



KASB Modaraba
An Islamic Financial Institution



Annual Report 2019

صاف اور شفاف آمدنی،
سچا سکون ہے...

Vision Statement

To contribute towards the development of Islamic Financial Products which are commensurate with modern commercial concepts

Mission Statement

Our mission is to create and maintain a progressive position in the Modaraba sector in Pakistan and endeavor to promote interest-free economy in the country. This will be achieved through quality services using innovative Sharia compliant products, financial discipline and good corporate governance with high levels of professional and ethical standards being maintained at all times.

CORPORATE INFORMATION

Administrator of KASB Modaraba

The Registrar Modaraba, Securities & Exchange Commission of Pakistan, Islamabad has appointed Mr. Khawaja Waheed Raza as Administrator of KASB Modaraba vide order dated April 03, 2019. All the powers and duties of the Modaraba Company as well as those of its Board of Directors have been assumed by the Administrator effective April 08, 2019.

Chief Financial Officer

Aftab Afroz Mahmoodi

Company Secretary

Syed Shahid Owais

Auditor

RSM Avas Hyder Liaquat Nauman, Chartered Accountants

Internal Auditor

EY Ford Rhodes

Certificate Transfer Office

C&K Management Associates (Pvt.) Limited

404, Trade Tower,

Abdullah Haroon Road,

Near Metropole Hotel,

Karachi – 75530

Phone: 021-35687839 & 021-35685930

Legal Advisor

Ahmed & Qazi

S & B Durrani Law Associates

Shariah Advisor

Al-Hilal Shariah Advisor

Registered Office

Office # B, 5th Floor,
Lakson Square Building # 1,

Sarwar Shaheed Road,
Karachi.

Phone: 021-35630621

35630623, 35630625, 35630626

Lahore Branch Office

Office No. 318 3rd Floor,

Lahore Stock Exchange Building,
19 Khayaban-e-Awan-e-Iqbal, Lahore

Phone : 042-36311001-02

Islamabad Branch Office

Basement, 90-91,

Razia Sharif Plaza ,Jinnah Avenue,
Blue Area, F-7, Islamabad.

Phone: 051-2344422-24

Web Address

www.kasbmodaraba.com

KASB MODARABA

DIRECTORS' REPORT

The Financial Highlights of KASB Modaraba for the year ended June 30, 2019 are as under:-

FINANCIAL HIGHLIGHTS

Financial highlights for the period under review are summarized as under:-

	June 30, 2019 Rs "000"	June 30, 2018 Rs "000"
BALANCE SHEET		
Cash and bank balance	51,147	30,948
Short Term Investment	6,350	0
Musharaka Finance	3,100	11,300
Murabaha Finance	83,796	125,580
Diminishing Musharaka Finance	41,907	95,183
Receivable against sale of agricultural produce	7,651	7,651
Ijarah Assets	9,097	20,265
Property acquired in satisfaction of financing facility	47,082	47,083
Total Assets	270,583	375,598
Net Assets	240,708	274,947

PROFIT & LOSS ACCOUNT		
Gross Income	27,163	58,117
Operating & Financial Charges	(45,228)	(77,044)
Provision against doubtful receivables-net	(16,174)	(95,282)
Net Loss for the Year	(34,239)	(114,209)
Loss per Modaraba Certificate (Rupees)	(0.71)	(2.38)

OPERATIONS AND PERFORMANCE

The Modaraba booked a net loss of Rs 34.23 million for the year ended June 30, 2019 as compared to net loss of Rs 114.20 million for the year ended June 30, 2018. The loss per Certificate for the year ended June 30, 2019 was Rs.(0.71) as compared to Rs (2.38) of the corresponding previous year.

The loss of the year ended June 30, 2019 was mainly due to the provisions on non performing Modaraba & Murabaha financing and due to limited liquidity available to the Modaraba for taking or increasing exposures on conventional as well as non-traditional businesses because of restriction imposed by Securities & Exchange Commission of Pakistan on mobilization of Certificates of Musharaka.

YEAR AT A GLANCE

Modaraba performed modestly with liquidity issues during the year. Our approach remained conservative towards financing projects. The management remained vigilant for timely recovery of the deployed funds to develop room for further investments.

FUTURE PROSPECTS

With the aim and strategy of growing with Sharia compliant businesses, we would keep exploring and opting high yield businesses. We trust that we would keep going as per our short and longer term plans with innovative approach that would result in better returns for the Certificate holders.

APPOINTMENT OF ADMINISTRATOR

Mr. Khawaja Waheed Raza was appointed by the Registrar Modaraba, Securities & Exchange Commission of Pakistan Islamabad as Administrator of KASB Modaraba vide order dated April 03, 2019. All the powers and duties of the Modaraba Company as well as those of its Board of Directors have been assumed by the Administrator effective April 08, 2019.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Modaraba is pleased to report that:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied except mentioned in notes in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IASs) as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
- The system of internal controls is implemented and monitored.
- The Modaraba is financially sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no significant material departure from the best practices of corporate governance, as detailed in the Corporate Governance Regulations- 2017.
- The Modaraba operates an unfunded gratuity scheme for its permanent employees, value of which was PKR. 2.90 million at June 30, 2019.

- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2019 except as disclosed in the financial statements.
- None of the Administrator of Modaraba, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children has carried out trading of certificates of the Modaraba.
- During the year, four meetings of the Ex-Board of Directors and One meeting called by the Administrator were held. Attendance details are as follows:

Name		No of Meetings Attended
Muzaffar Ali Shah Bukhari	Ex-Director	4
Farrukh S. Ansari	Ex-Director	4
Amer Maqbool	Ex-Director & CEO	4

Name		No of Meetings Attended
Khawaja Waheed Raza	Administrator	1

- During the year, three meetings of Ex- Audit Committee were held. Attendance by Members is as follows :

Name		No of Meetings Attended
Farrukh S. Ansari	Ex-Chairman of Audit Committee	3
Muzaffar Ali Shah Bukhari	Ex-Member	3

- During the year, one meeting of the Human Resource and Remuneration Committee (HR&RC) was held. All members of the HR&RC attendant the meeting.
- The pattern of holding of Certificates by the Certificate-holders is included in this annual report

DIRECTOR'S REMUNERATION

The remuneration of ex-Directors for attending meetings of the Board or any Committee of the Board was determined under the Director's Remuneration Policy adopted by the Ex-Modaraba Management Company. Under the said policy, independent and non-executive Directors are entitled to receive the prescribed fee and traveling, hotel & other expenses incurred by them for attending meetings of the Board or any Committee of the Board and General Meetings as determined by the Board.

GOVERNANCE & SHARIAH COMPLIANCE

The Administrator and staff of Modaraba are committed to ensure compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, Regulations of Pakistan Stock Exchange and the Modaraba is in compliance with the requirements relevant for the year ended June 30, 2019. A statement to this effect is annexed with the report. The Shariah Advisor is involved from the outset to ensure that the business of the Modaraba is in line with Shariah Principles.

HUMAN RESOURCES

The Administrator and management are committed towards continuous improvement of the operating and financial performance of the Modaraba for its long term sustainability and to meet the expectations of the stakeholders especially to protect the interest of the certificate holders. The liquidity crunch remains a challenge for operation of the Modaraba however, the available resources have been deployed in secured financing transactions.

AUDITORS

The term of appointment of present External auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants is expiring on the date of the ensuing Annual Review Meeting of the Modaraba. The Administrator has recommended the reappointment of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, as External auditors for the year ending June 30, 2020, subject to approval by the Registrar Modaraba.

ACKNOWLEDGEMENT

The support co-operation of the regulatory authorities, employees of the Modaraba , certificate holders, customers and bankers is gratefully appreciated.

We pray to Almighty Allah for the success of your Modaraba.

For KASB Modaraba

-SD-

Khawaja Waheed Raza
Administrator
Dated: October 25, 2019
Karachi

ڈائریکٹر رپورٹ

کے اے ایس بی مضاربہ کے 30 جون 2019 کو اختتام پذیر ہونے والے مالی سال کا سالانہ آڈٹ شدہ مالیاتی کوٹوارہ درج ذیل ہے:-

مالیاتی جھلکیاں

زیر جائزہ مدت کے لئے مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:-

30 جون 2018 روپے ”...“ میں	30 جون 2019 روپے ”...“ میں	بیلنس شیٹ
30,948	51,147	نقد اور بینک بیلنس
112	6,350	سرمایہ کاری
11,300	3,100	مشارکتی مالیت
125,580	83,796	مراجہ مالیت
95,183	41,907	شرکت متناقصہ مالیات
7,651	7,651	وصولیابی زرعی پیداوار
20,265	9,097	اجارہ اثاثہ جات
47,082	47,082	قابل وصول قرضہ جات کی وصولی کے سلسلے میں حاصل پراپٹی
375,598	270,583	مجموعی اثاثہ جات
274,947	240,708	خالص اثاثہ جات
30 جون 2018 روپے ”...“ میں	30 جون 2019 روپے ”...“ میں	نفع و نقصان کا حساب
58,117	27,163	مجموعی آمدنی
(77,044)	(45,228)	انتظامی و مالیاتی اخراجات
(95,282)	(16,174)	مشکوک وصولی کی مد میں فراہمی
(114,209)	(34,239)	خالص سالانہ منافع (نقصان)
(2.38)	(0.7)	فی حصہ آمدنی (روپے)

انتظامی کارکردگی

برائے سال 2019 مضاربہ کا مجموعی نقصان 34.23 ملین روپے رہا، جبکہ برائے سال 2018، 114.20 ملین روپے کا نقصان

تھا۔ فی حصہ نقصان برائے سال 2019 (0.71) روپیہ رہا جبکہ برائے سال 2018 فی حصہ نقصان (2.38) روپیہ تھا۔

سال 2019 میں ہونے والے نقصان کی بنیادی وجہ چند مضاربہ اور مراہمہ میں ہونے والا نقصان اور سیکورٹیز اینڈ ایکسچینج کمیشن کی جانب سے مشارکہ شریکیت پر عائد پابندی کے باعث مالی ذخائر کی کمی رہے جس کی وجہ سے مضاربہ روایتی اور غیر روایتی مالیات میں سرمایہ کاری نہ کر سکا۔

موجودہ مالی سال پر ایک سرسری نظر

دوران مدت مالی مسائل اور ذخائر کی کمی کے باعث مضاربہ کی کارکردگی واجبی رہی۔ مالیاتی منصوبوں کی طرح ہمارا رویہ محتاط رہا۔ جاری شدہ قرضہ جات کی بروقت وصولی کے لئے انتظامیہ پوری طرح چوکس اور مستعد رہی۔ تاکہ اس کے ذریعے مزید منافع بخش سرمایہ کاری کے لئے راہ ہموار کی جائے۔

مستقبل کے امکانات

شریعت کے مطابق کاروبار کے ذریعے ترقی کرنے کے مقصد اور حکمت عملی کے ساتھ ہم اعلیٰ پیداواری اور منافع بخش کاروبار کی تلاش اور جستجو کرتے رہیں گے۔

ہم اس یقین کے ساتھ آگے بڑھتے رہیں گے کہ ہمارے طویل المیعاد اور طویل المدت اہداف حاصل ہو جائیں، ہم جدید طرز کاروبار کے ساتھ جدوجہد میں مصروف رہیں گے تاکہ موجودہ کاروباری نتائج اور درجہ بندی کے مقابلے میں بہتر نتائج حاصل کر سکیں جس کے ذریعے حصہ داروں کو بہتر منافع پہنچا سکیں۔

ماظم کا تقرر

رجسٹرڈ مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے آرڈر بتاریخ 3 اپریل 2019 کے ذریعے جناب خواجہ وحید رضا کا تقرر بحیثیت ماظم کیا گیا ہے جس کے تحت بورڈ آف ڈائریکٹر کے تمام تر اختیارات 8 اپریل 2019 سے ماظم کو حاصل ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ

مضاربہ مسرت کے ساتھ بیان کرتا ہے کہ:

- ☆ مضاربہ کی انتظامیہ کی جانب سے مالی کوشوارہ عمدگی سے پیش کیا گیا ہے جو اس کے آپریشنز، کیش فلو اور ایکویٹی میں تبدیلیوں کا نتیجہ ہے۔
- ☆ مضاربہ کی باقاعدہ اکاؤنٹ کی کتابیں تیار کی گئی ہیں۔
- ☆ مالی کوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسی کو یکساں طور پر استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور عاقبت اندیش فیصلوں کی بنیاد پر کئے گئے ہیں۔
- ☆ مالی کوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی اکاؤنٹنگ (IAS's) معیارات پر عمل کیا گیا ہے اور اس سے کسی رخصت کو مناسب طور پر ظاہر کیا گیا ہے۔
- ☆ انٹرنل کنٹرولر کا نظام مستحکم ہے اور مؤثر طور پر نفاذ و نگرانی کی جاتی ہے۔
- ☆ مضاربہ ہناؤٹ میں مالی طور پر مستحکم ہے اور مؤثر طور پر نفاذ و نگرانی کی جاتی ہے۔

- ☆ مضاربہ کی مالی و انتظامی صلاحیت کو کوئی خطرہ نہیں ہے اور اس سلسلے میں کوئی قابل تشویش بات نہیں ہے۔
- ☆ مضاربہ میں کارپوریٹ گورننس کے بہترین اصولوں کو مد نظر رکھا گیا ہے جیسا کہ کارپوریٹ گورننس ریگولیشن برائے 2017 میں درج ہے۔
- ☆ مضاربہ نے اپنے مستقل ملازمین کے لئے غیر منظور شدہ اور غیر مالی گریجویٹی اسکیم قائم کر رکھی ہے جس کی قدر 30 جون 2019 کو 2.90 ملین روپے تھی۔
- ☆ پچھلے چھ سالوں کا مالیاتی گوشوارہ خلاصہ کی صورت میں اس سالانہ رپورٹ میں شامل کیا گیا ہے۔
- ☆ یہاں 30 جون 2019 کو ٹیکس، ڈیویڈنڈ، جرمانے اور واجبات کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں ماسوائے جیسا کہ مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔
- ☆ مضاربہ کے ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کے شریک حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفکیٹس کی کوئی خرید و فروخت نہیں کی۔
- ☆ سال کے دوران بورڈ آف ڈائریکٹرز کے 14 اجلاس منعقد ہوئے ہر ڈائریکٹر کی شرکت درج ذیل ہے۔

نام	اجلاس میں شرکت کی تعداد
مظفر علی شاہ بخاری	4
فرخ ایس انصاری	4
عامر مقبول	4

- ☆ ایک اجلاس ناظم نے منعقد کیا۔
- ☆ سال کے دوران آڈٹ کمیٹی کی تین میٹنگز منعقد ہوئیں، حاضری کی تفصیلات درج ذیل ہے:

نام	اجلاس میں شرکت کی تعداد
فرخ ایس انصاری	3
مظفر علی شاہ بخاری	3

- ☆ سال گزشتہ افرادی قوت اور مشاہرہ کی ایک میٹنگ ہوئی جس میں تمام ممبران نے شرکت کی۔
- ☆ سرٹیفیکیٹ ہولڈرز کی ملکیت کا بیان رپورٹ کے ساتھ منسلک ہے۔

مشاہرہ برائے ڈائریکٹرز

بورڈ آف ڈائریکٹرز اور بورڈ کی کسی بھی کمیٹی کی میٹنگز میں حاضری کے عوض ڈائریکٹرز کے مشاہرہ کا تعین منجھٹ کمپنی کی مشاہرہ پالیسی کے زیر عمل ہے۔ اس پالیسی کے تحت انڈیپنڈنٹ اور نان ایگزیکٹو ڈائریکٹر کسی بھی کمیٹی اور عام اجلاس کے سلسلے میں مشاہرہ، سفری، ہوٹل اور دیگر اخراجات حاصل کرنے مجاز ہیں۔

کورنٹس اور شریعہ کی تعمیل

ماظم اور اسٹاف پُر عزم ہے کہ وہ لٹڈ کمپنیز (کوڈ آف کارپوریٹ کورنٹس) ریگولیشن 2017 پاکستان اسٹاک ایکسچینج کے قوانین 30 جون 2019 کو ختم ہونے والے سال کے لئے عمل کو یقینی بنائے گا۔ اس سلسلے میں ایک خاکہ اس رپورٹ کے ساتھ منسلک ہے۔ شریعہ ایڈوائزر ابتدائی مراحل سے شرعی اصولوں کی پاسداری کے لئے مضاربہ کے ساتھ منسلک ہے۔

بیومن ریسورسز

بورڈ پر اعتماد ہے کہ آپ کے مضاربہ کی انتظامیہ اور ملازمین راست بازی اور جوش اور ولولہ سے مسلسل کام کریں گے۔ آپ کا مضاربہ ان شاء اللہ مسلسل فروغ پاتا رہے گا۔ بہترین انسانی وسائل میں سرمایہ کاری ہماری پالیسی کا بنیادی عنصر ہے۔

آڈیٹرز

موجودہ آڈیٹر ان میسرز اولیس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کی تقرری کی مدت مضاربہ کی سالانہ جائزہ اجلاس کی تاریخ پر ختم ہو گئی ہے۔ ماظم نے میسرز اولیس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کو بحیثیت آڈیٹر 30 جون 2020 تک دوبارہ تقرری کی منظوری دی ہے جو رجسٹرار آف مضاربہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہے۔

اعتراف

بورڈ ریگولیٹری اتھارٹی، حصہ داروں، کسٹمرز اور بینکرز کی معاونت اور تعاون کو بہت سراہتا ہے اور مستقبل میں بھی ان کی معاونت اور مشورے کا منتظر رہے گا۔

ہم اللہ کے حضور آپ کے مضاربہ کی کامیابی کے لئے دُعا کو ہیں۔
برائے کماے ایس بی مضاربہ

-SD-

خواجہ وحید رضا

ماظم

25 اکتوبر 2019

کراچی

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

	2019	2018	2017	2016	2015	2014	2013
	-----Rupees in Thousand-----						-----
Total assets	270,584	375,598	599,707	901,245	982,728	1,305,559	1,516,092
Musharaka Finance	3,100	11,300	12,900	14,100	45,490	93,777	98,161
Murabaha Finance	83,796	125,580	150,045	267,365	312,873	395,090	627,204
Modaraba Finance	-	112	50,960	53,746	22,739	36,236	83,696
Diminishing Musharaka	41,908	95,184	153,209	316,083	354,488	399,437	424,230
Ijarah Assets	9,097	20,265	32,493	52,765	34,525	72,363	47,368
Equity	240,708	274,947	391,456	389,033	385,234	289,672	265,717
Currents Assets	236,436	277,741	488,336	591,031	680,456	1,004,538	1,175,724
Current Liabilities	23,005	79,115	137,637	295,207	345,046	846,682	1,187,542
Income	35,248	58,118	110,830	166,063	195,187	174,401	239,148
Taxation	-	-	-	-	-	-	-
Profit/ (Loss) after Tax	(34,240)	(114,209)	4,570	8,244	11,115	23,994	(46,029)
Dividend (Rs.)	-	-	0.07	0.08	0.11	0.24	-
EPS (Rs.)	(0.71)	(2.38)	0.10	0.17	0.23	0.85	(0.16)

STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE
KASB MODARABA
YEAR ENDED JUNE 30, 2019

The Securities & Exchange Commission of Pakistan, Islamabad appointed Mr. Khawaja Waheed Raza as Administrator of KASB Modaraba vide order dated April 03, 2019 issued by the Registrar Modaraba. Before his appointment all powers and duties of the Modaraba Company as well as those of its Board of Directors have been exercised and performed by the Board of Directors.

In the following manner, the Board of the Modaraba has complied with the requirements of the Regulations before the appointment of the Administrator and after the appointment of the Administrator, the requirements related to board meeting/composition became not applicable and the administrator has complied with the other requirements of the Code of Corporate Governance, if applicable:

1. The total number of directors were three as the following:
 - a. Male : Three
 - b. Female: Nil
2. The composition of board was as follows:
 - a) Independent Director : Mr. Farrukh S. Ansari
 - b) Other Non-Executive Director : Mr. Muzaffar Ali Shah Bukhari
 - c) Executive Director : Mr. Amer Maqbool

The requirement of the minimum numbers of independent directors, i.e. at least 2 or 1/3 whichever is higher was not complied.

3. The Directors had confirmed that none of them was serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps had been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. 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 had been taken by board/certificate holders 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of the meetings.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. Directors' Training program was not arranged by the Company.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board had formed committees comprising of members given below :

a) Audit Committee

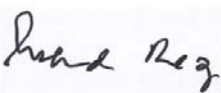
- | | | |
|-----|-------------------------------|----------|
| i. | Mr. Farrukh S. Ansari | Chairman |
| ii. | Mr. Muzaffar Ali Shah Bukhari | Member |

The minimum member composition of the audit committee, i.e. at least three was not complied.

b) HR and Remuneration Committee

- | | | |
|------|-------------------------------|----------|
| i. | Mr. Farrukh S. Ansari | Chairman |
| ii. | Mr. Muzaffar Ali Shah Bukhari | Member |
| iii. | Mr. Amer Maqbool | Member |

13. The Term of Reference of the aforesaid Committee had been formed, documented and advised to the Committee for compliance.
14. The frequency of meetings of the committee were as per follows :-
- Audit committee – Quarterly
HR & R committee - Annually
15. The Modaraba has outsourced the Internal Audit function to M/s EY Ford Rhodes, Chartered Accountants who reports on quarterly basis.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company 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 listing regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.
18. All other requirements of the Regulations have been complied with.



Administrator

October 25, 2019

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

All praise is due to ALLAH, the Cherisher of the World
Peace and Blessings be upon the Prophet of ALLAH, on his family and all his companions, and
on those who follow him with Iman till the day of Aakhirah

SHARIAH ADVISOR'S REPORT 2019

Alhamdulillah, We have conducted the Shariah audit and review of KASB Modaraba managed by the Administrator appointed by Securities & Exchange Commission of Pakistan, Islamabad for the year ended June 30, 2019. In accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in our opinion;

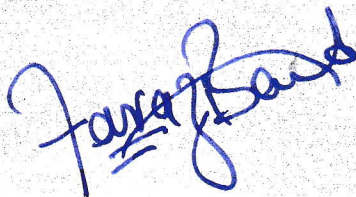
- I. The systems, procedures and policies adopted by the KASB Modaraba during the period found in line with guidelines issued by SECP.
- II. The agreement(s) entered into by the KASB Modaraba are approved by religious board of SECP and the financing agreements have been executed on these formats and it has been tried to meet all the related conditions.

Any payment received over and above due payments due to delay:

- I. KASB Modaraba has collected and credited to charity account Rs.1,563,058 during the period whereas it has already paid Rs.865,500 in lieu of charity during the period under review. The charity amount still payable is Rs.697,558.

Observations:

- II. The client base of Modaraba has decreased as compared to previous few years.
- III. The transactions are being carried out efficiently with the customers.
- IV. The Shariah Non-Compliant income earned from additional rentals and bounced cheques by Modaraba has been properly credited to the charity account, however, the complete amount has not been disbursed to the charitable organizations during the period. The management has assured to disburse the remaining charity amount as soon as possible in the next fiscal year.



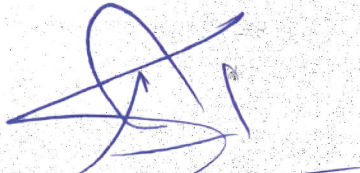
Recommendations:

- I. The Modaraba should continue its policy of expanding Islamic financing and in this regard continue its focus on employees' training and development relating to Islamic financing products and services offered by Modaraba with specific focus on front staff.
- II. The Modaraba should focus more on further increasing its Asset base through direct financing to businesses and individuals through the use of approved Shariah compliant modes and efforts.

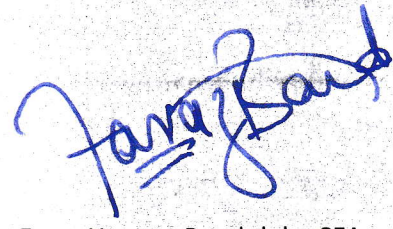
Conclusion:

Based on the extensive reviews and tests of sample cases for each class of transaction, related documentation, processes, profit distribution mechanism for the depositors and management's representation made in regard, in my opinion, the affairs, activities and transactions, performed by the Modaraba during the year comply with rules and principles of Islamic Shariah in light of guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Security Exchange Commission of Pakistan (SECP).

And Allah Ta'ala knows Better and Perfect.



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

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

These financial statements are the Modaraba's administrator 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 administrator, 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 administrator in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) In our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for changes in accounting policies as disclosed in notes 6.1 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 other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2019 and of the loss and comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980)

We draw attention to Note 1 of the financial statements in which it is mentioned that the registrar (Modarabas) with the approval of SECP appointed administrator to take over and manage the affairs of the Modaraba and accordingly all the powers and duties of the management company as well as those of the board of directors shall be exercised and performed by the administrator. Our opinion is not qualified in respect of this matter.

Adnan Chartered Accountants
Karachi.
Dated:

Engagement Partner: Adnan Zaman

Independent Auditor's Review Report to the Members of KASB Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Administrator 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 Administrator after the appointment by SECP and of the Board of Directors of the Management Company till 8 April, 2019. 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 / Administrator's personnel and review of various documents prepared by the Management Company /Administrator 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 Administrator's / 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 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Administrator's / 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 Administrator's / 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 highlight below instances of non-compliance with the requirement(s) of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S#	Paragraph reference	Description
I.	2	The board were in not compliance with the requirement of the minimum number of independent directors, i.e. at least 2 or 1/3 whichever is higher.
II.	12 (a)	The Modaraba were not in compliance with the minimum composition of the audit committee, i.e. at least three.

We draw attention to the users of the report as mentioned in the statement of compliance that the Securities & Exchange Commission of Pakistan, Islamabad appointed Mr. Khawaja Waheed Raza as Administrator of KASB Modaraba vide order dated April 03, 2019 issued by the Registrar Modaraba. Hence forth all the powers and duties of the Modaraba Company as well as those of its Board of Directors have been exercised and performed by the Administrator effective April 08, 2019.

The Board of the management company of the Modaraba has complied with the requirements of the Regulations before the appointment of the Administrator and after the appointment of the Administrator, the requirements related to board became not applicable, however, the administrator has complied with the other requirements of the Code of Corporate Governance.

Chartered Accountants

Karachi.

Dated: October 25, 2019

KASB MODARABA
BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 ------(Rupees)-----	2018
ASSETS			
Current assets			
Cash and bank balances	7	51,147,044	30,947,769
Short term investment	8	6,350,180	-
Short term modaraba finance	9	-	112,000
Short term musharaka finance	10	3,100,000	11,300,000
Current portion of long term murabaha finance - gross	11	83,796,155	96,922,724
Current portion of long term diminishing musharaka finance	12	22,862,832	62,954,705
Receivable against sale of agricultural produce	13	7,651,449	7,651,449
Ijarah rentals receivable	14	52,003	137,159
Other assets	15	-	-
Advances, prepayments and other receivables	16	14,393,609	20,632,336
Property acquired in satisfaction of financing facility	17	47,082,936	47,082,936
		236,436,209	277,741,078
Non-current assets			
Long-term murabaha finance - gross	11	-	28,657,452
Long-term diminishing musharaka finance	12	19,045,539	32,229,254
Long term advances	18	304,682	624,816
Long-term deposits		-	685,300
Ijarah assets	19	9,097,408	20,265,346
Fixed assets	20	5,699,672	15,395,147
		34,147,301	97,857,315
TOTAL ASSETS		270,583,511	375,598,393
LIABILITIES			
Current liabilities			
Current portion of redeemable capital	21	1,315,000	37,085,000
Current portion of long-term finance	22	12,566,727	25,133,451
Current portion of long term security deposits	23	100,000	630,675
Current portion of long term deferred murabaha income	11.1	-	337,397
Creditors, accrued and other liabilities	24	6,189,690	13,094,289
Unclaimed profit distribution		2,834,156	2,834,156
		23,005,572	79,114,968
Non-current liabilities			
Long term portion of redeemable capital	21	-	-
Long-term finance	22	-	12,566,726
Long term security deposits	23	3,479,900	5,459,899
Long-term deferred murabaha income	11.1	-	-
Deferred liabilities - staff gratuity	25	3,389,955	3,509,176
		6,869,855	21,535,801
TOTAL LIABILITIES		29,875,427	100,650,769
NET ASSETS		240,708,083	274,947,624

REPRESENTED BY**CAPITAL AND RESERVES**

Certificate capital

Authorised

50,000,000 (June 30, 2018: 50,000,000) certificates of Rs. 10/- each

Issued, subscribed and paid-up capital

Discount on issuance of certificates

Statutory reserve

Accumulated losses

26

500,000,000

500,000,000

480,664,800

480,664,800

(98,960,400)

(98,960,400)

83,505,138

83,505,138

(224,501,455)

(190,261,914)

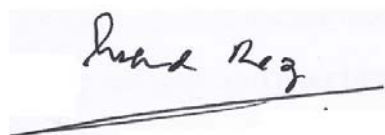
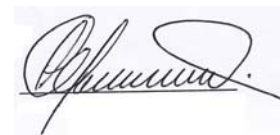
CONTINGENCIES AND COMMITMENTS

27

240,708,083

274,947,624

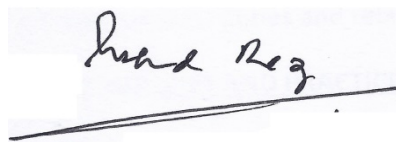
The annexed notes form an integral part of these financial statements.

**Administrator****Chief Financial Officer**

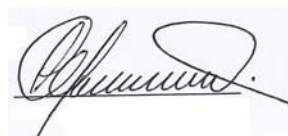
KASB MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 ------(Rupees)-----	2018
Income from:			
- diminishing musharaka finance		9,306,313	18,893,263
- murabaha finance		2,536,957	10,905,942
- Ijarah finance	28	3,727,571	16,211,303
- sale of shares		1,168,678	-
- dividend on shares		1,449,456	-
		<u>18,188,976</u>	<u>46,010,508</u>
Financial charges	29	(3,796,177)	(10,010,421)
Direct Cost:			
- Musharaka , Diminishing Musharaka, Murabaha Finance		-	(198,065)
- Modaraba finance		-	(173,593)
- Depreciation on assets under ijarah arrangements	19.1	(5,687,264)	(15,359,721)
		<u>(9,483,441)</u>	<u>(25,741,800)</u>
		<u>8,705,535</u>	<u>20,268,708</u>
Other income	30	2,625,528	12,107,715
Unrealized gain on remeasurement of held for trading investments		6,350,180	-
Reversal of provision against doubtful receivable		8,083,944	-
Provision/Suspension against potential losses -Modaraba-Murabaha & Others		(16,384,294)	(84,733,726)
Impairment loss on accrued license fee		(7,874,930)	-
Provision for doubtful receivable against sale of agriculture produce		-	(10,548,691)
Administrative and operating expenses	31	(35,745,504)	(51,302,896)
		<u>(34,239,540)</u>	<u>(114,208,890)</u>
Modaraba management fee	32	-	-
Services sales tax		-	-
Provision for Sind Workers' Welfare Fund		-	-
Loss before taxation		<u>(34,239,540)</u>	<u>(114,208,890)</u>
Taxation	33	-	-
Net loss for the year		<u><u>(34,239,540)</u></u>	<u><u>(114,208,890)</u></u>
Loss per certificate - basic and diluted	34	<u><u>(0.71)</u></u>	<u><u>(2.38)</u></u>

The annexed notes form an integral part of these financial statements.



Administrator

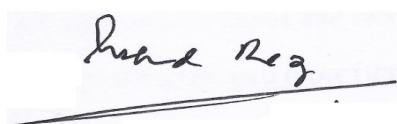


Chief Financial Officer

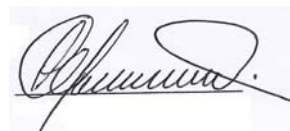
KASB MODARABA
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 -----	2018 -----
	(Rupees)	
Net loss for the year	(34,239,540)	(114,208,890)
Other comprehensive income		
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gain on defined benefit plans	25 464,816	1,065,162
Total comprehensive loss for the year	<u><u>(33,774,724)</u></u>	<u><u>(113,143,728)</u></u>

The annexed notes form an integral part of these financial statements.



Administrator

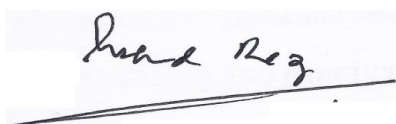


Chief Financial Officer

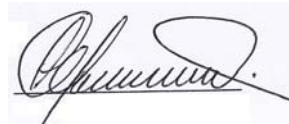
KASB MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(34,239,540)	(114,208,890)
Adjustments for non-cash charges and other items:		
Gain on disposal of Ijarah assets	(58,620)	(110,842)
Gain on disposal of own assets	-	(116,479)
Impairment loss on accrued license fee	7,874,930	-
Depreciation - owned assets	2,884,750	18,523,983
Depreciation - Ijarah assets	5,687,264	
Amortisation	277,500	277,500
Writeoff of own assets	6,526,015	-
Realised gain on disposal of investment at FVTPL	(1,168,678)	-
Unrealised gain on changes in fair value of FVTPL investments	(6,350,180)	-
Provision/Suspension against potential losses -Modaraba-Murabaha & Others	16,384,294	84,733,726
Provision for doubtful receivable against sale of agriculture produce	-	10,548,691
Provision for gratuity	640,882	2,300,073
	(1,541,383)	1,947,762
Decrease / (increase) in assets		
Modaraba finance	112,000	12,353,677
Musharaka finance	8,200,000	1,600,000
Murabaha finance	31,784,021	(16,332,956)
Diminishing musharaka finance	46,891,294	58,024,936
Ijarah rentals receivable	85,156	425,112
Advances, prepayments and other receivables	(1,316,069)	28,579,560
Other assets	-	36,173,465
Long-term deposits	685,300	-
	86,441,702	120,823,794
Decrease in liabilities		
Security deposits	(2,510,674)	(4,182,400)
Deferred murabaha income	(337,397)	(2,187,717)
Creditors, accrued and other liabilities	(6,909,019)	(12,460,678)
	(9,757,090)	(18,830,795)
Profit distribution paid	-	(2,636,229)
Staff gratuity paid	(755,684)	(2,479,455)
	(755,684)	(5,115,684)
Net cash generated from operating activities	74,387,544	98,825,076
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(585,107)
Sales proceeds from disposal of fixed assets	7,209	1,378,250
Purchase of Ijarah assets	-	(9,900,000)
Sales proceeds from disposal of Ijarah assets	5,539,294	6,878,903
Proceeds from sale of investment at FVTPL	1,168,678	-
Net cash generated from investing activities	6,715,181	(2,227,954)
CASH FLOW FROM FINANCING ACTIVITIES		
Term Financing repaid	(25,133,451)	(25,133,452)
Certificate of musharaka repaid	(35,770,000)	(63,120,000)
Net cash used in financing activities	(60,903,451)	(88,253,452)
Net increase in cash and cash equivalents	20,199,275	8,343,671
Cash and cash equivalents at the beginning of the year	30,947,769	22,604,098
Cash and cash equivalents at the end of the year	51,147,044	30,947,769

The annexed notes form an integral part of these financial statements.



Administrator

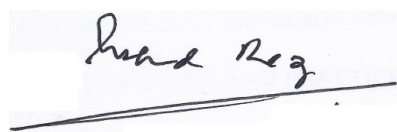


Chief Financial Officer

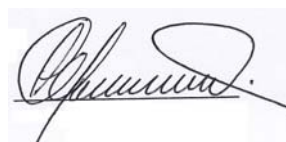
KASB MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Certificate capital	Discount on Issuance of certificates	Statutory reserve	Accumulated losses	Total
	------(Rupees)-----				
Balance as at 30 June 2017	480,664,800	(98,960,400)	83,505,138	(73,753,532)	391,456,006
Net loss for the year	-	-	-	(114,208,890)	(114,208,890)
Other comprehensive income	-	-	-	1,065,162	1,065,162
Profit distribution for the year ended June 30, 2017 @Rs. 0.08 per certificate	-	-	-	(3,364,654)	(3,364,654)
Transfer to statutory reserve at 20%	-	-	-	-	-
Balance as at 30 June 2018	480,664,800	(98,960,400)	83,505,138	(190,261,914)	274,947,624
Net loss for the year	-	-	-	(34,239,540)	(34,239,540)
Other comprehensive income	-	-	-	-	-
Profit distribution for the year ended June 30, 2018 @Re. 0.08 per certificate	-	-	-	-	-
Transfer to statutory reserve at 20%	-	-	-	-	-
Balance as at 30 June 2019	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>83,505,138</u>	<u>(224,501,454)</u>	<u>240,708,083</u>

The annexed notes form an integral part of these financial statements.



Administrator



Chief Financial Officer

KASB MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and was managed by KASB Invest (Private) Limited (the Management Company), a company incorporated in Pakistan. The principal office of First Pak Modaraba was situated at 16-C, Khayaban-e-Bukhari, Bukhari Commercial Area, Phase VI, DHA, Karachi. It has been relocated to Office # B, 5th Floor, Lakson Square Building 1, Sarwar Shaheed Road, Karachi, with effect from August 5, 2019.

The Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated April 03, 2019 appointed Mr. Khawaja Waheed Raza as Administrator of the Modaraba to take over and manage the affair of the Modaraba in place of KIPL (Management Company). Accordingly, all the powers and duties of the Modaraba Management Company as well as those of its Board of Directors shall be exercised and performed by the Administrator. The Administrator will hold the office for the period of six months as directed by the SECP, which may be extended further upon the discretion of the Registrar/Commission. Subsequently, the Registrar Modaraba vide order dated October 4, 2019 has extended the tenure of appointment of the Administrator for a period of three months effective from October 3, 2019.

The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharaka financing, murabaha financing, modaraba financing, diminishing musharaka and investing in sukuk bonds, mutual funds and listed securities. The Modaraba is listed on the Pakistan Stock Exchange.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act 2017;
- Provisions and directions issued under the Companies Act 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas ; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

Wherever provisions and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and IFAS differ from IFRS Standards, the provision and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and the Modaraba Rules, 1981, Prudential Regulations for Modaraba and IFAS have been followed.

3 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for investment at FVTPL carried at fair value and certain staff retirement benefits that are carried at present value of defined benefit obligation.

3.1 Functional and presentation currency

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

4 New or amendments / interpretations to existing standards, interpretation and forthcoming requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 6.1. These 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.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- 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. Management is not expecting impact of the standard on the Modaraba's financial statements.
- 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 application of interpretation is not likely to have an impact on the Modaraba's financial statements.
- 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 fair value through other comprehensive income (FVOCI), IFRS 9 requires its contractual cash flows to meet the criterion that cash flows are 'solely payments of principal and interest' (SPPI). Some prepayment options could result in a situation wherein the party that triggers the early termination receives 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 amendment is not likely to have an impact on the 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 companies 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
- 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, a company 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 this amendment does not 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 standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments 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 judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and it contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- 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 a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company 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 a company 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 improvements to standards are not likely to have material / significant impact on Modaraba's financial statements.

5 Critical accounting estimates and judgments

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are included in the following notes:

- i) Classification of financial instruments (note 6.3).
- ii) Provision for non-performing finances and other impairment (note 6.5)
- iii) Provision for taxation (note 6.10 and 33).
- iv) Accounting for staff retirement benefits (note 6.13. and 25)
- v) Determination and measurement of useful life and residual value of fixed assets and ijarah assets (note 6.8, 19 and 20)

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 6.1, the significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

6.1 Change in significant accounting policy

The modaraba has adopted IFRS 15 'Revenue from Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set

6.1.1 IFRS 15 'Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 1, 2018. This standard has replaced IAS 18, IAS 11 & Revenue and related interpretations and it applies to all revenue arising from contracts with customers. The IFRS 15 establish a five-steps mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. Hence, the Modaraba has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material. There is no material impact of transition to IFRS 15 on the financial position of the Modaraba and there is no effect on the accounting policies of the Modaraba in respect of revenue from contracts with Customers.

6.1.2 IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard has replaced the provisions of IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

6.1.2. 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
- measurement at amortised cost

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

The adoption of IFRS 9 has not had a significant effect on the Modaraba's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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.

Financial assets at fair value through other comprehensive income

A financial asset is measured at FVOCI if it meets both of the following conditions:

- 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The accounting policies that apply to financial instruments are stated in note 6.3 to the financial statements.

On initial application of IFRS 9, there is no significant impact on modaraba except below mentioned classification, therefore, financials are not restated.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 1, 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
As at June 30, 2018				
Cash and bank balances	Loans and advances	Amortised cost	30,947,769	30,947,769
Short term modaraba finance	Held to maturity	Amortised cost	112,000	112,000
Short term musharaka finance	Held to maturity	Amortised cost	11,300,000	11,300,000
Receivable against sale of agricultural produce	Held to maturity	Amortised cost	7,651,449	7,651,449
Ijarah rentals receivable	Held to maturity	Amortised cost	137,159	137,159
Advances, prepayments and other receivables	Held to maturity & loans and advances	Amortised cost	12,309,719	12,309,719
Murabaha finance	Held to maturity	Amortised cost	125,580,176	125,580,176
Diminishing musharaka finance	Held to maturity	Amortised cost	95,183,959	95,183,959
Long term advances	Loans and advances	Amortised cost	624,816	624,816
Long-term deposits	Held to maturity	Amortised cost	685,300	685,300

6.1.2.: Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Modaraba applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all loans and advances and other accrued profits. This impairment methodology depends on whether there has been a significant increase in credit risk.

Except above, impairment is recognized by Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

6.2 Cash and cash equivalents

These comprise cash in hand and balances with banks in current and deposit accounts.

6.3 Financial Instruments

Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

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

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred.

Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprises investments, loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes diminishing musharakah finance, ijarah rentals, morabaha receivable, modaraba finance, long term loans, accruals, prepayments, advances and other receivables and cash and cash equivalent. The Modaraba derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

6.4 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

6.5 Impairment

6.5.1 Financial assets

The Modaraba recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost, except in the case of calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modaraba prevails.

The Modaraba measures loss allowances at an amount equal to lifetime ECLs, except for other securities and bank balances which are measured at 12 months expected credit losses. Since these assets are short term in nature, therefore, no credit loss is expected on these balances.

6.5.2 Non-financial assets

The carrying amounts of the Modaraba's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Financial assets classified under Islamic Financial Accounting Standards

In case of assets classified under Islamic Financial Accounting Standards, the assets shall be reviewed and provided for according to the time based criteria mentioned in the Prudential Regulations for Modarabas.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Modaraba has a legally enforceable right to offset and the Modaraba intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the accounting and reporting standards as applicable in Pakistan.

Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Modaraba derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

6.6 Inventories held-for-sale

Inventories held-for-sale are valued principally at the lower of cost determined on the weighted average basis and net realizable value. Cost comprises invoice value and other cost incurred in bringing the inventories to their present location and condition.

Net realizable value comprises of the estimated selling price in the ordinary course of business less costs which are necessarily incurred in order to make the sale.

6.7 Ijarah rentals , murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance

Ijarah rentals receivables, murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance receivables are stated net of provisions and suspense income. Provision is recognised for non performing receivables in accordance with Prudential Regulations for Modaraba. Receivables that becomes irrecoverable are written off.

6.8 Fixed assets - Tangible

6.8.1 Owned assets

Assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal.

Repairs and maintenance are charged to income as and when incurred.

6.8.2 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of fixed assets / ijarah assets as and when the assets are available for intended use.

6.8.3 Ijarah assets

Ijarah assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged on monthly basis from the date of commencement of lease. While no depreciation is charged in the month of maturity / termination.

6.8.4 Gain or loss on disposal

Gains / losses on disposal of fixed assets / ijarah assets are charged to the profit and loss account currently.

6.8.5 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 20.3 to these financial statements after taking into account residual value, if any. The residual values, useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. These assets are not amortised as they are expected to have an indefinite life and are marketable.

Gain and loss on disposal of intangible assets, if any, are taken to the profit and loss account.

6.9 Earnings per certificate

The Modaraba presents basic and diluted earnings / loss per certificate for its certificate holders. Basic earnings / loss per certificate is calculated by dividing the profit or loss attributable to the certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year.

6.10 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. Under clause 100 of Part - I of the Second Schedule to the Income Tax Ordinance, 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90 percent of their profits are distributed to the certificate holders.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

6.11 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

6.12 Provisions

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

6.13 Staff retirement benefits

Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Annual provision is made on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit or loss in subsequent periods.

6.14 Revenue recognition

6.14.1 Ijarah

Income on Ijarah is recognised on an accrual basis. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

6.14.2 Musharaka Finance

Profit on Musharaka arrangements is recognised on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of the transaction after determination of the actual rate.

6.14.3 Murabaha Finance

The Modaraba follows the finance method in recognising income on murabaha finance. Under this method the unearned income i.e. the excess of aggregate murabaha installments over the cost of the asset under murabaha facility is deferred and then amortised over the term of the murabaha, so as to produce a constant rate of return on murabaha finance. Documentation charges, front-end fee and other murabaha income are recognised as income on a receipt basis.

6.14.4 Modaraba Finance

Profit on modaraba finance is recognised on the basis of pre-agreed profit / loss sharing ratio where as actual gain / loss on transaction is computed upon termination / completion of transaction.

6.14.5 Diminishing Musharaka

Profit on diminishing musharaka is recognised as and when profits become due on a systematic basis over the term of diminishing musharaka period.

6.14.6 Non-performing financing arrangements

Unrealised income in respect of non-performing financing arrangements is held in suspense account, where necessary, in accordance with the requirements of Prudential Regulations for Modarabas issued by the SECP.

6.14.7 Dividend Income

Dividend income is recognised when the Modaraba's right to receive the dividend is established.

6.15 Proposed profit distribution to modaraba certificate holders

Profit distribution and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

	Note	2019 ------(Rupees)-----	2018
7. CASH AND BANK BALANCES			
Cash at bank in :			
- current accounts		22,377,003	4,751,980
- saving accounts	7.1	28,686,987	25,957,487
		51,063,990	30,709,467
Cash in hand		83,054	90,106
Stamp papers		-	148,196
		51,147,044	30,947,769

7.1. The expected profit rates on these accounts range between 4.00% and 10.25% (2018: 4.0% and 6.10%).

8. INVESTMENTS

Fair value through profit or loss (FVTPL) - quoted securities

Quoted Securities	8.1	6,350,180	-
		6,350,180	-

During the year these shares were identified (through consultants) as unrecorded investment in the books of modaraba. The claim for acquisition was lodged by the modaraba and upon receipt of the actual shares, investment has been initially recorded at nil cost and subsequently measured at its market value. The consultant's fee in respect of service provided to the modaraba has been recorded under administrative and operating expenses

8.1.	Quoted securities		Note	2019 ------(Rupees)-----	2018
	June 30, 2019	June 30, 2018			
	Number of fully paid ordinary shares of Rs. 10 each		Name of Investee		
			Automobile Parts & Accessories		
	16,468	-	Thal Limited	5,995,340	-
	200		Indus Motor Company Ltd	240,784	-
			Textile & Weaving		
	42,400	-	Service Fabrics Limited	114,056	-
	59,068	-		6,350,180	-

9. MODARABA FINANCE

The Modaraba has provided funds under modaraba arrangements on profit and loss sharing basis to various entities. The profit/loss is to be shared in pre-agreed ratios

Modaraba Finance	37,791,201	39,622,056
Less: provision for non-performing Modaraba arrangements	(37,791,201)	(39,510,056)
	-	112,000

10. MUSHARAKA FINANCE

Murabaha finance - considered good	10.1	3,100,000	11,300,000
- considered doubtful		15,602,297	15,602,297
		18,702,297	26,902,297
Less: provision for non-performing musharaka arrangement		(15,602,297)	(15,602,297)
		3,100,000	11,300,000

- 10.1** This represents receivable from a client under settlement agreement dated December 24, 2016. The exposure is secured against mortgage of property and personal guarantees.

Note 2019 2018
------(Rupees)-----

11. MURABAHA FINANCE

Murabaha finance - considered good	83,796,155	125,580,176
- considered doubtful	88,682,898	85,126,172
	172,479,053	210,706,348
Less: provision for non-performing murabaha arrangements	(88,682,898)	(85,126,172)
	83,796,155	125,580,176
Murabaha finance - due after one year	-	(28,657,452)
Current portion of murabaha finance	83,796,155	96,922,724

11.1 DEFERRED MURABAHA INCOME

Deferred murabaha income	-	337,397
Deferred murabaha income - due after one year	-	-
Current portion of deferred murabaha income	-	337,397

- 11.2** The profit rates on these murabaha arrangements range between 0.37% and 20.00% (2018: 0.37% to 20.00%).

12. DIMINISHING MUSHARAKA FINANCE

Diminishing musharaka finance - considered good	48,935,462	106,611,635
Diminishing musharaka finance - doubtful	6,384,294	-
Unearned Income	(7,027,091)	(11,427,676)
	48,292,665	95,183,959
Less: provision for non-performing diminishing musharaka	(6,384,294)	-
	41,908,371	95,183,959
Diminishing musharaka due after one year	(19,045,539)	(32,229,254)
Current portion of diminishing musharaka	22,862,832	62,954,705

- 12.1** The profit rates on these diminishing musharaka arrangements range between 9.51% and 19.00% in 2019 (2018: 9.51% and 21.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

13. Receivable against sale of agriculture produce

During financial year 2016 KASB Modaraba (KASBM) & First Prudential Modaraba (FPrM) entered into a joint project for crushing of banola seed and sale of oil cake (Khal) in the market. M/s Pakistan Phutti International Limited (PPIL) was engaged as seller & service provider responsible for sale of agriculture produce. Subsequently, natural cyclical shortage in productivity of cotton crop affected the availability of the banola seed and therefore the project was prudently discontinued by the management to safeguard the interest of the Modaraba. As per settlement agreement dated April 27, 2016, with PPIL advance for purchase of banola seed was converted into ijarah finance (secured) leaving a balance of Rs. 18.20 million receivable against sale of agriculture produce. Receivable amount is secured against Registered Mortgage on Property of service provider. After continuous default of payment the management of Modaraba has filed recovery suits in the Banking Courts which is pending adjudication. The management and the legal counsel are optimistic on favourable outcome of the case. The details of receivables are as under:

Description	KASBM	FPRM	Total
Initial Investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of Agriculture Produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of Agriculture Produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: converted to Ijarah Financing	(19,311,320)	(40,000,000)	(59,311,320)
Less Consultancy Charges	(194,950)	(305,050)	(500,000)
	18,200,140	27,811,518	46,011,658

Provision for doubtful receivable against sale of agriculture produce	(10,548,691)	(16,119,387)	(26,668,078)
	7,651,449	11,692,131	19,343,580

		2019 ------(Rupees)-----	2018
14. IJARAH RENTALS RECEIVABLE			
Considered good		52,003	137,159
Considered doubtful		23,890,164	23,890,164
		23,942,167	24,027,323
Less: Provision for doubtful receivables		(23,890,164)	(23,890,164)
		52,003	137,159
15. OTHER ASSETS			
Opening carrying amount of inventories under morabaha arrangement		-	36,173,465
Addition		-	-
Disposal		-	(10,375,158)
Residual amount transferred to respective murabaha finance		-	(25,798,307)
		-	-
16. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees & executives			
-Executives - unsecured	16.1	40,000	399,670
-Employees - unsecured	16.1	669,936	509,023
Advances to suppliers		535,400	491,680
Prepayments		5,527,653	6,166,095
Short term security deposits		380,000	380,000
Accrued profit	16.2	185,946	8,832,263
Advance tax		2,210,138	1,664,842
Others		4,844,536	2,188,763
		14,393,609	20,632,337

16.1 This represents short term portion of non mark-up bearing advances to executives and employees of the Modaraba, for domestic purposes.

	Note	2019	2018
		------(Rupees)-----	
16.2 ACCRUED PROFIT			
Accrued profit on bank deposits		185,946	332,407
Accrued license fee on property acquired in satisfaction of financing facility (Note:17)		7,874,930	7,874,930
Less: Impairment loss on accrued license fee		(7,874,930)	-
		-	7,874,930
Accrued profit on murabaha arrangements		-	624,926
		185,946	8,832,263

17. PROPERTY ACQUIRED IN SATISFACTION OF FINANCING FACILITY

This represents real state property at SITE Karachi acquired by the Modaraba in satisfaction of murabaha finance facility. The assessed market value of the said property is Rs. 61.7 million. As per settlement agreement, the borrower has an option to buy back the property within 3 years period. The period (3 years) of buy back option under the settlement agreement with the borrower is expired during the year. The Modaraba has filed recovery suit against the borrower for outstanding balance of morabaha financing and further prayed to the Honorable Court for the peaceful vacant possession of the property already acquired in satisfaction of financing facility.

18 LONG TERM ADVANCES

Unsecured and interest free

to executive - considered good
to employees - considered good

Due within one year shown under current assets

160,000	399,670
854,618	1,133,839
1,014,618	1,533,509
(709,936)	(908,693)
304,682	624,816

19. IJARAH ASSETS

Plant and machinery
Motor vehicles

9,097,408	11,856,175
-	8,409,171
19.1 9,097,408	20,265,346

19.1 The following is a statement of ijarah assets:

2019							
Cost			Accumulated Depreciation			Book value	
As at 01 July 2018	Additions/ (Deletions)	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019	Rate of depreciation %
(Rupees)							
Equipment	57,600	-	57,600	-	57,600	-	20 - 66
		-		-			
Plant and machinery	33,791,219	-	33,791,219	2,758,767	24,693,811	9,097,408	14 - 33
		-		-			
Motor vehicles	12,452,500	-	4,043,329	2,928,496	-	-	20 - 50
	(12,452,500)			(6,971,825)			
46,301,319	-	33,848,819	26,035,973	5,687,263	24,751,411	9,097,408	
	(12,452,500)			(6,971,825)	-		
2018							
Cost			Accumulated Depreciation			Book value	
As at 01 July 2017	Additions/ (Deletions)	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018	Rate of depreciation %
(Rupees)							
Equipment	107,600	-	57,600	105,116	2,484	57,600	20 - 66
		(50,000)			(50,000)		
Plant and machinery	58,791,219	-	33,791,219	30,842,942	11,092,102	21,935,044	14 - 33
		(25,000,000)			(20,000,000)		
Motor vehicles	11,096,000	9,900,000	12,452,500	6,553,633	4,265,135	4,043,329	20 - 50
		(8,543,500)			(6,775,439)		
69,994,819	9,900,000	46,301,319	37,501,691	15,359,721	26,035,973	20,265,346	
	(33,593,500)			(26,825,439)	-		

19.2 Disposal of Ijarah Assets

The following assets were disposed off during the year.

	Cost	Accumulated depreciation	Net Book Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	(Rupees)						
Vehicles	693,000	623,700	69,300	69,300	-	Negotiation	Faraz Idrees Khan
Vehicles	42,000	35,000	7,000	7,000	-	-----do-----	Gopal
Vehicles	1,817,500	1,363,125	454,375	454,375	-	-----do-----	Alam Brothers
Vehicles	9,900,000	4,950,000	4,950,000	5,008,620	58,620	-----do-----	Naveed Muhammad
	12,452,500	6,971,825	5,480,675	5,539,294	58,620		

	Note	2019 ------(Rupees)-----	2018
20. FIXED ASSETS - OWNED			
Tangible assets	20.1	5,630,535	15,048,510
Intangible assets	20.3	69,137	346,637
		<u>5,699,672</u>	<u>15,395,147</u>

20.1 Tangible Assets

	2019								
	Cost			Accumulated Depreciation		Impairment *	Book value		
	As at 01 July 2018	Additions/ (Deletions)	As at 30 June 2019	As at 01 July 2018	Charge for the year / (adjustment)	As at 30 June 2019	Charge for the year	As at 30 June 2019	Rate of depreciation
	------(Rupees)-----								%
Owned									
Furniture and fixtures	15,438,438	-	15,438,438	7,006,961	1,478,611	8,485,572	6,526,015	426,851	10
Office equipment	551,202	-	551,202	341,217	14,125	355,342		195,860	20
Electrical equipment	5,938,878	-	5,938,878	3,704,413	314,915	4,019,328		1,919,550	20
Plant & Machinery	3,227,600	-	3,227,600	435,674	566,201	1,001,875		2,225,725	20
Motor vehicles	1,984,180	-	1,984,180	1,325,715	336,150	1,661,865		322,315	20
Computers and accessories	3,678,397	-	3,606,305	2,956,205	174,749	3,066,071		540,234	30
		(72,092)			(64,883)				
	30,818,695	-	30,746,603	15,770,185	2,884,751	18,590,053	6,526,015	5,630,535	
		(72,092)			(64,883)				
	2018								
	Cost			Accumulated Depreciation		Impairment	Book value		
	As at 01 July 2017	Additions/ (Deletions)	As at 30 June 2018	As at 01 July 2017	Charge for the year / (adjustment)	As at 30 June 2018	Charge for the year	As at 30 June 2018	Rate of depreciation
	------(Rupees)-----								%
Owned									
Furniture and fixtures	12,601,972	2,920,160 (83,694)	15,438,438	5,711,978	1,294,983	7,006,961	-	8,431,477	10
Office equipment	551,202	-	551,202	281,184	60,033	341,217	-	209,985	20
Electrical equipment	5,862,606	131,937 (55,665)	5,938,878	3,021,114	719,555 (36,256)	3,704,413	-	2,234,465	20
Plant & Machinery	3,227,600	-	3,227,600	145,191	290,483	435,674	-	2,791,926	20
Motor vehicles	4,317,630	-	1,984,180	1,952,726	477,618	1,325,715	-	658,465	20
Computers and accessories	3,334,297	(2,333,450) 344,100	3,678,397	2,655,493	(1,104,629) 300,712	2,956,205	-	722,192	30
	29,895,307	3,396,197 (2,472,809)	30,818,695	13,767,686	3,143,384 (1,140,885)	15,770,185	-	15,048,510	

* The modaraba has recorded impairment on assets which have nil value in use.

20.2 Disposal of own Assets

The following assets were disposed off during the year.

	Cost	Accumulated depreciation	Net Book Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	------(Rupees)-----						
Computers and accessories	72,092	64,883	7,209	7,209	-	As per Modarba's policy	Liaquat Mahmood Shah
	72,092	64,883	7,209	7,209	-		

20.3 Intangible assets

	2019							
	Cost		Accumulated Amortization			Book value		
	As at 01 July 2017	Additions/ Deletions	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018	Rate of amortization %
	------(Rupees)-----							
Computer software	2,795,000	-	2,795,000	2,448,363	277,500	2,725,863	69,137	30 - 33
	2018							
	Cost		Accumulated Amortization			Book value		
	As at 01 July 2017	Additions/ Deletions	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018	Rate of amortization %
	------(Rupees)-----							
Computer software	2,795,000	-	2,795,000	2,170,862	277,500	2,448,363	346,637	30 - 33

	Note	2019	2018
		------(Rupees)-----	
21. REDEEMABLE CAPITAL- PARTICIPATORY AND UNSECURED			
Certificates of Musharaka	21.1	1,315,000	37,085,000
Less: Long Term portion of redeemable capital		-	-
		<u>1,315,000</u>	<u>37,085,000</u>
21.1	The estimated share of profit payable on Certificate of Musharaka ranges between 6.00% and 8.50% (2018: 6.00% and 8.5%) per annum.		
22. LONG TERM FINANCE			
Due within one year	22.1	12,566,727	25,133,451
Due after one year		-	12,566,726
		<u>12,566,727</u>	<u>37,700,177</u>
22.1	The Modaraba has availed finance facility under Risk Participation Agreement from JS Bank Limited (Bank). As per terms of the agreement, bank participates in the facilities extended by the modaraba to various customers under musharaka and ijarah arrangement to the aggregate amount of Rs. 100 million. The facility is repayable in thirty six monthly instalments with markup at one month KIBOR plus 3.65% per annum. As per interim arrangement facility is secured by way of hypothecation ranking charge on all present and future assets of the modaraba and lien on the bank account maintained with JS Bank Ltd. Subsequently, charge shall be upgraded to a first exclusive charge over the specific leased/ musharaka assets.		
23. SECURITY DEPOSITS			
Ijarah deposits		3,579,900	6,090,574
Less: adjustable after one year		(3,479,900)	(5,459,899)
Current portion of security deposits		<u>100,000</u>	<u>630,675</u>
23.1	This represent sums received under ijarah lease arrangements, adjustable at the expiry of the lease period.		
24. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Sundry creditors		2,708,551	2,673,394
Accrued expenses		1,546,426	1,929,886
Accrued financial charges		235,910	4,037,565
Charity payable		743,907	1,046,617
Insurance premium received in advance		525,818	220,219
Advance rentals		5,931	5,931
Other liabilities		423,147	3,180,678
		<u>6,189,690</u>	<u>13,094,289</u>

25 STAFF RETIREMENT BENEFIT SCHEME

25.1 Staff Gratuity Scheme

As disclosed in note 6.13, the Modaraba operates an unapproved, unfunded gratuity scheme for its permanent employees. The latest actuarial valuation was carried out by actuaries as at 30 June 2019, using the Projected Unit Credit Method. The benefits under the gratuity scheme are payable on cessation of service as under:

Number of years of eligible service completed Amount of gratuity payable

Less than 3 years	Nil
Equal to 3 years	0.6 times of last drawn basic salary for each year of service
Equal to 4 years	0.8 times of last drawn basic salary for each year of service
Greater than or equal to 5 years	1 times last drawn basic salary for each year of service

25.2 Principal actuarial assumptions used:

The following significant assumptions have been used for the valuation of this scheme:

25.3 Significant Actuarial Assumptions

Financial Assumptions

- Valuation discount rate	14.25%	9.00%
- Expected rate of increase in salaries	24.92%	3.48%

Demographic Assumptions

Mortality rates (for death in service)	SLIC(2001-05) High	SLIC(2001-05) High
Rates of employee turnover		

25.4 Statement of Financial Position

Present value of defined benefit obligation	3,389,955	3,509,176
---	-----------	-----------

25.5 Movement in the defined benefit liability

Balance accrued as at the beginning of the year	3,509,176	4,753,720
Periodic benefit cost for the year ended	1,101,279	2,300,073
Benefits paid during the year	(755,684)	(2,479,455)
Amount of remeasurements losses recognised in Other Comprehensive	(464,816)	(1,065,162)
Income during the year		
Balance accrued as at the end of the year	<u>3,389,955</u>	<u>3,509,176</u>

25.6 Defined Benefit Cost for the Year

Cost recognised in Profit and Loss Account for the year

Current service cost	819,459	1,996,255
Interest Cost on defined benefit obligation	281,820	303,818
	<u>1,101,279</u>	<u>2,300,073</u>

Re-measurements recognised in Other Comprehensive Income during the year

Actuarial gain on obligation	(464,816)	(1,065,162)
------------------------------	-----------	-------------

Total defined benefit cost recognised in Profit & Loss Account and Other Comprehensive Income

<u>636,463</u>	<u>1,234,911</u>
----------------	------------------

25.7 Remeasurements recognised in Other Comprehensive (Income) / expense during the year

Actuarial gain on obligation

Gain due to change in financial assumptions	283,937	219,551
Gain due to change in experience adjustments	180,879	845,611
Total actuarial gain on obligation	<u>464,816</u>	<u>1,065,162</u>

25.8 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments within the next 12 months (next annual reporting period)	811,150	807,124
between 2 and 5 years	1,336,615	1,579,079
between 5 and 10 years	1,907,279	1,919,810
Beyond 10 years	3,415,530	5,047,565
	<u>7,470,574</u>	<u>9,353,578</u>

25.9 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability

Discount Rate +1%
Discount Rate -1%
Long Term Salary Increases +1%
Long Term Salary Increases -1%
Withdrawals Rates +10%
Withdrawals Rates -10%
1 Year Mortality age set back
1 Year Mortality age set forward

25.10 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 2,300,073/- during the year ending 30 June 2018.

26. Authorised certificate capital

2019		2018	
Number of certificates			
50,000,000	<u>50,000,000</u>	Modaraba Certificates of Rs. 10/- each	500,000,000 500,000,000
Issued, subscribed and paid-up capital			
24,958,400	24,958,400	Modaraba Certificates of Rs. 10/- each fully paid in cash	249,584,000 249,584,000
3,316,000	3,316,000	Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates	33,160,000 33,160,000
19,792,080	19,792,080	Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800 197,920,800
48,066,480	<u>48,066,480</u>		480,664,800 480,664,800

26.1 As at 30 June 2019, the Management Company held 23,930,973 (2018: 23,930,973) certificates .

27. CONTINGENCIES AND COMMITMENTS

27.1 Some of the modarabas in the sector have received letter from Assistant Commissioner, Sindh Revenue Board (SRB), whereby it came to their notice that these Modarabas are engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding. The modarabas who have received the said letter, collectively decided that under the supervision of NBFI & Modaraba Association Pakistan, a petition against the same be filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rental/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. Being similar in nature of business it was expected that the same type of letter shall be received by KASB Modaraba. Therefore, management has taken cautious approach and become a party in collective effort undertaken by the other modarabas.

28. INCOME FROM IJARAH FINANCE

Ijarah Rentals		
Plant and machinery	209,295	12,857,424
Motor vehicle	3,459,656	3,243,037
Other	-	-
Gain on disposal of ijarah assets	58,620	110,842
	3,727,571	16,211,303
Less: Suspended income	-	-
	3,727,571	16,211,303

29. FINANCIAL CHARGES

Profit on Certificates of Musharaka	472,463	4,775,637
Bank charges	43,947	27,941
Profit on Term Finance Facility	3,279,767	5,206,843
	3,796,177	10,010,421

	Note	2019	2018
		----- (Rupees) -----	
30. OTHER INCOME			
Documentation income		43,000	168,915
Front end fee		-	-
Deferred income on transfer of assets		-	-
Insurance income		1,415,869	4,445,152
Bank deposits		1,163,842	1,251,851
Lisence fee on property acquired in satisfaction of financing facility		-	1,883,318
Others		2,817	4,358,479
		<u>2,625,528</u>	<u>12,107,715</u>
31. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits	31.1	9,236,933	24,310,260
Utilities		655,865	2,043,008
Insurance		2,665,686	3,514,823
Postage		47,199	27,122
Repairs and maintenance		301,616	657,116
Entertainment		207,669	431,786
Printing and stationery		144,060	270,644
Travelling and conveyance		251,390	479,380
Fee and subscriptions		4,494,290	1,449,498
Auditors' remuneration	31.2	429,000	534,000
Legal and professional charges		3,202,310	5,036,066
Depreciation - owned assets		2,884,750	3,143,384
Impairment loss on furniture & fixtures		6,526,015	-
Amortization		277,500	277,500
Advertisements		20,908	109,616
Rent, rate and taxes		2,738,867	6,730,660
Generator expenses		85,721	84,314
Newspapers and periodicals		206,790	224,303
CIB charges		6,000	-
Verysis charges		178,096	6,000
Security services		882,094	1,438,511
Training and seminar		15,000	34,000
Others		287,744	500,905
		<u>35,745,504</u>	<u>51,302,896</u>
31.1 REMUNERATION TO OFFICERS AND OTHER EMPLOYEES			

	2019		2018	
	Officers	Other Employees	Officers	Other Employees
	----- (Rupees) -----		----- (Rupees) -----	
Managerial remuneration	1,670,138	2,730,393	5,738,495	9,495,799
Medical allowance	299,240	500,411	497,775	743,101
House rent allowance	717,890	1,501,250	1,493,320	2,229,343
Utility allowance	299,240	500,411	497,775	743,152
Employee benefits	358,000	295,000	1,548,000	861,990
EOBI contribution	1,950	23,010	26,260	185,250
Bonus	50,000	290,000	30,000	220,000
	<u>3,396,458</u>	<u>5,840,475</u>	<u>9,831,625</u>	<u>14,478,635</u>
Number of persons	<u>5</u>	<u>13</u>	<u>3</u>	<u>22</u>

31.1.1 The total number of employees as at June 30 2019 are 17. (2018: 25) and the average number of employees during the year equates to 18 (2018: 30).

	2019	2018
	----- (Rupees) -----	
31.2 Auditors' Remuneration		
Annual audit fee	325,000	325,000
Review of interim financial statements	95,000	95,000
Out of pocket expenses	9,000	114,000
	<u>429,000</u>	<u>534,000</u>

32. MODARABA MANAGEMENT COMPANY FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management remuneration at the rate of 10% of annual profits is payable to the Management Company. However no management fee is charged due to loss for the year.

33. REVERSAL OF PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008, introduced an amendment to the Worker's Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers Welfare Fund (WWF) was payable @ 2% of the profit before taxation or taxable income whichever is higher. The legality of the above amendments were challenged in Sindh, Lahore and Peshawar High Courts. Due to variable judgments from the aforesaid Courts, the matter was forwarded to the Honorable Supreme Court of Pakistan. The Honorable Supreme Court has decided the matter on November 10, 2016, and Para 21 of its judgment states that the levy of WWF is in the nature of fee and the law could not be amended by a money bill and as such the amendments made in the year 2006 and 2008 are unlawful and ultravires to the Constitution. In terms of judgment by the Honorable Supreme Court of Pakistan, WWF under WWF Ordinance, is no more payable by the Modaraba and provision made against WWF up till June 30, 2014 is reversed during the last period.

Subsequently the Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 on June 4, 2015. As per the said Act the applicability of the Sindh Workers Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly, provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

33. TAXATION

The income of the Modaraba is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed amongst the certificate holders.

No provision for current and deferred taxation has been made in these financial statements in accordance with the accounting policy of the Modaraba as disclosed in note 6.10 to the financial statements.

34. LOSS PER CERTIFICATE - BASIC AND DILUTED

	2019	2018
Loss for the year (Rupees)	<u>(34,239,540)</u>	<u>(114,208,890)</u>
Weighted average number of certificates (Number)	<u>48,066,480</u>	<u>48,066,480</u>
Loss per certificate -basic and diluted	<u>(0.71)</u>	<u>(2.38)</u>

35. FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2019 -----				
Amount in Rupees				
	At Amortised Cost	FVTPL	FVTOCI	Other financial liabilities
FINANCIAL ASSETS				
Cash and bank balances	51,147,044	-	-	-
Short term investments	-	6,350,180	-	-
Short term modaraba finance	-	-	-	-
Short term musharaka finance	3,100,000	-	-	-
Receivable against sale of agricultural produce	7,651,449	-	-	-
Ijarah rentals receivable	52,003	-	-	-
Advances, prepayments and other receivables	6,120,418	-	-	-
Murabaha finance	83,796,155	-	-	-
Diminishing musharaka finance	41,908,371	-	-	-
Long term advances	304,682	-	-	-
Long-term deposits	-	-	-	-
	<u>194,080,123</u>	<u>6,350,180</u>	<u>-</u>	<u>-</u>
FINANCIAL LIABILITIES				
Redeemable capital	-	-	-	1,315,000
Long term finance	-	-	-	12,566,727
Creditors, accrued and other liabilities	-	-	-	5,439,852
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,321,579</u>
----- As at June 30, 2018 -----				
Amount in Rupees				
	At Amortised Cost	FVTPL	FVTOCI	Other financial liabilities
Cash and bank balances	30,947,769	-	-	-
Short term investments	-	-	-	-
Short term modaraba finance	112,000	-	-	-
Short term musharaka finance	11,300,000	-	-	-
Receivable against sale of agricultural produce	7,651,449	-	-	-
Ijarah rentals receivable	137,159	-	-	-
Advances, prepayments and other receivables	12,309,719	-	-	-
Murabaha finance	125,580,176	-	-	-
Diminishing musharaka finance	95,183,959	-	-	-
Long term advances	624,816	-	-	-
Long-term deposits	685,300	-	-	-
	<u>284,532,347</u>	<u>-</u>	<u>-</u>	<u>-</u>

FINANCIAL LIABILITIES

Redeemable capital	-	-	-	37,085,000
Long term finance	-	-	-	37,700,177
Creditors, accrued and other liabilities	-	-	-	12,041,741
	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,826,918</u>

35.1 FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations mainly through equity, borrowing and deposits. The Modaraba utilises funds in ijarah financing, modaraba financing, musharaka financing, diminishing musharaka and murabaha financing. These activities are exposed to a variety of financial risks that are market risk, credit risk and liquidity risk.

The Administrator has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

35.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or the market prices of securities due to 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 three types of risk namely currency risk, profit rate risk and price risk.

35.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

35.2.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

Yield / profit rate sensitivity position for, on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

		2019					
	Effective yield / profit rate %	Total	Up to one month	Over one month to 3 months	Over three months to one year	Over one year to five years	Not exposed to yield / profit risk
----- (Rupees) -----							
Assets							
Cash and bank balances	4.00% - 10.25%	51,147,044	28,686,987	-	-	-	22,460,057
Investments		6,350,180					6,350,180
Murabaha finance	0.37%-20%	83,796,155	80,595,784		3,200,371		
Modaraba Finance	-	-	-	-	-	-	-
Musharaka finance	-	3,100,000					3,100,000
Diminishing musharaka finance	9.51%-21%	41,908,371	3,543,404	4,956,418	14,363,010	19,045,539	
Receivable against sale of agricultural produce	-	7,651,449	-	-	-	-	7,651,449
Ijarah rentals receivable	-	52,003	-	-	-	-	52,003
Advances, prepayments and other receivables	-	6,239,154	-	-	-	-	6,239,154
Accrued profit	-	185,946	-	-	-	-	185,946
Long-term Deposit	-	-	-	-	-	-	-
Total		200,430,303	112,826,175	4,956,418	17,563,381	19,045,539	46,038,790
Liabilities							
Certificate of musharaka		1,315,000	1,315,000	-	-	-	-
Creditors, accrued and other liabilities	-	5,439,852	5,439,852				5,439,852
Long term finance	15.37%	12,566,727	2,094,454	6,283,362	4,188,911		-
Total		19,321,579	8,849,306	6,283,362	4,188,911	-	5,439,852
Total yield / profit risk sensitivity gap			103,976,869	(1,326,944)	13,374,470	19,045,539	
Cumulative yield / profit risk sensitivity gap			103,976,869	102,649,925	116,024,395	135,069,934	

		2 0 1 8					Not exposed to yield / profit risk
Effective yield / profit rate %	Total	Up to one month	Over one month to 3 months	Over three months to one year	Over one year to five years		
						(Rupees)	
Assets							
Cash and bank balances	4.00% - 6.10%	30,947,769	25,957,487	-	-	-	4,990,282
Murabaha finance	0.37%-20%	125,580,176	108,163,625	1,129,529	5,097,674	6,656,147	4,533,201
Modaraba Finance	-	112,000	-	-	-	-	112,000
Musharaka finance	-	11,300,000	-	-	-	-	11,300,000
Diminishing musharaka finance	9.51%-21%	95,183,959	12,610,467	10,477,197	33,518,479	32,184,941	6,392,875
Net investment in finance lease	-	-	-	-	-	-	-
Receivable against sale of agricultural produce	-	7,651,449	-	-	-	-	7,651,449
Ijarah rentals receivable	-	137,159	-	-	-	-	137,159
Advances, prepayments and other receivables	-	14,199,158	-	-	-	-	14,199,158
Accrued profit	-	8,832,263	-	-	-	-	8,832,263
Long-term Deposit	-	685,300	-	-	-	-	685,300
Total		294,629,233	146,731,579	11,606,726	38,616,153	38,841,088	58,833,687
Liabilities							
Certificate of musharaka	6.00% - 8.50%	37,085,000	24,935,000	2,900,000	9,250,000	-	-
Creditors, accrued and other liabilities	-	12,041,741	12,041,741	-	-	-	12,041,741
Long term finance		37,700,177	2,094,454	4,188,909	18,850,089	12,566,726	-
Total		86,826,918	39,071,195	7,088,909	28,100,089	12,566,726	12,041,741
Total yield / profit risk sensitivity gap			107,660,384	4,517,817	10,516,064	26,274,362	
Cumulative yield / profit risk sensitivity gap			119,702,125	124,219,942	134,736,007	161,010,369	

35.2.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit 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 similar financial instruments traded in the market.

The carrying amount of investments in equity securities carried at fair value as shown in note 8 is as follows:

'+10%	635,018	-
'-10%	(635,018)	-

35.3 Credit risk

35.3.1 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 net investment in finance lease, musharaka, murabaha, modaraba, diminishing musharaka and ijarah rental receivables.

Concentrations 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.

The Modaraba's maximum exposure to credit risk related to financial instruments at June 30, 2019 and June 30, 2018 is the carrying amounts of following financial assets

Diminishing Musharakah	41,908,371	95,183,959
Advances, deposits, prepayments and other receivables	6,120,418	12,309,719
Balances with banks and financial institutions	51,063,990	30,709,467
Short term modaraba finance	-	112,000
Short term musharaka finance	3,100,000	11,300,000
Murabaha finance	83,796,155	125,580,176
	<u>185,988,935</u>	<u>275,195,321</u>

35.3.2 The analysis below summarises the credit quality of the Modaraba's financial assets:

Bank balances	Short Term	Long Term		
MEEZAN BANK LIMITED	A-1+	AA+	2,131	2,131
HBL ISLAMIC BANK	A-1+	AAA	1,784,427	221,698
ALBARAKA BANK (PAKISTAN) LTD	A1	A	1,106,293	1,110,595
SUMMIT BANK	A-1	A-	2,554,778	20,977,478
SONERI BANK LIMITED	A1+	AA-	25,304,045	692,850
DUBAI ISLAMIC BANK	A-1	AA-	938	7,704,713
BANK ISLAMI PAKISTAN	A-1	A+	692,850	-
BANK ALFALAH LIMITED	A-1+	AA+	87	-
JS BANK LIMITED	A-1+	AA-	19,618,440	-
			<u>51,063,990</u>	<u>30,709,466</u>

35.3.3 An analysis of the age of significant financial assets that are past due but not required to be impaired by applicable laws are as under:

	2019		2018	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Ijarah rentals receivable	52,003	1 - 90 Days	-	1 - 90 Days
Murabaha Finance	1,400,000	1 -90 Days	-	1 -90 Days
Diminishing Musharaka Finance	-	1 - 90 Days	32,084,091	1 - 90 Days
Modaraba Finance	-	1 - 90 Days	-	1 - 90 Days

35.3.4 An analysis of the financial assets that are individually impaired as per the requirements of the Prudential Regulations for Modarabas are as under:

	2019				
	OAEM	Substandard	Doubtful	Loss	Total
	-----Rupees-----				
Ijarah rentals receivable	-	-	-	19,893,199	19,893,199
Murabaha Finance	-	-	53,284,030	44,327,865	97,611,895
Musharaka Finance	-	-	4,000,000	-	4,000,000
Modaraba	-	-	-	37,791,201	37,791,201
Diminishing Musharaka Finance	576,493	219,605	150,420	5,653,245	6,599,763
Receivable against sale of agriculture produce			-	18,200,140	18,200,140
	2018				
	OAEM	Substandard	Doubtful	Loss	Total
	-----Rupees-----				
Ijarah rentals receivable	-	-	-	23,890,164	23,890,164
Murabaha Finance	10,776,632	15,000,000	-	85,126,172	110,902,804
Musharaka Finance	-	-	-	-	-
Modaraba	-	-	-	39,510,056	39,510,056
Diminishing Musharaka Finance	4,196,483	-	-	-	4,196,483
Receivable against sale of agriculture produce			18,200,140	-	18,200,140

35.3.5 Ijarah Assets

	2019		2018	
	(Rupees)	%	(Rupees)	%
Fuel and energy	100,000	1.10	100,000	0.49
Travel and transport	-	-	8,409,175	41.50
Textile	-	-	-	-
Individuals	-	-	-	-
Others	8,997,408	98.90	11,756,171	58.01
	<u>9,097,408</u>	<u>100.00</u>	<u>20,265,346</u>	<u>100.00</u>

35.3.6 Finance arrangements

	2019	2018
	------(Rupees)-----	
Murabaha finance	83,796,155	125,580,176
Musharaka finance	3,100,000	11,300,000
Diminishing Musharaka finance	41,908,371	95,183,959
Modaraba finance	-	112,000
	<u>128,804,526</u>	<u>232,176,135</u>

35.4 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 table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2019			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees-----			
Liabilities				
Redeemable capital	1,315,000	1,315,000	-	-
Security deposits	3,579,900	100,000	-	3,479,900
Creditors, accrued and other liabilities	6,189,690	6,189,690	-	-
Unclaimed profit distribution	2,834,156	2,834,156	-	-
Long-term finance	12,566,724	6,283,362	6,283,362	-
Deferred liabilities - staff gratuity	3,389,955	-	-	3,389,955
Total liabilities	29,875,425	16,722,208	6,283,362	6,869,855
	2018			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees-----			
Liabilities				
Redeemable capital	37,085,000	27,835,000	9,250,000	-
Security deposits	6,090,574	630,675	-	5,459,899
Creditors, accrued and other liabilities	13,094,289	13,094,289	-	-
Unclaimed profit distribution	2,834,156	-	-	2,834,156
Long-term finance	37,700,177	6,283,363	18,850,088	12,566,726
Deferred liabilities - staff gratuity	3,509,176	-	-	3,509,176
Total liabilities	100,313,372	47,843,327	28,100,088	24,369,957

35.5 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

36. CAPITAL RISK 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.

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Certificate of Musharaka and borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2019	2018
	------(Rupees)-----	
Total borrowings and deposits	13,881,727	74,785,177
Cash and bank balances	(51,147,044)	(30,947,769)
Net debt	(37,265,318)	43,837,408
Total equity	240,708,083	274,947,624
Total capital	203,442,766	318,785,032
Gearing ratio	-18.3%	13.8%

37.

The related parties and associated undertakings comprise the Ex-modaraba management compqany [KASB Invest (Pvt.) Ltd.], modaraba under common management (First Prudential Modaraba & First Pak Modaraba), directors and key management personnel. Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Significant transactions with related parties are as follows:-

Relationship with Modaraha		Nature of Transactions			
Balances with related parties					
Ex-Modaraba management Company		Modaraba management fee payable	-	-	
Ex-Modaraba management Company		Issue of certificates at discount	98,946,390	98,946,390	
Modaraba under common management		Receivable against reimbursement of expenses	2,607,313	116,772	
Other related parties					
Administrator (Ref: Note # 1)	Note 1	Salaries & Other benefits	240,000	-	
			June 30, 2019	June 30, 2018	
			----- (Rupees) -----		
Expense/(Income) for the period					
Ex-Modaraba management Company		Modaraba management fee	-	-	
Modaraba under common management		Reimbursement of expenses	(7,182,344)	5,760,031	
Administrator	Note 1	Salaries & Other benefits	240,000		
Payments/(Receipts) made during the period					
Ex-Modaraba management Company		Modaraba management fee	-	1,092,797	
Modaraba under common management		Reimbursement of expenses	(4,691,803)	(6,768,925)	
Ex-Modaraba management Company		Dividend paid	-	1,423,892	

38.

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. However, no significant rearrangements or reclassification have been made in these financial statements during the current year.

39.

Figures in these financial statements have been rounded off to the nearest Rupee.

40.

These financial statements were authorised for issue by the Administrator in the meeting held on October 25, 2019.

Hand Reg

Administrator

[Handwritten signature]

Chief Financial Officer

KASB MODARABA

**PATTERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2019**

NO. OF SHOLD	SHARE HOLDING		TOTAL SHARES HOLD
	FROM	TO	
418	1	100	16,108
274	101	500	74,829
152	501	1000	124,542
179	1001	5000	414,305
48	5001	10000	359,472
16	10001	15000	202,969
14	15001	20000	240,775
6	20001	25000	138,996
5	25001	30000	145,345
2	30001	35000	62,200
6	35001	40000	220,000
1	40001	45000	40,300
1	45001	50000	50,000
1	60001	65000	62,877
1	70001	75000	72,000
3	85001	90000	263,500
1	100001	105000	101,000
1	110001	115000	113,100
1	120001	125000	122,823
6	140001	145000	864,378
1	165001	170000	166,320
1	220001	225000	225,000
2	245001	250000	494,500
9	285001	290000	2,596,122
2	300001	305000	609,389
1	315001	320000	319,702
1	390001	395000	392,245
1	445001	450000	450,000
1	795001	800000	795,980
1	855001	860000	858,500
1	1375001	1380000	1,375,733
1	3945001	3950000	3,949,963
1	10445001	10450000	10,446,767
1	21695001	21700000	21,696,740
1160	Total		48,066,480

S/R NO.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HOLD
1	INDIVIDUALS	1115	7,841,758
2	INVESTMENT COMPANIES	2	1,200
3	INSURANCE COMPANIES	3	796,380
4	JOINT STOCK COMPANIES	16	5,015,786
5	FINANCIAL INSTITUTIONS	11	10,472,584
6	LEASING COMPANIES	1	1,246
7	MODARABA COMPANIES	3	36
8	OTHERS	2	101,300
9	MODARABA MANAGEMENT COMPANIES	2	23,072,473
10	MUTUAL FUND	1	392,245
11	INVESTMENT ADVISORY	1	2,000
12	HOLDING COMPANY	1	304,389
13	EMPLOYEES PENSION FUND	1	62,877
14	EMPLOYEES BENEVOLENT FUND	1	2,206
		1160	48,066,480

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 28th Annual Review meeting of the Modaraba's Certificate Holders of KASB Modaraba will be held on Monday November 25, 2019 at 4:00 pm at Institute of Chartered Accountants of Pakistan, near Teen Talwar, Clifton, Karachi to review the performance of Modaraba for the year ended June 30, 2019.

By Order of the Administrator

Syed Shahid Owais
Company Secretary

Karachi
October 25, 2019

Notes

1. The Modaraba Certificates transfer book shall remain closed from November 16, 2019 to November 25, 2019 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the Registrar Office of the KASB Modaraba (whose address is given below) up to the close of business hours on November 15, 2019 will be treated in time.
2. The Certificate holders are advised to notify to the Registrar of KASB Modaraba of any change in their addresses to ensure prompt delivery of mails. Further, any Certificates for transfer, etc, should be lodged with the Registrar, C & K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi. (Phone: 35687839-35685930).
3. **For Attending Meeting :**
 - a) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing his/her original CNIC or original passport at the time of attending the Meeting.
 - b) In case of corporate entity. The Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of Meeting.
4. In terms of Securities and Exchange Commission of Pakistan (SECP) S.R.O.634 (I)/2014, The Annual Report for the year ended June 30, 2019 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.
5. **Unclaimed Dividends and physical Modaraba Certificates**
Certificate holders, who by any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar, C & K Management Associates (Private) Limited, to collect / enquire about their unclaimed dividend or pending Modaraba certificates, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedures, all dividends unclaimed for a period of three years, from the date due and payable, shall be deposited to the credit of the Federal Government and in case of shares/certificates, shall be delivered to the Securities & Exchange Commission of Pakistan.

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

- 📋 Licensed Entities Verification
- 🔍 Scam meter*
- 🎮 Jamapunji games*
- 💰 Tax credit calculator*
- 🏢 Company Verification
- 📋 Insurance & Investment Checklist
- ?? FAQs Answered

- 📈 Stock trading simulator
(based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler*
- 📊 Financial calculator
- 📧 Subscription to Alerts (event
notifications, corporate and
regulatory actions)
- 📱 Jamapunji application for
mobile device
- 📝 Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

@jamapunji_pk

*Mobile apps are also available for download for android and ios devices



Book Post

Under
Certificate
of
Posting

If undelivered please return to
KASB Modaraba

Registered Office: Office # B, 5th Floor Lakson Square Building # 1,
Sarwar Shaheed Road, Karachi.