The Modaraba reviews the net realizable value of items of stock in trade to assess any possible impairment on annual basis. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Any change in the estimates in the future might affect the carrying amount of respective stock in trade with corresponding effects on the provision for impairment, if any.

## 4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### 4.1 **Cash and cash equivalents**

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

### 4.2 **Financial instruments**

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

#### 4.2.1 **Financial assets**

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

##### 4.2.1.1 **Classification**

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

#### a) **Financial assets at amortized cost**

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

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

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

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

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

## Reclassification

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

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

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

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

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

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

### 4.2.1.2 Initial recognition and measurement

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

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

#### 4.2.1.3 Subsequent measurement

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

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

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

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

#### 4.2.1.4 Derecognition

Financial assets are derecognized when:

the contractual rights to receive cash flows from the assets have expired; or

the Modaraba has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- a) the Modaraba has transferred substantially all the risks and rewards of the asset; or
- b) the Modaraba has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

#### 4.2.1.5 **Impairment of financial assets**

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

The Modaraba recognizes the impairment at each reporting date for outstanding Ijarah, murabaha and musharakah receivables on the basis of Prudential Regulations issued for Modarabas by the Securities and Exchange Commission of Pakistan (SECP). Loss allowance calculated under IFRSs is compared with the impairment calculated on the basis of Prudential Regulations.

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

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

The Modaraba uses the simplified approach and 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 and Musharakah arrangements**

#### 4.3.1 **Murabaha arrangements**

Modaraba obtains an undertaking (promise to purchase) from the client and purchases the requested assets / goods from third parties and takes possession of such goods / assets that are the subject matter of murabaha arrangements. However, the Modaraba can appoint the client as its agent to purchase the assets/goods on its behalf. Thereafter, it sells these goods/ assets to the client at cost plus the profit agreed upon in the promise. Murabaha sale is recorded at the invoiced amount and profit is recognized in accordance with **IFAS-1** (Murabaha) to the extent of pro-rata portion of sale price received as compared to total agreed price. Profit on the portion of sale revenue not due for payment is deferred and recognized as liability. Goods purchased by the Modaraba but remained unsold, with the Modaraba constitute inventories, if any at reporting date.

#### 4.3.2 **Musharakah arrangements**

The Modaraba measures the musharakah receivables on the basis of rentals accrued during the year. The rentals are accrued on pro-rata basis as per terms of the musharakah agreement between the Modaraba and customer.

### 4.4 **Tangible fixed assets**

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

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

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

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

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

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

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

Assets given to customers under ijarah arrangements are assets available / held for ijarah which are accounted for as operating lease assets in accordance with **IFAS-2** and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the period of lease term. In respect of additions and transfers during the year, depreciation is charged proportionately over the period of ijarah. Gain/loss on disposal of assets is charged to current year's income.



#### 4.5 Investment properties

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

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

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

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

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

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

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

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

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

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

#### 4.6 **Impairment of assets**

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

#### 4.7 **Stock in trade**

##### 4.7.1 **Stock in trade for murabaha transactions**

Murabaha transactions are entered into on customer order basis. The requested goods/ assets are procured on customer request and are immediately transferred to the customer. Therefore, in normal circumstances, there is no inventory. However, unsold inventory, if any, is measured at lower of cost and net realizable value as at the reporting date. Cost is determined on weighted average basis.

##### 4.7.2 **Stock in trade for trading purpose**

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

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

#### 4.8 **Provisions**

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

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

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

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

#### 4.10 Leases

For contracts entered into, or modified, on or after July 1, 2019; the Modaraba applies IFRS 16 to such transactions, except for the transactions where Modaraba is a lessor and the lease is an operating lease, and in such cases, the provisions of IFAS-2 are applied. The Modaraba assesses whether a contract contains a lease or not at the inception of a contract. For lease contracts the Modaraba reassesses whether a contract is, or contains, a lease further when the terms and conditions of the contract are modified.

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

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

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

##### 4.10.1 Modaraba as a lessee

###### **Recognition**

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

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

###### **Initial measurement**

###### Lease liability

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

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

#### Right-of-use asset

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

#### **Subsequent measurement**

##### Lease liability

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

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

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

##### Right-of-use asset

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

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

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

#### **4.10.2 Modaraba as a lessor**

Leases in which the Modaraba does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Such leases are treated under IFAS-2 and the accounting policy for assets given to customers under ijarah arrangements (Note 4.4.2) is applied for such leases.

#### **4.11 Revenue from Contracts with Customers**

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

### **Murabaha profit**

Profit on transactions under murabaha arrangements is recognized on a pro-rata basis taking into account the elapsed duration for payment of murabaha amounts payable by the customer. 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 as and when the due dates approach for payment of recoverable amounts by the customers.

### **Musharakah profit**

Profit on diminishing musharakah transactions is recognized on accrual basis.

### **Ijarah rentals**

Ijarah income is recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

### **Dividend income**

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

### **Capital gain or loss**

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

### **Sale of goods**

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

### **Rental income**

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

### **Return on deposit accounts**

Return on deposit accounts is recognized on accrual basis.

## **4.12 Taxation**

### **Current**

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

### **Deferred**

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

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

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

#### **4.13 Post employment benefits**

The Modaraba maintains a defined contribution plan for post employment benefits and operates an approved provident fund for all its employees. The Modaraba and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary of employees.

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

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

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

#### **4.15 Earnings per certificate**

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

#### **4.16 Operating segments**

An operating segment is a component of an entity:

- a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- c) for which discrete financial information is available .

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

The Modaraba is divided into five operating segments:

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

All these operating segments are located in Pakistan.

#### 4.16.1 Segment assets and liabilities

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

#### 4.16.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

#### 4.17 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

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

## 5 Restatement of financial statements

In the previous years, the Modaraba had accounted for the unrealized loss on investments held as fair value through other comprehensive income as equity. During the year, the Modaraba has restated its financial statements retrospectively by reclassifying its unrealized gain on investments held at fair value through other comprehensive income to comply with definition of equity as prescribed in Modaraba Regulations, 2021.

## 6 Impact on balance sheet

	<u>2020</u>	<u>2019</u>
	-----Rupees-----	
<i>Unrealized loss on revaluation of investments</i>		
Previously stated	-	-
Impact of restatement	(4,867,878)	(6,755,141)
	<u>(4,867,878)</u>	<u>(6,755,141)</u>
<i>Reserves</i>		
Previously stated	8,865,718	5,870,717
Impact of restatement	4,867,878	6,755,141
	<u>13,733,596</u>	<u>12,625,858</u>
<b>Impact on statement of changes in equity</b>		
<i>Unrealized loss on revaluation of investments</i>		
Previously stated	4,867,878	6,755,141
Impact of restatement	(4,867,878)	(6,755,141)
	<u>-</u>	<u>-</u>
<i>Reserves</i>		
Previously stated	8,865,718	5,870,717
Impact of restatement	4,867,878	6,755,141
	<u>13,733,596</u>	<u>12,625,858</u>



6	<b>Cash and Bank Balances</b>		<b>2021</b>	<b>2020</b>
		Note	----- Rupees-----	
	Cash in hand		7,358	57,993
	Balances with banks in:			
	- Current accour	6.1	161,388	184,870
	- Saving accounts	6.2	5,225,953	7,850,523
			5,387,341	8,035,393
			<u>5,394,699</u>	<u>8,093,386</u>

6.1 This includes Rs. 148,787 (2020: 148,787) held in dividend account.

6.2 These carry profit at rates ranging from 2.75% to 2.84% (2020: 1.50% to 2.60%) per annum.

6.3 The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the cash flow statement at the end of the financial year.

7	<b>Short Term Investments</b>		<b>2021</b>	<b>2020</b>
		Note	----- Rupees-----	
	Financial assets at fair value through profit or loss:			
	NIT Islamic Unit Fund	7.1	540,868	796,920
	Meezan Islamic Fund	7.2	-	1,415,194
	Shares of listed companies	7.3	25,516,661	16,062,378
			<u>26,057,529</u>	<u>18,274,492</u>

7.1 These represent 54,768.75 (2020: 107,692.05) number of units held as at the reporting date. Average cost of these units as at the reporting date amounts to Rs. 0.62 million (2020: Rs. 1.23 million).

7.2 These represent Nil (2020: 30,312.76) number of units held as at the reporting date. During the year the Modaraba has disposed off all the units.

### 7.3 Shares of listed companies

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

Number of shares		Name of Investee	June 30, 2021		June 30, 2020	
2021	2020		Average Cost	Market Value	Average Cost	Market Value
----- Rupees -----						
3,000	19,000	Attack Refinery Limited	786.867	769.350	2,588.873	1,697.080
80,000	50,000	Fauji Cement Company Limited	2,173.016	1,840.000	1,502.732	844.000
10,000	17,000	D.G. Khan Cement Company Limited	1,267,186	1,179,200	1,457,686	1,450,610
90,000	70,000	Byco Petroleum Pakistan Limited	1,521.156	1,044.900	1,293,581	421.400
120,000	50,000	Hascol Petroleum Limited	1,622,511	1,071.600	968.838	680.000
35,000	5,000	Pakistan Petroleum Limited	3,324,124	3,039,050	461,026	433,900
33,000	2,000	Shell Pakistan Limited	6,883.339	5,781.600	368.640	365.160
20,000	20,000	Sui Southern Gas Company Limited	279,856	266,000	282,128	266.800
5,154		Dawood Hercules Corporation Limited	686,386	592,813	-	-
18,500		Descon Oxychem Limited	615.106	496.540	-	-
1,000		Meezan Bank Limited	111.991	115,410	-	-
30,000		Nishat Mills Limited	3,151.994	2,799.000	-	-
3,000		National Refinery Limited	1,605,303	1,569,570	-	-
6,500		Netsol Technologies Limited	1,169,556	1,104.870	-	-
18,000		Oil & Gas Development Company	1,838.561	1,710.540	-	-
25,000		Pakistan Telecommunication Company Limited	338.570	296.000	-	-
<i>Balances carried down</i>			<u>27,375.522</u>	<u>23,676.443</u>	<u>8,923.504</u>	<u>6,158.950</u>

Number of shares Name of Investee		June 30, 2021		June 30, 2020	
2021	2020	Average Cost	Market Value	Average Cost	Market Value
-----Rupees-----					
<i>Balances brought down</i>		27,375,522	23,676,443	8,923,504	6,758,950
30,000	Unity Foods Ltd	1,385,967	1,335,588	-	-
3,000	Sazgar Engineering Works Limited	532,946	504,630	-	-
3,000	The Searle Company Limited	-	-	601,324	597,690
11,000	Packages Limited	-	-	4,416,045	3,819,310
25,000	The Hub Power Company Limited	-	-	2,135,546	1,812,500
20,000	Frieslandcampins Engro Foods Limited (formerly Engro Foods Limited)	-	-	2,100,712	1,470,200
3,000	Lucky Cement Limited	-	-	1,350,596	1,384,740
15,000	Sui Northern Gas Pipelines Limited	-	-	825,338	819,000
		<u>29,294,435</u>	<u>25,516,661</u>	<u>20,353,065</u>	<u>16,062,390</u>

## 8 Advances, Deposits, Prepayments and Other Receivables

		2021	2020
		-----Rupees-----	
	Note		
Loans to / receivable from employees - considered good	8.1	302,502	610,340
Current portion of long term deposits	14	227,400	1,374,300
Prepayments		4,437,498	4,805,943
Accrued profit (secured - considered good)	8.2	1,019,939	2,879,504
Advances to suppliers - considered good		5,030,500	1,821,113
Trade receivables - considered good (secured)	8.3	7,964,773	9,886,352
Legal suits' charges receivable (secured - considered good)	8.4	2,808,702	2,783,702
Receivable against sale of vehicles		-	1,800,000
Sundry receivables (unsecured - considered good)	8.5	1,776,783	1,243,387
		<u>23,568,097</u>	<u>27,204,641</u>

8.1 This includes the loan given to and receivables from executives amounting to Rs. 0.17 million (2020: Rs. 0.3 million). The executives are included in 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. 0.912 million (2020: Rs. 1.598 million).

8.2 Profit receivable on musharakah finances	1,019,939	2,879,504
Profit receivable on murabaha finances	-	1,368,683
Less: Suspended income	-	(1,368,683)
	<u>1,019,939</u>	<u>2,879,504</u>

### 8.3 Trade receivables

		2021	2020
		-----Rupees-----	
Gross amount		8,431,038	10,610,210
Allowance for expected credit losses	8.3.2	(466,265)	(723,858)
		<u>7,964,773</u>	<u>9,886,352</u>
8.3.1 Trade receivables are secured against mortgage of properties and memorandum of deposit of title deed.			
8.3.2 Allowance for expected credit losses			
Opening balance		723,858	-
Add: Provision for the year	33	-	723,858
Less: Provision written off during the year		(257,593)	-
		<u>466,265</u>	<u>723,858</u>
8.4 Legal suits' charges receivable			
Gross amount		3,465,652	3,555,652
Allowance for expected credit losses		(656,950)	(771,950)
		<u>2,808,702</u>	<u>2,783,702</u>
8.5 Sundry receivables			
Gross amount		1,776,783	2,139,598
Allowance for expected credit losses	8.5.1	-	(896,211)
		<u>1,776,783</u>	<u>1,243,387</u>
8.5.1 Allowance for expected credit losses			
Opening balance		896,211	498,454
Add: Provision for the year	33	-	397,757
Less: Provision written off during the year	32	(896,211)	-
		<u>-</u>	<u>896,211</u>

### 9 Short Term Murabaha Finances - Secured

		2021	2020
		-----Rupees-----	
	Note		
Considered good		10,471,818	4,416,361
Considered doubtful:			
- Regular parties		4,036,596	4,036,596
- Parties under litigation	9.2	35,642,423	62,160,811
- Suspended income	9.3	-	(428,000)
		<u>39,679,019</u>	<u>65,769,407</u>
Provision for doubtful receivables	9.4	(8,400,000)	(28,700,300)
		<u>41,750,837</u>	<u>41,485,468</u>

9.1 The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation of stocks, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.

These represent receivables from 3 (2020: 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 3 (2020: 4) cases for recovery of Rs. 44.021 million (2020: Rs. 65.442 million).

### 9.3 Suspended income

		2021	2020
-----Rupees-----			
Opening balance		428,000	-
Suspension transferred to long term murabaha		(428,000)	-
Suspension made during the year	28	-	428,000
		-	428,000

### 9.4 Provision for classified receivables under Prudential Regulations for Modarabas:

Opening balance		28,700,300	28,700,300
Written off during the year		(20,300,300)	-
		8.400,000	28,700,300

## 10 Ijarah Rental Receivables - Secured

		2021	2020
-----Rupees-----			
Considered good	10.1	2,583,809	3,185,699
Parties under litigation - Considered doubtful		17,503,284	34,824,912
Suspended ijarah income - considered doubtful	10.2	(3,537,194)	(17,900,639)
Provision for doubtful ijarah rental receivables	10.3	-	(2,958,183)
		16,549,899	17,151,789

10.1 These are secured against ijarah assets and personal guarantees. In some ijarahs, additional collateral is also obtained in the form of mortgaged property. The Modaraba is entitled to repossess and sell the ijarah assets in case of default by the customers.

### 10.2 Suspended ijarah income - considered doubtful

		2021	2020
-----Rupees-----			
Opening balance		17,900,639	17,900,639
Written off during the period / year	27	(14,363,445)	-
		3,537,194	17,900,639

### 10.3 Provision for doubtful ijarah rental receivables:

Opening balance		2,958,183	2,958,183
Written off during the period / year		(2,958,183)	-
Closing balances		-	2,958,183

11	<b>Stock in Trade</b>		<b>2021</b>	<b>2020</b>
		Note	-----Rupees-----	
	Potatoes	11.1	429,561	908,209
	Less: Write down to NRV		-	(478,648)
			<u>429,561</u>	<u>429,561</u>

11.1 These represent finished goods obtained for the purpose of trading business. The Modaraba has standing arrangements with vendors of these goods for replenishment and replacement of stale items.

12	<b>Long Term Murabaha Finances - Secured</b>		<b>2021</b>	<b>2020</b>
		Note	-----Rupees-----	
	Considered good		53,314,776	37,801,969
	Considered doubtful	12.2	40,763,081	41,939,607
	Provision for doubtful long term murabaha finances	12.3	(3,060,159)	(3,060,159)
			91,017,698	76,681,417
	Current / overdue portion shown under current assets		(77,841,930)	(70,578,971)
			<u>13,175,768</u>	<u>6,102,446</u>

12.1 The Modaraba has sold goods under murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation stocks, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.

12.2	<b>Considered doubtful</b>		<b>2021</b>	<b>2020</b>
			-----Rupees-----	
	Suspended income	12.2.1	42,620,899	43,753,927
		12.2.2	(1,857,818)	(1,814,320)
			<u>40,763,081</u>	<u>41,939,607</u>
12.2.1	Suspended income			
	Opening balance		1,814,320	3,439,669
	Reversal during the year	28	(983,096)	(1,802,662)
	Suspension made during the year	28	598,594	177,313
	Suspension transferred from short term		428,000	-
			<u>1,857,818</u>	<u>1,814,320</u>

12.2.2 The doubtful murabaha finances include receivables from 5 (2020: 6) customers under murabaha finance which is under litigation. Legal proceedings against these customers are in process in the Courts of Law. The Courts have awarded decree in favour of Modaraba in 3 (2020: 2) cases for recovery of Rs. 60.662 million (2020: Rs. 54.123 million).

12.3	<b>Provision for doubtful long term murabaha finances</b>		<b>2021</b>	<b>2020</b>
			-----Rupees-----	
	Opening balance		3,060,159	2,726,607
	Provision for the year		-	333,552
	Closing balances		<u>3,060,159</u>	<u>3,060,159</u>

13 **Long Term Diminishing Musharakah Finances - Secured**

		2021	2020
	Note	-----Rupees-----	
Considered good	13.1	893,033	1,491,444
Current / overdue portion grouped under current assets		(651,731)	(598,411)
		<u>241,302</u>	<u>893,033</u>

13.1 This represents facility given to one person. The facility is secured by way of mortgage of property.

14 **Long Term Deposits**

		2021	2020
	Note	-----Rupees-----	
Central Depository Company of Pakistan Limited		154,862	154,862
Rented property		210,000	360,000
Less: current portion shown under current assets		-	(360,000)
		210,000	-
Ijarah deposit money	8	535,70	1,241,700
Less: current portion shown under current assets		(227,400)	(1,014,300)
		308,300	227,400
Others		34,800	30,000
15 <b>Long Term Investments</b>		<u>707,962</u>	<u>412,262</u>

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

**Shares of Listed Companies**

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

Number of shares		Name of Investee	June 30, 2021		June 30, 2020	
2021	2020		Average Cost	Market Value	Average Cost	Market Value
-----Rupees-----						
90,000	20,000	Sui Northern Gas Pipelines Limited	5,806,704	4,372,200	2,087,390	1,092,000
15,000	5,175	The Searle Company Limited	4,482,840	3,639,307	1,999,367	1,031,015
75,000	130,000	Pakistan Telecommunication Company Limited	1,029,049	888,000	1,887,000	1,154,400
17,000		Oil & Gas Development Company	1,924,850	1,615,510	-	-
	15,000	D.G. Khan Cement Company Limited	-	-	1,891,516	1,279,950
	30,581	Maple Leaf Cement Factory Limited	-	-	1,104,553	794,494
	10,000	Shell Pakistan Limited	-	-	2,577,617	1,825,800
	4,500	Lucky Cement Limited	-	-	2,575,204	2,077,110
			<u>13,243,443</u>	<u>10,515,017</u>	<u>14,122,647</u>	<u>9,254,769</u>

16 **Investment Properties**

		2021	2020
	Date	-----Rupees-----	
Opening balance		20,405,000	13,702,550
Additions during the year		-	6,600,000
Fair value gain on revaluation of investment property	32	1,869,000	102,450
Closing balance		<u>22,274,000</u>	<u>20,405,000</u>

The properties were obtained by the Modaraba by taking possession of collateral held with the Modaraba as security against its receivable s. Particulars of investment properties as at the reporting date are as follows:

Property Type	Location	Area	Independent Valuer	Fair Value	Forced Sale Value
-----Rupees-----					
Land	District Faisalabad	18.89 marlas	Mis Star Tech Consultant	3,305,000	2,810,000
Agricultural Land	District Gujranwala	20 kanals	Empire Enterprises (Pvt.) Limited	10,500,000	8,400,000
Shops	District Hyderabad	138 sq. ft.	W.W Engineering Services (Pvt.) Limited	8,469,000	7,198,650
				<u>22,274,000</u>	<u>18,408,650</u>

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

16.1 **Fair value measurements**

There are no level 1 and level 3 assets or transfers between levels 1, 2 and 3 during the year 2021.

16.1.1 **Valuation techniques used to derive level 2 fair values**

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

16.2 The Modaraba as a lessor has entered into operating lease on its investment property situated in District Gujranwala. The lease has term of 1 year. Future minimum rentals receivable under non-cancellable operating lease as at the reporting date are as follows:

	Within one year	After one year but not more than five years	More than five years
	----- (Rupees) -----		
Undiscounted	<u>80,000</u>	<u>-</u>	<u>-</u>
	<b>2021</b>	<b>2020</b>	

	Date	-----Rupees-----	
17 <b>Fixed Assets</b>	17.1	-	-
Intangible asset	17.2	94,956,022	87,935,874
Operating fixed assets given on lease / ijarah - tangible	17.3	13,126,289	11,971,304
Operating fixed assets in own use - tangible	17.5	-	133,976
Right of use assets		<u>108,082,311</u>	<u>100,041,154</u>

17.1 This represents fully amortized Enterprise Resource Planning (ERP) software costing Rs. 1.05 million (2020: Rs. 1.05 million).



17.2 Operating fixed assets given on lease/ ijarah - tangible

Year ended June 30, 2021

Description	Cost				Depreciation Rate	Accumulated Depreciation				Book Value as at June 30, 2021
	As at July 01, 2020	Additions / Transfers	Disposals / Transfers	As at June 30, 2021		As at July 01, 2020	Charge for the year	Disposals / Transfers	As at June 30, 2021	
	-----Rupees-----					-----Rupees-----				
Plant and machinery	66,956,113	5,843,681	(26,254,000)	46,545,794	20% to 50%	62,918,953	1,324,487	(24,356,000)	39,887,440	6,658,354
Vehicles	129,822,376	42,912,000	(35,221,470)	137,512,906	20%to100%	45,923,662	25,767,248	(22,475,672)	49,215,238	88,297,668
<b>Total 2021</b>	<b>196,778,489</b>	<b>48,755,681</b>	<b>(61,475,470)</b>	<b>184,058,700</b>		<b>108,842,615</b>	<b>27,091,735</b>	<b>(46,831,672)</b>	<b>89,102,678</b>	<b>94,956,022</b>

Year ended June 30, 2020

Description	Cost				Depreciation Rate	Accumulated Depreciation				Book Value as at June 30, 2020
	As at July 01, 2019	Additions / Transfers	Disposals / Transfers	As at June 30,2020		As at July 01, 2019	Charge for the year	Disposals / Transfers	As at June 30,2020	
	-----Rupees-----					-----Rupees-----				
Plant and machinery	75,656,113		(8,700,000)	66,956,113	20%to50%	67,210,716	1,463,768	(5,755,531)	62,918,953	4,037,160
Vehicles	135,730,816	36,566,300	(42,474,740)	129,822,376	200/oto 100%	40,599,388	27,399,820	(22,075,546)	45,923,662	83,898,714
<b>Total 2020</b>	<b>211,386,929</b>	<b>36,566,300</b>	<b>(51,174,740)</b>	<b>196,778,489</b>		<b>107,810,104</b>	<b>28,863,588</b>	<b>(27,831,077)</b>	<b>108,842,615</b>	<b>87,935,874</b>

17.2.1 The assets leased out by the Modaraba under ijarah arrangements are secured as the title to the asset is held by the Modaraba.

17.2.2 The Modaraba has filed suits for re-possession of leased assets costing Rs. 44.758 million (2020 : Rs. 69.758 million) against 4 clients (2020: 7 clients). The Court has awarded decree in favour of Modaraba in 2 (2020 : 5) cases for recovery of Rs. 74.446 million (2020: Rs. 156.264 million). 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.

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

	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Receivable not later than one year	34,963,100	30,503,129
Receivable later than one year but not later than 5 years	43,815,200	40,460,419
	<u>78,778,300</u>	<u>70,963,548</u>

### 17.3 Operative: fixed assets in own use - tangible

#### Year ended June 30, 2021

Description	Cost					Depreciation Rate	Accumulated Depreciation				Book Value as at June 30,2021
	As at July 01, 2020	Additions	Revaluation Adjustment	Disposals/ Transfers	As at June 30, 2021		As at July 01, 2020	Charge for the year	Disposals/ Transfers	As at June 30, 2021	
	-----Rupees-----					%	-----Rupees-----				
Land (17.3.1)	10,728.400	-	-	-	10,728.400	-	-	-	-	-	10,728.400
Furniture & fixtures	1,877,611	-	-	(804,955)	1,072,656	10%	1,576,307	53,891	(796,142)	834,056	238,600
Office equipment	3,127.790	518,324	-	(957,741)	2,688,373	10%	2,602,086	181,608	(923,634)	1,860,060	828,313
Vehicles	757,711	1,014,300	-	(195,546)	1,576.465	20%	640,960	137,632	(170,204)	608,388	968,077
Leasehold improvements	70,000	-	-	-	700,000	20%	700,000	-	-	700,000	-
Books	16.423	-	-	-	16.423	20%	16.423	-	-	16.423	-
Electrical equipment	988,201	145.000	-	(4,8742)	1.084.459	10%	68,9 056	70.839	(3,8 335)	721.560	362.899
<b>Total 2021</b>	<b>18,196,136</b>	<b>1,677.624</b>	<b>-</b>	<b>(2,006,984)</b>	<b>17,866,776</b>		<b>6,224,832</b>	<b>443,970</b>	<b>(1,928,315)</b>	<b>4,740,487</b>	<b>13,126,289</b>

#### Year ended June 30, 2020

Description	Cost					Depreciation Rate	Accumulated Depreciation				Book Value as at June 30,2020
	As at July 01, 2019	Additions	Revaluation Adjustment	Disposals/ Transfers	As at June 30,2020		As at July 01, 2019	Charge for the year	Disposals/ Transfers	As at June 30,2020	
	-----Rupees-----					%	-----Rupees-----				
Land	10,728.400	-	-	-	1,0 728.400	-	-	-	-	-	10,728.400
Furniture & fixtures	1,761.796	115.815	-	-	, 1 8 77.611	10%	1.482,551	93.756	-	1,576.307	301.304
Office equipment	3,056.160	71.630	-	-	3,127.790	10%	2.340.894	261.192	-	2,602.086	525.704
Vehicles	757.711	-	-	-	757.711	20%	549 .946	91.014	-	640.960	116.751
Leasehold improvements	700,000	-	-	-	700,000	20%	700,000	-	-	700,000	-
Books	16.423	-	-	-	16.423	20%	16.423	-	-	16.423	-
Electrical equipment	945.751	42.450	-	-	988,201	10%	613.471	75,585	-	689,056	299,145
<b>Total 2020</b>	<b>17,966,241</b>	<b>229,895</b>	<b>-</b>	<b>-</b>	<b>18,196,136</b>		<b>5,703,285</b>	<b>521,547</b>	<b>-</b>	<b>6,224,832</b>	<b>11,971,304</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 in the Civil Court, Lahore for possession of land. 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

#### 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
<b>Rupees</b>							
<b><u>Vehicles:</u></b>							
Motor Vehicle	1,550,000	1,085,000	465,000	465,000	-	Term of ijarah agreement	Chaudhry Liaqat Ali
Motor Vehicle	1,567,000	1,410,300	156,700	156,700	-	Term of ijarah agreement	Wahid Bux Dayo
Motor Vehicle	1,120,000	952,000	168,000	168,000	-	Term of ijarah agreement	Ibrahim Zia
Motor Vehicle	2,722,000	2,177,600	544,400	544,400	-	Term of ijarah agreement	Muhammad Usman Rehman
Motor Vehicle	1,692,000	1,353,600	338,400	338,400	-	Term of ijarah agreement	Muhammad Zubair
Motor Vehicle	1,000,000	600,000	400,000	400,000	-	Term of ijarah agreement	Muhammad Amjad Buttar
Motor Vehicle	1,094,000	711,087	382,913	427,826	44,913	Term of ijarah agreement	Adeel Tahir Saleem
Motor Vehicle	754,000	452,400	301,600	301,600	-	Term of ijarah agreement	MIS Megatech Trackers (Pvt) Ltd
Motor Vehicle	1,160,000	860,000	300,000	300,000	-	Term of ijarah agreement	Muhammad Zubair
Motor Vehicle	1,750,000	929,696	820,304	914,780	94,476	Term of ijarah agreement	Mehboob Ali Khan
Motor Vehicle	1,800,000	1,260,000	540,000	540,000	-	Term of ijarah agreement	Naseer Ahmed
Motor Vehicle	2,000,000	1,300,000	700,000	786,148	86,148	Term of ijarah agreement	MIS Crescent Star Insurance Limited .
Motor Vehicle	4,000,000	1,833,326	2,166,674	2,321,250	154,576	Term of ijarah agreement	MIS Argus Advertising (Pvt) Ltd.
Motor Vehicle	2,269,000	869,791	1,399,209	1,486,844	87,635	Term of ijarah agreement	United Enterprises
Motor Vehicle	925,000	235,500	689,500	750,098	60,598	Term of ijarah agreement	Laiq Ali
Motor Vehicle	1,550,000	1,100,000	450,000	450,000	-	Term of ijarah agreement	Siddiqa Akhtar
Motor Vehicle	1,329,550	952,837	376,713	1,300,000	923,287	Quotation	
Motor Vehicle	1,066,340	746,424	319,916	1,051,000	731,084	Quotation	
Motor Vehicle	1,289,050	880,844	408,206	1,250,000	841,794	Quotation	
Motor Vehicle	1,132,200	528,425	603,775	1,100,000	496,225	Quotation	
Motor Vehicle	1,066,340	799,740	266,600	1,200,000	933,400	Quotation	
Motor Vehicle	1,318,650	637,362	681,288	1,175,000	493,712	Quotation	
Motor Vehicle	1,066,340	799,740	266,600	1,000,000	733,400	Quotation	
<b>Plant and Machinery</b>							
Camera	230,000	156,000	74,000	74,000	-	Term of ijarah agreement	Kamran Niaz
Plant and Machinery	10,500,000	10,500,000	-	-	-	Term of ijarah agreement	MIS Kohinoor Edible Oils Ltd .
Plant and Machinery	14,500,000	12,900,000	1,600,000	1,600,000	-	Term of ijarah agreement	MIS Oilman Limited
Plant and Machinery	1,024,000	800,000	224,000	224,000	-	Term of ijarah agreement	MIS Megatech Trackers (Pvt) Ltd
<b>Total 2021</b>	<b>61,475,470</b>	<b>46,831,672</b>	<b>14,643,798</b>	<b>20,325,046</b>	<b>5,681,248</b>		
<b>Total 2020</b>	<b>51,174,740</b>	<b>27,831,077</b>	<b>23,343,663</b>	<b>25,880,199</b>	<b>2,536,536</b>		

## 17.5 Right of use assets

	2021	2020
Note	-----Rupees-----	
Opening balance	133,976	-
Impact of adoption of IFRS 16	-	535,904
Depreciation charge for the year	(133,976)	(401,928)
Closing balance	-	133,976
Lease Term (Years)	4 Months	16 Months

There are no variable lease payments in the lease contracts. There were no leases with residual value guarantees or leases not yet commenced to which the Modaraba is committed.

## 18 Unclaimed Dividends

Opening balance	12,891,301	12,930,127
Less: Dividends paid	(1,581)	(38,826)
	12,889,720	12,891,301

Reconciliation of amount kept in separate bank account (current account) is as follows:

Opening balance	148,787	148,787
Amount transferred during the year	-	-
Dividend claim received and settled	-	-
Bank charges	-	-
Closing balance	148,787	148,787

## 19 Creditors, Accrued and Other Liabilities

Salaries and benefits payable		9,363
Payable to Modaraba Management Company	901,706	320,927
Provision for Workers' Welfare Fund	212,270	78,846
Payable to SQZ Business Management Consultancy (Private) Limited	159,904	159,904
Accrued expenses	1,243,421	582,234
Other liabilities	1,225,352	475,033
	3,742,653	1,626,307

19.1 It includes charity payable amounting to Rs. 383,219 (2020: Rs. 109,223). The reconciliation is as follows:

Opening balance	109,223	100,054
Additions during the year	313,996	9,169
Charity paid during the year	(240,000)	-
Closing balance	183,219	109,223

None of the directors and employees of the Modaraba Management Company have any interest in the charity.

20	<b>Deferred Income on Murabaha</b>		<b>2021</b>	<b>2020</b>
		Note	-----Rupees-----	
	Opening balance		4,525,056	9,540,423
	Additions during the year		11,326,034	5,006,409
	Recognized during the year		(8,961,376)	(10,021,776)
			<u>6,889,714</u>	<u>4,525,056</u>
	Current portion shown as current liabilities		(5,143,468)	(3,702,398)
			<u>1,746,246</u>	<u>822,658</u>

21	<b>Customers' Security Deposits</b>			
	Opening balance		31,442,315	37,308,865
	Received during the year	21.1	16,778,681	8,664,900
	Adjusted during the year		(8,544,500)	(14,531,450)
	Closing balance		<u>39,676,496</u>	<u>31,442,315</u>
	Current portion shown as current liabilities		(8,330,765)	(7,651,000)
			<u>31,345,731</u>	<u>23,791,315</u>

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

## 22 Lease Liabilities against Right of Use Assets

Opening balance		153,052	-
Impact of adoption of IFRS 16		-	535,904
		<u>153,052</u>	<u>535,904</u>
Add: Interest expense	34	2,691	44,198
Less: Payments made during the year		(155,743)	(427,050)
Gross liability		<u>-</u>	<u>153,052</u>
Less: Current portion		<u>-</u>	<u>(153,052)</u>
Closing balance		<u>-</u>	<u>-</u>

### 22.1 Maturity analysis of contractual cash flows

At June 30, 2020	Within one year	Later than one year but not later than five years	Later than five years
Undiscounted cash flows	155,743	-	-
Less: Discounting	(2,691)	-	-
Discounted Cash Flows	<u>153,052</u>	<u>-</u>	<u>-</u>

22.2 Summary of amounts relating to leases charged in different line items of the financial statements is as follows:

	Included in	Note	<b>2021</b>	<b>2020</b>
			-----Rupees-----	
Carrying amount of ROU assets	Balance sheet	17.5	-	133,976
Depreciation charge	Operating expenses	34	133,976	401,928
Interest expense		34	2,691	44,198
Repayment of lease liability	Cash flow statement		155,743	427,050

### 22.3 Nature of leasing activities

The Modaraba's leases comprise space taken for its branch office. Periodic rentals are fixed over the lease term. These neither contain any variable lease payments nor any lease incentives. During the year, the Modaraba has terminated the lease agreement and is not committed to any lease not yet commenced as at reporting date.

### 23 Certificate Capital

#### Authorized Capital

50,000,000 (2020: 50,000,000) Modaraba Certificates of Rs. 10 each

#### Issued, subscribed and paid-up capital

15,000,000 (2020: 15,000,000) Modaraba Certificates of Rs. 10 each fully paid in cash

12,300,000 (2020: 12,300,000) Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates

2,500,000 (2020: 2,500,000) fully paid Modaraba Certificates of Rs. 10 each issued as a result of take over

	2021	2020
Note	-----Rupees-----	
	500,000,000	500,000,000
	-	-
	150,000,000	150,000,000
	123,000,000	123,000,000
	25,000,000	25,000,000
23.1	298,000,000	298,000,000

23.1 AI-Zamin Modaraba Management (Private) Limited holds 5,261,388 (2020: 5,261,388) Modaraba certificates as required by the SECP vide Order No. SC/ M/RW/f rust/ 2009-43 .

23.2 As at June 30, 2021, Mr. Aslam Motiwala, a major certificate holder of the Modaraba, holds 15,800,000 modaraba certificates (2020: 16,930,000) of the Modaraba representing 53.02% (2020: 56.81%) holding.

23.3 All certificates rank equally with regard to residual assets of the Modaraba. Certificate holders are entitled to receive all distributions including profit distributions and other entitlements in the form of bonus and right certificates as and when declared by the Modaraba. Nothing and other rights are in proportion to the shareholding.

### 24 Reserves

Statutory reserve

Surplus on revaluation of fixed assets

Revenue reserves:

- Accumulated loss

	2021	2020
Note	Rupees	Rupees (restated)
	81,512,797	80,191,484
	2,457,200	2,457,200
	(63,629,835)	(68,915,088)
	20,340,162	13,733,596

24.1 This represents profit set aside to comply with the Prudential Regulations for modarabas issued by the SECP which is not available for distribution. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time that reserves equal to 100% of the paid up capital and thereafter, a sum not less than 5% of its after tax profits. During the current year, the Modaraba has transferred an amount of Rs. 1,321,313 (2020: Rs. 346,351) which represents 20% (2020: 20%) of the profit after tax.

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

25 **Unrealized loss on Revaluation of Investments**

	2021	2020
Date	-----Rupees-----	
Opening balance	(4,867,878)	(6,755,141)
Surplus on revaluation during the year	2,139,452	1,263,248
Transferred to accumulated loss during the year	-	624,015
	2,139,452	1,887,263
	(2,728,426)	(4,867,878)

25.1 This represents deficit on revaluation of investments classified as fair value through other comprehensive income. Unrealized gain on revaluation of investment cannot be distributed to the certificate holders.

26 **CONTINGENCIES AND COMMITMENTS**

26.1 **Contingencies**

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

26.2 Ijarah commitments

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

Not later than one year	461,151	1,144,581
Later than one year and not later than five years	3,047,065	461,151
	3,508,216	1,605,732
Disbursement of Ijarah / Murabaha / Musharakah to be made	7,030,500	7,900,000
26.2.1	7,030,500	7,900,000

26.2.1 These represent facilities committed and yet not disbursed as at the reporting date.

27	<b>Income from Ijarah - net</b>		<b>2021</b>	<b>2020</b>
		Note	-----Rupees-----	
	Income from Ijarah operations		39,393,144	40,388,398
	Less: Depreciation on fixed assets given on Ijarah	17.2	(27,091,735)	(28,863,588)
	Less: Insurance on Ijarah assets		(2,552,570)	(2,813,144)
			<u>9,748,839</u>	<u>8,711,666</u>
	<b>28 Profit on Murabaha Finances</b>			
	Profit on Murabaha finances		10,446,531	10,497,314
	Income suspended during the year		(598,594)	(605,313)
	Reversal of suspension income	28.1	983,096	1,802,662
			<u>10,831,033</u>	<u>11,694,663</u>
28.1	This includes reversal of suspension amounting to Rs. 0.983 million (2020: 1.803) in respect of parties with whom contracts has been rescheduled.			
	<b>29 Profit on Musharakah Finances</b>			
	Profit on Musharakah finances		6,944,166	8,024,224
	Commission of selling agent		(1,180,000)	-
			<u>5,764,166</u>	<u>8,024,224</u>
	<b>30 Income from Investments - net</b>			
	Dividend income on equity investments classified at FVTPL		1,210,874	259,951
	Dividend income on equity investments classified at FVTOCI		-	104,250
			1,210,874	364,201
	Profit on sale of long term investments	30.1	538,891	37,111
	Profit/ (loss) on sale of short term investments		6,664,561	536,167
			<u>8,414,326</u>	<u>937,479</u>
30.1	The investment was disposed as disposal benefit outweighed contractual cash flows. Fair value at the date of derecognition was Rs. 16,208,455.			
	<b>31 Trading Income</b>			
	Sales		-	286,330
	Cost of sales:			
	- Opening stock		429,561	1,130,042
	- Less: Closing stock	11	(429,561)	(908,209)
			-	(221,833)
			-	<u>64,497</u>
31.1	Trading income is derived from trading of stock as disclosed in note 11.			



## 32 Other Income

		2021	2020
	Note	-----Rupees-----	
Gain on disposal of ijarah assets	17.4.1	5,681,248	2,536,536
Gain on disposal of owned fixed assets		1,192,754	-
Profit on deposit and saving accounts with banks		182,630	283,506
Rental income from investment properties		80,004	80,000
Fair value gain on investment properties	16	1,869,000	102,450
Gain on settlement		-	1,947,699
Miscellaneous income	32.1	552,107	441,754
		<u>9,557,743</u>	<u>5,391,945</u>

32.1 This includes an amount of Rs. 352,730 (2020: Rs. 333,200) pertaining to documentation fee.

## 33 Provision for Doubtful Receivables

Opening balance		37,110,661	35,655,494
Add: Charged during the year		-	1,455,167
Less: Written off during the year		(24,527,287)	-
Net Provision (Written off) / charged for the year		(24,527,287)	1,455,167
Closing balance	33.1	<u>12,583,374</u>	<u>37,110,661</u>

### 33.1.1 Break up of closing balance

Provision for doubtful long term murabaha finances	12.3	3,060,159	3,060,159
Provision for doubtful short term murabaha finances	9.4	8,400,000	28,700,300
Provision for trade receivables	8.3.2	466,265	723,858
Provision for legal suits charges receivable	8.4	656,950	771,950
Provision for sundry receivable	8.5.1	-	896,211
Provision for doubtful ijarah rental receivables	10.3	-	2,958,183
		<u>12,583,374</u>	<u>37,110,661</u>

### 34 Operating Expenses

	Note	2021	2020
-----Rupees-----			
Salaries, allowances and other benefits	34.1	15,409,891	13,688,587
Legal and professional charges		1,319,875	1,244,078
Fees and subscription		5,005,388	3,147,667
Electricity, gas and water		999,538	869,908
Telephone, postage and courier		803,219	701,403
Advertisement		101,585	213,200
Printing and stationery		763,069	625,175
Traveling and conveyance		292,041	480,191
Entertainment		436,357	466,206
Insurance		215,821	232,908
Vehicle running		1,959,679	2,102,388
Rent, rates and taxes	34.2	1,754,204	1,583,659
Auditors' remuneration	34.3	400,000	400,000
Repairs and maintenance		1,869,291	1,546,160
Registrar's services		117,793	116,624
Depreciation on own assets	17.3	443,739	521,547
Depreciation on right of use assets	17.5	133,976	401,928
Unwinding of lease liabilities	22	2,691	44,198
Bank charges and commission		9,025	4,001
Charity	34.4	-	9,169
Zakat		7,000	-
Bad Debts written off		2,866,203	-
Ijarah rental expense		1,144,581	1,901,088
Miscellaneous		390,994	203,529
		<b>36,445,960</b>	<b>30,503,614</b>

34.1 This includes Rs. 0. 776 million (2020: Rs. 0. 707 million) in respect of contribution to the staff provident fund. Salaries and wages also include salaries and allowances of executives as per the following details:

	2021		
	Executives	Others	Total
-----Rupees-----			
Basic salary	4,658,743	4,495,838	9,154,581
House rent allowance	1,863,497	1,798,335	3,661,832
Medical allowance	465,874	449,584	915,458
Other allowances	-	901,155	901,155
Retirement benefits	463,006	313,859	776,865
	<b>7,451,120</b>	<b>7,958,771</b>	<b>15,409,891</b>
Number of persons	4	17	

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

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

34.2 This includes expense relating to short term leases amounting to Rs. 1,465,318 (2020:Rs. 1,032,618).

34.3 **Auditors' remuneration**

	2021	2020
Note	-----Rupees-----	
Annual audit fee	287,500	287,500
Half yearly review	57,500	57,500
Out of pocket expenses	55,000	55,000
	<u>400,000</u>	<u>400,000</u>

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

35 **Taxation**

Current tax expense for the year	1,243,335	501,577
Prior year adjustment	103,143	432,091
	<u>1,346,478</u>	<u>933,668</u>

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

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

36 **Earnings per Certificate - Basic and Diluted**

Net profit for the year	Rupees	6,606,566	1,731,753
Weighted average number of certificates	Number	29,800,000	29,800,000
Earnings per certificate	Rupees	0.22	0.06

36.1 There is no dilution effect on the basic earnings per certificate of the Modaraba.

37 **Cash Generated From Operations**

	2021	2020
	----- Rupees -----	
Profit before taxation	7,953,044	2,665,421
<b>Adjustments for non-cash and other items:</b>		
Depreciation:		
Under ijarah	27,091,735	28,863,588
In own use	443,739	521,547
Right of use assets	133,976	401,928
Provision against assets	-	1,933,815
Gain on disposal of ijarah assets	(5,681,248)	(2,536,536)
Gain on settlement of murabaha receivable	-	(1,947,699)
Gain on disposal of owned fixed assets	(1,192,754)	-
Profit on long term investment	(538,891)	(37,111)
Balances written off	2,866,203	-
(Profit) / loss on sale of short term investments	(6,664,561)	(536,167)
Unrealized gain / (loss) on revaluation of financial assets at fair value through profit or loss	-	-
(1,146,910)	(1,146,910)	(822,228)
Unwinding of lease liabilities	2,691	44,198
Fair value gain on investment properties	(1,869,000)	(102,450)
Workers' Welfare Fund	162,307	222,925
Dividend income	(1,210,874)	(364,201)
	12,396,413	25,641,609
<b>Operating profit before working capital changes</b>	20,349,457	28,307,030
Decrease/ (increase) in current assets		
Advances, deposits, prepayments and other receivables	368,115	(246,397)
Short term murabaha finances receivables	(265,369)	2,547,262
Short term musharakah finances receivables	4,278,036	(1,734,286)
Ijarah rental receivables	(142,784)	(2,395,686)
Stock in trade	-	221,833
Increase/ (Decrease) in current liabilities	-	-
Creditors, accrued and other liabilities	1,954,039	(1,215,594)
	6,192,037	(2,822,868)
<b>Cash generated from operations</b>	26,541,494	25,484,162

**37.1 Changes in Financing Activities**

	As at June 30 2020	Non-cash changes	Cash flows (Net)	As at June 30, 2021
	----- Rupees -----			
Unclaimed dividends	12,891,301	-	(1,581)	12,889,720
Lease liabilities against right of use assets	153,052	2,691	(155,743)	-
	13,044,353	2,691	(157,324)	12,889,720
	----- Rupees -----			
	As at June 30 2019	Non-cash changes	Cash flows (Net)	As at June 30, 2020
Unclaimed dividends	12,930,127	-	(38,826)	12,891,301
Loan from Modaraba Management Company	5,000,000	-	(5,000,000)	-
Lease liabilities against right of use assets	-	580,102	(427,050)	153,052
	17,930,127	580,102	(5,465,876)	13,044,353

Impact of non-cash changes in lease liabilities comprise of interest charge on lease liabilities (Rs. 2,691) (refer to note 22).

	2021			
	Total	Up to one year	One year to five years	Over five years
Rupees				
<b>Assets:</b>				
Cash and bank balances	5,394,699	5,394,699	-	-
Short term investments	26,057,529	26,057,529	-	-
Advances, deposits, prepayments and other receivables	23,568,097	23,568,097	-	-
Ijarah rental receivables	16,549,899	16,549,899	-	-
Income tax refunds due from the Government	4,777,383	4,777,383	-	-
Stock in trade	429,561	429,561	-	-
Murabaha finances	132,768,535	119,592,767	13,175,768	-
Musharakah finances	27,685,325	27,444,023	241,302	-
Long term deposits	707,962	-	553,100	154,862
Long term investments	10,515,018	-	10,515,018	-
Investment properties	22,274,000	-	22,274,000	-
Operating fixed assets given on lease/ ijarah - tangible	94,956,022	34,963,100	59,992,922	-
Operating fixed assets in own use - tangible	13,126,289	-	11,696,477	1,429,812
	<u>378,810,319</u>	<u>258,777,058</u>	<u>118,448,587</u>	<u>1,584,674</u>
<b>Liabilities:</b>				
Unclaimed dividends	12,889,720	12,889,720	-	-
Creditors, accrued and other liabilities	3,742,653	3,742,653	-	-
Lease liabilities against right of use assets	-	-	-	-
Deferred income on murabaha	6,889,714	5,143,468	1,746,246	-
Customers' security deposits	39,676,496	8,330,765	31,345,731	-
	<u>63,198,583</u>	<u>30,106,606</u>	<u>33,091,977</u>	
<b>Net Balance</b>	<u>315,611,736</u>	<u>228,670,452</u>	<u>85,356,610</u>	<u>1,584,674</u>
Certificate holders' equity	318,340,162	-	-	-
Unrealized loss on revaluation of investments	(2,728,426)	-	-	-
<b>Net Balance</b>	<u>315,611,736</u>			
<b>2020</b>				
<b>Assets:</b>				
Cash and bank balances	8,093,386	8,093,386	-	-
Short term investments	18,274,492	18,274,492	-	-
Advances, deposits, prepayments and other receivables	27,204,641	27,204,641	-	-
Ijarah rental receivables	17,151,789	17,151,789	-	-
Income tax refunds due from the Government	5,508,038	5,508,038	-	-
Stock in trade	429,561	429,561	-	-
Murabaha finances	118,166,885	112,064,439	6,102,446	-
Musharakah finances	32,561,772	31,668,739	893,033	-
Long term deposits	412,262	-	257,400	154,862
Long term investments	9,254,769	-	9,254,769	-
Investment properties	20,405,000	-	20,405,000	-
Operating fixed assets given on lease/ ijarah - tangible	87,935,874	10,422,190	77,513,684	-
Operating fixed assets in own use - tangible	11,971,304	-	11,971,304	-
Right of use assets	133,976	133,976	-	-
	<u>357,503,749</u>	<u>230,951,251</u>	<u>126,397,636</u>	<u>154,862</u>
<b>Liabilities:</b>				
Unclaimed dividends	12,891,301	12,891,301	-	-
Creditors, accrued and other liabilities	1,626,307	1,626,307	-	-
Lease Liabilities against right of use assets	153,052	153,052	-	-
Deferred income on murabaha	4,525,056	3,702,398	822,658	-
Customers' security deposits	31,442,315	7,651,000	23,791,315	-
	<u>50,638,031</u>	<u>26,024,058</u>	<u>24,613,973</u>	
<b>Net Balance</b>	<u>306,865,718</u>	<u>204,927,193</u>	<u>101,783,663</u>	<u>154,862</u>
Certificate holders' equity	311,733,596	-	-	-
Unrealized loss on revaluation of investments - restated	(4,867,878)	-	-	-
<b>Net Balance</b>	<u>306,865,718</u>			

## 39 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 its performance, are as follows:

### 39.1 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, profit rate, commodity price and equity price that will affect the Modaraba's income or the value of its holdings of financial instruments.

#### 39.1.1 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.

#### 39.1.2 Profit rate risk

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

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

	<u>2021</u>	<u>2020</u>
	-----Ru pees-----	
<b><u>Fixed rate instruments</u></b>		
<b>Financial assets</b>		
Short term murabaha finances	<b>41,750,837</b>	41,485,468
Long term murabaha finances	<b>91,017,698</b>	76,681,417
Ijarah rental receivables	<b>16,549,899</b>	17,151,789
Musharakah finances	<b>27,685,325</b>	32,561,772
<b><u>Floating rate instruments</u></b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	<b>5,225,953</b>	7,850,523

### **Fair value sensitivity analysis for fixed rate instruments**

The Modaraba does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in profit 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. 52,260 (2020: Rs. 78,505) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

## **39.2 Credit risk**

39.2.1 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:

	<b>2021</b>	<b>2020</b>
	-----Ru pees-----	
Bank balances	<b>5,387,341</b>	8,035,393
Short term murabaha finances	<b>41,750,837</b>	41,485,468
Ijarah rental receivables	<b>16,549,899</b>	17,151,789
Musharakah finances	<b>27,685,325</b>	32,561,772
Long term murabaha finances	<b>91,017,698</b>	76,681,417
Long term deposits	<b>707,962</b>	412,262
Short term investments	<b>26,057,529</b>	18,274,492
Long term investments	<b>10,515,018</b>	9,254,769
Advances, deposits and other receivables	<b>11,291,397</b>	17,793,883
	<b>230,963,006</b>	221,651,245

39.2.2 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:

Textile Composite	<b>12,347,453</b>	19,597,493
Sugar and allied	-	1,033,280
Steel	-	122,024
Vanaspati and Allied Industries	-	12,000,000
Food and Allied	<b>28,236,807</b>	38,308,395
Educational Institutions	-	17,035,089
Miscellaneous	<b>115,669,756</b>	93,947,329
Oil & Gas	<b>25,148,851</b>	-
Agriculture	<b>11,949,529</b>	40,698,437
	<b>193,352,396</b>	222,742,047

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

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

	<b>2021</b>	<b>2020</b>
	-----Ru pees-----	
Not past due	<b>92,743,810</b>	65,709,250
Past due 1 - 180 days	<b>6,735,952</b>	13,381,695
Past due 181 days - 1 year	<b>1,439,731</b>	7,731,397
Past due 1 - 2 years	<b>4,854,253</b>	12,754,733
More than 2 years	<b>99,312,944</b>	140,162,967
	<b>205,086,690</b>	239,740,042

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

Past due 181 - 365 days	<b>598,594</b>	42,816
1 - 2 years	-	859,548
More than 2 years	<b>16,722,842</b>	56,947,989
	<b>17,321,436</b>	57,850,353

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 default s. 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.

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:

	Rating		Agency	2021	2020
	Short term	Longterm			
The Bank of Punjab	AI+	AA+	PACRA	<b>148,787</b>	148,787
Meezan Bank Limited	A-1+	AAA	JCR-VIS	<b>5,228,140</b>	7,857,710
State Bank of Pakistan				<b>10,414</b>	28,896
				<b>5,387,341</b>	8,035,393

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

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



### 39.3 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, 2021</b>					
Lease liabilities against right of use assets					
Unclaimed dividends	12,889,720	12,889,720	12,889,720	-	-
Creditors, accrued and other liabilities	3,742,653	3,742,653	3,742,653	-	-
	<u>16,632,373</u>	<u>16,632,373</u>	<u>16,632,373</u>	<u>-</u>	<u>-</u>
<b>June 30, 2020</b>					
Lease liabilities against right of use assets	153,052	155,743	155,743	-	-
Unclaimed dividends	12,891,301	12,891,301	12,891,301	-	-
Creditors, accrued and other liabilities	1,626,307	1,626,307	1,626,307	-	-
	<u>14,670,660</u>	<u>14,673,351</u>	<u>14,673,351</u>	<u>-</u>	<u>-</u>

Note 38 to the financial statements summarizes the maturity profile of the Modaraba's assets and liabilities.

### 39.4 Fair value of financial instruments

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

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

#### Fair value estimation

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

#### Fair value hierarchy

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

The following table presents the Company's financial assets that are measured at fair value at June 30, 2021:

	Level 1	Level 2	Level 3	Total
------(Rupees)-----				
<b>Financial Assets:</b>				
Short term investments (Note 7)	26,057,529	-	-	26,057,529
Long term investments (Note 15)	10,515,018	-	-	10,515,018

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

<b>Financial Assets:</b>				
Short term investments (Note 7)	18,274,492	-	-	18,274,492
Long term investments (Note 15)	9,254,769	-	-	9,254,769

39.5 **Financial instruments by categories**

**Financial assets as at June 30, 2021**

	At fair value through OCI (equity instruments designated upon initial recognition)	Amortized cost	Assets at fair value through profit or loss (Mandatorily Measured)	Total
-----Rupees-----				
Cash and bank balances	5,394,699	-	-	5,394,699
Short term investments	-	-	26,057,529	26,057,529
Advances, deposits and other receivables	11,291,397	-	-	11,291,397
Short term murabaha finances	41,750,837	-	-	41,750,837
Short term musharakah finances (secured considered good)	26,792,292	-	-	26,792,292
Long term diminishing musharakah finances	893,033	-	-	893,033
Ijarah rental receivables	16,549,899	-	-	16,549,899
Long term murabaha finances	91,017,698	-	-	91,017,698
Long term deposits	707,962	-	-	707,962
Long term investments	10,515,018	-	-	10,515,018
	<u>10,515,018</u>	<u>194,397,817</u>	<u>26,057,529</u>	<u>230,970,364</u>

**Financial assets as at June 30, 2020**

Cash and bank balances	8,093,386	-	-	8,093,386
Short term investments	-	-	18,274,492	18,274,492
Advances, deposits and other receivables	17,793,883	-	-	17,793,883
Short term murabaha finances	41,485,468	-	-	41,485,468
Short term musharakah finances (secured considered good)	31,070,328	-	-	31,070,328
Long term diminishing musharakah finances	1,491,444	-	-	1,491,444
Ijarah rental receivables	17,151,789	-	-	17,151,789
Long term murabaha finances	76,681,417	-	-	76,681,417
Long term deposits	412,262	-	-	412,262
Long term investments	9,254,769	-	-	9,254,769
	<u>9,254,769</u>	<u>194,179,977</u>	<u>18,274,492</u>	<u>221,709,238</u>

**Financial liabilities at amortized cost**

	2021	2020
	Rupees	Rupees
Lease liabilities against right of use assets	-	153,052
Unclaimed dividends	12,889,720	12,891,301
Creditors, accrued and other liabilities	3,742,653	1,626,307
	<u>16,632,373</u>	<u>14,670,660</u>

### 39.6 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.

### 39.7 Capital Risk Management

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

#### 40 Remuneration of Executives / Key Management Personnel

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

	<b>Executives / Key Management Personnel</b>	
	<b>2021</b>	<b>2020</b>
	-----Ru pees-----	
Managerial remuneration	4,658,743	3,904,017
House rent allowance	1,863,497	1,561,607
Medical allowance	465,874	390,402
Other allowances	-	-
Meeting fee allowance	420,000	420,000
Retirement benefits	463,006	390,402
	<u>7,871,120</u>	<u>6,666,428</u>
Number of persons	<u>4</u>	<u>3</u>

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

#### 41 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 [AI-Zamin Modaraba Management (Private) Limited], directors and key management personnel of the Modaraba Management Company, key management personnel of the Modaraba and their close family members, the provident fund trust and entities with common directors or under common management and control.

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

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

#### 40 Transactions during the year

Related party	Basis of Relationship	Nature of transaction	2021	2020
			-----Rupees-----	
AI-Zamin Modaraba Management (Private) Limited	Modaraba Management Company	Management fee	<b>901,706</b>	320,927
		Loan repaid during the year	-	5,000,000
Employees' Provident Fund	Associated undertaking	Contribution for the year	<b>776,865</b>	706,507
Director	Director	Interest free loan obtained	-	1,000,000
		Interest free loan repaid	-	1,000,000
Executives and close relatives thereof	Associated persons	Loan given during the year	<b>200,000</b>	300,000
		Repayment of loan received	<b>30,000</b>	1,048,002
		Receipts against sale of vehicles	-	332,062

The amounts above do not include salaries and other employee benefits of the executives of the Company which have been disclosed in note 40.

#### Outstanding Balance as at the reporting date

AI-Zamin Modaraba Management (Private) Limited	Payable against management fee and others Loan payable	<b>901,706</b>	320,927
Executives and close relatives thereof	Loan receivables Receivable against sale of vehicle	<b>170,000</b>	300,000

#### 41 Segment Reporting

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

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

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. There were no transfers between operating segments during the year (2020: Nil).

## 41.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2021 is as follows:

	June 30, 2021					June 30, 2020						
	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total
-----Rupees-----												
Segment revenues / profits												
Gross revenue from external customers	10,831,033	39,393,144	6,944,166	8,414,326	-	65,582,669	11,694,663	40,388,398	8,024,224	937,479	286,330	61,331,094
Commission Expense	-	-	(1,180,000)	-	-	(1,180,000)	-	-	-	-	(221,833)	(221,833)
Depreciation	-	(27,091,735)	-	-	-	(27,091,735)	-	(28,863,588)	-	-	-	(28,863,588)
Insurance expense	-	(2,552,570)	-	-	-	(2,552,570)	-	(2,813,144)	-	-	-	(2,813,144)
Other income	113,650	5,836,578	83,750	-	-	6,033,978	42,170	2,656,616	170,950	-	-	2,869,736
Net revenue	10,944,683	15,585,417	5,847,916	8,414,326	-	40,792,342	11,736,833	11,368,282	8,195,174	937,479	64,497	32,302,265
Unrealized Profit / (loss) on revaluation of investments	-	-	-	1,146,910	-	1,146,910	-	-	-	822,228	-	822,228
(Provision/)Reversal for doubtful receivables	-	-	-	-	-	-	(333,552)	(397,757)	-	-	(1,202,506)	(1,933,815)
<b>Reportable segment profit</b>	<b>10,944,683</b>	<b>15,585,417</b>	<b>5,847,916</b>	<b>9,360,927</b>	<b>-</b>	<b>41,738,943</b>	<b>10,998,203</b>	<b>10,881,275</b>	<b>8,195,174</b>	<b>1,702,083</b>	<b>(1,138,009)</b>	<b>30,638,726</b>
<b>Reportable segment assets</b>	<b>134,476,737</b>	<b>114,876,543</b>	<b>28,705,264</b>	<b>37,493,933</b>	<b>8,394,334</b>	<b>323,946,811</b>	<b>119,875,087</b>	<b>111,243,717</b>	<b>35,441,276</b>	<b>27,529,262</b>	<b>10,315,913</b>	<b>304,405,255</b>
<b>Reportable segment liabilities</b>	<b>6,889,714</b>	<b>40,703,982</b>	<b>-</b>	<b>183,219</b>	<b>-</b>	<b>47,776,915</b>	<b>4,525,056</b>	<b>31,801,455</b>	<b>3,678</b>	<b>109,223</b>	<b>-</b>	<b>36,439,412</b>
<b>Additions to non-current assets</b>	<b>-</b>	<b>48,755,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,755,681</b>	<b>-</b>	<b>36,566,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,566,300</b>

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

	<b>2021</b>	<b>2020</b>
	-----Rupees-----	
<b>Revenues</b>		
Total revenues for reportable segments	40,792,342	32,302,265
Other revenues	3,523,765	2,522,209
Modaraba's revenues	44,316,107	34,824,474
<b>Profit</b>		
Total profit for reportable segments	41,738,943	30,638,726
Other income	3,523,765	2,522,209
Operating expenses	(36,445,960)	(30,000,117)
Modaraba Management Company's fee	(901,706)	(320,927)
Workers' Welfare Fund	(162,307)	(222,925)
Taxation	(1,146,169)	(885,213)
	6,606,566	1,731,753
<b>Assets</b>		
Total assets for reportable segments	323,946,811	304,405,255
Corporate assets unallocated:		
Advances, deposits, prepayments and other receivables	8,583,175	6,574,528
Income tax refunds due from the Government	4,777,383	5,508,038
Long term deposits	707,962	412,262
Investment properties	22,274,000	20,405,000
Fixed assets	13,126,289	12,105,280
Cash and bank balances	5,394,699	8,093,386
	54,863,508	53,098,494
Total assets as per the balance sheet	378,810,319	357,503,749
<b>Liabilities</b>		
Total liabilities for reportable segments	47,776,915	36,439,412
Corporate liabilities unallocated:	-	-
Unclaimed dividends	12,889,720	12,891,301
Creditors, accrued and other liabilities	2,531,948	1,154,266
Lease liabilities against right of use assets	-	153,052
Total liabilities as per the balance sheet	63,198,583	50,638,031

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

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

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

There are no asymmetrical allocations to reportable segments.

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

42 **NUMBER OF EMPLOYEES**

Number of employees as at June 30,  
Average number of employees during the year

**2021** **2020**

21	20
21	21

43 **PROVIDENT FUND**

Size of the fund  
Percentage of investments made  
Fair value of investments  
Cost of investments made

**2021** **2020**

<i>Rupees</i> (Un-audited)	<i>Rupees</i> (Audited)
6,467,134	4,587,912
97.23%	90.99%
6,287,942	4,199,013
6,287,942	4,174,343

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

	<b>2021</b>		<b>2020</b>	
	<b>Investment Rupees</b>	<b>Investment as a% of size of funds</b>	<b>Investment Rupees</b>	<b>Investment as a% of size of funds</b>
Investment in funds	-	0.00%	1,376,575	30.00%
Cash at bank	6,287,942	97.23%	2,822,438	61.52%
	<u>6,287,942</u>		<u>4,199,013</u>	

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

44 **Authorization of Financial Statements**

These financial statements were approved for issue by the Board of Directors of the Management Company in its meeting held on September 16<sup>th</sup>, 2021.

45 **General**

Comparative figures are re-arranged, wherever necessary, to facilitate comparison. Except for the restatement as disclosed in Note 5, no material re-arrangements have been made in these financial statements.

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



**CHIEF EXECUTIVE OFFICER**



**DIRECTOR**



**DIRECTOR**



**CHIEF FINANCIAL OFFICER**



## PATTERN OF CERTIFICATE HOLDING

AS ON 30<sup>th</sup> JUNE 2021

Number of Certificate Holders	Certificate Holding From	Certificate Holding To	Total Certificate	Percentage Held
593		100	27398	0.09
899	101	500	262065	0.88
605	501	1000	526933	1.77
293	1001	5000	705573	2.37
56	5001	10000	440356	1.48
17	10001	15000	208120	0.70
10	15001	20000	171797	0.58
7	20001	25000	158614	0.53
5	25001	30000	143664	0.48
2	30001	35000	62300	0.21
3	35001	45000	116050	0.39
1	45001	60000	45174	0.15
2	60001	65000	127000	0.43
1	65001	70000	67740	0.23
1	70001	75000	75000	0.25
1	75001	85000	78382	0.26
1	85001	95000	87400	0.29
1	95001	100000	100000	0.34
2	100001	115000	206120	0.69
2	115001	120000	238100	0.80
1	120001	170000	125000	0.42
1	170001	290000	172730	0.58
1	290001	395000	291200	0.98
1	395001	525000	396500	1.33
1	525001	955000	527500	1.77
1	955001	1155000	959500	3.22
1	1155001	1255000	1159500	3.89
1	1255001	5260000	1258896	4.22
1	5260001	1579500	5261388	17.66
1	15795001	1580000	15800000	53.02
<b>2512</b>			<b>29,800,000</b>	<b>100.00</b>

## CATEGORIES OF CERTIFICATEHOLDERS

AS AT JUNE 2021

Categories of Certificate Holders	Number of Certificate Holders	Total Certificates Held	Percentage
Associated companies, undertakings and related parties			
AI-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	-	-	-
	17	1,577,136	5.2924
Joint Stock Companies	20	67,843	0.2277
Individuals	2,465	22,797,033	76.5001
Others	8	86,500	0.2903
<b>Total</b>	<b>2,512</b>	<b>29,800,000</b>	<b>100.00</b>

Certificateholders holding five percent or more certificate in the Modaraba

Mohammad Aslam Motiwala	1	16,959,500	56.91
AI-Zamin Modaraba Management (Pvt.) LTD.	1	5,261,388	17.66





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