



B. F. MODARABA

Managed by:

E.A. MANAGEMENT PVT LTD.

(Registered under the companies ordinance 1984 & registered under
Modaraba companies and Modaraba Ordinance 1980)

2019
ANNUAL
REPORT



B. F. MODARABA
31ST ANNUAL REPORT 2019
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CORPORATE INFORMATION

MODARABA MANAGEMENT COMPANY

E. A. Management (Pvt.) Ltd.

BOARD OF DIRECTORS

DIRECTORS OF MODARABA MANAGEMENT COMPANY

Mr. Ahmed Ali Mohammad Amin Bawany	Chairman
Mr. Muhammad Omar Amin Bawany	Chief Executive
Mr. Hamza Omar Bawany	Director
Mr. Abdul Ghaffar Umer	Independent Director

AUDIT COMMITTEE

Mr. Abdul Ghaffar Umer	Chairman
Mr. Ahmed Ali Mohammad Amin Bawany	Member
Mr. Hamza Omar Bawany	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abdul Ghaffar Umer	Chairman
Mr. Ahmed Ali Mohammad Amin Bawany	Member
Mr. Muhammad Omar Amin Bawany	Member

COMPANY SECRETARY

Mr. Muhammad Ayub

SHARIAH ADVISOR

Mr. Mufti Zubair Usmani

LEGAL ADVISOR

Mr. Ghulam Rasool Korai

MODARABA AUDITORS

M/s. Rehman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS

Al-Baraka Islamic Bank
Bank Al-Habib Islamic Limited
Habib Bank Limited
Habib Metropolitan Islamic Bank Limited
UBL Ameen Islamic Bank

REGISTERED OFFICE

Plot No. 43-1-E, (B) P.E.C.H.S,
Block-6, Off Razi Road,
Shahrah-e-Faisal, Karachi Pakistan.
UAN : 111-229-269
Fax : (92-21) 34322864

EMAIL & WEBSITE

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feedback@bfmodaraba.com.pk
URL: www.bfmodaraba.com.pk

SHARES REGISTRAR

M/s. C & K Management Associates (Pvt.) Limited
404, Trade Tower, Abdullah Haroon Road, Near
Metropole Hotel, Karachi-75530
Phone: 35687839-35685930



CHAIRMAN'S REVIEW REPORT

The overall economy of the country has slowed down, the Pak rupee has been significantly devalued and discount rate has gone up and there has been increased in the rate of inflation in the country. Equity market continued its downtrend and KSE-100 index posted negative returns. However, we earned Rs. 5.25 million net profit, out of which Rs. 3.47 million was taken directly into equity due to mandatory adoption of IFRS 9.

The composition of the Board of Directors reflects mix of varied backgrounds and rich experience in the fields of business, finance, banking and regulations. The Board carried out the annual review of its effectiveness and performance on a self-assessment basis. The Board also ensures compliance of all regulatory requirements. The Board is ably assisted by its Committees. The Audit Committee reviews the financial statements and ensures that the accounts fairly represent the financial position of the Modaraba. It also ensures effectiveness of internal controls. The HR Committee overviews HR policy framework and recommends selection and compensation of senior management team.

On behalf of the Board, I take opportunity to express my gratitude and appreciation towards SECP and Registrar Modaraba for their continuous guidance and support.

Ahmed Ali Bawany
Chairman

Karachi.

Date : October 07, 2019



چیرمین کی جائزہ رپورٹ

ملک کی مجموعی معیشت سست گئی ہے۔ روپے کی قدر میں کمی واقع ہوئی، جبکہ شرح سود اور ملک میں افراط زر کی شرح میں اضافہ ہوا ہے۔ ایکویٹی مارکیٹ نے اپنے مندی کا رجحان جاری رکھا اور کے ایس ای 100 انڈیکس منفی رہا۔ تاہم ہم نے 5.2 ملین خالص منافع کمایا جن میں سے 3.4 ملین کو IFRS9 کو لازمی طور پر اپنانے کی سہولت فراہم کرنا کیلئے لیا گیا۔

بورڈ آف ڈائریکٹرز کی ساخت بزنس، فنانس، بینکنگ اور ریگولیشنز کی شعبوں میں وسیع تجربہ اور مختلف پس منظر کا عکاس ہے۔ بورڈ نے ذاتی تشخیص کی بنیاد پر اپنی کامیابی اور کارکردگی کا سالانہ جائزہ انجام دیا ہے۔ بورڈ نے مینجمنٹ کی جانب سے تمام ریگولیٹری ضروریات کی تعمیل کو بھی یقینی بنایا ہے۔ بورڈ کی اس کمیٹیوں کی جانب سے موثر مدد کی گئی ہے۔ آڈٹ کمیٹی مالی گوشواروں کا جائزہ لیتی ہے اور یقینی بناتی ہے کہ مضاربہ کی مالی حالت کو ٹھیک ٹھیک پیش کیا جائے۔ یہ انٹرنل کنٹرول کے اثر کو بھی یقینی بناتی ہے۔ ایچ آر کمیٹی ایچ آر پالیسی فریم ورک کا جائزہ لیتی ہے اور سینئر مینجمنٹ ٹیم کے چناؤ اور معاوضہ کی سفارش کرتی ہے۔

بورڈ کے توسط میں ایس ای سی پی اور رجسٹرڈ مضاربہ کی مسلسل رہنمائی اور معاونت کے لئے شکر گزار ہوں۔

احمد علی باوانی

چیرمین

کراچی 07 اکتوبر 2019



**31st ANNUAL REPORT OF THE DIRECTORS
OF THE MODARABA COMPANY
FOR THE YEAR ENDED JUNE 30, 2019**

Dear Certificate Holders,

Assalam-o-Aalikum,

In the name of ALLAH the most gracious and most merciful, your directors are pleased to present 31st Annual Report of your Modaraba together with the audited financial statements for the year ended June 30, 2019.

FINANCIAL RESULTS

Financial results are summarized as follows:

	<i>2019 Rupees</i>	<i>2018 Rupees</i>
Revenue	<u>10,209,037</u>	<u>12,434,874</u>
Profit before charging management fee	3,465,935	4,974,574
Management fee	<u>(346,593)</u>	<u>(497,457)</u>
Profit before WWF	3,119,342	4,477,117
WWF	<u>(62,387)</u>	<u>(89,542)</u>
Profit before taxation	3,056,953	4,387,575
Taxation	<u>(1,275,423)</u>	<u>(670,293)</u>
Profit after taxation	1,781,530	3,717,282
Add: Un-appropriated profit brought forward	8,402,892	6,544,251
Add: Transfer to the unappropriated profits	<u>3,469,631</u>	<u>-</u>
	13,654,053	10,261,533
Appropriations:		
Transferred to statutory reserve @ 50% of profit (2018: 50%)	<div style="border: 1px solid black; padding: 2px;">(890,765)</div>	<div style="border: 1px solid black; padding: 2px;">(1,858,641)</div>
Cash Dividend @ NIL% (2018: NIL)	<div style="border: 1px solid black; padding: 2px;">-</div>	<div style="border: 1px solid black; padding: 2px;">-</div>
	<u>(890,765)</u>	<u>(1,858,641)</u>
	<u>12,763,288</u>	<u>8,402,892</u>
Earnings per certificate	<u>0.24</u>	<u>0.49</u>



REVIEW OF OPERATIONS

Gross revenues during the year were Rs.10.209 million vis-à-vis Rs. 12.434 million for the corresponding period of 2017-18, major components of revenue were dividend income of Rs.6.546 million, and trading profit Rs. 2.543 million. We also realized capital gain of Rs. 3.47 Million for the year under review but has taken directly into equity due to mandatory adoption of IFRS 9. Thus, overall profitability remained positive as Pre-tax Profit stood at Rs.3.057 million against a Pre-tax Profit of Rs.4.387 million for the corresponding period of 2017-18. Consequently, earning per certificate has also slipped by Rs. 0.25 to Rs. 0.24 per certificate. Stock market remained volatile and continued its down trend due to multiple factor like increase in discount rate, depreciation of Pak rupee, rising trend of inflation and tussle between with neighbor country etc. resulting overall economy of Pakistan remained in pressure. Thus, unrealized loss in the value of investment in marketable securities was Rs. 13.371 million which has been reflected in the equity.

FUTURE OUTLOOK

The year under consideration was full of economic as well as political challenges including weakening of Pak Rupee, rising inflation and interest rates and volatile capital market. However, the country has successfully averted the balance of payments crises and all economic trends indicate that our deficits are coming down rapidly to within manageable ranges. Year 2019 and 2020 shall be a year in which Pakistan shall take significant steps towards improving its 'ease of doing business climate. 2019-20 is also expected to be the year for foreign investments in Pakistan. CPEC shall be entering its second phase that shall be more focused on trade and industry, moving on from infrastructure. This shall play a pivotal role in terms of technology and skills transfer to our economy. The Management of your Modaraba is proactively studying available options which would best protect and preserve Certificate holders' interest in the future.

CORPORATE GOVERNANCE

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- A. The financial statements prepared by the management of the Modaraba present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- B. Proper books of accounts of the Modaraba have been maintained.
- C. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- D. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements.
- E. The system of internal control is sound and has been effectively implemented and monitored.
- F. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- G. There is no material departure from best practices of corporate governance as detailed in the Regulations of Rule Book of Pakistan Stock Exchange except as mentioned in annexed compliance with the best practices of corporate governance.
- H. The summary of key operating and financial data of the important statistics for the last six years annexed.
- I. Information against outstanding duties, levies and charges is given in notes to the Accounts.
- J. The Company operates unfunded Provident fund scheme. The fair value of assets based is Rs. 67,247.



COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

A statement setting out the status of the compliance with the best practices of corporate governance is annexed to the Annual Report.

BOARD MEETINGS

During the year under review 4 meetings of the Board of Directors were held. A statement showing number of meetings each of the Directors attended are annexed to the Annual Report.

PATTERN OF CERTIFICATE HOLDERS

A statement showing the pattern of holding of the certificates as at June 30, 2019 is annexed to the Annual report.

TRADING OF CERTIFICATE

During the year there was no trading in certificates of Modaraba by CEO, Directors, Company Secretary and their spouses and minor children.

KEY OPERATING & FINANCIAL DATA

A statement summarizing key operating and financial data for the last six years is annexed to the Annual Report.

AUDITORS

The present Auditors **M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants** retiring on the date of Annual Review Meeting, being eligible, have offered themselves for re-appointment for the year ending June 30, 2020 subject to approval by the Registrar Modaraba Companies and Modarabas, the Board has confirmed their appointment.

Audit observation, if any, has been explained in relevant notes/ statement.

ACKNOWLEDGEMENT

The Board of Directors is grateful to the regulatory authorities for their guidance and support and also to the Certificate holders for their continuing patronage and hard working of employees and confidence in the Management of Modaraba Company.

May Almighty Allah guide us in our efforts of the progress of Modaraba and reward with the blessing **AMEEN.**

On behalf of the Board

Muhammad Omar Amin Bawany
Chief Executive

Karachi
Date October 07, 2019



31 ویں سالانہ ڈائریکٹرز کی رپورٹ

مضاربہ کمپنی برائے اختتامی سال 30 جون 2019

محترم سرٹیفیکیٹ یافتگان

اسلام علیکم!

اللہ تعالیٰ کے نام سے جو بہت مہربان اور نہایت رحم کرنے والا ہے۔ آپ کے ڈائریکٹرز آپ کے مضاربہ کی 31 ویں سالانہ رپورٹ کے ساتھ 30 جون 2019 کو ختم ہونے والے سال کے لئے آڈٹ شدہ مالیاتی گوشوارہ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج

مالیاتی نتائج کا خلاصہ/سمری درج ذیل ہے۔

2018 روپے	2019 روپے	
12,434,874	10,209,037	آمدنیاں
4,974,574	3,465,935	منافع قبل از مینجمنٹ کی فیس
(497,457)	(346,593)	مینجمنٹ فیس
4,477,117	3,119,342	منافع قبل از WWF
(89,542)	(62,387)	WWF
4,387,575	3,056,953	منافع قبل از ٹیکس
(670,293)	(1,275,423)	ٹیکس
3,717,282	1,781,530	منافع ٹیکس کے بعد
6,544,251	8,402,892	جمع: غیر تصرف شدہ منافع ہرارڈ فارورڈ
-	3,469,631	
10,261,533	13,654,053	
		تصرفات
(1,858,641)	(890,765)	منافع کا 50 فیصد کے حساب سے دستوری ذخائر میں منتقل کیا گیا
-	-	منافع کی تقسیم بحساب Nil فیصد (2018 : NIL)
(1,858,641)	(890,765)	
8,402,892	12,763,288	
0.49	0.24	فی سرٹیفیکیٹ آمدنی



آپریشنز (افعال) کا جائزہ

اس سال کے دوران مجموعی آمدنی Rs.10.209 ملین روپے تھے۔ 18-2017ء کے اسی عرصے کے لئے Rs.12.434 ملین روپے محصول کے بڑے حصوں میں Rs.6.556 ملین روپے کے منافع کی آمدنی، اور تجارتی منافع Rs. 2.543 ملین روپے۔ ہمیں بھی روپے کا سرمایہ کا احساس ہوا۔ جائزہ سال کے تحت اس سال کے لئے 47.4747 ملین روپے لیکن آئی ایف آر ایس کو لازمی طور پر اختیار کرنے کی وجہ سے براہ راست ایکویٹی میں لیا گیا ہے۔ اس طرح، مجموعی منافع مثبت رہا کیونکہ پری ٹیکس منافع 387.4 ملین روپے کے پری ٹیکس منافع کے مقابلہ میں Rs.3.057 ملین روپے رہا۔ 18-2017ء کے اسی عرصے کے لئے اس کے نتیجے میں، ہر سرٹیفکیٹ کی کمائی میں بھی Rs. 0.25 سے Rs. 0.24 فی سرٹیفکیٹ۔ ڈسکاؤنٹ ریٹ میں اضافے، پاک روپے کی قدر میں کمی، مہنگائی کے بڑھتے ہوئے رجحان اور پڑوسی ملک کے ساتھ تنازعہ جیسے متعدد عنصر کی وجہ سے اسٹاک مارکیٹ غیر مستحکم رہی اور اس کا رجحان برقرار رہا جس کے نتیجے میں پاکستان کی مجموعی معیشت دباؤ میں رہی۔ اس طرح، منڈی سکیورٹیز میں سرمایہ کاری کی قدر میں غیر حقیقی نقصان، روپے تھا۔ Rs.13.371 ملین روپے جو ایکویٹی میں جھٹکتی ہے۔

مستقبل کے مناظر

زیر غور سال اقتصادی اور سیاسی چیلنجوں سے بھرا ہوا تھا جس میں پاک روپے کی کمزوری، مہنگائی اور شرح سود میں اضافے اور غیر مستحکم سرمایہ مارکیٹ شامل تھے۔ تاہم، ملک نے ادائیگیوں کے بحرانوں کے توازن کو کامیابی کے ساتھ روک لیا ہے اور تمام معاشی رجحانات اس بات کی نشاندہی کرتے ہیں کہ ہمارے خسارے تیزی سے نیچے آنے کے قابل انتظام حدود میں آ رہے ہیں۔ سال 2019 اور 2020 ایک ایسا سال ہوگا جس میں پاکستان اپنی کاروباری ماحول کو آسانی سے بہتر بنانے کی سمت میں اہم اقدامات کرے گا۔ توقع کی جارہی ہے کہ پاکستان میں غیر ملکی سرمایہ کاری کے لئے 2019 اور 2020 کا سال ہوگا۔ سی بی ای سی اپنے دوسرے مرحلے میں داخل ہوگا جس میں بنیادی ڈھانچے سے آگے بڑھتے ہوئے تجارت اور صنعت پر زیادہ توجہ دی جائیگی۔ یہ ہماری معیشت میں کتنا لوہی اور مہارت کی منتقلی کے ضمن میں اہم کردار ادا کرے گا۔ آپ کے مضاربہ کا نظم و ضبط کا میانی کے ساتھ دستیاب اختیارات کا مطالعہ کر رہا ہے جو مستقبل میں سرٹیفکیٹ رکھنے والوں کی دلچسپی کا تحفظ فراہم کرے گا۔

کارپوریٹ گورننس

کارپوریٹ گورننس کے ضابطے کی ضرورت کے مطابق آپ کے ڈائریکٹر بورڈ پیش کرتے ہوئے خوش ہیں کہ

- A مضاربہ کی انتظامیہ کی جانب اس کے امور کے مطابق مالی گوشوارہ عہدگی سے پیش کیا ہے جو اس کے آپریشنز، کیش فلو اور ایکویٹی میں تبدیلیوں کا نتیجہ ہے۔
- B مضاربہ کی باقاعدہ اکاؤنٹ کی کتابیں مینجمنٹ کی گئیں ہیں۔
- C مالی گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسی کو یکساں طور پر استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور عاقبت اندیشہ فیصلوں کی بنیاد پر کئے گئے ہیں۔
- D مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی اکاؤنٹنگ معیارات پر عمل کیا گیا ہے۔
- E انٹرنل کنٹرول کا نظام مستحکم ہے اور موثر طور پر نافذ و نگرانی کی جاتی ہے۔
- F یہاں مضاربہ جاری رکھنے کی اہلیت پر کوئی شبہات نہیں ہیں جو توثیق کا باعث ہو۔
- G یہاں کارپوریٹ گورننس کے بہترین افعال سے کوئی مادی رعایت نہیں ہے۔ جیسا کہ اسٹاک ایکسچینج کے لسٹنگ ریلیشنس میں بیان کیا گیا ہے۔ سوائے اس کے کہ کارپوریٹ گورننس کے بہترین طریق کار کے ساتھ الحاق کی تعمیل میں۔



H بجچلے چھ سالوں سے اہم اعداد و شمار کے اہم آپریٹنگ اور مالی اعداد و شمار کا خلاصہ۔

I بقایا فراغ، محصول اور محصولات کے خلاف معلومات اکاؤنٹس کو نوٹ میں دی جاتی ہیں۔

J کمپنی غیر منقولہ پروپیٹی فنڈ اسکیم چلاتی ہے۔ اثاثوں کی منصفانہ قیمت 67,247 روپے ہے

کارپوریٹ گورننس کے ضابطے کی تعمیل

کمپلائنس کا اسٹینڈرڈ کا گوشوارہ کارپوریٹ گورننس کی عمدہ پریکٹسز سے ترتیب دیا گیا ہے جو سالانہ رپورٹ کے ساتھ منسلک ہے۔

بورڈ کا اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس بلائے گئے تھے۔ ہر ڈائریکٹر کی اجلاس میں شرکت کا گوشوارے میں دکھایا گیا اور اسے سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

سرٹیفیکیٹ یافتگان کا طریقہ کار

سرٹیفیکیٹس کے رکھنے کا طریقہ کار 30 جون 2019 کے گوشوارے میں دکھایا گیا ہے۔

سرٹیفیکیٹ کی خرید و فروخت

یہاں سال بھر کے دوران CEO، ڈائریکٹرز، کمپنی کے سیکریٹری اور ان کی بیویوں اور چھوٹے بچوں کی جانب سے مضاربہ سرٹیفیکیٹ کی کوئی خرید و فروخت نہیں کی گئی تھی۔

اہم آپریٹنگ اور مالیاتی ڈیٹا

بجچلے چھ سال کے لئے اہم آپریٹنگ اور مالیاتی ڈیٹا کے خلاصہ کا گوشوارہ سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس، جو سالانہ جائزہ اجلاس کی تاریخ پر سبکدوشی ہو رہے ہیں، 30 جون 2020 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کے لئے خود کو پیش کیا ہے، جو رجسٹرڈ مضاربہ کمپنی اور مضاربہ زکی منظوری سے مشروط ہے۔ بورڈ نے ان کی تقرری کی تصدیق کی ہے۔

آڈٹ مشاہدہ، اگر کوئی ہے تو، متعلقہ نوٹ/بیان میں بیان کیا گیا ہے۔



اعتراف

بورڈ آف ڈائریکٹرز ریگولیٹری اتھارٹی کو ان کی رہنمائی اور معاونت کے لئے شکریہ ادا کرتے ہیں اور ساتھ ہی اپنے سرٹیفکیٹ یافتگان کی مسلسل معاونت اور ملازمین کی سخت محنت اور مضاربہ کمپنی کی انتظامیہ پر اعتماد کرنے پر تہہ دل سے شکریہ ادا کرتے ہیں۔

اللہ تعالیٰ ہمیں ہمارے مضاربہ کی ترقی کی جدوجہد میں رہنمائی فرمائے اور اپنے نعمتوں سے نوازے۔ آمین

بورڈ کے توسط سے

محمد عمر امین باوانی
چیف ایگزیکٹو

کراچی
بتاریخ: 07 اکتوبر 2019ء۔



Shari'ah Advisor Report

For the financial year ended June 30, 2019

This to please report that for the financial year ended June 30, 2019, I have examined/reviewed the transactions and agreements executed, polices implemented and procedures followed by B.F. Modaraba managed by E.A. Management (Private) Limited being Modaraba Management Company.

I have found that transactions and agreements executed, polices implemented and procedures followed by B.F. Modaraba were in accordance with the relevant Shari'ah rulings and they were in line with prospectus issued by B.F. Modaraba, Shari'ah Compliance and Shari'ah Audit Regulations, Islamic Financial Accounting Standards applicable in Pakistan and the Model Financing Agreements approved by the Religious Board of SECP.

I have found that new Sharia' Compliance and Shari'ah Audit mechanism has been introduced which is hoped to lead towards more stringent Sharia' Compliance and Shari'ah Audit practices

I have found that under pool management mechanism, profit sharing ratios fixed for the distribution of profit & losses and the weightages assigned to different classes of deposits were in accordance with Shari'ah rulings.

I have not advised transfer of income to charity account due to non-observance of deviation from Shari'ah rulings.

I will recommend that:

- a) All earning assets and assets owned should be covered under Takaful arrangements instead of conventional insurance.
- b) Proper training to each staff level should be conducted

Conclusion:

The business activities of B.F. Modaraba during the financial year ended June 30, 2019 have been found to be Sharia'h compliant

Dr. Zubair Usmani

Dated: October 07, 2019

Shari'ah Advisor



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **B.F. Modaraba (the Modaraba)** as at **June 30, 2019** and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Management Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for the changes in accounting policies as disclosed in note 3 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at **June 30, 2019** and of the profit, comprehensive loss, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matters

The financial statements for the year June 30, 2018 and condensed interim financial information for the six-month period ended December 31, 2017 of the Modaraba were audited / reviewed by another auditor whose reports dated September 28, 2018 and February 26, 2018 respectively, expressed an unqualified opinion / conclusion.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: Muhammad Rafiq Dosani

Karachi.

Dated : October 07, 2019



B. F. MODARABA BALANCE SHEET AS AT JUNE 30, 2019

	Note	2019	2018
		-----Rupees-----	
ASSETS			
Current assets			
Cash and bank balances	5	12,875,792	24,943,033
Investments	6	95,616,503	97,645,100
Prepayments and other receivables	7	458,069	3,608,726
Trade debts - considered good and unsecured		14,960,000	1,863,406
Advance tax - net		2,332,676	1,861,528
Stock in trade		-	10,107,090
		126,243,040	140,028,883
Non-current assets			
Long term deposits	8	40,019	40,019
Furniture and equipment	9	32,017	38,418
		72,036	78,437
Total assets		126,315,076	140,107,320
LIABILITIES AND EQUITY			
Current liabilities			
Accrued and other liabilities	10	1,603,358	4,839,548
Due to management company		346,593	497,457
Unclaimed dividend		1,545,582	1,545,582
		3,495,533	6,882,588
Certificate holders' equity			
Certificate capital	11	75,151,587	75,151,587
Reserves	12	61,039,242	55,788,081
		136,190,829	130,939,668
Unrealized (loss) /gain on re-measurement of investments classified as fair value through other comprehensive income	13	(13,371,286)	2,285,064
Total liabilities and equity		126,315,076	140,107,320
Contingencies and commitments	14	-	-

The annexed notes from 1 to 23 form an integral part of these financial statements.

For E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director

Chief Financial Officer



**B. F. MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019**

	<i>Note</i>	2019 -----Rupees-----	2018
Revenue - net			
Gain on sale of investments		-	11,155,212
Trading profit / (loss)	15	2,543,660	(4,247,344)
Dividend - net of zakat	16	6,546,052	4,779,867
Profit on bank deposits accounts		1,119,325	747,139
		<u>10,209,037</u>	<u>12,434,874</u>
Administrative expenditure			
Operating expenses	17	(6,743,104)	(7,460,300)
Profit before charging management fee		3,465,933	4,974,574
Management fee		(346,593)	(497,457)
Profit before Worker's Welfare Fund		3,119,340	4,477,117
Provision for Worker's Welfare Fund		(62,387)	(89,542)
Profit before taxation		3,056,953	4,387,575
Taxation - current	18	(1,275,423)	(670,293)
Profit after taxation		<u>1,781,530</u>	<u>3,717,282</u>
Earnings per certificate - basic and diluted	19	<u>0.24</u>	<u>0.49</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director

Chief Financial Officer



B. F. MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	-----Rupees-----	
Profit after taxation	1,781,530	3,717,282
Other comprehensive income		
<i>Items that will not subsequently be reclassified to profit and loss account</i>		
Deficit on re-measurement of investments	(12,186,615)	(5,263,590)
Gain realized on disposal of investments - re-classified to profit and loss account	-	(11,450,182)
	(12,186,615)	(16,713,772)
Total comprehensive loss for the year	(10,405,085)	(12,996,490)

*Surplus on revaluation of investments is presented under a separate head below equity as 'surplus on revaluation of investments' in accordance with the requirements of Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017 issued by SECP.

The annexed notes from 1 to 23 form an integral part of these financial statements.

For E.A Management (Private) Limited
 (Management Company)

_____ Chairman	_____ Chief Executive	_____ Director	_____ Chief Financial Officer
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B. F. MODARABA CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,056,953	4,387,575
Adjustments for non cash charges and other items:		
Depreciation on own assets	6,401	8,329
Profit on bank deposit	(1,119,325)	(747,139)
Provision for Management Fee	346,593	497,457
Provision for provident fund	379,863	429,693
Provision for worker's welfare fund	62,387	89,542
Gain on sale of investment	-	(11,155,212)
Dividend income - net	(6,546,052)	(4,779,867)
	(6,870,133)	(15,657,197)
Operating loss before working capital changes	(3,813,180)	(11,269,622)
Working capital changes		
<i>Decrease / (increase) in current assets</i>		
Stock in trade	10,107,090	19,979,944
Trade debts	(13,096,594)	(1,863,406)
Advances, deposits, prepayments and other receivables	1,084,418	1,643,963
	(1,905,086)	19,760,501
<i>Increase / (decrease) in current liabilities</i>		
Accrued and other liabilities	(3,095,491)	3,268,197
Net (decrease) / increase in working capital	(5,000,577)	23,028,698
Taxes paid	(1,746,571)	(744,609)
Provident fund paid to employees	(582,881)	(1,102,075)
Management Fee paid	(497,457)	(1,802,932)
	(2,826,909)	(3,649,616)
Net cash (outflow) / inflow from operating activities	(11,640,666)	8,109,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in fixed assets - own use	-	(7,000)
Profit received on bank deposits	1,119,325	747,139
(Purchase) / sale of investments - net	(10,158,191)	11,619,203
Dividend received	8,612,291	4,779,867
Net cash (outflows) / inflows from investing activities	(426,575)	17,139,209
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid - net of zakat and tax	-	(7,205,901)
Net increase / (decrease) in cash and cash equivalents	(12,067,242)	18,042,767
Cash and cash equivalents as at beginning of the year	24,943,033	6,900,266
Cash and cash equivalents as at the end of year	12,875,792	24,943,033

The annexed notes from 1 to 23 form an integral part of these financial statements.

For E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director

Chief Financial Officer



B. F. MODARABA STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid up capital	Reserves		Total
		Statutory reserves (refer note 12)	Unappropriated profits	
	-----Rupees-----			
Balance as at July 01, 2017	75,151,587	45,526,548	14,059,409	134,737,544
Profit after taxation for the year ended June 30, 2018	-	-	3,717,282	3,717,282
Transfer to the statutory reserve @ 50%	-	1,858,641	(1,858,641)	-
<i>Transaction with owners</i>				
Dividend paid during the year	-	-	(7,515,158)	(7,515,158)
Balance as at June 30, 2018	75,151,587	47,385,189	8,402,892	130,939,668
Balance as at July 01, 2018	75,151,587	47,385,189	8,402,892	130,939,668
Profit after taxation for the year ended June 30, 2019	-	-	1,781,530	1,781,530
Transfer to the statutory reserve @ 50%	-	890,765	(890,765)	-
Gain realized on disposal of investments (refer note 13)	-	-	3,469,631	3,469,631
Balance as at June 30, 2019	75,151,587	48,275,954	12,763,288	136,190,829

The annexed notes from 1 to 23 form an integral part of these financial statements.

For E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director

Chief Financial Officer



B. F. MODARABA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

1 STATUS AND NATURE OF BUSINESS

B.F. Modaraba ('the Modaraba') was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder. The Modaraba is managed by E.A. Management (Private) Limited ('Modaraba Management Company'). The registered office of the Modaraba is situated at Plot No. 43-1-E(B), P.E.C.H.S., Block-6, Off Razi Road, Shahrah-e-Faisal, Karachi. The Modaraba is listed on Pakistan Stock Exchange. The Modaraba is a perpetual multi-purpose modaraba and is primarily engaged in leasing, investments, trading, musharika and murabaha transactions.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Islamic Financial Accounting Standards (IFASs), Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba, and directives issued by SECP differ with the requirements of IFRS, the requirements of the Islamic Financial Accounting Standards (IFASs), Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Prudential Regulations for Modaraba, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost as otherwise stated in noted to the financial statements.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgments were exercised in application of accounting policy are as follows:



Note

(a) Current taxation	4.5
(b) Impairment of financial assets	4.13.3

2.5 New Accounting Pronouncements

2.5.1 Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2019

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2018 (other than those disclosed in note 3) which are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following accounting and financial reporting standards as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for the reporting periods beginning on or after the dates specified below:

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Currently, the management is in the process of analysing the potential impacts on adoption of this standard.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The management is in the process of analysing the potential impacts on adoption of this
- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of this amendment is not likely to have an impact on Modaraba's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect entities that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying examples state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Modaraba's financial statements.



- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of the amendments is not likely to have an impact on the Modaraba's financial statements.

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendments is not likely to have an impact on the Modaraba's financial statements.

- Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 'Business Combinations' and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when an entity increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that an entity treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective for annual periods beginning on or after January 01, 2019 and are not likely to have an impact on the Modaraba's financial statements.

3 INITIAL APPLICATION OF IFRS 9 AND IFRS 15

With effect from July 01, 2018, the Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. Following is the analysis as to whether and, if so, how the adoption of these new standards has an impact on the financial statements.



3.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Modaraba contracts with customers for the sale of sugar which generally include single performance obligation. The management has concluded that revenue from sale of sugar be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Modaraba recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Modaraba.

3.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i) *Classification and measurement of financial assets and financial liabilities*

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available-for-sale. IFRS 9 classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost

The accounting policies that apply to financial instruments are stated in note 4.12 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Modaraba's financial assets as at June 30, 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
As at June 30, 2018			----- Rupees -----	
Investments	Available-for-sale	*At FVOCI	97,645,100	97,645,100
Long term deposits	Loans and receivables	At amortized cost	40,019	40,019
Trade debts	Loans and receivables	At amortized cost	1,863,406	1,863,406
Cash and bank balances	Loans and receivables	At amortized cost	24,943,033	24,943,033
Total financial assets			124,491,558	124,491,558

* At fair value through other comprehensive income



Though upon initial application of IFRS 9, the classification of financial assets changed as aforesaid, the said change had no impact on the carrying amount of those financial assets as on July 01, 2018 (i.e. the date of initial application of IFRS 9).

Further, in accordance with the irrevocable election available under IFRS 9, the Modaraba elected to present, in other comprehensive income, subsequent changes in the fair value of all its investments in units of mutual funds and ordinary shares of listed companies (which, previously, were classified as 'available-for-sale' under IAS 39) since these investments were not considered as held for the purpose of frequent trading. As a result, the aforesaid investments with an aggregate carrying value of Rs. 97.645 million (as on July 01, 2018 - the date of initial application of IFRS 9) were re-classified as carried at FVOCI. However, in accordance with an option available under the transitional provisions of IFRS 9, the said change in classification of investments was only accounted for as at **July 01, 2018** (and not retrospectively) and, hence, the comparative figures reported in the balance sheet, profit and loss account, statement of comprehensive income and the cash flow statement have not been restated.

The adoption of IFRS 9 did not have a significant effect on the Modaraba's accounting policies related to financial liabilities.

ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, financial asset measured at fair value through other comprehensive income, contract assets, lease receivables and trade receivables.

During the year, the Modaraba has changed its accounting policy with respect to measurement of credit loss allowance on financial assets to bring it in line with the new impairment requirements of IFRS 9 as noted above. However, the said change in accounting policy has no impact on the financial position or financial performance of the Modaraba. For the revised accounting policy, please refer note 4.11.3 to these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as mentioned in note 3.2 above:

4.1 Staff provident fund

The Modaraba operates an unrecognized provident fund scheme for all its eligible employees. The charge for provision fund benefit payable to employees is recognized on an annual basis equal to 9% of their basic salary.

4.2 Compensated absences

Non-accumulating compensated absences are recognized as expense in the period in which they occur.

4.3 Accrued and other liabilities

Accrued and other liabilities are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.



4.4 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past event 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. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.5 Taxation

Current

Unless the income of the Modaraba (other than income from trading activities) is treated as exempt under clause (100) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 ('the Ordinance'), the total income (excluding dividend income) is subject to taxation at the rate of 25%.

The income of non-trading Modaraba is exempt from taxation under clause (100) of Part I of the Second Schedule of the Ordinance, subject to the condition that not less than 90% of the total profits in the year (as reduced by the amount transferred to statutory reserve) are distributed amongst the certificate holders.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. This is recognized on the basis of the expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates to the extent that it is probable enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized to the extent that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

At the reporting date there were no material temporary differences, therefore, no deferred tax has been recognized in these financial statements'.

4.6 Furniture and equipment

Fixed assets held for own use are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note 9.

Depreciation is charged from the date of acquisition of the respective assets upto the date of disposal.

Maintenance and normal repairs are charged to the statement of profit or loss as and when incurred. Major renewals and replacement are capitalized and assets so replaced, if any, are retired.

Assets' residual values if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Gain or loss on disposal of assets is accounted for in the year in which it arises.



4.7 Impairment of non financial assets

The Modaraba assesses at each balance sheet date the carrying value of assets subject to depreciation or amortization whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

4.8 Stock in trade

Stock in trade is valued at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Cost is determined on weighted average method.

4.9 Trade debts

Trade debts are carried at their initial transaction price less the lifetime expected credit loss allowance.

4.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

4.11 Financial assets

4.11.1 Classification and initial measurement

The Company classifies its financial assets in the following three categories:

- (a) financial assets measured at amortized cost.
- (b) fair value through other comprehensive income (FVOCI);
- (c) fair value through profit or loss (FVTPL); and

(a) Financial assets measured at amortized cost

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

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) Financial assets at FVOCI



A financial asset is classified as at fair value through other comprehensive income when either:

- (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- (b) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company to at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

4.11.2 Subsequent measurement

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the profit and loss account.

(b) Financial assets at FVOCI

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in profit and loss account.



4.11.3 Impairment

The Modaraba's only financial asset that is subject to the impairment requirements of IFRS 9 is trade receivables.

The Modaraba applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Modaraba measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Modaraba recognises in profit and loss account, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

4.11.4 De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

4.12 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss account.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.13 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognised amount and the Modaraba intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.14 Revenue recognition

Revenue from trading activities

Revenue from sale of goods (sugar) is recognized when the customer obtains control of the goods, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been dispatched from the Modaraba's premises, the risk of loss has been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Modaraba has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered to dealers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.



The Modaraba does not expect to have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Modaraba does not adjust any of the transaction prices for the time value of money.

Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in profit and loss account when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Modaraba and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

Interest income

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

5	CASH AND BANK BALANCES	Note	June 30,	June 30,
			2019	2018
			-----Rupees-----	
	Cash in hand		27,949	6,247
	Balance with banks:			
	- Current accounts		943,654	943,689
	- Saving accounts	5.1	11,904,189	23,993,097
			12,847,843	24,936,786
			12,875,792	24,943,033
5.1	Saving accounts represent Islamic bank accounts. The rate of profit on these accounts ranges from 5.0% to 10.20% (2018: 5% to 5.50%) per annum			
6	INVESTMENTS	Note	2019	2018
			-----Rupees-----	
	<i>At fair value through other comprehensive income</i>			
	Ordinary shares of listed companies	6.1	20,314,749	29,193,695
	Units of open-ended mutual funds	6.2	75,301,754	68,451,405
			95,616,503	97,645,100



6.1 Investments in ordinary shares of listed companies

Unless stated otherwise, the following holdings are in ordinary shares/certificates of Rs. 10/- each.

Number of shares /		Name of Company / Institution	Cost		Market value	
2019	2018		2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
The holdings are in ordinary shares / units / certificates of Rs. 10/- each except for Habib ADM Limited which are of Rs. 5/- each.						
MODARABAS						
21,136	92,636	Orix Modaraba	191,281	838,356	327,608	1,538,683
72,900	72,900	First Punjab Modaraba	127,575	127,575	167,670	400,950
BANK						
21,230	53,000	Meezan Bank Limited	742,751	2,243,648	1,850,407	4,331,160
CEMENT						
13,000	10,000	Kohat Cement Limited	2,122,412	2,122,412	682,890	1,230,700
162,000	162,000	Fauji Cement Limited	5,091,404	5,091,404	2,548,260	3,701,700
10,000	-	D.G.Khan Cement Limited	975,797	-	565,400	-
REFINERY						
12,500	-	Attock Refinery Limited	2,078,108	-	965,875	-
FUEL AND ENERGY						
22,419	20,000	Hub Power Company Limited	1,037,619	916,669	1,765,496	1,843,200
49,000	49,000	Kohinoor Energy Limited	2,126,091	2,126,091	1,764,000	1,959,991
83	73	Pakistan Petroleum Limited	6,421	6,480	11,988	15,688
600,500	600,500	K-Electric Limited	5,255,514	5,255,514	2,636,195	3,411,083
ENGINEERING						
25,000	25,000	Mughal Iron & Steel Industries Limited	3,654,865	3,654,865	629,000	1,535,500
25,000	25,000	International Steels Limited	1,756,825	1,756,825	992,750	2,542,500
AUTOMOBILE ASSEMBLER						
2,000	2,000	Pak Suzuki Motors Limited	1,434,613	1,434,613	457,920	786,760
COMMUNICATION						
57,000	57,000	Pakistan Telecommunication Company Limited	1,006,050	1,006,050	471,390	652,080
CHEMICALS & PHARMACEUTICALS						
70,000	70,000	Engro Fertilizer Limited	4,333,450	4,333,450	4,477,899	5,243,699
			31,940,776	30,913,952	20,314,749	29,193,695

6.2 Investment in units of open-ended mutual funds

Number of units		Name of Mutual Fund	Cost		Net assets value	
2019	2018		2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
51,061	-	Alfalah GHP Islamic Value Fund	5,000,000	-	4,568,392	-
69,549	-	AKD Islamic Stock Fund	3,000,000	-	2,420,396	-
-	133,957	Meezan Balanced Fund	-	1,412,718	-	2,067,782
111,436	111,436	Meezan Islamic Fund	6,142,544	6,142,544	5,340,403	7,057,724
1,224,273	1,107,256	Meezan Islamic Income Fund	62,904,469	56,890,822	62,972,563	59,325,899
			77,047,013	64,446,084	75,301,754	68,451,405

7 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments 128,740 125,450

Other receivables

Profit on bank deposits

Loan to staff

Sales tax

Dividend receivable

Note	2019	2018
	-----Rupees-----	
	77,418	77,097
	35,000	-
	216,911	1,339,940
	-	2,066,239
	329,329	3,483,276
	458,069	3,608,726



8 LONG TERM DEPOSITS

Basic deposits placed with:

Central Depository Company of Pakistan Limited	25,000	25,000
State Bank of Pakistan	10,019	10,019
Pakistan Telephone Communications Limited	5,000	5,000
	40,019	40,019

9 FURNITURE AND EQUIPMENT

	Office equipments	Furniture & fixture	Computer & allied equipments	Total
----- Amount in Rupees -----				
As at June 30, 2017				
Cost	147,225	146,603	344,720	638,548
Accumulated depreciation	(134,412)	(130,956)	(333,435)	(598,803)
	12,813	15,647	11,285	39,745
Year ended June 30, 2018				
Opening net book value	12,813	15,647	11,285	39,745
Additions / transfers	-	-	7,000	7,000
Depreciation for the year	(1,280)	(1,563)	(5,484)	(8,328)
Closing net book value	11,533	14,084	12,801	38,417
As at June 30, 2018				
Cost	147,225	146,603	351,720	645,548
Accumulated depreciation	(135,692)	(132,519)	(338,919)	(607,130)
	11,533	14,084	12,801	38,418
Year ended June 30, 2019				
Opening net book value	11,533	14,084	12,801	38,418
Depreciation for the year	(1,153)	(1,408)	(3,840)	(6,401)
Closing net book value	10,380	12,676	8,961	32,017
As at June 30, 2019				
Cost	147,225	146,603	351,720	645,548
Accumulated depreciation	(136,845)	(133,927)	(342,759)	(613,531)
	10,380	12,676	8,961	32,017

Rate of depreciation per annum 10% 10% 30%

10 ACCRUED AND OTHER LIABILITIES

	Note	2019	2018
-----Rupees-----			
Audit fee payable		300,000	300,000
Advance from customer	10.1	-	3,242,903
Commission payable		18,000	18,000
Provident fund payable		67,247	270,265
Sindh Workers' Welfare Fund	10.2	1,037,441	975,054
Others		180,670	33,326
		1,603,358	4,839,548

10.1 During the year, the performance obligations underlying the opening contract liability of Rs. 3.243 million were satisfied in full. Accordingly, the said liability was recorded as revenue during the year.

10.2 This represents the provision for Sindh Workers' Welfare Fund recognized in respect of the financial years ended June 30, 2015 to June 30, 2019. The provision has been computed at the rate of 2% of declared taxable income or accounting profit, whichever is higher, as notified under the Sindh Workers' Welfare Fund Act, 2014 promulgated in June 2015.



11 CERTIFICATE CAPITAL

2019	2018		2019	2018
----- No. of Certificates -----			----- Rupees -----	
Authorized certificate capital				
10,000,000	10,000,000	Modaraba Certificates of Rs. 10 each	100,000,000	100,000,000
Issued, subscribed and paid-up capital				
3,000,000	3,000,000	Modaraba certificates of Rs.10/- each issued for cash	30,000,000	30,000,000
4,515,158	4,515,158	Modaraba certificates of Rs.10/- each issued as bonus certificates	45,151,587	45,151,587
7,515,158	7,515,158		75,151,587	75,151,587

	Note	June 30, 2019	June 30, 2018
12 RESERVES		-----Rupees-----	
Statutory reserve	12.1	48,275,954	47,385,189
Unappropriated profit		12,763,288	8,402,892
		61,039,242	55,788,081

12.1 Statutory reserve represents profits set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require a modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. During the current year the Modaraba has transferred an amount of Rs. 890,766 (2018: Rs.1,858,641) which represents 50% of the profit after tax.

13 UNREALIZED (LOSS) / GAIN ON REMEASUREMENT OF INVESTMENTS	Note	2019	2018
		-----Rupees-----	
Market value of investments	6	95,616,503	97,645,100
Less: cost of investments		(108,987,789)	(95,360,036)
		(13,371,286)	2,285,064
	Note	2019	2018
		-----Rupees-----	

13.1 Movement in unrealized (loss) / gain

Unrealized gain as at the beginning of the year	2,285,064	18,998,836
Gain realized on disposal reclassified to profit and loss account	-	(11,450,182)
Gain realized on disposal transferred to unappropriated profits	(3,469,631)	-
Deficit on remeasurement recognised during the year in other comprehensive income	(12,186,615)	(5,263,590)
	(15,656,245)	(16,713,772)
Unrealized (loss) / gain as at the end of the year	(13,371,286)	2,285,064



14 CONTINGENCIES AND COMMITMENTS

There were no known contingencies and commitments as at June 30, 2019 (June 30, 2018: None).

15	TRADING PROFIT / (LOSS)	Note	2019	2018
			-----Rupees-----	
	Trading profit / (loss) from sale of sugar			
15.1	Sales - net		24,578,750	25,068,600
	Cost of sales			
	Opening stock		10,107,090	30,087,034
	Purchases		11,928,000	9,336,000
	Closing stock		-	(10,107,090)
			22,035,090	29,315,944
			2,543,660	(4,247,344)
16	DIVIDEND INCOME			
	Dividend income - gross	16.1	6,564,127	4,792,367
	Less: Zakat deducted at source		(18,075)	(12,500)
			6,546,052	4,779,867
16.1	Dividend income - gross			
	D.G.Khan Cement		42,500	-
	Fauji Cement Limited		283,500	162,000
	Kohat Cement Limited		50,000	20,000
	Hub Power Company Limited		56,000	427,000
	Kohinoor Energy Limited		196,000	220,500
	Pakistan Petroleum Limited		109	256,730
	Pak Suzuki Motors Limited		6,320	37,200
	International Steel Limited		112,500	62,500
	Mughal Steel		55,000	15,000
	Pakistan Telecommunication Company Limited		85,500	57,000
	Engro Fertilizer Limited		770,000	595,000
	Agri Autos Industries Limited		-	750
	Meezan Bank Limited		173,400	153,750
	Meezan Islamic Income Fund		4,644,008	2,430,870
	First Punjab Modaraba		36,450	36,450
	Orix Modaraba		52,840	317,617
			6,564,127	4,792,367



	Note	2019	2018
17 OPERATING EXPENSES		-----Rupees-----	
Salaries and other benefits		4,724,644	5,618,970
Fees and subscription		1,098,429	885,331
Newspapers and periodicals		7,837	6,770
Printing and stationery		90,231	140,047
Repair and maintenance		316,181	105,415
Travelling and conveyance		3,500	15,760
Postage and telephone		20,180	79,930
Auditors' remuneration	17.1	335,000	335,000
Commission expenses		-	72,000
Depreciation	9	6,401	8,329
Advertisement		30,160	43,200
Bank charges		784	248
Miscellaneous Expenses		83,940	120,500
Rent, rates and taxes		25,817	28,800
		<u>6,743,104</u>	<u>7,460,300</u>
17.1 Auditors' remuneration			
Audit fee		250,000	250,000
Review of code of corporate governance		25,000	25,000
Half yearly review including other certificates		60,000	60,000
		<u>335,000</u>	<u>335,000</u>
18 TAXATION			
Current year tax		<u>1,275,423</u>	<u>670,923</u>
18.1 Relationship between income tax expense and accounting profit before taxation			
Accounting profit before tax		<u>3,056,953</u>	<u>4,387,575</u>
Tax at the applicable rate of 25% (2018: 25%)		764,238	1,096,894
Net tax effect of income subject to final tax regime		<u>511,185</u>	<u>(426,601)</u>
Net tax charge for the year		<u>1,275,423</u>	<u>670,293</u>
18.2	Income tax assessments of the Modaraba have been finalized upto tax year 2018 under section 120 of Income Tax Ordinance, 2001.		
19 EARNINGS PER CERTIFICATE - Basic and Diluted			
		2019	2018
<i>Basic earnings per certificate</i>		<i>-----Rupees-----</i>	
Profit after taxation		<u>1,781,530</u>	<u>3,717,282</u>
		<i>-----Number-----</i>	
Weighted average number of certificates outstanding		<u>7,515,158</u>	<u>7,515,158</u>
		<i>-----Rupees-----</i>	
Earnings per certificate		<u>0.24</u>	<u>0.49</u>



Diluted earnings per certificate

There is no dilutive effect on the basic earnings per certificate of the Modaraba, since there were no convertible instruments in issue as at June 30, 2019 and June 30, 2018 which would have any effect on the basic earnings per certificate if the option to convert were exercised.

20 TRANSACTIONS ENTERED INTO AND BALANCES HELD WITH RELATED PARTIES

The related parties comprise of major certificate holders of the Modaraba, Modaraba Management Company, directors and key management personnel of the Modaraba Management Company as well as their close family members. Remuneration and benefits to the executives of the Modaraba are in accordance with the terms of employment.

Details of transactions with related parties, other than those disclosed elsewhere in these financial statements, are as follows:

	2019	2018
	-----Rupees-----	
Transactions during the year		
Management fee - payment during the year	<u>497,457</u>	<u>1,802,932</u>
Management fee - charge for the year	<u>346,593</u>	<u>497,457</u>
Balances outstanding as at the year end		
Management fee payable	<u>346,593</u>	<u>497,457</u>

21 FINANCIAL INSTRUMENTS

21.1 Financial risk management

The Board of Directors of the Modaraba Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.1.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to credit risk in respect of Trade debtors and bank balances.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Modaraba attempts to control credit risk by diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or businesses, monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties. It also obtains securities when appropriate.



The Modaraba follows two sets of guidelines. It has its own operating policy and the management of the Modaraba also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Modaraba's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.

The Modaraba writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

(a) The maximum exposure to credit risk at the reporting date is as follows:

	2019		2018	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	----- (Rupees) -----			
At amortised cost				
Trade debts	14,960,000	14,960,000	1,863,406	1,863,406
Bank balances	12,847,843	12,847,843	24,936,786	24,936,786
	27,807,843	27,807,843	26,800,192	26,800,192

(b) Impairment losses:

As of the reporting date, the risk profile of the trade receivables as of the reporting date is as follows:

	2019		2018	
	Gross Carrying amount	Life time expected credit losses	Gross Carrying amount	Life time expected credit losses
Not past due	14,960,000	-	1,863,406	-
Past due 1-90 days	-	-	-	-
More than 90 days	-	-	-	-
	14,960,000	-	1,863,406	-

At each reporting date, Modaraba assessed its trade debts for impairment, however, based on past experience, consideration of financial position, past track records and recoveries, the Modaraba believes that trade debtors considered good do not require any impairment. None of the other financial assets are either past due or impaired.

The Modaraba does not require collateral in respect of trade debts. The Modaraba does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.



(c) The credit quality of Modaraba's bank balances as at the balance sheet date can be assessed with reference to external credit ratings as follows:

	Rating Long term	Rating Agency	2019	2018
			----- Rupees -----	
Al-Baraka Islamic Bank	A+	PACRA	26,484	25,725
Bank Al-Habib Limited	AA+	PACRA	12,168,084	960,251
Habib Bank Limited	AAA	JCR-VIS	319,231	4,306
Habib Metropolitan Bank Limited	AA+	PACRA	333,514	23,945,974
UBL Islamic Bank	AAA	PACRA	530	530
			12,847,843	24,936,786

21.1.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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 stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying value	Contractual cashflows		
		Total	Upto one year	More than one year
----- Rupees -----				
As on June 30, 2019				
Accrued and other liabilities	565,917	565,917	(565,917)	-
Due to Management Company	346,593	346,593	(346,593)	-
	<u>912,510</u>	<u>912,510</u>	<u>(912,510)</u>	-
As on June 30, 2018				
Accrued and other liabilities	621,591	621,591	(621,591)	-
Due to Management Company	497,457	497,457	(497,457)	-
	<u>1,119,048</u>	<u>1,119,048</u>	<u>(1,119,048)</u>	-

21.1.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and other price risk.

(a) 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. As of the reporting date, the Modaraba was not exposed to any foreign currency risk as all its transactions were carried out in Pak Rupees.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of the reporting date, the Modaraba did not hold any material investment in interest-bearing financial instruments and, hence, was not exposed to any interest rate risk.



(c) *Other price equity risk*

Other price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / markup rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all or similar financial instruments traded in the market. As of the reporting date, the Modaraba was not exposed to any equity price risk since all of its investments are carried at fair value through other comprehensive income.

21.2 Fair value hierarchy

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. Consequently, differences can arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The Modaraba measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Following is the fair value hierarchy of financial assets carried at fair value in the balance sheet:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Financial assets				
Investments in units of open-end mutual funds	75,301,754	-	-	75,301,754
Investment in ordinary shares of listed companies	20,314,749	-	-	20,314,749
	<u>95,616,503</u>	<u>-</u>	<u>-</u>	<u>95,616,503</u>
	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Financial assets				
Investments in units of open-end mutual funds	68,451,405	-	-	68,451,405
Investment in ordinary shares of listed companies	29,193,695	-	-	29,193,695
	<u>97,645,100</u>	<u>-</u>	<u>-</u>	<u>97,645,100</u>



22 CAPITAL MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of dividends paid to certificate-holders and issue new certificates.

23 GENERAL

23.1 Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Modaraba Management Company in their meeting held on October 07, 2019.

23.2 Corresponding figures

Following corresponding figures in these financial statements have been reclassified for better presentation, the impact of which is not regarded as material.

From component	To component	Amount (Rupees)
Advance tax	Advance tax - net	
Advances, prepayments and other receivable	(Advances tax - net)	<u>2,531,821</u>
Provision for taxation	Advance tax - net	
(Provision for taxation)	(Advances tax - net)	<u>670,293</u>

23.3 Level of rounding

All the figures in these financial statements have been rounded off to the nearest rupees.

FOR E.A Management (Private) Limited
(Management Company)

Chairman

Chief Executive

Director

Chief Financial Officer



PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30, 2019

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING			TOTAL CERTIFICATES HELD
659	1	-	100	14,327
239	101	-	500	60,187
75	501	-	1000	54,725
168	1001	-	5000	337,792
30	5001	-	10000	215,359
7	10001	-	15000	82,383
2	15001	-	20000	32,486
5	20001	-	25000	109,329
2	25001	-	30000	55,939
4	40001	-	45000	170,144
1	45001	-	50000	46,000
1	70001	-	75000	72,105
1	95001	-	100000	97,000
1	115001	-	120000	115,724
1	155001	-	160000	158,000
1	170001	-	175000	171,360
1	180001	-	185000	183,078
1	185001	-	190000	187,877
1	210001	-	215000	212,554
1	225001	-	230000	227,910
1	265001	-	270000	269,240
1	280001	-	285000	280,303
1	285001	-	290000	286,500
1	315001	-	320000	318,113
1	335001	-	340000	339,095
1	355001	-	360000	356,138
1	505001	-	510000	507,073
1	675001	-	680000	675,629
2	935001	-	940000	1,878,788
1211	TOTAL			7,515,158



CATEGORIES OF CERTIFICATE HOLDINGS AS AT JUNE 30, 2019

	Number of Certificate Holders	Total Certificates Held	Percentage %
Director CEO and their Spous and Minor Children Holding			
Mr. Omar Amin Bawany - Chief Executive		29,411	0.3914
Mrs. Rukhsana		366,447	4.8761
Mr. Ahmed Ali Bawany - Chairman		507,073	6.7473
Hamza Omar Bawany - Director		42,539	0.5660
	7	945,470	12.5808
Associated Companies, Undertaking and related Parties			
E.A Management (Pvt) Ltd.		939,394	12.5000
Faran Sugar Mills Ltd.		939,394	12.5000
Reliance Insurance Co. Ltd.		115,724	1.5399
	3	1,994,512	26.5399
NIT and ICP			
Trustee National Bank of Pakistan, Pension Fund		41,908	0.5576
Trustee National Bank of Pakistan, Benevolent Fund		1,471	0.0196
M/S. ICP		7,399	0.0985
National Bank of Pakistan Ltd		756	0.0101
IDBP (ICP Unit)		1,911	0.0254
	7	53,445	0.7112
Certificate Holders Holding Five percent or more			
Sind Particle Board Mills		675,629	8.9902
Mrs. Shaheda Muhammad Amin		539,216	7.1750
Mrs. Gulshan Ara Muhammad Amin		508,213	6.7625
Mrs. Aisha Bai Muhammad Amin		510,455	6.7923
	7	2,233,513	29.7201
INDIVIDUALS	1164	1,903,604	25.3302
INVESTMENT COMPANIES	4	107,971	1.4367
INSURANCE COMPANIES	1	187,877	2.5000
JOINT STOCK COMPANIES	8	4,634	0.0617
FINANCIAL INSTITUTIONS	1	10,456	0.1391
OTHERS	7	45,747	0.6087
CHARITABLE TRUSTS	1	23,102	0.3074
COOPERATIVE SOCIETIES	1	4,827	0.0642
Total	1211	7,515,158	100



July 2018-June 2019

NUMBER OF MEETINGS

Name of Director	No. of BOD Meetings Attended	No. of Audit Committee Meetings Attended	No. of HR & R Committee Meeting Attended
1. Mr. Muhammad Omar Amin Bawany	4	N/A	1
2. Mr. Ahmed Ali Mohammad Amin Bawany	2	2	1
3. Mr. Hamza Omar Bawany	3	3	1
4. Mr. Abdul Ghaffar Umar	4	4	1

KEY OPERATING AND FINANCIAL DATA Rs. 000's

Year	2019	2018	2017	2016	2015	2014
Paid-up Capital	75,151	75,151	75,151	75,151	75,151	75,151
Equity	136,190	130,939	134,737	123,742	118,778	109,662
Operating Revenue	10,209	12,434	24,223	17,761	15,379	12,223
Net Profit After Tax	1,781	3,717	15,880	10,224	9,116	4,437
Bonus	-	-	-	-	-	-
Cash Dividend	-	-	10%	6.50%	7%	-
Earning Per Certificate (Rs.)	0.24	0.49	2.11	1.36	1.21	0.59



**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED
COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of E.A. Management Company (Pvt) Limited (the Management Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. 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 Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

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

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 209 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 Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2019.

Further, we highlighted below instance of non-compliance with the requirement of the Codes as reflected in the paragraph 18 of the statement of compliance:

S.No.	Reference No.	Description
1	18a	As per regulation # 6 of Listed Companies (Code of Corporate Governance) Regulations, 2017, number of independent directors shall be at least two or one third of the total board members, whichever is higher. However, as of June 30, 2019, the Modaraba had only one independent Director.
2	18b	As per regulation #25 of Listed Companies (Code of Corporate Governance) Regulations, 2017, an individual shall not simultaneously hold the position of Company secretary and Chief Financial Officer. However, we noted that the Chief Financial Officer of the Modaraba also acts as the Company Secretary.

Karachi.
Date: October 07, 2019

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants



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

Name of company: **B.F.Modaraba**
Year ending: **June 30, 2019**

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

1. The total number of directors are 4 as per the following:
 - a) Male: - 4
 - b) Female: - Nil

2. The composition of board is as follows:

Category	Name
Independent Director	Mr. Abdul Ghaffar Umer
Executive Director	Mr. Omar Amin Bawany
Non-Executive Director	Mr. Ahmed Ali Bawany
	Mr. Hamza Omar Bawany

The independent director meets the criteria of independence under clause 5.19.1. (b) of the Code of Corporate Governance.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Modaraba has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.



8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The board arranged NIL training program for the Directors of the Company for the year. Two directors have already attended directors' training Program from recognized institute and remaining two have met the criteria of requisite education on the Listed Company.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a) Audit Committee

1.	Mr. Abdul Ghaffar Umer	Chairman
2.	Mr. Ahmed Ali Bawany	Member
3.	Mr. Hamza Omar Bawany	Member

b) HR and Remuneration Committee (Name of members and Chairman)

1.	Mr. Abdul Ghaffar Umer	Chairman
2.	Mr. Ahmed Ali Bawany	Member
3.	Mr. Hamza Omar Bawany	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 (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee – Quarterly
 - b) HR and Remuneration Committee – Yearly
15. The board has set up an effective internal audit function 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 Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all its partners are in compliance with



International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except following:
 - a) Four directors of E.A Management Company (Pvt.) Limited (Management company of Modaraba) are representing as Director of B.F Modaraba and it is impracticable to appoint Two directors out of Four member of the board as independent.
 - b) Considering volume of transactions and nature of business, it is not cost effective to appoint two separate individuals as CFO and Company Secretary. However, we may segregate duties of two offices if situation needed.

Muhammad Omar Amin Bawany
Chief Executive



NOTICE OF ANNUAL REVIEW MEETING

The 20th Annual Review Meeting of the Certificate Holders of B.F. Modaraba will be held on Monday October 28, 2019 at 4:00 p.m. at the registered office of Modaraba at Plot No. 43-1-E, (B) P.E.C.H.S, Block-6, Off Razi Road, Shahrah-e-Faisal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2019.

The Certificate Transfer Books of the Modaraba will remain closed from October 22, 2019 to October 28, 2019 (both days inclusive).

Transfers received at the Share Registrar Office, M/s. C & K Management Associated (Pvt.) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530, before the close of business hours on October 21, 2019, will be treated in time.

Certificate holders are requested to promptly notify to the Shares Registrar of the company of any change in their registered address.

Dated: October 07, 2019

Muhammad Ayub
Company Secretary

NOTE:

At the time of attending the meeting individual CDC account holders shall produce their original National Identity Cards and corporate entities shall produce the Board's Resolution/Power of Attorney with Specimen Signature of the nominees.



VISION

To provide financial products translating and services within the spirit of Islamic Shariah and in accordance with the law to contribute in the promotion of the law and to contribute towards fulfilling our responsibilities in building a progressive society.

MISSION

- * To engage effectively, responsibly and profitability in providing financial products and services consistently seeking high standard of performance to maintain a long term success position in the competitive environment. This will be achieved by:
- * Introducing a just and equitable financial system by being a good multipurpose financial institution;

Providing a range of specialized services working on Shariah principles to sustain continuous earning growth through effective management of its existing resources and through selective investment and financing.

- * Providing for reasonable and just profit, prudent growth and pursuit of better efficiency.
- * Focusing on serving our clients and customers building relationship with them based on trust and mutual benefit; and
- * Fulfilling our responsibilities to satisfy the certificate holders, clients and the employees.



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