



Trust Modaraba

Managed By:

Al-Zāmin Modaraba Management (Private) Limited.

ANNUAL REPORT 2023



www.trustmodaraba.com

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CORPORATE INFORMATION

MODARABA COMPANY

AI-Zamin Modaraba Management (Private) Limited

BOARD OF DIRECTORS

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

MANAGEMENT

Mr. Basheer Ahmed Chowdry	Chief Executive
Ms. Hamida Aqeel	Chief Operating Officer/Company Secretary
Mr. Shiraz Butt	Chief Financial Officer

AUDIT COMMITTEE

Mr. Syed Etrat Hussain Rizvi	Chairman
Mr. Mian Sheikh Arshad Farooq	Member
Mr. Syed Shahnawaz Ahmed Rizvi	Member
Mr. Mohammad Yasin	Member
Ms. Hamida Aqeel	Secretary to the committee

HUMAN RESOURCE COMMITTEE

Mr. Muhammad Yasin	Chairman
Mr. Syed Etrat Hussain Rizvi	Member
Dr. Mrs. Namooos Baquar	Member
Mr. Basheer Ahmed Chowdry	Member
Ms. Hamida Aqeel	Secretary to the committee

INTERNAL AUDITORS

UHY Hassan Naeem & Co.
Chartered Accountants

AUDITORS OF THE MODARABA

Grant Thornton Anjum Rahman.
Chartered Accountants

BANKER

Meezan Bank Limited

LEGAL ADVISORS

Holscott International
S&B Durrani Law 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

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

REGISTRARS

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

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

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, 2023, will be held on Thursday, October 12, 2023 at 09:30 am at NBFI & Modaraba Association of Pakistan, 602, Progressive Centre, 30-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi-75400.

The certificate transfer books of the Modaraba will remain closed from Thursday, October 05, 2023 to Thursday, October 12, 2023 (both days inclusive).

Hamida Aqeel
Company Secretary

Karachi

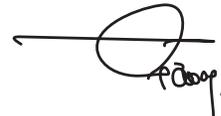
September 12th, 2023.

REVIEW REPORT BY THE CHAIRMAN

Duly cognizant of the importance of well-defined governance practices, the Board of Directors has put in place an effective framework which duly complies with the requirements of the Code of Corporate Governance (CCG) with respect to the composition of the Board, procedures and meetings of the Board and its Committees. The Board has also constituted an independent Audit Committee and Human Resource and Remuneration Committee to further strengthen the Governance Structure of the Modaraba.

The Board 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 discuss performance of the Modaraba and provide strategic direction as and when required.

The annual evaluation of the performance of the Board and its committees is carried out as per the requirements of the Code of Corporate Governance to assess the overall performance of the Board. On the basis of the input received from the individual Board members, the quality and performance of the Board is assessed as 'Good'. The oversight role of the Board is effectively implemented in strategic planning and regular assessment of the business plans, financial performance against the defined objectives and parameters.



Mian Sheikh Arshad Farooq
CHAIRMAN

DIRECTORS' REPORT

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited, the Management Company of Trust Modaraba, is pleased to present to the certificate holders the Directors' Report together with the audited financial statements of the Modaraba for the year ended 30th June, 2023.

ECONOMIC REVIEW

The world economy, ever since coronavirus touched off the deepest global recession, remains in chaos lacking the strength that is necessary to make substantial progress on global ambitions to address vital issues such as extreme poverty, climate change and human development. Emerging markets and developing economies today are struggling to survive, deprived of capacity to create jobs and dispensing essential services to the most vulnerable segment of the society. Besieged by high inflation, tight global financial markets and record debt levels, many countries are simply growing poorer. Today, high interest rates are not merely stunting growth in developing economies, they are also decelerating investments and intensifying the risk of financial crises, Weak growth prospects compounded with the overlapping shocks of pandemic and Russia's invasion into Ukraine project a long term slow down in the potential growth. The World Bank's latest projections indicate that the world economy will remain frail and at risk of further decline during the current year continuing into 2024. Rising borrowing costs in advanced economies could lead to financial disruptions in developing markets as well. These problems indicate heightened risks for the coming period and must be addressed promptly if the world is to re-establish the economic prowess necessary for progress on global developments goals.

The Financial year 2022-23 has been a challenging year for Pakistan. The aftermaths of 2022 floods along with prolonged period of political uncertainty and limited foreign exchange to pay for imports of food, energy and intermediate inputs led to depressed economic activity with industrial production contracting by almost 25%. Due to scarcity of foreign exchange reserves and stagnant remittances, the government increased exchange rate flexibility allowing Pak Rupee to depreciate considerably causing sharp increase in inflation spiking as high as 38% at one point in time. Currently our country's fiscal capacity to finance the development needs are increasingly constrained. The borrowing costs have increased sharply as the strong dollar against Pak rupee has increased the debt servicing burden of the external debt of the country. The coalition government considered a holistic agenda for moving towards sustainable macroeconomic stabilization primarily focused on rationalization of expenditures, removing unproductive subsidies to reduce burden on budget, significant cuts in expenditures, increase in tax revenues and tight monetary policy to counter inflation. The efforts did contribute to some extent in containing fiscal deficit and improvements in current account, nevertheless much of the time of the government was exhausted in dealing with political battles rather than focusing on critical macroeconomic adjustments. Almost all major sectors of the economy posted slowdown in performance. The stock exchange considered as the barometer of the economy remained in a general negative spiral throughout the year. After the vote of no confidence last year and the political uncertainty that followed, the depression in the stock market remained persistent. Investors lost interest and as a result volumes dried up adversely

effecting the market prices. In the absence of any positive indicators, PSX 100 index registered a decline of more than 3000 points during the financial year 2022-23.

This difficult context highlights dire need for significant policy changes. It is imperative to implement credible policies to contain inflation and ensure macroeconomic and financial stability as well as undertake reforms to set foundations for a robust, sustainable and inclusive development way forward. The economic outlook is critically dependent on timely implementation of policy reforms. Unless truly implemented, crafted strategies are bound to fade into insignificance against the back drop of economic turmoil.

PERFORMANCE REVIEW

It is encouraging to report that during the most challenging economic environment caused by a myriad of factors, your Modaraba once again demonstrated its resilience and successfully navigated through to achieve positive performance before tax during the year under consideration. Key financial highlights of the financial year 2022-23 are summarized below.

➤ Total Income	Rs.41,171,301
➤ Profit before management fee	Rs.1,149,466
➤ Management Fee	Rs.114,947
➤ Profit Before Tax	Rs.1,013,829
➤ Tax	Rs.1,086,934
➤ Net Loss after tax	Rs.(73,105)

It is promising that despite very depressing market conditions and economic situation of the country, Trust Modaraba continued to find secured and profitable business mostly for asset financing thereby, fully utilizing its cash flows at attractive rates. Disbursements during the year amounted to Rs.196 million mainly for asset financing by way of Diminishing Musharakh. In view of increase in KIBOR during the year, weighted average IRR on the financing portfolio also increased by 4% compared to the previous year as the financing transactions were structured on floating rate basis. Income from core business operations (Ijarah, Diminishing Musharakah, Murabahah and Musharakah) increased to Rs.38.5 million from Rs.32.7 million of the previous year translating into an increase of 18% over the preceding year. Gross income of your Modaraba during the year under consideration stood at Rs.41.2 million as compared to Rs.75.8 million which included onetime gain of Rs.37.3 million achieved on account of settlement of a long outstanding case in litigation. Net financing portfolio stood at Rs.310 million as at the year end, (FY: 2021-22 Rs.305.6 million). As a result of a number of steps implemented by your management to achieve cost and operational efficiencies, operating expenses registered decline by 14.24% over the previous year despite surging inflation and substantial increase in costs across the board. One aspect which remained beyond the control of the management was stock market portfolio which generally suffered due to the absence of any positive market indicators. Depression in the stock market index also caused deterioration in the market value of the shares portfolio as a result of which unrealized loss of Rs.0.973 million had to be recorded in the books of accounts for the year. In compliance of

International Financial Reporting Standard 9 and as a prudent portfolio risk management policy of your Modaraba, provision coverage was further enhanced by Rs. 1.7 million against the classified accounts. After accounting for all the provisions and expenses, your Modaraba achieved operating profit before tax of Rs.1.01 million for the year 2022-23. As you are aware, the earlier tax exemption allowed to the Modaraba has been revoked making the entire Modaraba Sector subject to tax at the applicable rate. Accordingly, tax liability of Rs.1.08 million had to be recorded in the books of accounts which resulted in a meagre loss of Rs.73,000 for the year ended 30th June, 2023. Asset base of your Modaraba stood at Rs.389 million with an Equity of Rs.327 million.

Disbursements during the year amounted to Rs.196 million mostly for asset financing to credit worthy clients. In line with the management strategy, a shift was implemented in the client profile wherein more weightage was given to corporate sector and high net worth professionals with sound financial standing and satisfactory repayment record. Consequently, 55% of the disbursement was made to the individuals followed by 37% to the corporate sector and 8% to selective SMEs. Consequent upon improvement in credit quality, infection ratios have declined considerably as no new NPLs have been added to the portfolio. Under the prevailing uncertain business environment, due prudence was exercised in credit risk assessment both at transaction and portfolio level. Exposures of the clients were meticulously monitored and the client relationship further intensified to timely assess early warning signs, if any. With the improvement in credit quality and effective utilization of funds at attractive rates, better profitability in the forthcoming period is assured.

CREDIT RATING

It is a pleasure to report that VIS Credit Rating Company has re-affirmed entity ratings of the Modaraba at BBB+/A-2. Long Term entity rating of BBB+ reflects adequate credit quality, reasonable and sufficient protection factors. Short term ratings of A-2 signifies good certainty of timely payments, sound liquidity and minimum risk factors.

Assigned ratings took into account growth in operating revenue coupled with improvement in credit quality of the financing portfolio. Ratings also considered managements concerted efforts towards recovery from litigated portfolio. Due weightage was also given to the change in business strategy whereby management has increased its focus towards corporate clients and high net worth individuals, having relatively lower risk of default.

Entity ratings of the Modaraba at BBB+/A-2 have paved way for mobilization of credit lines from Islamic banks which shall be capitalized in due course.

FUTURE OUTLOOK

Uncertainties as to the way forward loom large on the economic horizon of the country. The adverse effects of political insatiability and the governance regime of the coalition government are now more pronounced with greater economic vulnerabilities especially in the backdrop of possibility of deceleration of global growth in the coming year as projected by IMF. A credible political structure capable and willing to ensure economic and financial stability is dire need of the time to avoid country further plunging into deeper crises.

From a business growth perspective, your management foresee challenges at least in the short term in securing good risk business. Nevertheless, management is fully cognizant and committed towards managing these challenges and delivering sustainable growth capitalizing on our professional excellence, prudent business policies and strong client relationship. Prime focus, interalia, shall remain on recovery from our litigated portfolio bulk of which is now at advance stage of finalization, it is also planned to secure funding from Islamic banks for business growth and profitability. Possibilities to generate fee based income shall also be explored for any feasible option.

DIVIDENDS

Utmost efforts of your management to achieve a level of profitability justifying respectable payment to the certificate holders were aborted mainly due to (a) meagre returns on equity portfolio, (b) delay in finalization of legal cases and (3) soaring inflation increasing cost of doing business; all of which were beyond the control of the management. The profitability would have been much better had the stock market performed near to its potential during the year. Incidence of corporate tax on the Modaraba also weighed heavily on the profitability of your Modaraba. Factors aforementioned have adversely effected the profitability of your Modaraba as a result of which no dividend could be declared for the year 2022-23.

Your management is committed to achieve further business growth and resultant profitability in the ensuing period by implementing the planned strategies to ensure pay out to the certificate holders.

GOVERNANCE FRAMEWORK

Trust Modaraba has put in place sound governance framework which ensures corporate diversity, strategic direction, clear objectives, well defined policies and sound control systems. It provides the Board to have a clear oversight of the performance of the entity, its committees and effectiveness of the overall control system.

Trust Modaraba has a formal process of evaluation of the performance of the Board of Directors and its committees. The evaluation is carried out once a year. To undertake the evaluation process, comprehensive performas are circulated to the members for their input. The responses are compiled and results shared in the Board meeting for collective feedback of the members on the areas requiring further improvements.

The Board of Directors meets at least once in every quarter to review the financial performance of the Modaraba, business plans, projections, 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 Board of Directors consists of qualified individuals possessing knowledge, experience, and skill in various professions with the leadership and vision to act in the best interests of the Modaraba and its certificate holders. The Board of Directors has a major role to play in deciding corporate policy and strategic direction.

NAME	CATEGORY OF DIRECTOR
➤ Mr. Mian Sheikh Arshad Farooq (Chairman)	Non Executive
➤ Mr. Basheer A. Chowdry (CEO)	Executive
➤ Ms. Dr. Namoos Baqar	Non Executive
➤ Mr. Etrat Hussain Rizvi	Independent
➤ Mr. S. Shahnawaz Rizvi	Independent
➤ Mr. Sohail Ansar	Independent
➤ Mr. Muhammad Yasin	Independent

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

NAME	MEETINGS ATTENDED
➤ Mr. Mian Sheikh Arshad Farooq (Chairman)	4
➤ Mr. Basheer A. Chowdry (CEO)	4
➤ Ms. Dr. Namoos Baqar	2
➤ Mr. Etrat Hussain Rizvi	4
➤ Mr. S. Shahnawaz Rizvi	2
➤ Mr. Sohail Ansar	1
➤ Mr. Muhammad Yasin	4

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

As per the Board's Remuneration Policy, 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 & 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:

NAME		MEETINGS ATTENDED
➤ Mr. Etrat Hussain Rizvi	(Chairman)	4
➤ Mr. Arshad Farooq	(Member)	4
➤ Mr. Shahnawaz Rizvi	(Member)	2
➤ Mr. Muhammad Yasin	(Member)	3
➤ Mrs. Hamida Aqeel	(Secretary)	4

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 & 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. Muhammad Yasin	Chairman
➤ Mr. Etrat Hussain Rizvi	Member
➤ Mrs. Dr. Namoos Baquar	Member
➤ Mr. Basheer A. Chowdry	Member
➤ Mrs. Hamida Aqeel	Secretary

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

SHARIAH AUDIT REPORT

Trust Modaraba continues to seek guidance from its Shariah Advisor Mr. Mufti Zubair Usmani on operational and compliance matters as and when required to ensure full compliance with the shariah audit mechanism. The Internal Audit functions also verifies shariah compliance of the business transactions undertaken by the Modaraba. The Shariah Audit report issued by the Religious Advisor is placed in the financial statements of the Modaraba.

AUDITORS

On the recommendations of the Audit Committee and approval of the Board, the present auditor M/s Grant Thornton Anjum Rahman, Chartered Accountants has been re-appointed as external auditors of Trust Modaraba for the year 2023-24 subject to the approval of the Registrar Modaraba.

PATTERN OF CERTIFICATE HOLDING

Pattern of certificate holding as at 30th June 2023 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.6,450,835 as at 30th June, 2023.

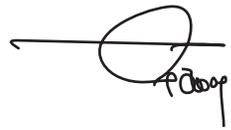
LOSS PER CERTIFICATE

Your Modaraba incurred meagre loss per certificate for the year ended 30th June, 2023 as compared to earnings of Rs.0.38 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



Director



Chief Executive

12th September, 2023.

ڈائریکٹر کی رپورٹ

الضامن مضاربہ منجمنٹ (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز (بورڈ کے ناظمین)، جو فرسٹ مضاربہ کی منجمنٹ کھینے ہے، کی جانب سے 30 جون 2023 اختتام پذیر سال پر مضاربہ کی ڈائریکٹرز کی رپورٹ مع مختص شدہ مالیاتی دستاویزات اپنے سرٹیفیکٹ کنڈ گان کو پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

معاشی جائزہ

کورونائڈز کے بعد سے عالمی معیشت کا شدید ترین عالمی کساد بازاری کو تیسرا سال ہوا ہے، افزائی برقرار ہے اور عالمی خواہشات پر متوقع کافی ترقی کر سکنے کے لیے طاقت نہیں پاتا کہ وہ اہم معاملات مثلاً شدید غربت، موسمی تبدیلی اور انسانی وسائل کی ترقی جیسے مسائل حل کر سکے۔ ابھرتی ہوئی مارکیٹیں اور ترقی پذیر معیشتیں اپنی بقاء کی کوکوششوں میں ہیں، روزگار پیدا کرنے اور معاشرے کے انتہائی کمزور طبقے کو بنیادی سہولیات فراہم کرنے کی صلاحیت سے محروم ہیں۔ بلند افراط زر، سخت ہوتی ہوئی عالمی مارکیٹیں اور قرضوں کی کارڈ سطح کے سبب بہت سارے ملک غریب تر ہو رہے ہیں۔ آج، ترقی پذیر ملکوں میں بلند سودی نرخ نہ صرف ترقی کو روک رہے ہیں وہ سرمایہ کاری کی رفتار کو کم کر رہی ہیں اور مالیاتی بحرانوں کے خطرے کو ہوا سے رہا ہے۔ کمزور نمو کے امکانات کے ساتھ عالمی وبا کے اثرات اور دوسری کورین پروڈیکٹ پر حملہ آور ہونے سے مل کر ممکنہ نمو میں طویل المدت سے ترقی کو روک رہے ہیں وہ سرمایہ کاری کی رفتار کو کم کر رہی ہیں اور مالیاتی بحرانوں کے خطرے کو ہوا سے رہا ہے۔ یہ کہ یہ جاری سال میں مزید گرسے گی اور 2024 میں بھی جاری رہے گی۔ ترقی یافتہ معیشتوں میں بڑھتی ہوئی قرضہ لینے کی لاگت کا نتیجہ ترقی پذیر منڈیوں میں بھی مالیاتی قفل ہو گا۔ یہ مسائل آنے والے مدت میں بڑھے ہوئے خطرے کو ظاہر کرتے ہیں اور اگر دنیا عالمی ترقی کے مقاصد کے حصول کے لیے ضروری معاشی توانائی کی دوبارہ تشکیل کرنا چاہتی ہے تو ان مسائل کا فوری طور پر تدارک ہونا چاہیے۔

پاکستان کے لیے مالی سال 2022-23 مشکلات کا سال رہا ہے۔ 2022 کے سیلاب کے برے اثرات کے ساتھ طویل دورانیہ کی سیاسی غیر یقینی اور فوڈ، توانائی خام مال کی درآمد کے لیے دستیاب محدود غیر ملکی زرمبادلہ نے معاشی سرگرمی کو دبانے کے ساتھ صنعتی پیداوار تقریباً 25 فیصد سکڑ گئی۔ غیر ملکی زرمبادلہ کی قلت اور رکی ہوئی ترسیل زر کے نتیجہ میں گورنمنٹ نے مبادلہ شرح کی لچک (flexibility) کو بڑھانے سے روپے کی قدر میں خاصی کمی ہونے سے افراط زر میں تیزی سے اضافہ ہوا اور ایک وقت میں یہ 38 فیصد کی بلند سطح پر پہنچ گیا۔ فی الوقت ہمارے ملک کی ترقیاتی ضروریات کو فنانس کرنے کی مالیاتی استعداد محدود ہے۔ مضبوط ڈالر کے مقابلے میں پاک روپے سے قرضہ لینے کی لاگت تیزی سے بڑھی جس نے ملک کے بیرونی قرضہ جات کی ڈیٹ سروس بوجھ (debt servicing burden) میں بھی اضافہ کر دیا ہے۔ اتحادی گورنمنٹ مجموعی اجیڈا پر غور کیا تاکہ تسلسل سے کئی معیشت (macroeconomic) میں استحکام ہو، بنیادی طور پر اخراجات کو حقیقت پسندانہ بنانا، بجٹ کا بوجھ کم کرنے کے لیے غیر پیداواری سبسڈیز کو ختم کرنا، اخراجات میں خاصی کمی کرنا، محصولات ملگداری میں اضافہ اور سخت مالیاتی پالیسی تاکہ افراط زر کا تدارک کیا جاسکے جیسے معاملات میں پیش رفت ہو سکے۔ یہ کوششیں کسی حد تک مالیاتی خسارہ کم کرنے اور جاری کھاتے میں بہتری لانے میں معاون ہوا، اس کے باوجود گورنمنٹ کا زیادہ وقت بجائے کئی معیشت میں ردوبدل کرنے کے سیاسی جنگ میں الجھنے میں استعمال ہوا۔ معیشت کے تقریباً تمام بڑے سکٹرز نے کارکردگی میں مست روی دکھائی۔ اسٹاک ایکسچینج جو معیشت کا پیرو میٹر سمجھا جاتا ہے وہ سارا سال عام طور پر منفی گرواب میں رہا۔ گذشتہ سال عدم اعتماد کی دو ٹونگ کے بعد سیاسی غیر یقینی آئی اور اسٹاک مارکیٹ میں دباؤ مستقل رہا۔ سرمایہ کاروں کی دلچسپی ختم ہو گئی اور حجم کے کم ہونے سے مارکیٹ کی قیمتیں بری طرح متاثر ہوئیں۔ کسی مثبت اشاروں کی عدم موجودگی میں PSX 100 انڈیکس نے مالی سال 2022-23 میں 3000 پوائنٹس کی کمی کا اندراج کیا۔

یہ مشکل صورتحال انتہائی سخت قسم کی پالیسی میں تبدیلی کی ضرورت کو ظاہر کرتی ہے۔ یہ ناگزیر ہے کہ افراط زر کو قابو میں رکھنے کے لیے اور کئی معیشت (macroeconomic) با اعتماد پالیسیاں نافذ کریں اور مالی استحکام کو یقینی بنانے کے ساتھ ساتھ آگے بڑھنے کے لیے مضبوط تسلسل سے جاری ترقی بشمول ارتقاء کی بنیاد رکھنے کے سلسلے میں اصلاحات کا بیڑا اٹھایا جائے۔ معاشی منظر نامہ بہت اہمیت کا محتاج ہے کہ بروقت پالیسی اصلاحات کا نفاذ ہو۔ جب تک بنائی گئیں حکمت عملیاں حقیقی معنوں میں نافذ نہیں ہوتیں اس کا نتیجہ وہ معاشی ہلچل کے پس منظر میں بے وقعت ہو جائیں گی۔

کارکردگی کا جائزہ

زیر غور سال کے دوران، یہ بات حوصلہ افزا ہے، کہ انتہائی مشکل معاشی حالات جس کی وجہ ان گنت عوامل ہیں، آپ کے مضاربہ نے ایک بار پھر ابھرنے کی طاقت دکھائی اور کامیابی مثبت کارکردگی قفل از محصول حاصل کیا۔ مالی سال 2022-23 کے تمام اہم اشاروں کی جھلکیوں کا خلاصہ درج ذیل ہے۔

کل آمدنی (روپے)	41,171,301
منافع قبل از منجمنٹ فیس (روپے)	1,149,466
منجمنٹ فیس (روپے)	114,947
منافع قبل از ٹیکس (روپے)	1,013,829
ٹیکس	1,086,934
خالص نقصان بعد از ٹیکس (روپے)	(73,105)

یہ بات امید افزا ہے کہ باوجود انتہائی دباؤ کا شکار مارکیٹ اور معیشت کی صورتحال کے، فرسٹ مضاربہ نے محفوظ اور منافع بخش کاروبار کی تاش جاری رکھی جس میں زیادہ تر اثاثہ جات کی فنانسنگ کی، اس طرح سے اپنے کیش فلو پر کوشش زرخوں پر مکمل طور پر استعمال کیا۔ سال کے دوران، ادائیگیوں کی مابیت 196 ملین روپے رہی جو گھٹتے ہوئے مشار کہ کے تحت زیادہ تر اثاثہ جات فنانسنگ میں ہوئی۔ سال کے دوران KIBOR میں اضافہ کے پس منظر میں فنانسنگ پورٹ فولیو پر ویٹڈ اوسط IRR بھی گذشتہ سال کے مقابلے میں 4 فیصد بڑھ گیا کیونکہ فنانسنگ کے سودوں کی تشکیل فلوٹنگ نرخ کی بنیاد پر ہوتی ہے۔ بنیادی کاروبار کے آپریشنز (اجارہ، گھنٹا ہوا مشار کہ، مراہب اور مشار کہ) سے آمدنی گذشتہ سال کی 32.7 ملین روپے سے بڑھ کر 38.5 ملین روپے ہو گئی جو گذشتہ سال میں 18 فیصد اضافہ دکھائی ہے۔ زیر غور سال کے دوران آپ کے مضاربہ کی مجموعی آمدنی 41.2 ملین روپے رہی جبکہ اس کے مقابلے میں گذشتہ سال اس کی مابیت 75.8 ملین روپے تھی جس میں طویل مدت سے مقدمہ بازی میں پھنسے ہوئے کیس کے تھپنے سے وصول ہونے والی 37.3 ملین روپے کی رقم بھی شامل ہے۔

سال کے اختتام پر خالص فنانسنگ پورٹ فولیو 310 ملین روپے رہا (مالی سال 2021-22 میں 305.6 ملین روپے)۔ انتظامیہ کی جانب سے لاگت اور آپریشن کی کارکردگی کی بہتری کے لیے اٹھائے جانے والے اقدامات کے نتیجے میں آپریٹنگ لاگتوں نے، باوجود تیزی سے بڑھتے ہوئے افراط زر اور مجموعی طور پر کافی بڑھی ہوئی لاگتوں کے، گذشتہ سال کے مقابلے میں 14.6 فیصد کی کمی کا اندراج کیا۔ ایک پہلو جو منجمنٹ کے اختیار سے باہر تھا وہ اسٹاک مارکیٹ پورٹ فولیو جو عام طور پر کسی مثبت

مارکیٹ اشاروں (indicators) کی عدم موجودگی کے سبب متاثر ہوا۔ اسٹاک مارکیٹ انڈیکس میں دباؤ نے بھی شیئرز پورٹ فولیو کی قدر کو بھی خراب کیا جس کے نتیجے میں سال کے لیے کھاتوں میں 0.973 ملین روپے کا ان ریالیزڈ (unrealized) نقصان کا اندرج کرنا پڑا۔ انٹرنیشنل فنانشل ریورٹنگ اسٹینڈرڈ-9 کی تعمیل کرتے ہوئے اور آپ کے مضاربہ کی پروڈیٹ پورٹ فولیو رسک پالیسی کے تحت اپنے کلاسیفائڈ کھاتوں میں پروویژن کوریج (coverage provision) کو مزید 1.7 ملین روپے کا اضافہ کر دیا ہے۔ سال 2022-23 کے لیے تمام پروویژن (provisions) اور اخراجات کے بعد، آپ کے مضاربہ نے 1.03 ملین روپے کا آپریٹنگ منافع قبل از محصول حاصل کیا ہے۔ جیسا کہ آپ کے علم میں ہے کہ پہلے مضاربہ کو دیا گیا ٹیکس سے استثنیٰ واپس لے لیا گیا ہے جس سے مضاربہ سیکلر پر بھی لاگو شرح سے ٹیکس لگے گا۔ اس لیے، 39 جون 2023 پر اختتام پذیر سال پر ٹیکس کی مالی واجبات کی مد میں 1.08 ملین روپے کے ٹیکس کھاتوں میں اندراج کیا گیا جس کا نتیجہ 73,000 روپے کا معمولی نقصان کی صورت میں نکلا۔ آپ کے مضاربہ کی اثاثہ جات کی بنیاد 389 رہی اس کے ساتھ ملکی سرمایہ کی ماہیت 327 ملین روپے رہی۔

سال کے دوران قرضہ جات کی فراہمی 196 ملین روپے رہی جو کریڈٹ ور تھی کلائینٹس (credit worthy clients) کو اثاثہ جات کی مد میں دی گئیں۔ انتظامیہ کی منصوبہ بندی کے ساتھ حکمت عملی، کلائنٹ پروفائل میں تبدیلی نافذ کی گئی ہے جس میں زیادہ اہمیت اور ادراتی شعبے اور بلند خالص مالی قدر اور اطمینان بخش واپس ادائیگی کا کارڈ رکھنے والے افراد کو دی گئی ہے۔ انتظامیہ کی اس حکمت عملی کے نتیجے میں، سال کے دوران، اس کے بعد 55 فیصد بلند خالص قدر رکھنے والے افراد کو اور 37 فیصد اداراتی سیکلر 8 فیصد منتخب SMEs کو قرضہ جات کی فراہمی کی گئی۔ کریڈٹ کے معیار میں بہتری کے نتیجے میں انفیکشن (infection) کا تناسب نمایاں کمی آئی ہے جس سے پورٹ فولیو میں کسی اور غیر فعال قرضے (NPLs) کا اضافہ نہیں ہوا۔ موجودہ غیر یقینی کاروباری ماحول میں، سودے اور پورٹ فولیو کی سطح پر کریڈٹ رسک کے تخمینے میں مناسب احتیاط رکھی گئی۔ کلائینٹس کے ایکسپوزر کی نہایت احتیاط سے نگرانی کی گئی ہے اور کلائینٹس سے تعلقات میں مزید اضافہ کیا گیا، تاکہ اگر کوئی پیشگی خطرے کی اطلاع ہے تو اس کا بروقت تخمینہ لگایا جاسکے۔ کریڈٹ کے معیار میں بہتری کے ساتھ فنڈز کا بہتر زرخوں پر موثر استعمال سے، آنے والی مدت میں، بہتر منافع بخشگی کی یقین دہانی کروائی جاتی ہے۔

کریڈٹ درجہ بندی

انتظامیہ اس بات کی اطلاع دیتے ہوئے خوشی محسوس کرتی ہے کہ وہی آئی ایس-کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فرسٹ مضاربہ کی طویل المدت بیٹھیٹی (entity) ریٹنگ A-2 / BBB+ کی توثیق کی ہے۔ مضاربہ کی BBB+ بیٹھیٹی (entity) ریٹنگ مناسب کریڈٹ کے معیار اور مناسب تحفظ کے عناصر کو ظاہر کرتی ہے۔ قلیل المدت ریٹنگ A2 بہتر بروقت ادائیگیوں، مستحکم سیالیت اور کم سے کم خطرے کے عوامل کو ظاہر کرتی ہے۔ ریٹنگ کمپنی نے مقدمہ بازی کے شکار پورٹ فولیو سے وصولیوں کے سلسلے میں انتظامیہ کی مجموعی کوششوں کو بھی مد نظر رکھا تھا۔ انتظامیہ کی کاروباری حکمت عملی میں تبدیلی کو بھی خاص اہمیت دی گئی جس کے تحت انتظامیہ نے اداراتی کلائینٹس اور بلند خالص نیٹ ورثہ (net worth) افراد پر زیادہ توجہ دینا شروع کی ہے جس میں نادر ہنگامی کا نسبتاً کم خطرہ ہے۔

مضاربہ کی بیٹھیٹی (entity) ریٹنگ A-2 / BBB+ نے اسلامی بینکوں سے مالی ذریعہ متحرک کرنے کے نئے مواقع کھول دیے ہیں جس کو کاروبار کی نمو اور منافع بخشگی میں اضافے کے کام میں لایا جائے گا۔

امید مستقبل

ملک کے معاشی افرق پر آنے والے وقت غیر یقینی زیادہ نظر آتی ہے۔ سیاسی عدم استحکام کے برے اثرات اور اتحادی حکومت کا نظم ضبط، IMF کے عالمی معیشت کی رفتار کم ہونے کے تخمینے کے پس منظر میں، اب ان کی زیادہ معاشی کمزوریوں کے نمایاں طور پر ظاہر ہو گئیں۔ ملک کو مزید شدید بحرانوں سے بچنے کے لیے اور معاشی اور مالیاتی استحکام کو یقینی بنانے کے لیے ایک اعتماد سیاسی ڈھانچہ جس میں صلاحیت اور آمادہ ہو، بنانے کی وقت کی شدید ضرورت ہے۔ ایک کاروباری نقطہ نظر سے آپ کی انتظامیہ کو کم از کم قریبی مدت میں ایک اچھا پرخطر کاروبار حاصل کرنے میں مشکلات نظر آتی ہیں۔ اسکے باوجود، انتظامیہ پوری طرح سے آگاہ اور پر عزم ہے کہ ان مشکلات پر قابو پالے گی اور اپنی پیشہ ورانہ مہارت، جتناب پالیسی اور مضبوط کلائینٹس سے تعلقات کا فائدہ اٹھا کر تسلسل سے جاری رہنے والی نمو حاصل کرے گی۔ دوسری چیزوں کے درمیان، بنیادی توجہ قانونی مقدمہ بازی کے شکار پورٹ فولیو سے وصولیاتی پر رہے گی جن میں سے زیادہ تر حتمی مراحل میں داخل ہو چکے ہیں۔ کاروبار کی نمو اور منافع بخشگی کے لیے اسلامی بینکوں سے فنڈنگ حاصل کرنے کا بھی منصوبہ ہے۔ امکان ہے کہ قابل عمل آپشن کے فیصیح بنیاد پر آمدنی پیدا کی جائے۔

مقسمہ منافع

آپ کی انتظامیہ کی انتہائی شدید کوشش ہے منافع بخشگی کی سطح کو حاصل کیا جائے تاکہ سرٹیفیکیشن کنندگان کو باعزت ادائیگیوں سے محروم رکھنے کی وجوہات (a) ملکی سرمایہ کے پورٹ فولیو سے معمولی آمدنی (b) مقدمے کے شکار کیس فیصلوں میں تاخیر (c) انتہائی بلند ہوا ہوا افراد اور کاروبار کرنے کی بروقت ہونی لائیں: یہ تمام چیزیں انتظامیہ کے اختیار سے باہر تھیں۔ سال کے دوران، منافع بخشگی بہت ہو سکتی تھی اگر اسٹاک مارکیٹ اپنی ممکنہ صلاحیت کے مطابق کارکردگی دکھائی ہوتی۔ مضاربہ پر اداراتی ٹیکس کے معاملے نے بھی آپ کے مضاربہ کی منافع بخشگی پر کافی وزن ڈالا۔ مذکورہ بالا عوامل نے آپ کے مضاربہ کی منافع بخشگی کو بری طرح متاثر کر چکا ہے اس کے نتیجے میں سال 2022-23 کے لیے مقسمہ منافع کا اعلان نہیں کیا جاتا۔ آپ کے مضاربہ پر عزم ہے کہ آنے والے وقت میں حکمت عملی کے نفاذ سے وہ مزید کاروباری نمو حاصل کرے اور اس کے نتیجے میں منافع بخشگی بھی حاصل کرے تاکہ سرٹیفیکیشن کنندگان کو ادائیگیوں کو یقینی بنایا جاسکے۔

نظم و ضبط کا ڈھانچہ

ٹرسٹ، مضاربہ، نظم و ضبط کا مستحکم ڈھانچہ قائم کر چکا ہے جو اداراتی تنوع، تزویرانی سمت کا تعین، واضح مقاصد، وضاحتی پالیسیاں اور نگرانی کے مؤثر نظام کو یقینی بنانے کا ہے۔ یہ، بورڈ کو ادارے، اس کی کمیٹیوں کی کارکردگی کی واضح نگرانی کا موقع اور مجموعی نگرانی کا مؤثر نظام فراہم کرتا ہے۔

ٹرسٹ مضاربہ کے پاس بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کا جانچنے کا باضابطہ طریقہ کار ہے۔ کارکردگی کی جانچ پڑتال سال میں ایک مرتبہ کی جاتی ہے۔ کارکردگی کا جائزہ لینے کے طریقہ کار میں، ارکان کو ان کی رائے حاصل کرنے کے لیے ایک جامع پرو فارما (pro forma) بھیجا جاتا ہے۔ پھر ان آراء کو مرتب کیا جاتا ہے اور نتائج بورڈ میٹنگ میں پیش کئے جاتے ہیں تاکہ جن ایریز میں مزید بہتری کی ضرورت ہو اس پر ارکان کیا اجتمائی رائے حاصل کی جاسکے۔

بورڈ کے نائبین، مضاربہ کی مالیاتی کارکردگی، کاروبار کے منصوبے، حکمت عملیاں، متعلقہ فریق کے سودوں، انضباطی ضروریات کی تعمیل اور سیکلر میں دیگر اہم تبدیلیاں جو مضاربہ 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۔

بورڈ کی ساخت اور اجلاس

بورڈ آف ڈائریکٹرز کے ارکان تعلیم یافتہ اشخاص ہیں جن کے پاس مختلف اقسام کی پیشہ ورانہ معلومات، تجربہ اور قائدانہ صلاحیتیں اور بصیرت موجود ہیں جن کے استعمال سے وہ مضاربہ اور سرٹیفیکیٹس کنٹریگنٹ کے لئے فائدہ مند ہو سکتا ہے۔ بورڈ آف ڈائریکٹرز کا ادارتی پالیسی اور ترویجی سمت کے تعین میں اہم کردار ہے۔

نام	کیٹگری
جناب میاں شیخ ارشد فاروق (چئیرمین)	نان ایگزیکٹو ڈائریکٹر
جناب بشیر اے۔ چودھری (CEO)	ایگزیکٹو ڈائریکٹر
محترمہ ڈاکٹر ناموس باقر	نان ایگزیکٹو ڈائریکٹر
جناب عترت حسین رضوی	آزاد
جناب ایس۔ شاہنواز رضوی	آزاد
جناب سہیل انصار	نان ایگزیکٹو ڈائریکٹر
جناب محمد یاسین	آزاد

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	4
جناب بشیر اے۔ چودھری	4
جناب عترت حسین رضوی	4
جناب ایس۔ شاہنواز رضوی	3
جناب سہیل انصار	3
جناب محمد یاسین	2
جناب ڈاکٹر ناموس باقر	2

مذکورہ بالا تمام ناظمین ڈائریکٹری ٹریگ سرٹیفیکیشن کے حوالے سے ادارتی نظم و ضبط کے ضابطہ کی ضروریات کی باضابطہ طور پر تعمیل کرتے ہیں۔ بورڈ کی مشارکہ پالیسی کے مطابق چئیرمین، نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز صرف اجلاس میں شرکت کی فیس کے حقدار ہیں جس کی ادائیگی میجنٹ کمیٹی کرتی ہے۔

آڈٹ کمیٹی اور اندرونی نگرانی کا نظام

آپ کے مضاربہ کی انتظامیہ نے ادارتی نظم و ضبط کے ضوابط پر یقین رکھتی ہے جو ایک مضبوط نگرانی کے نظام کے ذریعے نافذ کیا گیا ہے۔ بورڈ آف ڈائریکٹرز ایک مضبوط اندرونی نگرانی کا نظام تشکیل دے دیا ہے اور اس کو مضاربہ کی ہر سطح پر نافذ کیا جا چکا ہے۔ بورڈ ادارتی نظم و ضبط کے ضوابط تعمیل کرتے ہوئے آڈٹ کمیٹی تشکیل کر چکا ہے جو چار (4) افراد پر مشتمل ہے اور وہ تمام بشمول چئیرمین کمیٹی جو آزاد ڈائریکٹرز ہیں۔ بورڈ نے ادارتی نظم و نسق کے ضابطہ کی تعمیل کے تحت آڈٹ کمیٹی تشکیل دی ہے جو چار ارکان پر مشتمل ہے بشمول کمیٹی کے چیرمین کے جو ایک آزاد ڈائریکٹر 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 عترت حسین رضوی (چئیرمین)	4
جناب ارشد فاروق (رکن)	4
جناب محمد یاسین (رکن)	3
جناب سید شاہنواز رضوی (رکن)	2
بیگم حمیدہ عقیل (ممتد)	4

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

اندرونی آڈٹ کے فکشن ایک آزاد چارٹرڈ اکاؤنٹنگ فرم کے سپرد کردی ہیں۔ انٹرنل آڈٹ سہ ماہی کی بنیاد پر، اندرونی آڈٹ کی رپورٹس اور تعمیل کی میٹریکس آڈٹ کمیٹی کو پیش کرتی ہے۔

انسانی وسائل اور مشاہرہ کمیٹی

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

جناب محمد یاسین	چیرمین
جناب عزت حسین رضوی	رکن
بیگم ڈاکٹر نفوس باقر	رکن
جناب بشراے چوہری	رکن
جناب حمیدہ عقیل	ممتد

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

شریہ آڈٹ رپورٹ

ٹرسٹ مضاربہ اپنے شریہ مشیر جناب مفتی زبیر عثمانی صاحب سے مضاربہ کے آپریشن اور تعمیل کے معاملات کے سلسلے میں، جب اور جیسے ضرورت ہو، رہنمائی لینے رہتے ہیں تاکہ شریہ آڈٹ کے میکینزم کی تعمیل کو پوری طرح تعمیل کی جاسکے۔ اندرونی آڈٹ فنکشن بھی مضاربہ کے کئے جانے والے کاروباری سودوں کی شریہ کی تعمیل کی توثیق کرتا ہے۔ مذہبی مشیر کے جانب سے جاری کردہ شریہ آڈٹ رپورٹ مضاربہ کی مالیاتی دستاویزات میں پیش کی جاتی ہے۔

مختبب (Auditors)

آڈٹ کمیٹی کے مشورے کے تحت، میسرز - گرانٹ تھورن انجم رحمان، چارٹرڈ اکاؤنٹینٹس موجودہ بیرونی مختبب کے 2023-24 کے لیے بطور بیرونی مختبب کے انتخاب کی دوبارہ منظوری دی ہے جو رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

سرٹیفکیٹ رکھنے کا رجحان

30 جون 2023 پر سرٹیفکیٹ رکھنے کا رجحان منسلک ہے۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور ان کے شرکاء حیات اور ان کے مبالغہ جوں نے سرٹیفکیٹس کا کوئی خرید و فروخت نہیں کی ہے۔

فنڈز کی سرمایہ کاری کی مالیت

مضاربہ اپنے مستقل ملازمین کے لیے شرآئی پراویڈینٹ فنڈ چلاتا ہے۔ مضاربہ اور ملازمین دونوں اس فنڈ میں ماہانہ مساوی حصہ، جو بنیادی تنخواہ کا 10% فیصد کی شرح ہوتا ہے اس فنڈ میں جمع کرتے ہیں۔ تازہ ترین فنڈ کے کھاتے کی بنیاد پر، 30 جون 2023 پر اس فنڈ کے سرمایہ کاری کی حساب کردہ مالیت / 6,450,835 روپے ہے۔

نقصان فی سرٹیفکیٹ

30 جون 2023 کو ختم ہونے والے سال پر آپ کے مضاربہ نے گذشتہ سال کے آمدنی فی سرٹیفکیٹ 0.38 روپے کے مقابلے میں فی سرٹیفکیٹ معمولی نقصان کیا ہے۔

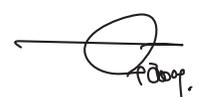
ستائش

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

بورڈ آف ڈائریکٹرز کی جانب سے



چیف ایگزیکٹو



ڈائریکٹر

12 ستمبر 2023

Key Operating & Financial Data for the last Six Years

(Rupees in Thousands)

	2023	2022	2021	2020	2019	2018
Balance Sheet						
Total assets	388,757	415,588	378,810	357,503	371,269	377,335
Ijara Financing	190,294	190,179	184,059	196,778	211,387	196,191
Morabaha financing	92,182	130,179	132,768	118,167	140,145	141,296
Musharaka financing	93,790	28,168	27,685	32,562	31,698	26,119
Assets own use	16,346	15,794	13,126	11,971	12,263	22,913
Current Assets	173,100	222,175	223,814	220,395	213,457	237,430
Current Liabilities	26,913	44,745	33,092	26,024	40,102	49,822
Total Liabilities	68,752	94,538	63,199	50,638	67,398	71,332
Paid-up Capital	298,000	298,000	298,000	298,000	298,000	298,000
Reserves	28,506	28,580	17,614	8,865	5,870	8,002
Net Equity	320,005	321,051	315,612	306,865	303,870	306,002
Income Statement						
Income	38,433	58,316	45,463	33,713	31,030	29,844
Operating expenses	(37,284)	43,476	36,446	30,504	29,699	27,584
Profit/(Loss) before management fee	1,149	14,840	9,017	3,209	1,331	2,260
Profit/(Loss) after taxation	(73)	11,365	6,606	1,732	1,037	1,922
Earning/(Loss) per certificate	-	0.38	0.22	0.06	0.03	0.06

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, 2023.

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

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

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

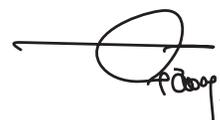
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting 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 Etrat Hussain Rizvi	- Chairman
Mr. Sheikh Arshad Farooq	- Member
Mr. Syed Shahnawaz A. Rizvi	- Member
Mr. Muhammad Yasin	- Member
 - b) **HR and Remuneration Committee**

Mr. Muhammad Yasin	- Chairman
Mr. Syed Etrat Husain Rizvi	- Member
Dr. Mrs. Namoos Baquar	- Member
Mr. Basheer Ahmed Chowdry	- Member
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

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 12th, 2023.

REPORT OF SHARIAH ADVISOR

I have conducted Shariah Review of Trust Modaraba managed by Al-Zamin Modaraba Management (Private) Limited for the year ended June 30, 2023, in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas. In my opinion:

1. 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. 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.

III. 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.

IV. 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 the Modarabas.

Muhammad Zubair Usmani

Jamia Darul Uloom Karachi



Signature

Stamp of Shariah Advisor

MUHAMMAD ZUBAIR USMANI

Karachi

10th August, 2023

Independent Auditor's Review Report to the Certificate Holders 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 of **Trust Modaraba** for the year ended **June 30, 2023** 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 Modaraba. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba'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 Modaraba's personnel and review of various documents prepared by the Modaraba 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 Modaraba's corporate governance procedures and risks.

The Regulations require the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended **June 30, 2023**.



Grant Thornton Anjum Rahman
Chartered Accountants

Karachi

UDIN: AR202310126rxJAq6gCD

September 12th, 2023.

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS OF TRUST MODARABA

We have audited the annexed balance sheet of Trust Modaraba (the Modaraba) as at **June 30, 2023** 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 purpose of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Trust 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 account and are further in agreement with 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 confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and the Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2023 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) No zakat was deducted at source under the Zakat and Ushr Ordinance, 1980.

Emphasis of Matter

We draw attention to note 18.3.1 to the financial statements for the year ended June 30, 2023, which inter alia states the details of land which is owned but not in the possession of the Modaraba. Our opinion is not modified in respect of this matter.

We further draw attention to note 21.2 to the financial statements for the year ended June 30, 2023, which states the details of unclaimed dividend for which management has maintained separate saving account of Rs 4.82 million against unclaimed profit distribution of Rs. 12.83 million. This shortage of funds of Rs 8.3 million relates to unclaimed profit distribution when modaraba was managed by Trust management services (previous management company) from incorporation till 2009 when change of management took place. Our opinion is not modified in respect of this matter.



Karachi
UDIN: AR202310126rxJAq6gCD
September 12th, 2023.

Grant Thornton Anjum Rahman
Chartered Accountants
**Engagement Partner: Muhammad Shaukat
Naseeb**

BALANCE SHEET AS AT JUNE 30, 2023

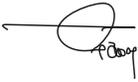
		2023	2022
ASSETS			
Current assets			
Cash and bank balances	5	7,403,438	7,690,515
Investments	6	23,673,280	32,908,149
Advances, deposits, prepayments and other receivables	7	9,252,174	28,291,113
Murabaha finances - secured	8	33,138,031	30,990,535
Ijarah rental receivables - secured	9	2,797,830	4,048,929
Current portion of long term murabaha finances	10	54,965,658	79,992,821
Musharakah finances (secured - considered good)	11	16,399,135	23,689,845
Current portion of diminishing musharakah finances	12	15,004,620	1,704,637
Income tax refundable	13	1,840,370	3,072,891
		164,474,536	212,389,435
Assets classified as held for sale	14	8,625,000	8,625,000
Total current assets		173,099,536	221,014,435
Non-current assets			
Murabaha finances	10	4,078,227	19,195,330
Diminishing musharakah financing	12	62,386,644	2,773,749
Deposits	15	602,962	1,106,562
Investments	16	6,271,900	7,281,478
Fixed assets given on lease / ijarah - tangible	17	123,427,562	147,262,006
Fixed assets in own use	18	16,346,263	15,793,957
Intangible asset	19	155,552	-
Deferred taxation - net	20	2,388,431	1,160,917
Total non-current assets		215,657,541	194,573,999
Total assets		388,757,077	415,588,434
EQUITY AND LIABILITIES			
LIABILITIES			
Current liabilities			
Unclaimed profit distributions	21	12,831,607	12,834,792
Creditors, accrued and other liabilities	22	1,661,255	11,361,125
Current portion of deferred income on murabaha	23	2,400,180	6,698,560
Current portion of customers' security deposits	24	8,936,875	8,810,600
Current portion of lease liabilities against right of use assets	25	1,083,251	430,555
Due to director	26	-	5,000,000
Total current liabilities		26,913,168	45,135,632
Non-current liabilities			
Deferred income on murabaha	23	1,012,756	2,366,206
Customers' security deposits	24	39,380,638	45,071,713
Lease liabilities against right of use assets	25	1,445,518	1,964,011
Total non-current liabilities		41,838,912	49,401,930
Total liabilities		68,752,080	94,537,562
NET ASSETS		320,004,997	321,050,872
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital	27.2	298,000,000	298,000,000
Reserves	28	28,506,449	28,579,554
Total equity		326,506,449	326,579,554
Unrealized loss on revaluation of investments	29	(6,501,452)	(5,528,682)
		320,004,997	321,050,872
Contingencies and commitments	30		

The annexed notes from 1 to 49 form an integral part of these financial statements.

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


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2023

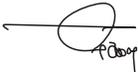
		2023	2022
	Note	-----Rupees-----	
Income from ijarah - net	31	16,720,773	15,656,639
Profit on murabaha finances	32	7,520,495	10,764,230
Profit on musharakah finances	33	14,287,195	6,293,903
Dividend income on equity investments		2,182,830	1,705,750
(Loss) on sale of short term investments		(2,250,375)	(1,274,637)
Other income	34	2,710,383	42,632,887
		<u>41,171,301</u>	<u>75,778,772</u>
Provision for doubtful receivables	35.1	(1,686,278)	(5,041,533)
Unrealized (loss) on revaluation of financial assets at fair value through profit or loss	6.3	(1,052,042)	(12,474,396)
Fair value gain on asset held for sale	14	-	53,550
		<u>38,432,981</u>	<u>58,316,393</u>
Operating expenses	36	(37,283,515)	(43,476,190)
		<u>1,149,466</u>	<u>14,840,203</u>
Modaraba Management Company's fee	37	(114,947)	(1,484,020)
Workers' Welfare Fund		(20,690)	(267,124)
Profit before taxation		<u>1,013,829</u>	<u>13,089,059</u>
Taxation	38	(1,086,934)	(1,723,826)
(Loss) / profit for the year		<u>(73,105)</u>	<u>11,365,233</u>
Earnings per certificate - basic and diluted	39	<u>-</u>	<u>0.38</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

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


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
	Note	-----Rupees-----
Profit / (loss) for the year	(73,105)	11,365,233
Other comprehensive (loss) / income:		
- Net change in fair value of investments classified as fair value through other comprehensive income - net of tax	(972,770)	(2,800,256)
Other comprehensive (loss) for the year	(972,770)	(2,800,256)
Total comprehensive (loss)	<u>(1,045,875)</u>	<u>8,564,977</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

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


 CHIEF EXECUTIVE


 DIRECTOR


 DIRECTOR


 CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR AND JUNE 30, 2023

Particulars	Certificate capital	Capital reserves		Revenue reserves		Total reserves	Total equity
		Statutory reserve (Note 28.1)	Accumulated losses	Revenue reserves	Accumulated losses		
Balance as at June 30, 2021	298,000,000	81,512,797	(63,629,835)	17,882,962	315,882,962		
Effect of change in accounting policy							
Impact of IFRS 9 (note)	-	-	(3,125,841)	(3,125,841)	(3,125,841)		(3,125,841)
Profit for the year	-	-	11,365,233	11,365,233	11,365,233		11,365,233
Other comprehensive income for the year	-	-	-	-	-		-
Total comprehensive income for the year	-	-	11,365,233	11,365,233	11,365,233		11,365,233
Revaluation surplus transferred to equity	-	-	2,457,200	2,457,200	2,457,200		2,457,200
Transfer to statutory reserve at 20%	-	-	(2,273,047)	(2,273,047)	-		-
Balance as at June 30, 2022	298,000,000	83,785,844	(55,206,290)	28,579,554	326,579,554		
Loss for the year	-	-	(73,105)	(73,105)	(73,105)		(73,105)
Other comprehensive loss for the year	-	-	-	-	-		-
Total comprehensive loss for the year	-	-	(73,105)	(73,105)	(73,105)		(73,105)
Transfer to statutory reserve at 20%	-	-	-	-	-		-
Balance as at June 30, 2023	298,000,000	83,785,844	(55,279,395)	28,506,449	326,506,449		

The annexed notes from 1 to 49 form an integral part of these financial statements.

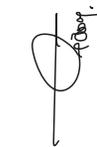
For Al-Zamin Modaraba Management (Private) Limited
(Modaraba Management Company)



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2023

		2023	2022
	Note	-----Rupees-----	
Cash generated from operations			
Cash generated from operations	41	62,621,597	90,337,868
<i>Decrease / (Increase) in non-current assets:</i>			
- Long term murabaha finances		38,997,984	(14,827,750)
- Long term musharakah finances		(71,523,776)	(3,685,469)
<i>(Decrease) / Increase in non-current liabilities:</i>			
- Deferred income on murabaha		(5,651,830)	2,175,052
- Customers security deposits		6,614,900	26,416,532
Purchase of ijarah assets	17.1	(31,773,000)	(106,776,227)
Long term deposits		503,600	(171,200)
Proceeds from disposal of ijarah assets		3,777,838	16,046,219
Income tax paid / deducted		(3,815,024)	(1,590,417)
Net cash generated from operating activities		(247,711)	7,924,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of owned assets	18.1	(2,037,972)	(1,103,050)
Purchase of intangible assets		(200,000)	-
Proceeds from disposal of owned assets		616,500	313,313
Proceeds from disposal of assets classified as held for sale		-	9,810,000
Disposal / (purchase) of investments - net		5,957,661	(20,599,653)
Dividends received		2,182,830	1,705,750
Net cash generated from / (used in) investing activities		6,519,019	(9,873,640)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made against lease liability	25	(1,555,200)	(700,224)
Loan (repaid) / obtained from a director	26	(5,000,000)	5,000,000
Profit distributed to certificate holders	21	(3,185)	(54,928)
Net cash (used in) / generated from financing activities		(6,558,385)	4,244,848
Net (decrease) / increase in cash and cash equivalents		(287,077)	2,295,816
Cash and cash equivalents at the beginning of the year		7,690,515	5,394,699
Cash and cash equivalents at the end of the year	5	7,403,438	7,690,515

The annexed notes from 1 to 49 form an integral part of these financial statements.

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


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Modaraba is perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabaha, Musharakah and Ijarah arrangement, investment in marketable securities, trading and other permissible businesses. The affairs, activities and transactions, performed by the modaraba during the year comply with the rules and principles of Islamic Sharia in the light of guidance and directives given by sharia advisor and are in accordance with the guideline issued by advisor of the registrar modaraba, SECP.

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 and requirement of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021 for Modaraba (hereinafter referred to as the relevant laws). Until previous years, Modaraba was also following the requirement of Prudential Regulations for Modaraba, which are now replaced by Modaraba Regulations, 2021. There are no material adjustments requiring upon adoption of Modaraba Regulation, 2021 in place of Prudential Regulations for modarabas.

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, assets held for sale, lease liabilities and right-of-use assets. Investments and investment property are measured at fair value. Assets held for sale are measured at lower of fair value less cost to sell or carrying 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 4.3, 4.20, 4.19 and 4.11.1 respectively. These financial statements have been prepared following accrual basis accounting except for cash flow information.

2.4 Initial application of standards, amendments or interpretations to existing standards

The following amendments and interpretations to published accounting and reporting standards that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.4.1 Amendments and interpretations to accounting and reporting standards that became effective in the current year

There were certain amendments and interpretations to published accounting and reporting standards that are applicable for the financial year beginning on July 1, 2022 but does not have any significant impact on the Company's financial reporting and therefore, have not been disclosed in these financial statements.

2.4.2 Standards and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company

There is a standard and certain amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company for the financial year beginning on July 1, 2022. The standard and amendments are not expected to have any material impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.2 Provision against non performing 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. Income recognition on musharakah and Murabaha is suspended when it is past due by ninety days or more and classified as suspense income.

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 **Provisions and Contingencies**

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

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 otherwise specified.

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 **Advances, deposits and prepayments and other receivables**

Advances, deposits and prepayments are initially recognized at cost being the fair value of the consideration paid together with the associated transaction cost. Trade and other receivables are initially measured at original invoice amount.

4.3 **Financial instruments**

Financial instruments include loans to / receivable from employees, long term deposits, trade receivables, advances, deposits and other receivables, cash and bank balances, murabaha finances, ijarah rental receivables, investments, creditors, accrued and other liabilities.

4.3.1 **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.

4.3.1.1 **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.

Upon initial recognition, the Modaraba can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis."

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.

4.3.1.2 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.

4.3.1.3 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 and loss account 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 and loss account.

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 account. Dividends on equity instruments are credited to the statement of profit and loss account when the Modaraba's right to receive payments is established.

Financial assets 'at fair value through profit and 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 4.18.

4.3.1.4 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 and loss account.

4.3.1.5 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 and loss account.

4.3.2 Financial liabilities

4.3.2.1 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.

4.3.2.2 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.

4.3.2.3 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.

4.3.3 Offsetting of financial assets and liabilities

A financial assets and a financial liabilities are 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.

4.4 Murabaha and Musharakah arrangements

4.4.1 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, its 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.

4.4.2 Musharakah arrangements

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

4.5 Fixed Assets

4.5.1 Fixed assets in own use and related depreciation

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.

4.5.2 **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.

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

Assets given to customers under ijarah arrangements are assets available / held for ijarah which are accounted for as operating lease assets 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.

4.5.4 **Intangible Assets**

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged using the straight line method over the asset's estimated useful life at the rate stated in note 19 of the financial statements, after taking into account the residual value, if any. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation on additions is charged from the date the assets are available for use up to the date the assets are disposed off in accordance with rate specified in respective note of the financial statements. Gain and losses on disposal of such assets, if any, are included in the profit and loss.

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.

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 Sharia 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 18.2.

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 4.5.3) 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 as per Income Tax Ordinance, 2001.

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.

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.

4.18 **Assets classified as held for sale**

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization. However, annual impairment testing is carried out by the management.

4.19 **Valuation of investment properties**

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.

5 **CASH AND BANK BALANCES**

		2023	2022
	Note	-----Rupees-----	
- Current accounts	5.1	26,099	13,939
- Saving accounts	5.2	2,510,968	3,116,919
		<u>2,537,067</u>	<u>3,130,858</u>
Balances with dividend account	21.1	4,823,407	4,531,160
Balances with banks - total		<u>7,360,474</u>	<u>7,662,018</u>
Cash in hand		42,964	28,497
		<u><u>7,403,438</u></u>	<u><u>7,690,515</u></u>

- 5.1 This include bank account maintained by Modaraba with State Bank of Pakistan as per the requirement of BSD circular No. 04. for recovering CIB service charges having balance of Rs 24,959 (2022: Rs. 12,317).
- 5.2 These carry profit at rates ranging from 6.50 % to 10.00% (2022: 2.84% to 6.5%) per annum.

6 **INVESTMENTS**

Financial assets at fair value through profit or loss:

NIT Islamic Unit Fund	6.1	439,685	431,563
Shares of listed companies	6.2	23,233,595	32,476,586
		<u>23,673,280</u>	<u>32,908,149</u>

- 6.1 These represent 62,216 (2022: 55,901) number of units held as at the reporting date. Average cost of these units as at the reporting date amounts to Rs. 675,323 (2022: Rs. 631,503).

6.2 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, 2023		June 30, 2022	
2023	2022		Average Cost	Market Value	Average Cost	Market Value
-----Rupees-----						
-	12,500	Attock Refinery Limited	-	-	2,508,071	2,197,250
106,250	90,000	Fauji Cement Company Limited	2,379,274	1,249,500	2,326,055	1,275,300
32,000	22,500	D.G. Khan Cement Company Limited	3,017,682	1,641,600	2,525,849	1,390,275
165,000	90,000	Cnergyico Pk Limited	1,802,198	468,600	1,521,156	480,600
120,000	120,000	Hascol Petroleum Limited	1,622,511	666,000	1,622,511	504,000
30,000	35,000	Pakistan Petroleum Limited	2,434,434	1,774,200	3,324,124	2,362,850
35,500	32,500	Shell Pakistan Limited	6,443,029	4,105,575	6,372,095	3,839,225
50,000	32,000	Sui Southern Gas Company Limited	523,091	429,500	409,163	285,120
5,154	5,154	Dawood Hercules Corporation Limited	686,386	515,400	686,386	477,054
13,000	19,000	Descon Oxychem Limited	372,537	314,860	625,949	298,300
30,000	30,000	Nishat Mills Limited	3,151,994	1,703,100	3,151,994	2,205,300
18,000	14,000	National Refinery Limited	6,479,953	2,700,000	5,582,675	3,535,980
22,500	24,000	Netsol Technologies Limited	2,904,877	1,683,675	3,283,764	2,393,760
14,000	25,000	Oil & Gas Development Company Limited	1,205,765	1,092,000	2,484,976	1,966,750
45,000	25,000	Pakistan Telecommunication Company Limited	462,248	270,450	338,570	173,750
67,000	52,000	Unity Foods Ltd	2,197,445	1,047,210	1,953,861	1,043,640
25,740	13,000	Century Paper and Board Mills	1,282,273	726,898	1,282,273	803,400
-	41,500	Allied Rental Modaraba	-	-	935,786	931,675
-	13,000	Avanceon Limited	-	-	1,065,627	1,012,830
-	7,000	Pakistan State Oil Company Limited	-	-	1,310,107	1,202,880
7,500	5,000	Frieslandcampins Engro Foods	629,806	442,725	476,850	341,250
3,800	5,200	Lucky Cement Limited	2,222,170	1,983,942	3,252,003	2,387,008
-	40,000	Sui Northern Gas Pipelines Limited	-	-	1,579,606	1,368,389
8,000	-	The Searl Company Limited	400,428	306,560	-	-
65,000	-	K-Electric Limited	174,704	111,800	-	-
			40,392,805	23,233,595	48,619,451	32,476,586

6.3 Unrealized loss on revaluation of financial assets at fair value through profit or loss		June 30, 2023
	Note	-----Rupees-----
Unrealized loss on shares	6.3.1	(1,016,345)
Unrealized loss on mutual funds	6.3.2	(35,697)
		(1,052,042)
6.3.1 Unrealized loss on shares		
Difference between market value and average cost		
- Current year		(17,159,210)
- Prior year		(16,142,865)
		(1,016,345)
6.3.2 Unrealized loss on mutual funds		
Difference between market value and average cost		
- Current year		(235,637)
- Prior year		(199,940)
		(35,697)

7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		2023	2022
	Note	-----Rupees-----	
Loans to / receivable from employees - considered good	7.1	661,400	585,000
Prepayments		3,426,183	2,172,608
Advance against expenses		750,000	250,000
Accrued profit (secured - considered good)	7.2	1,155,192	1,098,826
Advances to suppliers - (considered good)		-	20,420,000
Trade receivables - considered good (secured)	7.3	-	-
Legal suits' charges receivable (secured - considered good)	7.4	2,208,926	1,988,926
Receivable against sale of Faisalabad Property	7.5	-	669,000
Sundry receivables (unsecured - considered good)		1,050,473	1,106,753
		<u>9,252,174</u>	<u>28,291,113</u>

7.1 This includes the loan given to and receivables from executives amounting to Rs. 0.50 million (2022: Rs. 0.50 million). The executives are included in the key management personnel of the Modaraba. The loans are provided for maximum period of six months period and deductible from employees salaries.

Maximum aggregate balance due from executives and employees, at the end of any month during the year, was Rs. 0.873 million (2022: Rs. 0.585 million).

7.2 Accrued profit	Note	2023	2022
		-----Rupees-----	
Profit receivable on musharakah finances		1,178,392	1,270,606
Less: Suspended income		(23,200)	(171,780)
		1,155,192	1,098,826
7.3 Trade receivables			
Opening balance		100,000	7,964,773
Bad debts - write off	37.1	-	(5,600,071)
Provision - write off	7.3.1	-	(366,265)
Received during the year		-	(1,898,437)
Gross amount		100,000	100,000
Allowance for doubtful trade receivables	7.3.1	(100,000)	(100,000)
		-	-
7.3.1 Movement in provision for doubtful trade receivables			
Opening balance		100,000	466,265
Less: provision written off during the year		-	(366,265)
Closing balance		100,000	100,000
7.4 Legal suits' charges receivable			
Opening balance		2,455,852	3,465,652
Expenses incurred		220,000	495,000
Write off - legal suits' charges receivable	37.1	-	(753,750)
Write off - provision	7.4.1	-	(433,550)
Legal suits' charges received during the year		-	(317,500)
Gross amount		2,675,852	2,455,852
Allowance for doubtful legal suits' charges	7.4.1	(466,926)	(466,926)
		2,208,926	1,988,926
7.4.1 Movement in provision for doubtful legal suits' charges receivables			
Opening balance		466,926	656,950
Provision made during the year		-	243,526
Less: provision written off during the year		-	(433,550)
		466,926	466,926

7.5	Receivable against sale of Faisalabad Property	Note	2023	2022
			Rupees	
	Opening balance		669,000	669,000
	Received during the year		(120,000)	-
	Provision made during the year	7.5.1	(549,000)	-
			<u>-</u>	<u>669,000</u>

8 MURABAHA FINANCES - SECURED

	Considered good		5,800,000	2,721,927
	Considered doubtful:			
	- Regular parties		-	-
	- Parties under litigation	8.2	38,879,019	39,679,019
			<u>38,879,019</u>	<u>39,679,019</u>
	Provision for doubtful receivables	8.4	(11,540,988)	(11,410,411)
			<u>33,138,031</u>	<u>30,990,535</u>

8.1 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.

8.2 These represent receivables from 4 (2022: 4) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law (Banking court of Lahore). The Courts have awarded decree in favor of Modaraba in 4 (2022: 4) cases for recovery of Rs. 50.277 million (2022: Rs. 50.277 million).

8.3 The maximum aggregate amount outstanding during the year at any point is Rs 45,479,019. (2022: Rs. 59,293,242)

8.4	Provision for doubtful receivables	Note	2023	2022
			Rupees	
	Opening balance		11,410,411	8,400,000
	Provision made during the year	36.1	130,577	3,010,411
			<u>11,540,988</u>	<u>11,410,411</u>

9 IJARAH RENTAL RECEIVABLES - SECURED

	Considered good	9.1	402,946	319,733
	Parties under litigation - Considered doubtful		4,498,089	5,155,831
	Suspended ijarah income - Considered doubtful	9.2	(843,499)	(856,442)
	Provision for doubtful ijarah rental receivables	9.3	(1,259,706)	(570,193)
			<u>2,797,830</u>	<u>4,048,929</u>

9.1 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.

		2023	2022
	Note	-----Rupees-----	
9.2 Suspended ijarah income - considered doubtful			
Opening balance		856,442	3,537,194
Income suspended during the year		-	24,720
Reversal during the year	31	(12,943)	(2,705,472)
		<u>843,499</u>	<u>856,442</u>
9.3 Provision for doubtful Ijarah rental receivables			
Opening balance		570,193	-
Effect of change in accounting policy		689,513	570,193
Closing balances		<u>1,259,706</u>	<u>570,193</u>
10 MURABAHA FINANCES - SECURED			
Considered good		28,374,158	69,047,726
Considered doubtful	10.3	36,180,742	36,797,722
Provision for doubtful long term murabaha finances	10.4	(5,511,015)	(6,657,297)
		<u>59,043,885</u>	<u>99,188,151</u>
Current / overdue portion shown under current assets		(54,965,658)	(79,992,821)
		<u>4,078,227</u>	<u>19,195,330</u>
10.1	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.		
10.2	The maximum aggregate amount outstanding during the year at any point is Rs 103,512,442. (2022: Rs. 109,562,978).		
10.3 Break up of considered doubtful Murabaha finances			
Considered doubtful		37,891,250	38,087,247
Suspended income	10.3.1	(1,710,508)	(1,289,525)
	10.3.2	<u>36,180,742</u>	<u>36,797,722</u>
10.3.1 Suspended income			
Opening balance		1,289,525	1,857,818
Reversal during the year	32	(30,301)	(568,293)
Suspension made during the year	32	451,284	-
		<u>1,710,508</u>	<u>1,289,525</u>
10.3.2	The doubtful murabaha finances include receivables from 5 (2022: 5) 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 favor of Modaraba in 3 (2022: 3) cases for recovery of Rs. 60.673 million (2022: Rs. 60.673 million).		

10.4 Provision for doubtful long term murabaha finances		2023	2022
	Note	-----Rupees-----	
Opening balance	36.1	6,657,297	3,060,159
Provision for the year		-	1,787,596
Effect of change in accounting policy due to IFRS-9		(1,146,282)	1,809,542
Closing balances		<u>5,511,015</u>	<u>6,657,297</u>
11 MUSHARAKAH FINANCES - SECURED			
Considered good		17,219,609	24,385,893
Provision for Musharakah finances	11.1	(820,474)	(696,048)
		<u>16,399,135</u>	<u>23,689,845</u>
11.1 Provision for Musharakah finances			
Opening balance		696,048	-
Provision for the year		124,426	696,048
		<u>820,474</u>	<u>696,048</u>
12 DIMINISHING MUSHARAKAH FINANCING SECURED			
Considered good	12.1	78,780,366	4,528,444
Current / overdue portion		(15,004,620)	(1,704,637)
Provision for Diminishing Musharakah finances	12.3	(1,389,102)	(50,058)
		<u>62,386,644</u>	<u>2,773,749</u>
12.1	This represents facility given to 26 (2022:2) customers. The facilities are secured by way of asset. Customer will participate in cost ranging between 25% to 50% in purchasing the musharakah asset.		
12.2	The maximum aggregate amount outstanding during the year at any point is Rs 78,780,370. (2022: Rs 4,528,440)		
12.3 Provision for Diminishing Musharakah finances			
Opening balance		50,058	-
Provision resulting from change in accounting policy		1,339,044	50,058
Closing balance		<u>1,389,102</u>	<u>50,058</u>
13 INCOME TAX REFUNDABLE		<u>1,840,370</u>	<u>3,072,891</u>

14 ASSETS HELD FOR SALE	2023	2022
	Note -----Rupees-----	-----Rupees-----
Opening balance	8,625,000	13,805,000
Reclassification from investment properties	-	8,469,000
Disposal during the year	-	(13,702,550)
Fair value gain on revaluation	-	53,550
Closing balance	8,625,000	8,625,000

The properties were obtained by the Modaraba by taking possession of collateral held with the Modaraba as security against its receivables. The Modaraba is committed to sell the asset and a programme in this regard has been initiated. The last valuation of the asset was carried out on June 30, 2022. As at year end, the fair value of the asset is higher than its fair value and consequently no impairment loss is recognised. Particulars of asset held for sale as at the reporting date are as follows:

Property Type	Location	Area	Independent Valuer	Fair Value	Forced Sale Value
				-----Rupees-----	-----Rupees-----
Shops	District Hyderabad	138 sq.ft.	W.W Engineering Services (Pvt.) Limited	8,625,000	7,198,650

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

15 DEPOSITS	2023	2022
	Note -----Rupees-----	-----Rupees-----
Central Depository Company of Pakistan Limited	154,862	154,862
Rented property	105,000	210,000
Ijarah deposit money	308,300	706,900
Others	34,800	34,800
	602,962	1,106,562

16 INVESTMENTS

Long term investments at fair value through OCI

Investment in 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, 2023		June 30, 2022	
2023	2022		Average Cost Rupees	Market Value Rupees	Average Cost Rupees	Market Value Rupees
90,000	90,000	Sui Northern Gas Pipelines Limited	5,806,704	3,543,300	5,806,704	3,078,900
26,875	21,500	The Searle Company Limited	4,743,273	1,029,850	4,743,273	2,343,930
75,000	75,000	Pakistan Telecommunication Company Limited	1,029,049	450,750	1,029,049	521,250
16,000	17,000	Oil & Gas Development Company	1,811,631	1,248,000	1,924,850	1,337,398
			13,390,657	6,271,900	13,503,876	7,281,478

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

17 **FIXED ASSETS GIVEN ON LEASE / IJARAH - TANGIBLE**

	2023	2022
Note	-----Rupees-----	
17.1	123,427,562	147,262,006

Fixed assets given on lease / ijarah - tangible

Year ended June 30, 2023

Description	Cost			Depreciation rate	Accumulated depreciation			Book value as at June 30, 2023
	As at July 01, 2022	Additions / Transfers	Disposals / Transfers		As at July 01, 2022	Charge for the year	Disposals / Transfers	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Plant and machinery	28,908,739	2,385,000	-	20% to 50%	5,445,815	9,713,400	-	15,159,215
Vehicles	161,270,188	29,388,000	(31,657,500)	20% to 100%	37,471,106	30,334,370	(16,097,826)	51,707,650
	<u>190,178,927</u>	<u>31,773,000</u>	<u>(31,657,500)</u>		<u>42,916,921</u>	<u>40,047,770</u>	<u>(16,097,826)</u>	<u>66,866,865</u>
			<u>190,294,427</u>					<u>123,427,562</u>

Year ended June 30, 2022

Description	Cost			Depreciation rate	Accumulated depreciation			Book value as at June 30, 2022
	As at July 01, 2021	Additions / Transfers	Disposals / Transfers		As at July 01, 2021	Charge for the year	Disposals / Transfers	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Plant and machinery	46,545,794	25,119,945	(42,757,000)	20% to 50%	39,887,440	6,990,375	(41,432,000)	5,445,815
Vehicles	137,512,906	81,656,282	(57,899,000)	20% to 100%	49,215,238	25,831,637	(37,575,769)	37,471,106
	<u>184,058,700</u>	<u>106,776,227</u>	<u>(100,656,000)</u>		<u>89,102,678</u>	<u>32,822,012</u>	<u>(79,007,769)</u>	<u>42,916,921</u>
			<u>190,178,927</u>					<u>147,262,006</u>

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

17.1.2 The Modaraba has filed suits for re-possession of leased assets costing Rs. 44.758 million (2022: Rs. 44.758 million) against 4 clients (2022: 4 clients). The Court has awarded decree in favour of Modaraba in 2 (2022: 2) cases for recovery of Rs. 74.446 million (2022: Rs. 74.446 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.

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

	2023	2022
-----Rupees-----		
Receivable not later than one year	50,068,532	49,555,782
Receivable later than one year but not later than 5 years	62,398,333	86,844,132
	<u>112,466,865</u>	<u>136,399,914</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

18 FIXED ASSETS IN OWN USE

	2023	2022
Assets in own use	14,105,600	13,527,952
Right of use assets	2,240,663	2,266,005
Assets in own use	16,346,263	15,793,957

18.1 Year ended June 30, 2023

Description	As at July 01, 2022		Additions		Disposals / Transfers		As at June 30, 2023		Depreciation rate	Accumulated depreciation		As at June 30, 2023		Book Value as at June 30, 2023
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Charge for the year	Disposals / Transfers	Rupees	Rupees	
Land (18.1.1)	10,728,400	-	-	-	-	-	-	-	-	-	-	-	-	10,728,400
Furniture & fixtures	1,256,006	278,600	278,600	(550,450)	984,156	10%	886,369	69,697	(550,450)	405,616	578,540	578,540		
Office equipment	2,415,357	419,600	419,600	-	2,834,957	10%	1,509,121	702,279	-	2,211,400	623,557	623,557		
Vehicles	1,675,800	1,205,172	1,205,172	(660,400)	2,220,572	20%	746,235	452,825	(552,435)	646,625	1,573,947	1,573,947		
Leasehold improvements	700,000	-	-	-	700,000	20%	700,000	-	-	700,000	-	-		
Books	16,423	-	-	-	16,423	20%	16,423	-	-	16,423	-	-		
Electrical equipment	1,350,059	134,600	134,600	(262,450)	1,222,209	10%	755,945	88,754	(223,646)	621,053	601,156	601,156		
	18,142,045	2,037,972	2,037,972	(1,473,300)	18,706,717		4,614,093	1,313,555	(1,326,531)	4,601,117	14,105,600	14,105,600		

Year ended June 30, 2022

Description	As at July 01, 2021		Additions		Disposals / Transfers		As at June 30, 2022		Depreciation rate	Accumulated depreciation		As at June 30, 2022		Book Value as at June 30, 2022
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Charge for the year	Disposals / Transfers	Rupees	Rupees	
Land	10,728,400	-	-	-	-	-	-	-	-	-	-	-	-	10,728,400
Furniture & fixtures	1,072,656	183,350	183,350	-	1,256,006	10%	834,056	52,313	-	886,369	369,637	369,637		
Office equipment	2,688,373	280,500	280,500	(553,516)	2,415,357	10%	1,860,060	189,581	(540,520)	1,509,121	906,236	906,236		
Vehicles	1,576,465	295,400	295,400	(196,065)	1,675,800	20%	608,388	220,463	(82,616)	746,235	929,565	929,565		
Leasehold improvements	700,000	-	-	-	700,000	20%	700,000	-	-	700,000	-	-		
Books	16,423	-	-	-	16,423	20%	16,423	-	-	16,423	-	-		
Electrical equipment	1,084,459	343,800	343,800	(78,200)	1,350,059	10%	721,560	92,185	(57,800)	755,945	594,114	594,114		
	17,866,776	1,103,050	1,103,050	(827,781)	18,142,045		4,740,487	554,542	(680,936)	4,614,093	13,527,952	13,527,952		

18.1.1 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 name of the Modaraba and accordingly no loss has been recorded against such land. Management is also making efforts to achieve out of court settlement and next date of hearing is 12th October, 2023 for further processing of the case.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

18.1.1 Disposal of operating fixed assets

18.1.1.1 Disposal of fixed assets given on ijarah

Description	Cost	Accumulated Depreciation	Book Value	Adjustment / Sale Proceeds	Gain	Mode of Disposal	Particulars of Buyer
-----Rupees-----							
<u>Vehicles:</u>							
Motor Vehicle	769,500	369,500	400,000	400,000	-	Term of ijarah agreement	Abdul Majeed
Motor Vehicle	1,949,000	1,364,300	584,700	584,700	-	Term of ijarah agreement	Muhammad Mubeen Akram
Motor Vehicle	6,862,000	3,362,000	3,500,000	3,500,000	-	Term of ijarah agreement	Muhammad Zubair
Motor Vehicle	895,000	670,320	224,680	240,262	15,582	Term of ijarah agreement	Adeel Tahir Saleem
Motor Vehicle	2,632,000	1,532,000	1,100,000	1,100,000	-	Term of ijarah agreement	Shaha Arif Malik
Motor Vehicle	2,900,000	1,000,000	1,900,000	1,900,000	-	Term of ijarah agreement	Khalid Malik
Motor Vehicle	3,217,000	2,573,600	643,400	643,400	-	Term of ijarah agreement	Gasco Engineering (Pvt) Ltd.
Motor Vehicle	2,577,000	1,305,680	1,271,320	1,520,679	249,359	Term of ijarah agreement	Gasco Engineering (Pvt) Ltd.
Motor Vehicle	1,675,000	1,172,500	502,500	502,500	-	Term of ijarah agreement	Muhammad Noumair Ul Azam
Motor Vehicle	2,700,000	725,000	1,975,000	2,074,155	99,155	Term of ijarah agreement	Syed Ahmer Hussain
Motor Vehicle	1,760,000	1,026,667	733,333	804,028	70,695	Term of ijarah agreement	Saleh Muhammad
Motor Vehicle	1,951,000	172,886	1,778,114	1,741,187	(36,927)	Term of ijarah agreement	Muhammad Waqar
Motor Vehicle	1,770,000	823,328	946,672	946,672	-	Transferred to own Assets	
Total 2023	31,657,500	16,097,781	15,559,719	15,957,583	397,864		
Total 2022	100,656,000	79,007,769	21,648,231	28,256,934	6,608,703		

18.2	Right of use assets	Note	2023	2022
			-----Rupees-----	
	Opening balance		2,266,005	-
	Additions during the year		1,165,106	2,774,700
			3,431,111	2,774,700
	Depreciation charge for the year	37	(1,190,448)	(508,695)
	Closing balance		2,240,663	2,266,005
	Lease term		1-5 years	5 years
	Depreciation rate		20%	20%
18.3	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.			
18.4	All assets are geographically located in Pakistan.			
19	INTANGIBLE ASSET			
	Cost			
	Balance at beginning of the year		1,050,000	1,050,000
	Additions during the year		200,000	-
	Closing balance		1,250,000	1,050,000
	Accumulated amortisation			
	Balance at beginning of the year		1,050,000	1,050,000
	Charged during the year		44,448	-
	Closing balance		1,094,448	1,050,000
	Written down value		155,552	-
	Rate %		33%	33%
20	DEFERRED TAXATION			
	Taxable / (Deductible) temporary difference in respect of:			
	Fixed assets in own use		2,999,128	7,500,659
	Right of use assets		649,792	-
	Provision for short term Murabaha finances		(910,887)	(3,309,019)
	Suspended ijarah income - considered doubtful		-	(248,368)
	Provision for trade receivable		-	(29,000)
	Provision for doubtful Ijarah rental receivables		(365,315)	(165,356)
	Provision for legal charges receivable		-	(135,409)
	Provision for doubtful Murabaha finances		(710,748)	(1,930,616)
	Provision for short term Musharakah finances		(237,937)	(201,854)
	Provision for Diminishing Musharakah finances		(402,840)	(14,517)
	Provision against receivable -FSD property		(159,210)	-
	Unrealized loss on revaluation of financial - assets at fair value through profit or loss		(1,888,173)	(1,933,720)
	Unrealized loss on revaluation of financial assets at - fair value through other comprehensive income		(628,898)	(693,717)
	Lease liabilities against right of use assets		(733,343)	-
			(2,388,431)	(1,160,917)

21	UNCLAIMED PROFIT DISTRIBUTIONS	Note	2023	2022
			-----Rupees-----	
	Opening balance		12,834,792	12,889,720
	Less: dividends paid		(3,185)	(54,928)
	Closing balance	21.1	12,831,607	12,834,792
21.1	Reconciliation of amount kept in separate bank account (savings account) is as follows:			
	Opening balance		4,531,160	148,787
	Amount transferred during the year		-	4,304,494
	Dividend claim received and settled		(3,185)	(346)
	Received profit		295,432	78,225
	Closing balance	5	4,823,407	4,531,160
21.2	Management has maintained funds of Rs. 4,823,407 (2022: Rs. 4,531,160) against unclaimed profit distribution of Rs 12,831,607 (2022: 12,834,792) resulting shortage of funds of Rs 8,303,632. This shortage of funds of Rs 8,303,632 relates to unclaimed profit distribution when Modaraba was managed by Trust management services (previous management company) from incorporation till 2009 when change of management took place through appointment of administrator by registrar under section 19 and 20 of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980. Modaraba has maintained complete funds for unclaimed profit distribution after acquisition of Al-Zamin Management Company Limited in 2009 till date.			
22	CREDITORS, ACCRUED AND OTHER LIABILITIES			
	Payable to Modaraba Management Company (Related party)	38	114,947	1,484,020
	Provision for Workers' Welfare Fund		70,653	317,087
	Accrued expenses		311,020	232,156
	Other liabilities	22.1	1,164,635	9,327,862
			1,661,255	11,361,125
23	DEFERRED INCOME ON MURABAHA			
	Opening balance		9,064,766	6,889,714
	Additions during the year		2,187,188	12,272,389
	Recognized during the year		(7,839,018)	(10,097,337)
			3,412,936	9,064,766
	Current portion shown as current liabilities		(2,400,180)	(6,698,560)
			1,012,756	2,366,206
24	CUSTOMERS' SECURITY DEPOSITS			
	Opening balance		53,882,313	39,676,496
	Received during the year		6,614,900	26,416,532
	Adjusted during the year		(12,179,700)	(12,210,715)
	Closing balance	24.1	48,317,513	53,882,313
	Current portion shown as current liabilities		(8,936,875)	(8,810,600)
	Non-Current portion shown as non-current liabilities		39,380,638	45,071,713

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

25 **LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS**

	Note	2023	2022
-----Rupees-----			
Opening balance		2,394,566	-
Additions during the year		1,165,109	2,774,700
		<u>3,559,675</u>	<u>2,774,700</u>
Add: interest expense	37	524,294	320,090
Less: payments made during the year		(1,555,200)	(700,224)
Gross liability		<u>2,528,769</u>	<u>2,394,566</u>
Less: current portion		(1,083,251)	(430,555)
Non-current portion		<u>1,445,518</u>	<u>1,964,011</u>

25.1 **Maturity analysis of contractual cash flows**

At June 30, 2023	Within one year	Later than one	Later than five
		year but not later than five years	years
----- (Rupees) -----			
Undiscounted cash flows	1,436,556	1,756,950	-
Less: Discounting	353,305	311,433	-
Discounted Cash Flows	<u>1,083,251</u>	<u>1,445,517</u>	<u>-</u>

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

	Note	2023	2022
-----Rupees-----			
Carrying amount of ROU assets	18.2	2,240,663	2,266,005
Depreciation charge		1,190,448	508,695
Interest expense	37	524,294	320,090
Repayment of lease liability	25	1,555,200	700,224

26 **DUE TO DIRECTOR**

Due to director	26.1	-	5,000,000
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26.1 This represents the amount received as a loan from Director Mr. Etrat Rizvi. The loan is interest free, unsecured and has been paid during the period. The purpose of this loan was to provide interim liquidity support to modaraba.

27 **CERTIFICATE CAPITAL**

27.1 **Authorized certificate capital**

2023	2022		2023	2022
Number of certificates		Note	-----Rupees-----	
70,000,000	70,000,000	Modaraba certificates of Rs. 10 each.	700,000,000	700,000,000

27.2 **Certificate capital**

2023	2022			
Number of certificates				
15,000,000	15,000,000	Modaraba certificates of Rs. 10 each fully paid in cash.	150,000,000	150,000,000
12,300,000	12,300,000	Modaraba certificates of Rs. 10 each issued as fully paid bonus certificates.	123,000,000	123,000,000
2,500,000	2,500,000	Modaraba certificates issued of Rs. 10 each issued in consideration of assets as result of	25,000,000	25,000,000
29,800,000	29,800,000		298,000,000	298,000,000

27.3 These fully paid bonus modaraba certificates of Rs. 10 each were issued before 2009 when modaraba was managed by Trust Management Services. After change of management company no modaraba certificates were issued as bonus certificates from 2009 till date.

27.4 Al-Zamin Modaraba Management (Private) Limited holds 5,261,388 (2022: 5,261,388) Modaraba certificates which represents 18% (2022: 18%) of the equity stake in the Moadaraba as required by the SECP vide Order No. SC/M/RW/Trust/2009-44.

27.5 As at June 30, 2023, Mr. Aslam Motiwala, a major certificate holder of the Modaraba, holds 16,959,500 modaraba certificates (2022: 16,959,500) of the Modaraba representing 56.91% (2022: 56.91%)

27.6 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. Voting and other rights are in proportion to the shareholding.

		2023	2022
	Note	-----Rupees-----	
28 RESERVES			
Statutory reserve	28.1	83,785,844	83,785,844
Revenue reserves:			
- Accumulated loss		(55,279,395)	(55,206,290)
		28,506,449	28,579,554

28.1 This represents profit set aside to comply with the Modaraba Regulations, 2021 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. Nil (2022: Rs. 2,273,047) which represents 20% (2022: 20%) of the profit after tax.

29 UNREALIZED LOSS ON REVALUATION OF INVESTMENTS

Opening balance		(5,528,682)	(2,728,426)
(Deficit) / surplus on revaluation during the year	29.1	(972,770)	(2,800,256)
Closing balance		(6,501,452)	(5,528,682)

29.1 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.

30 CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 Notice was served to Trust Modaraba dated 28 August 2018, 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. 38.52 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 Honorable 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 favorable outcome is expected. Therefore, no provision for any sales tax liability on rentals of lease financing has been made in the financial statements. The expected date of hearing is September 05, 2023 for further processing of the case.

30.1.2 The Assistant commissioner Inland Revenue (ACIR) has issued order dated June 30, 2022 by creating demand under sub-section 161 of Rs 1,038,285 along with default surcharge of Rs 809,862. The tax payer has filed appeal against said order on July 16, 2022 before commissioner Inland Revenue (CIR). During the year, CIR remanded back the case to (ACIR) and taxpayer being aggrieved by the order of CIR filed appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR annulled the findings of ACIR and remit the matter to officer of Inland Revenue (OIR). As at year end, the matter is pending before the OIR.

30.2 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:

	Note	2023	2022
		-----Rupees-----	
Not later than one year		843,336	843,336
Later than one year and not later than five years		1,756,950	2,600,285
		2,600,286	3,443,621
Disbursement of Ijarah / Murabaha / Musharakah to be made		18,118,000	39,911,500
31 INCOME FROM IJARAH - NET			
Income from ijarah operations		60,396,077	51,965,702
Income suspended during the year	9.2	-	(24,720)
Income suspense reversal during the year		12,943	-
Less: depreciation on fixed assets given on ijarah	17.1	(40,047,770)	(32,822,012)
Less: insurance on ijarah assets		(3,640,477)	(3,462,331)
		16,720,773	15,656,639
32 PROFIT ON MURABAHA FINANCES			
Profit on murabaha finances		7,941,478	10,195,937
Income suspended during the year	10.3.1	(451,284)	-
Reversal of suspension income		30,301	568,293
		7,520,495	10,764,230
33 PROFIT ON MUSHARAKAH FINANCES			
Profit on musharakah finances		15,932,223	6,647,978
Income suspended during the year		(23,200)	(171,780)
Income suspense reversal during the year		171,780	-
Less: Commission of selling agent		(450,000)	(156,000)
Less: Insurance on diminishing musharakah		(1,343,608)	(26,295)
		14,287,195	6,293,903

34	OTHER INCOME	Note	2023	2022
			-----Rupees-----	
	Gain on disposal of ijarah assets	18.1.1.1	397,864	6,608,703
	Gain on disposal of owned fixed assets		469,731	166,468
	Profit on deposit and saving accounts with banks		822,257	505,560
	Loss on disposal of assets classified as held for sale	17.1	-	(3,892,550)
	Gain on settlement		-	37,335,047
	Miscellaneous income	35.1	1,020,531	1,909,659
			2,710,383	42,632,887

34.1 This includes an amount of Rs. 646,200 (2022: Rs. 549,130) pertaining to documentation fee.

35 PROVISION FOR DOUBTFUL RECEIVABLES

	Opening balance		19,950,933	12,583,374
	Add: charged during the year	36.1	1,686,278	5,041,533
	Impact of change in accounting policy as per IFRS-09		-	3,125,841
	Less: Provision written off during the year		-	(799,815)
	Net provision charged for the year		1,686,278	7,367,559
	Closing balance	36.2	21,637,208	19,950,933

35.1 Break up of provision for doubtful receivables charged during the year are as follow:

	Long term murabaha finances	10.4	(1,146,282)	1,787,596
	Short term murabaha finances	8.4	130,577	3,010,411
	Long term musharakah finances	12.3	1,339,044	-
	Short term musharakah finances	11.1	124,426	-
	Ijarah rent receivables	9.3	689,513	-
	Legal suits charges receivable	7.4.1	-	243,526
	Receivable against sale of Faisalabad Property	7.5.1	549,000	-
			1,686,278	5,041,533

35.2 Break up of provision for doubtful receivables are as follows:

	Provision for doubtful long term murabaha finances	10.4	5,511,015	6,657,297
	Provision for doubtful short term murabaha finances	8.4	11,540,988	11,410,411
	Provision for Musharakah finances	11.1	820,474	696,048
	Provision for Diminishing Musharakah finances	12.3	1,389,102	50,058
	Provision for trade receivables	7.3.1	100,000	100,000
	Provision for legal suits charges receivable	7.4.1	466,926	466,926
	Receivable against sale of Faisalabad Property	7.5.1	549,000	-
	Provision for doubtful ijarah rental receivables	9.3	1,259,706	570,193
			21,637,211	19,950,933

36	OPERATING EXPENSES	Note	2023	2022
			-----Rupees-----	
	Salaries, allowances and other benefits	37.2	18,610,061	18,484,817
	Bad debts written off	37.1	-	6,445,935
	Fees and subscription		3,851,798	5,138,826
	Vehicle running		2,012,457	1,851,210
	Rent, rates and taxes	37.4	1,247,805	1,740,241
	Electricity, gas and water		1,274,338	1,006,358
	Repairs and maintenance		2,424,268	2,107,478
	Telephone, postage and courier		1,012,297	844,632
	Legal and professional charges		277,500	532,888
	Advertisement		123,435	132,783
	Printing and stationery		770,897	787,758
	Traveling and conveyance		696,398	528,664
	Entertainment		731,479	537,381
	Insurance		265,641	244,302
	Auditors' remuneration	37.5	525,000	450,000
	Registrar's services		127,811	112,228
	Depreciation on own assets	18.1	1,313,554	554,542
	Stock in trade - written off		-	429,561
	Depreciation on right of use assets	18.2	1,190,448	508,695
	Amortization on intangible assets	19	44,448	-
	Ijarah rental expense		-	461,151
	Unwinding of lease liabilities	25	524,294	320,090
	Miscellaneous		246,209	241,849
	Bank charges and commission		13,377	14,801
			37,283,515	43,476,190

36.1 **Breakup of bad debts written off during the year are as follows:**

Trade debtors	7.3	-	5,600,071
Legal suits' charges receivable	7.4	-	753,750
Sundry receivable		-	92,114
		-	6,445,935

- 36.2 This includes Rs. 0.943 million (2022: Rs. 0.956 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:

2023	Executives	Others	Total
	-----Rupees-----		
Basic salary	7,008,228	4,206,465	11,214,693
House rent allowance	2,563,002	1,685,920	4,248,922
Medical allowance	640,770	420,615	1,061,385
Other allowances	410,668	495,302	905,970
Retirement benefits	676,823	502,268	1,179,091
	11,299,491	7,310,570	18,610,061
Number of person(s)	4	13	
2022			
Basic salary	7,000,224	4,209,096	11,209,320
House rent allowance	2,799,792	1,683,527	4,483,319
Medical allowance	699,984	420,878	1,120,862
Other allowances	50,000	530,740	580,740
Retirement benefits	723,422	367,154	1,090,576
	11,273,422	7,211,395	18,484,817
Number of person(s)	4	13	

- 36.3 Executives have been provided with modaraba maintained cars and are also entitled for reimbursement of fuel expenses. As per fourth schedule to the Companies Act, 2017, "Executive" means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

- 36.4 This includes expense relating to short term leases amounting to Rs. 1,493,568 (2022:Rs. 1,493,568).

36.5 Auditors' remuneration

	Note	2023	2022
		-----Rupees-----	
Annual audit fee		288,000	250,000
Half yearly review		77,000	67,500
Code of corporate governance		95,000	82,500
Out of pocket expenses		65,000	50,000
		525,000	450,000

37 MODARABA MANAGEMENT COMPANY'S FEE

The modaraba management Company is entitled to a remuneration for services rendered to the modaraba under provision of the modaraba companies and modarabas (Floatation and control) ordinance, 1980 up to a maximum of 10% per anum of the annual profits of the Modaraba.

38 TAXATION

Current tax expense for the year		2,379,267	2,191,026
Deferred tax	20	(1,292,333)	(467,200)
	39.1	1,086,934	1,723,826

38.1 Relationship between accounting profit and taxation	Note	2023	2022
		-----Rupees-----	
Accounting profit before taxation		1,013,829	13,089,059
Tax at the applicable tax rate of 17% (2022: 17%)		172,351	2,225,140
Tax effect of:			
- Permanent differences		371,309	210,315
- Others		543,274	(711,629)
		1,086,934	1,723,826

39 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Net profit for the year	Rupees	(73,105)	11,365,233
Weighted average number of certificates	Number	29,800,000	29,800,000
Earnings per certificate	Rupees	-	0.38

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

40 CASH GENERATED FROM OPERATIONS

Profit before taxation		1,013,829	13,089,059
Adjustments for non-cash and other items:			
- Depreciation:			
Under ijarah	17.1	40,047,770	32,822,012
In own use	18.1	1,313,554	554,541
Right of use assets	18.2	1,190,448	508,695
Amortization on intangible assets		44,448	-
- Provision for doubtful receivables	36.1	1,686,278	5,041,533
- Gain on disposal of ijarah assets	35	(397,864)	(6,608,703)
- Gain on disposal of owned fixed assets	35	(469,731)	(166,468)
- Loss on disposal of asset held for sale	0	-	3,892,550
- Loss on long term investment		11,599	-
- Balances written off	37	-	6,445,935
- Stock in trade - written off	37	-	429,561
- Loss / (profit) on sale of short term investments		2,250,375	1,274,637
- Unrealized loss / (gain) on revaluation of financial assets			
at fair value through profit or loss	6.3	1,052,042	12,474,396
- Unwinding of lease liabilities	25	524,294	320,090
- Workers' Welfare Fund		20,690	267,124
- Dividend income		(2,182,830)	(1,705,750)
		45,091,073	55,550,153
Operating profit before working capital changes		46,104,902	68,639,212
Decrease / (increase) in current assets			
- Advances, deposits, prepayments and other receivables		19,587,939	(11,749,924)
- Short term murabaha finances receivables		(2,016,919)	10,760,302
- Short term musharakah finances receivables		7,415,136	2,406,399
- Ijarah rental receivables		1,251,099	12,500,970
- Stock in trade		-	429,561
Increase in current liabilities			
- Creditors, accrued and other liabilities		(9,720,560)	7,351,348
		16,516,695	21,698,656
Cash generated from operations		62,621,597	90,337,868

40.1 **Changes in Financing Activities**

	As at June 30, 2022	Non-cash changes	Cash flows (Net)	As at June 30, 2023
-----Rupees-----				
Unclaimed profit distributions	12,834,792	-	(3,185)	12,831,607
Loan from Director	5,000,000	-	(5,000,000)	-
Lease liabilities against right of use assets	2,394,566	1,689,403	(1,555,200)	2,528,769
	<u>20,229,358</u>	<u>1,689,403</u>	<u>(6,558,385)</u>	<u>15,360,376</u>
Unclaimed profit distributions	12,889,720	-	(54,928)	12,834,792
Loan from Director	-	-	5,000,000	5,000,000
Lease liabilities against right of use assets	-	3,094,790	(700,224)	2,394,566
	<u>12,889,720</u>	<u>3,094,790</u>	<u>4,244,848</u>	<u>20,229,358</u>

Impact of non-cash changes in lease liabilities comprise of interest charge on lease liabilities Rs. 524,294 (2022: 320,090) (refer to note 25).

41 **MATURITIES OF ASSETS AND LIABILITIES**

		2023			
		Total	Up to one year	One year to five years	Over five years
		-----Rupees-----			
Assets:					
Cash and bank balances	Note 5	7,403,438	7,403,438	-	-
Investments	6	23,673,280	23,673,280	-	-
Advances, deposits, prepayments and other receivables	7	9,252,174	9,252,174	-	-
Ijarah rental receivables - secured	9	2,797,830	2,797,830	-	-
Income tax refundable	13	1,840,370	1,840,370	-	-
Long term murabaha finances	10	59,043,885	54,965,658	4,078,227	-
Asset held for sale	14	8,625,000	8,625,000	-	-
Short term murabaha finances - secured	8	33,138,031	33,138,031	-	-
Long term musharakah finances	12	77,391,264	15,004,620	62,386,644	-
Short term musharakah finances	11	16,399,135	16,399,135	-	-
Deferred taxation - net	20	2,388,431	2,388,431	-	-
Deposits	15	602,962	-	448,100	154,862
Investments	16	6,271,900	-	6,271,900	-
Operating fixed assets given on lease/ ijarah - tangible	17	123,427,562	14,112,275	109,315,287	-
Operating fixed assets in own use - tangible	17	14,105,600	-	12,302,347	1,803,253
Right of use assets	17	2,240,663	1,083,251	1,157,412	-
Intangible asset	19	155,552	66,672	88,880	-
		<u>388,757,077</u>	<u>190,750,165</u>	<u>196,048,797</u>	<u>1,958,115</u>
Liabilities:					
Unclaimed profit distributions	21	12,831,607	12,831,607	-	-
Creditors, accrued and other liabilities	22	1,661,255	1,661,255	-	-
Due to director	26	-	-	-	-
Lease liabilities against right of use assets	25	2,528,769	1,083,251	1,445,518	-
Deferred income on murabaha	23	3,412,936	2,400,180	1,012,756	-
Customers' security deposits	24	48,317,513	8,936,875	39,380,638	-
		<u>68,752,080</u>	<u>26,913,168</u>	<u>41,838,912</u>	<u>-</u>
Net Balance		<u>320,004,997</u>	<u>163,836,997</u>	<u>154,209,885</u>	<u>1,958,115</u>
Certificate holders' equity		326,506,449			
Unrealized loss on revaluation of investments		(6,501,452)			
Surplus on revaluation of fixed assets		-			
Net Balance		<u>320,004,997</u>			

		2022			
		Total	Up to one year	One year to five	Over five years
Note		Rupees			
Assets:					
Cash and bank balances	5	7,690,515	7,690,515	-	-
Short term investments	6	32,908,149	32,908,149	-	-
Advances, deposits, prepayments and other receivables	7	28,291,113	28,291,113	-	-
Ijarah rental receivables - secured	9	4,048,929	4,048,929	-	-
Income tax refundable	15	3,072,891	3,072,891	-	-
Long term murabaha finances	11	99,188,151	79,992,821	19,195,330	-
Asset held for sale		8,625,000	8,625,000	-	-
Short term murabaha finances - secured	8	30,990,535	30,990,535	-	-
Long term musharakah finances	13	4,478,386	170,463	2,773,749	-
Short term musharakah finances	12	23,689,845	23,689,845	-	-
Deferred taxation	14	1,160,917	1,160,917	-	-
Deposits	17	1,106,562	-	951,700	154,862
Investments	18	7,281,478	-	7,281,478	-
Operating fixed assets given on lease / ijarah - tangible	20	147,262,006	34,963,100	112,298,906	-
Operating fixed assets in own use - tangible	20	13,527,952	-	11,657,965	1,869,987
Right of use assets	20	2,266,005	554,940	1,711,065	-
		<u>415,588,434</u>	<u>257,693,392</u>	<u>155,870,193</u>	<u>2,024,849</u>
Liabilities:					
Unclaimed profit distributions	21	12,834,792	12,834,792	-	-
Creditors, accrued and other liabilities	22	11,361,125	11,361,125	-	-
Due to director	26	5,000,000	5,000,000	-	-
Lease liabilities against right of use assets	25	2,394,566	430,555	1,964,011	-
Deferred income on murabaha	23	9,064,766	6,698,560	2,366,206	-
Customers' security deposits	24	53,882,313	8,810,600	45,071,713	-
		<u>94,537,562</u>	<u>45,135,632</u>	<u>49,401,930</u>	<u>-</u>
Net Balance		<u>321,050,872</u>	<u>212,557,760</u>	<u>106,468,263</u>	<u>2,024,849</u>
Certificate holders' equity		326,579,554			
Unrealized loss on revaluation of investments		(5,528,682)			
Surplus on revaluation of fixed assets		-			
Net Balance		<u>321,050,872</u>			

42 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:

42.1 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.

42.1.1 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.

Profit rate risk

42.1.2 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:

Fixed rate instruments		2023	2022
	Note	-----Rupees-----	
Financial assets			
Short term murabaha finances	8	33,138,031	30,990,535
Ijarah rental receivables	9	2,797,830	4,048,929
Long term murabaha finances	10	59,043,885	99,188,151
Long term musharakah finances	12	78,780,366	4,528,444
Short term musharakah finances	11	16,399,135	23,689,845
Floating rate instruments			
Financial assets			
Bank balances - deposit accounts	5	2,510,968	3,116,919
Bank balances - dividend account	5	4,823,407	4,531,160

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. 12,201 (2022: Rs. 71,143) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

42.2 Credit risk

42.2.1 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:

	Note	2023	2022
		-----Rupees-----	
Bank balances	5	7,360,474	7,662,018
Short term murabaha finances	8	33,138,031	30,990,535
Ijarah rental receivables	9	2,797,830	4,048,929
Long term musharakah finances	12	78,780,366	4,478,386
Short term musharakah finances	11	16,399,135	23,689,845
Long term murabaha finances	10	59,043,885	99,188,151
Long term deposits	15	602,962	1,106,562
Short term investments	6	23,673,280	32,908,149
Investments	16	6,271,900	7,281,478
Advances, deposits and other receivables	7	9,252,174	5,448,505
		237,320,037	216,802,558

42.2.2 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:

	Note	2023	2022
		-----Rupees-----	
Healthcare		4,620,699	3,931,171
Steel		6,058,380	3,067,440
Food and Allied		28,236,807	28,236,807
Educational Institutions		23,170,477	23,758,461
Miscellaneous		92,220,681	49,749,168
Oil & Gas		10,391,515	18,005,513
Agriculture		11,833,022	32,004,666
Clearing Forwarding		1,887,463	2,740,515
Insurance/Tracker		10,094,910	21,908,500
Advertising/Media agency		17,861,714	-
Technology & Communication		5,923,894	-
		212,299,562	183,402,241

42.2.3 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

	Note	2023	2022
-----Rupees-----			
Not past due		124,102,140	100,759,382
Past due 1 - 180 days		1,273,427	4,501,131
Past due 181 days - 1 year		687,576	3,751,073
Past due 1 - 2 years		1,368,881	-
More than 2 years		81,108,905	82,038,524
		208,540,929	191,050,110

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

Past due 181 - 365 days		-	-
1 - 2 years		4,132,543	1,400,000
More than 2 years		16,258,166	17,104,133
		20,390,709	18,504,133

The Modaraba has adopted a policy of only dealing with creditworthy parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba 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.

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

	Rating		Rating	2023	2022
	Short term	Long term	Agency	-----Rupees-----	
Meezan Bank Limited	A-1+	AAA	JCR-VIS	7,335,515	7,649,701
State Bank of Pakistan	-	-	-	24,959	12,317
				7,360,474	7,662,018

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.

42.3 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 & 5 years	Over 5 years
-----Rupees-----					
June 30, 2023					
Lease liabilities against right of use assets	2,528,769	2,528,769	1,083,251	1,445,518	-
Unclaimed profit distributions	12,831,607	12,831,607	12,831,607	-	-
Creditors, accrued and other liabilities	1,661,255	1,661,255	1,661,255	-	-
Due to director	-	-	-	-	-
	<u>17,021,631</u>	<u>17,021,631</u>	<u>15,576,113</u>	<u>1,445,518</u>	<u>-</u>
-----Rupees-----					
June 30, 2022					
Lease liabilities against right of use assets	2,394,566	2,394,566	430,555	1,964,011	-
Unclaimed profit distributions	12,834,792	12,834,792	12,834,792	-	-
Creditors, accrued and other liabilities	11,361,125	11,361,125	11,361,125	-	-
Due to director	5,000,000	5,000,000	5,000,000	-	-
	<u>26,590,483</u>	<u>26,590,483</u>	<u>24,626,472</u>	<u>1,964,011</u>	<u>-</u>

Note 42 to the financial statements summarizes the maturity profile of the Modaraba's assets and liabilities.

42.4 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 as there is an active market for the Modaraba listed equity investments.

Fair value hierarchy

Fair value hierarchy categories are described in note 4.18 to the financial statements.

The following table presents the Company's financial assets that are measured at fair value at June 30, 2023:

	Level 1	Level 2	Level 3	Level 4
-----Rupees-----				
Financial Assets:				
Short term investments (note 6)	23,673,280	-	-	23,673,280
Long term investments (note 16)	6,271,900	-	-	6,271,900

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

Financial Assets:				
Short term investments (note 6)	32,908,149	-	-	32,908,149
Long term investments (note 16)	7,281,478	-	-	7,281,478

42.5 Financial instruments by categories

	Note	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-----					
2023					
Cash and bank balances	5	-	7,403,438	-	7,403,438
Short term investments	6	-	-	23,673,280	31,076,718
Advances, deposits and other receivables	7	-	5,075,991	-	5,075,991
Short term murabaha finances - secured	8	-	33,138,031	-	33,138,031
Short term musharakah finances (secured - considered good)	11	-	16,399,135	-	16,399,135
Diminishing musharakah financing	12	-	77,391,264	-	77,391,264
Ijarah rental receivables - secured	9	-	2,797,830	-	2,797,830
Murabaha finances	10	-	59,043,885	-	59,043,885
Deposits	15	-	602,962	-	602,962
Investments	16	6,271,900	-	-	6,271,916
		<u>6,271,900</u>	<u>201,852,536</u>	<u>23,673,280</u>	<u>239,201,170</u>
2022					
Cash and bank balances	5	-	7,690,515	-	7,690,515
Investments	6	-	-	32,908,149	32,908,149
Advances, deposits and other receivables	7	-	5,448,505	-	5,448,505
Murabaha finances - secured	8	-	30,990,535	-	30,990,535
Short term musharakah finances (secured - considered good)	11	-	23,689,845	-	23,689,845
Diminishing musharakah financing	12	-	4,478,386	-	4,478,386
Ijarah rental receivables - secured	9	-	4,048,929	-	4,048,929
Murabaha finances	10	-	99,188,151	-	99,188,151
Deposits	15	-	1,106,562	-	1,106,562
Investments	16	7,281,478	-	-	7,281,496
		<u>7,281,478</u>	<u>176,641,428</u>	<u>32,908,149</u>	<u>216,831,073</u>

Financial liabilities at amortized cost

	Note	2023	2022
-----Rupees-----			
Lease liabilities against right of use assets	25	2,528,769	2,394,566
Unclaimed profit distributions	21	12,831,607	12,834,792
Creditors, accrued and other liabilities	22	1,661,255	11,361,125
Due to director	26	-	5,000,000
		<u>17,021,631</u>	<u>31,590,483</u>

42.6 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 behavior. 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.

42.7 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.

The Company finances its operations through equity, loan from director and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

	Note	2023	2022
		-----Rupees-----	
Total equity		326,506,449	326,579,554
Less: Cash and bank balances		(7,403,438)	(7,690,515)
Capital		319,103,011	318,889,039
Total liabilities		68,752,080	94,537,562
Debt to equity ratio		22%	30%

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.

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.

43 REMUNERATION OF EXECUTIVES / KEY MANAGEMENT PERSONNEL

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

	Executives / Key Management Personnel	
	2023	2022
	-----Rupees-----	
Managerial remuneration	7,008,228	7,000,224
House rent allowance	2,563,002	2,799,792
Medical allowance	640,770	699,984
Other allowances	50,000	50,000
Retirement benefits	676,823	723,422
	10,938,823	11,273,422
Number of person(s)	4	4

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

44 TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

Transactions during the year

Related party	Basis of Relationship	Nature of transaction	Note	2023	2022
				-----Rupees-----	
Al-Zamin Modaraba Management (Private) Limited	Modaraba Management Company	Management fee	38	114,947	1,484,020
		Office rent		624,000	-
		Electric bill expense received		105,133	-
Employees' Provident Fund	Associated undertaking	Contribution for the year		942,693	955,501
Director	Director	Interest free loan obtained	26	-	10,000,000
		Interest free loan repaid	26	5,000,000	5,000,000
Executives and close relatives thereof	Associated persons	Loan given during the year	7.1	-	500,000
		Repayment of loan received	7.1	-	170,000

The amounts above do not include salaries and other employee benefits of the executives of the Company which have been disclosed in note 44.

Outstanding balance as at the reporting date

Al-Zamin Modaraba Management (Private) Limited		Payable against management fee		114,947	1,484,020
Director		Loan payable	26	-	5,000,000
Executives		Loan receivables	7.1	500,000	500,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

45 SEGMENT REPORTING

45.1 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, chilies, 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 (2022: Nil).

45.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2023 is as follows:

Note number	June 30, 2023					June 30, 2022						
	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total	Murabaha Finances	Ijarah Finances	Musharakah Finances	Investments	Trading of Stock	Total
Gross revenue from external customers	7,417,987	60,409,020	15,932,223	(67,545)	-	83,691,685	10,195,937	51,965,702	6,647,978	431,113	-	69,240,730
Commission Expense	-	-	(450,000)	-	-	(450,000)	-	-	(156,000)	-	-	(156,000)
Depreciation	-	(40,047,770)	-	-	-	(40,047,770)	-	(32,822,012)	-	-	-	(32,822,012)
Insurance expense	-	(3,640,477)	(1,343,608)	-	-	(4,984,085)	-	(3,462,331)	(26,295)	-	-	(3,488,626)
Other income	102,508	397,864	(23,200)	-	-	477,172	568,293	6,608,703	(171,780)	-	-	7,005,216
Net revenue	7,520,495	17,118,637	14,115,415	(67,545)	-	38,687,002	10,764,230	22,290,062	6,293,903	431,113	-	39,779,308
Unrealized Profit / (loss) on revaluation of investments (Provision) / Reversal for doubtful receivables	-	-	-	(1,052,042)	-	(1,052,042)	-	-	-	(12,474,396)	-	(12,474,396)
	-	-	-	-	-	-	(5,041,533)	-	-	-	-	(5,041,533)
	7,520,495	17,118,637	14,115,415	(1,119,587)	-	37,634,960	5,722,697	22,290,062	6,293,903	(12,043,283)	-	22,263,379
	93,312,629	128,908,242	96,348,698	29,945,180	-	348,514,749	131,768,138	155,749,026	34,832,752	40,843,096	-	363,193,012
	3,412,936	48,317,513	311,598	-	-	52,042,047	9,064,766	59,775,322	2,090,336	-	-	70,930,424
	-	31,773,000	-	-	-	31,773,000	-	106,776,227	-	-	-	106,776,227

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

	2023	2022
	-----Rupees-----	
Revenues		
Total revenues for reportable segments	38,687,002	39,779,308
Other revenues	2,484,299	35,999,464
Modaraba's revenues	<u>41,171,301</u>	<u>75,778,772</u>
Profit		
Total profit for reportable segments	37,634,960	22,263,379
Other income	798,021	35,999,464
Fair value gain on asset held for sale	-	53,550
Operating expenses	(37,283,515)	(43,476,190)
Modaraba Management Company's fee	(114,947)	(1,484,020)
Workers' Welfare Fund	(20,690)	(267,124)
Taxation	(1,086,934)	(1,723,826)
	<u>(73,105)</u>	<u>11,365,233</u>
Assets		
Total assets for reportable segments	348,514,749	363,193,012
Corporate assets unallocated:		
Advances, deposits, prepayments and other receivables	2,880,312	14,945,580
Income tax refundable	1,840,370	3,072,891
Deferred taxation	2,388,431	1,160,917
Deposits	602,962	1,106,562
Non-current assets held for sale	8,625,000	8,625,000
Fixed assets	16,501,815	15,793,957
Cash and bank balances	7,403,438	7,690,515
	<u>40,242,328</u>	<u>52,395,422</u>
Total assets as per the balance sheet	<u>388,757,077</u>	<u>415,588,434</u>
Liabilities		
Total liabilities for reportable segments	52,042,047	70,930,424
Corporate liabilities unallocated:		
Unclaimed profit distributions	12,831,607	12,834,792
Creditors, accrued and other liabilities	1,299,119	3,377,780
Due to director	-	5,000,000
Lease liabilities against right of use assets	2,528,769	2,394,566
Total liabilities as per the balance sheet	<u>68,701,542</u>	<u>94,537,562</u>

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

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

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

There are no asymmetrical allocations to reportable segments.

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

45.4 Sales to five major customers of the Modaraba are approximately 28% during the year ended June 30, 2023 (2022: 28%).

46	NUMBER OF EMPLOYEES	2023	2022
	Number of employees as at June 30,	17	17
	Average number of employees during the year	19	19
		Audited	Audited
		<i>Rupees</i> (Un-audited)	Rupees (Audited)
47	PROVIDENT FUND		
	Size of the fund (in rupees)	6,787,729	5,828,699
	Percentage of investments made	0.00%	85.78%
	Fair value of investments (in rupees)	-	5,000,000
	Cost of investments made (in rupees)	-	5,000,000

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

	2023		2022	
	Investment Rupees	Investment as a % of size of funds	Investment Rupees	Investment as a % of size of funds
Investment in COIs	-	0.00%	5,000,000	85.78%
	-		5,000,000	

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. During the year, all the investments have been matured.

48 **SUBSEQUENT NON ADJUSTING EVENT**

Cnergyico Pk Limited having market value of Rs. 468,800 was subsequently excluded from PSX KMI all shares Islamic Index (List of sharia .Compliant shares) with effect from 10 July, 2023.

49 **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 12th, 2023.

The annexed notes from 1 to 49 form an integral part of these financial statements.

PATTERN OF CERTIFICATE HOLDING

AS ON 30th JUNE 2023

Number of Certificate Holders	Certificate Holding		Total Certificate	Percentage Held
	From	To		
620	1	100	28146	0.09
906	101	500	266654	0.89
602	501	1000	524745	1.76
287	1001	5000	694668	2.33
58	5001	10000	455242	1.53
22	10001	15000	267789	0.90
9	15001	20000	153297	0.51
11	20001	25000	247295	0.83
4	25001	30000	114484	0.38
4	35001	40000	156050	0.52
1	45001	50000	45174	0.15
2	60001	65000	127000	0.43
1	65001	70000	67740	0.23
1	75001	80000	78382	0.26
1	80001	85000	84500	0.28
1	85001	90000	87400	0.29
2	100001	105000	206120	0.69
2	115001	120000	238100	0.80
1	120001	125000	125000	0.42
1	170001	175000	172730	0.58
1	290001	295000	291200	0.98
1	395001	400000	396500	1.33
1	525001	530000	527500	1.77
1	960001	965000	964500	3.24
1	1155001	1160000	1159500	3.89
1	1255001	1260000	1258896	4.22
1	5260001	5265000	5261388	17.66
1	15795001	15800000	15800000	53.02
2544			29,800,000	100.00

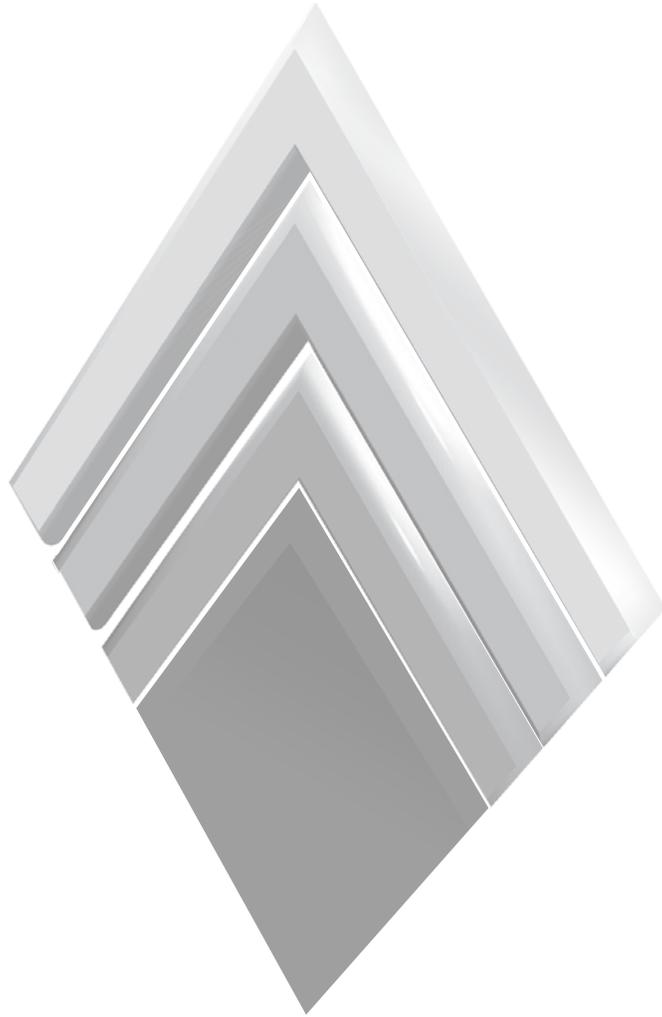
CATEGORIES OF CERTIFICATEHOLDERS

AS AT JUNE 2023

Categories of Certificateholders	Number of Certificate Holders	Total Certificates Held	Percentage
Associated companies, undertakings and related parties			
Al-Zamin Modaraba Management (Private) Limited	1	5,261,388	17.6557
Investment Corporation of Pakistan	1	10,100	0.0339
Directors, CEO & their spouse and minor children			
Executives	-	-	-
Public sector companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	16	1,573,136	5.2790
Joint Stock Companies	21	68,011	0.2282
Individuals	2,497	22,800,865	76.5130
Others	8	86,500	0.2903
Total	2,544	29,800,000	100.00

Certificateholders holding five percent or more certificate in the Modaraba

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





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