



B.F. MODARABA

2020

Annual Report



Managed By
E.A. MANAGEMENT (PVT) LTD.
Registered under
The Companies Ordinance 1984 & Modaraba
Companies & Modaraba Ordinance 1980



B. F. MODARABA
32ND ANNUAL REPORT 2020
CONTENTS

Corporate Information	2
Chairman Review Report	3
Chairman Review Report Urdu	4
Directors' Report	5
Directors' Report Urdu	8
Shari'ah Advisor's Report	12
Auditors' Report	13
Balance Sheet	15
Profit and Loss Account	16
Statement of Comprehensive Income	17
Cash Flow Statement	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20
Pattern of Certificate Holdings	40
Number of Meetings	42
Key Operating & Financial Data	42
Auditors' Review Report	43
Statement of Compliance with Code of Corporate Governance	44
Notice of Annual Review Meeting	47
Vision & Mission	48



CORPORATE INFORMATION

MODARABA MANAGEMENT COMPANY

E. A. Management (Pvt.) Ltd.

BOARD OF DIRECTORS

DIRECTORS OF MODARABA MANAGEMENT COMPANY

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Muhammad Ayub

SHARIAH ADVISOR

Mr. Mufti Zubair Usmani

LEGAL ADVISOR

Mr. Ghulam Rasool Korai

MODARABA AUDITORS

M/s. Rehman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS

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

REGISTERED OFFICE

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

EMAIL & WEBSITE

E-mail: info@bfmodaraba.com.pk
feedback@bfmodaraba.com.pk
URL: www.bfmodaraba.com.pk

SHARES REGISTRAR

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



CHAIRMAN'S REVIEW REPORT

The year under review began under the shadow of policy adjustments and structural reforms to rectify microeconomic imbalances. Outbreak of COVID-19 pandemic in second half of the year and resultant lockdown measures adopted by the Government brought economic activity for most of the sectors to complete halt in last quarter of the year. However, it is encouraging to note that Government's stabilization measures are resulting in considerable improvement in economic indicators and are leading to gradual recovery of economic growth.

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

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

Ahmed Ali Bawany
Chairman

Karachi.

Date : September 25, 2020



چیرمین کی جائزہ رپورٹ

زیر غور سال مانکرو معاشی عدم توازن کی اصلاح کے ایڈجسٹمنٹ پالیسی اور ساختی اصلاحات کے سائے کے ساتھ شروع ہوا۔ سال کے دوسرے نصف حصے میں COVID-19 وبائی بیماری کا پھیلنا اور اس کے نتیجے میں حکومت کی طرف سے اختیار کردہ لاک ڈاؤن اقدامات نے سالانہ آخری سم ماہی میں بیشتر شعبوں کو مکمل طور پر روک دیا تھا۔ تاہم، یہ بتانا حوصلہ افزا ہے کہ حکومت کے استحکام کے اقدامات کے نتیجے میں معاشی اشاریوں میں خاطر خواہ بہتری واقع ہو رہی ہے اور وہ آہستہ آہستہ معاشی نمو کو بحال کر رہے ہیں۔

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

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

احمد علی باوانی

چیرمین

کراچی
25 ستمبر 2020



**32nd ANNUAL REPORT OF THE DIRECTORS
OF THE MODARABA COMPANY
FOR THE YEAR ENDED JUNE 30, 2020**

Dear Certificate Holders,

Assalam-o-Aalikum,

In the name of ALLAH the most gracious and most merciful, your directors are pleased to present 32nd Annual Report of your Modaraba together with the audited financial statements for the year ended June 30, 2020.

FINANCIAL RESULTS

Financial results are summarized as follows:

	2020 Rupees	2019 Rupees (Restated)
Revenue	<u>10,866,537</u>	<u>5,089,039</u>
Profit / (loss) before charging management fee	4,584,907	(1,654,065)
Management fee	<u>(518,095)</u>	<u>-</u>
Profit / (loss) before WWF	4,066,812	(1,654,065)
WWF	<u>(81,335)</u>	<u>-</u>
Profit / (loss) before taxation	3,985,477	(1,654,065)
Taxation	<u>(1,328,925)</u>	<u>(1,275,423)</u>
Profit / (loss) after taxation	<u>2,656,552</u>	<u>(2,929,488)</u>
 Add: Un-appropriated profit brought forward	 12,317,774	 9,478,788
Add: Transfer to the unappropriated profits	<u>-</u>	<u>2,838,986</u>
	12,317,774	12,317,774
 Appropriations:		
Transferred to statutory reserve @ 50% of		
Profit (2019: NIL)	(1,328,276)	-
Cash Dividend @ NIL% (2019: NIL)	-	-
	<u>(1,328,276)</u>	<u>-</u>
	<u>13,646,050</u>	<u>12,317,774</u>
 Earnings / (loss) per certificate	 <u>0.35</u>	 <u>(0.39)</u>



REVIEW OF OPERATIONS

Gross revenues during the year were Rs.10.867 million vis-à-vis Rs. 5.089 million for the corresponding period of 2018-19, major components of revenue were dividend income of Rs.8.908 million, and Profit on Bank Deposit Rs.2.431 million. Thus, overall profitability remained positive as Pre-tax Profit stood at Rs.3.985 million against a Pre-tax loss of Rs. 1.654 million for the corresponding period of 2018-19. Comparative Figures were restated due to the retrospective Correction of errors. Consequently, earning per certificate stood at Rs. 0.35. PSX 100 Index that dipped to 33,902 points at the end of the last year showed improvement during the year and closed at 34,422 points as on June 30, 2020. However, unrealized loss in the value of investment in marketable securities was Rs. 10.980 million which has been reflected in the equity.

FUTURE OUTLOOK

The year under consideration was full of economic as well as political challenges including weakening of Pak Rupee, rising inflation and interest rates and volatile capital market. However, the country has successfully averted the balance of payments crises and all economic trends indicate that our deficits are coming down rapidly to within manageable ranges. CPEC has entered into its second phase that shall be more focused on trade and industry, moving on from infrastructure. This shall play a pivotal role in terms of technology and skills transfer to our economy. The Management of your Modaraba is proactively studying available options which would best protect and preserve Certificate holders' interest in the future.

CORPORATE GOVERNANCE

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

- A. The financial statements prepared by the management of the Modaraba present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- B. Proper books of accounts of the Modaraba have been maintained.
- C. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- D. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements.
- E. The system of internal control is sound and has been effectively implemented and monitored.
- F. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- G. There is no material departure from best practices of corporate governance as detailed in the Regulations of Rule Book of Pakistan Stock Exchange except as mentioned in annexed compliance with the best practices of corporate governance.
- H. The summary of key operating and financial data of the important statistics for the last six years annexed.
- I. Information against outstanding duties, levies and charges is given in notes to the Accounts.
- J. The Company operates unfunded Provident fund scheme. The fair value of assets based is Rs. 424,960.



COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

BOARD MEETINGS

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

PATTERN OF CERTIFICATE HOLDERS

A statement showing the pattern of holding of the certificates as at June 30, 2020 is annexed to the Annual report.

TRADING OF CERTIFICATE

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

KEY OPERATING & FINANCIAL DATA

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

AUDITORS

The present Auditors **M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants** retiring on the date of Annual Review Meeting, being eligible, have offered themselves for re-appointment for the year ending June 30, 2021 subject to approval by the Registrar Modaraba Companies and Modarabas, the Board has confirmed their appointment.

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

ACKNOWLEDGEMENT

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

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

On behalf of the Board

Muhammad Omar Amin Bawany
Chief Executive

Karachi
Date September 25, 2020



32 ویں سالانہ ڈائریکٹرز کی رپورٹ

مضاربہ کمپنی برائے اختتامی سال 30 جون 2020

محترم سرٹیفیکیٹ یافتگان

اسلام علیکم!

اللہ تعالیٰ کے نام سے جو بہت مہربان اور نہایت رحم کرنے والا ہے۔ آپ کے ڈائریکٹرز آپ کے مضاربہ کی 32 ویں سالانہ رپورٹ کے ساتھ 30 جون 2020 کو ختم ہونے والے سال کے لئے آڈٹ شدہ مالیاتی گوشوارہ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج

مالیاتی نتائج کا خلاصہ/سمری درج ذیل ہے۔

2019 روپے	2020 روپے	
5,089,039	10,866,537	آمدنیاں
(1,654,065)	4,584,907	منافع قبل از مینجمنٹ کی فیس
-	(518,095)	مینجمنٹ فیس
(1,654,065)	4,066,812	منافع قبل از WWF
-	(81,335)	WWF
(1,654,065)	3,985,477	منافع قبل از ٹیکس
(1,275,423)	(1,328,925)	ٹیکس
(2,929,488)	2,656,552	منافع ٹیکس کے بعد
9,478,788	12,317,774	جمع: غیر تصرف شدہ منافع برارڈ فارورڈ
2,838,986	-	
12,317,774	12,317,774	
		تصرفات
-	(1,328,276)	منافع کا 50 فیصد کے حساب سے دستوری ذخائر میں منتقل کیا گیا
-	-	منافع کی تقسیم بحساب Nil فیصد (2019 : NIL)
-	(1,328,276)	
12,317,774	13,646,050	
(0.39)	0.35	فی سرٹیفیکیٹ آمدنی



آپریشنز (افعال) کا جائزہ

اس سال کے دوران مجموعی آمدنی Rs 10.867 ملین روپے تھے۔ 19-2018ء کے اسی عرصے کے لئے Rs 5.089 ملین روپے، آمدنی کے بڑے منافع ڈویڈنڈ پر 8,8908 ملین روپے رہا، اور بینک ڈپازٹ پر منافع 2,431 ملین روپے ہے۔ مجموعی منافع مثبت رہا۔ پری ٹیکس 19-2018 کے اسی عرصہ کے دوران 1.654 ملین روپے کے پری ٹیکس نقصان کے مقابلے میں 3.99 ملین روپے منافع رہا۔ غلطیوں کی اصلاح کے سبب تقابلی اعداد و شمار کو بحال کیا گیا ہے۔ اس کے نتیجے میں، پر سرٹیفکیٹ کی کمائی 0.35 روپے رہی۔ پی ایس ایکس 100 انڈیکس جو گذشتہ سال کے آخر میں 33,902 پوائنٹس پر آگیا تھا اس سال کے دوران بہتری دکھائی اور 30 جون 2020 کو 34,422 پوائنٹس پر بند ہوا تاہم، غیر منقطع نقصان مارکیٹ سبکیورٹیز میں 10,980 ملین روپے کی سرمایہ کاری کی قدر میں ہے جو ایکویٹی میں ظاہر ہو رہا ہے۔

مستقبل کے مناظر

زیر غور سال اقتصادی اور سیاسی چیلنجوں سے بھرا ہوا تھا جس میں پاک روپیہ کی کمزوری، مہنگائی اور شرح سود میں اضافے اور غیر مستحکم سرمایہ مارکیٹ شامل تھے۔ تاہم، ملک نے ادائیگیوں کے بحرانوں کے توازن کو کامیابی کے ساتھ روک لیا ہے اور تمام معاشی رجحانات اس بات کی نشاندہی کرتے ہیں کہ ہمارے خسارے تیزی سے نیچے آنے کے قابل انتظام حدود میں آ رہے ہیں۔ سی پی ای سی اپنے دوسرے مرحلے میں داخل ہو گیا ہے جس میں بنیادی ڈھانچے سے آگے بڑھتے ہوئے تجارت اور صنعت پر زیادہ توجہ دی جائیگی۔ یہ ہماری معیشت میں تکنالوجی اور مہارت کی منتقلی کے شعبہ میں اہم کردار ادا کرے گا۔ آپ کے مضاربہ کا نظم و ضبط کامیابی کے ساتھ دستیاب اختیارات کا مطالعہ کر رہا ہے جو مستقبل میں سرٹیفکیٹ رکھنے والوں کی دلچسپی کا تحفظ فراہم کرے گا۔

کارپوریٹ گورننس

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

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



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

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

J کمپنی غیر منقولہ پروپیڈنٹ فنڈ اسکیم چلاتی ہے۔ اثاثوں کی منصفانہ قیمت 424,960 روپے ہے

کارپوریٹ گورننس کے ضابطے کی تعمیل

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

بورڈ کا اجلاس

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

سرٹیفیکیٹ یافتگان کا طریقہ کار

سرٹیفیکیٹس کے رکھنے کا طریقہ کار 30 جون 2020 کے گوشوارے میں دکھایا گیا ہے۔

سرٹیفیکیٹ کی خرید و فروخت

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

اہم آپریٹنگ اور مالیاتی ڈیٹا

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

آڈیٹرز

موجودہ آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس، جو سالانہ جائزہ اجلاس کی تاریخ پر سبکدوشی ہو رہے ہیں، 30 جون 2021 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کے لئے خود کو پیش کیا ہے، جو رجسٹرڈ مضاربہ کمپنی اور مضاربہ زکی منظوری سے مشروط ہے۔ بورڈ نے ان کی تقرری کی تصدیق کی ہے۔

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



اعتراف

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

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

بورڈ کے توسط سے

محمد عمر امین باوانی
چیف ایگزیکٹو

کراچی
25 ستمبر 2020



Shari'ah Advisor Report

For the financial year ended June 30, 2020

This to please report that for the financial year ended June 30, 2020, I have examined/reviewed the transactions and agreements executed, polices implemented and procedures followed by B.F. Modaraba managed by E.A. Management (Private) Limited being Modaraba Management Company.

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

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

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

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

I will recommend that:

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

Conclusion:

The business activities of B.F. Modaraba during the financial year ended June 30, 2020 have been found to be Sharia'h compliant

Dr. Zubair Usmani

Dated: September 25, 2020

Shari'ah Advisor



INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed statement of financial position of **B.F. Modaraba ('the Modaraba')** as at **June 30, 2020** and the related statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof (here-in-after referred to as 'the financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - (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;

for

Cont'd...P/2



-2:-

- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, given 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, 2020** and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: Muhammad Rafiq Dosani

Karachi.

Dated : September 25, 2020



B.F. MODARABA
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	(Restated) 2019
ASSETS			
Non-current assets			
Furniture and equipment	4	27,023	32,017
Long term deposits	5	40,019	40,019
Long term investments	6	103,046,631	95,616,505
		<u>103,113,673</u>	<u>95,688,541</u>
Current assets			
Trade debts - considered good and unsecured		-	14,960,000
Prepayments and other receivables	7	378,099	458,069
Advance tax - net		3,174,271	2,332,676
Cash and bank balances	8	24,738,062	12,875,792
		<u>28,290,432</u>	<u>30,626,537</u>
Total assets		<u><u>131,404,105</u></u>	<u><u>126,315,078</u></u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	9	3,168,302	1,540,971
Due to Management Company		159,581	-
Unclaimed dividend		<u>1,545,582</u>	<u>1,545,582</u>
		4,873,465	3,086,553
Certificate holders' equity			
Certificate capital	10	<u>75,151,587</u>	<u>75,151,587</u>
Reserves	11	<u>62,359,515</u>	<u>59,702,963</u>
		137,511,102	134,854,550
Unrealized (loss) /gain on re-measurement of investments classified as fair value through other comprehensive income	12	(10,980,462)	(11,626,025)
Total liabilities and equity		<u><u>131,404,105</u></u>	<u><u>126,315,078</u></u>
Contingencies and commitments	13	-	-

The annexed notes from 1 to 24 form an integral part of these financial statements.

W

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

Chairman

Chief Executive

Director

Chief Financial Officer



**B.F.MODARABA
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020**

		2020	(Restated) 2019
	Note	-----Rupees-----	
Revenue - net			
Gain realised on disposal of investments in units of mutual funds		-	630,634
Unrealised loss on remeasurement of investments in units of mutual funds		(472,586)	(5,750,632)
Trading profit from sale of sugar	14	-	2,543,660
Dividend - net of zakat	15	8,908,497	6,546,052
Profit on bank deposits accounts		2,430,626	1,119,325
		<u>10,866,537</u>	<u>5,089,039</u>
Administrative expenditure			
Operating expenses	16	(6,281,630)	(6,743,104)
Profit before charging Management Company's remuneration		<u>4,584,907</u>	<u>(1,654,065)</u>
Management Company's remuneration	17	(518,095)	-
Provision for Worker's Welfare Fund		(81,335)	-
Profit / (loss) before taxation		<u>3,985,477</u>	<u>(1,654,065)</u>
Taxation	18	(1,328,925)	(1,275,423)
Profit / (loss) after taxation		<u>2,656,552</u>	<u>(2,929,488)</u>
Earnings / (loss) per certificate - basic and diluted	19	<u>0.35</u>	<u>(0.39)</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

M

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

Chairman

Chief Executive

Director

Chief Financial Officer



B.F.MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	(Restated) 2019
	-----Rupees-----	
Profit / (loss) after taxation	2,656,552	(2,929,488)
Other comprehensive income		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Surplus / (deficit) on re-measurement of investments classified as at fair value through other comprehensive income	645,563	(7,066,548)
Total comprehensive income / (loss) for the year	<u>3,302,115</u>	<u>(9,996,036)</u>

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

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director

Chief Financial Officer



B.F. MODARABA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	(Restated) 2019
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	3,985,477	(1,654,065)
Adjustments for non-cash charges and other items:		
- Depreciation on owned assets	4,996	6,401
- Profit on bank deposits	(2,430,626)	(1,119,325)
- Provision for Management Company's remuneration	518,095	-
- Provision for provident fund	380,713	379,863
- Provision for Worker's Welfare Fund	81,335	-
- Unrealised loss on remeasurement of investments	472,586	5,750,632
- Gain on sale of investment	-	(630,634)
- Dividend income net	(8,908,497)	(6,546,052)
	(9,881,398)	(2,159,115)
Operating loss before working capital changes	(5,895,921)	(3,813,180)
Working capital changes		
<i>Decrease / (increase) in current assets</i>		
- Stock in trade	-	10,107,090
- Trade debts	14,960,000	(13,096,594)
- Prepayments and other receivables	79,970	1,084,418
<i>Increase / (decrease) in current liabilities</i>		
- Trade and other payables	1,176,413	(3,095,491)
	16,216,383	(5,000,577)
Taxes paid	(2,170,514)	(1,746,571)
Provident fund paid to employees	(23,000)	(582,881)
Management Company's remuneration paid	(346,593)	(497,457)
	(2,540,107)	(2,826,909)
Net cash generated from / (used in) operating activities	7,780,355	(11,640,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Profit received on bank deposits	2,430,626	1,119,325
(Purchase) / sale of investments - net	(7,257,208)	(10,158,191)
Dividend received	8,908,497	8,612,291
Net cash generated from / (used in) investing activities	4,081,915	(426,575)
Net increase in cash and cash equivalents	11,862,270	(12,067,241)
Cash and cash equivalents as at beginning of the year	12,875,792	24,943,033
Cash and cash equivalents as at the end of year	24,738,062	12,875,792

The annexed notes from 1 to 24 form an integral part of these financial statements.

[Signature]

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

Chairman

Chief Executive

Director

Chief Financial Officer



B.F. MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Certificate capital	Reserves		Total
		Statutory reserves	Unappropriated profits	
		Rupees		
Balance as at June 30, 2018	75,151,587	47,385,189	8,402,892	130,939,668
Unrealized gain as on July 01, 2018 on remeasurement of investment in units of mutual funds carried at fair value through profit or loss - effect of correction of prior period errors (refer note 23)	-	-	4,005,384	4,005,384
<i>Total comprehensive income for the year ended June 30, 2019</i>				
- Loss after taxation (restated)	-	-	(2,929,488)	(2,929,488)
- Other comprehensive income	-	-	-	-
	-	-	(2,929,488)	(2,929,488)
Transfer to the statutory reserve @ 50% (restated)	-	-	-	-
Gain realized on disposal of investments in ordinary shares of listed companies (restated)	-	-	2,838,986	2,838,986
Balance as at June 30, 2019 (as restated)	75,151,587	47,385,189	12,317,774	134,854,550
<i>Total comprehensive income for the year ended June 30, 2020</i>				
- Profit after taxation	-	-	2,656,552	2,656,552
- Other comprehensive income	-	-	-	-
	-	-	2,656,552	2,656,552
Transfer to the statutory reserve @ 50%	-	1,328,276	(1,328,276)	-
Balance as at June 30, 2020	75,151,587	48,713,465	13,646,050	137,511,102

The annexed notes from 1 to 24 form an integral part of these financial statements.

[Signature]

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

 Chairman

 Chief Executive

 Director

 Chief Financial Officer



B. F. MODARABA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

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

- (a) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and such other reporting standards [including Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP)] as notified by the Securities and Exchange Commission of Pakistan (SECP) under section 225(1) of the Companies Act, 2017 (here-in-after collectively referred to as the 'applicable financial reporting standards'); and
- (b) The legal provisions of the (i) Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (ii) Modaraba Companies and Modaraba Rules, 1981, (iii) Prudential Regulations for Modarabas as well as the notifications, circulars or directives issued thereunder by the SECP from time to time (here-in-after collectively referred to as the 'applicable laws and regulations').

Wherever the requirements of the applicable financial reporting standards differ from the requirements of the applicable laws and regulations, the latter shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

Note

- | | |
|---|------|
| - Investments in listed equity securities | 3.6 |
| - Provision for taxation | 3.14 |



2.5 New accounting pronouncements

2.5.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020*

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2018 including (IFRS 16 'Leases') which are considered not to be relevant or do not have any significant effect on the Modaraba's financial statements and are, therefore, not stated in these financial statements.

2.5.2 *New / revised accounting standards, amendments to published accounting standards and interpretations 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 the dates specified below;

- 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 January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendment is not likely to have an impact on the Modaraba's 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 January 01, 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. The amendments are not likely to affect the financial statements of the Modaraba.
- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has, in turn, led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Modaraba.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Modaraba.



- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Modaraba.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Modaraba.

2.5.3 Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Modaraba.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Furniture and equipment

Fixed assets held for own use are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note 4.

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

M



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

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

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

3.2 Impairment of non-financial assets

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

3.3 Stock in trade

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

Cost is determined using weighted average method.

3.4 Trade debts

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

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

3.5 Cash and cash equivalents

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

3.6 Financial assets

3.6.1 Classification and initial measurement

The Modaraba classifies its financial assets into either of following three categories:

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

(a) Financial assets measured at amortized cost

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

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



(b) Financial assets at FVOCI

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

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

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

(c) Financial assets at FVTPL

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

Such financial assets are initially measured at fair value.

3.6.2 Initial recognition

The Modaraba recognizes an investment when and only when it becomes a party to the contractual provisions of the instrument evidencing investment.

Regular way purchase of investments are recognized using trade date accounting i.e. on the date on which the trading of the purchase transaction takes place.

3.6.3 Subsequent measurement

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

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

Handwritten signature



3.6.4 Impairment

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

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

3.6.5 De-recognition

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

3.7 Trade and other payables

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

3.8 Financial liabilities

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

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

3.9 Provisions

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

3.10 Offsetting of financial assets and liabilities

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

3.11 Revenue recognition

Revenue from trading activities

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

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

W



Dividend income

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

Interest income

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

3.12 Staff provident fund

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

3.13 Compensated absences

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

3.14 Taxation

Current

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

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

Deferred

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.



4 FURNITURE AND EQUIPMENT

	Office equipment	Furniture & fixture	Computer & allied equipment	Total
	(Rupees)			
As at June 30, 2018				
Cost	147,225	146,603	351,720	645,548
Accumulated depreciation	(135,692)	(132,519)	(338,919)	(607,130)
	11,533	14,084	12,801	38,418
Movement during the year ended June 30, 2019				
Opening net book value	11,533	14,084	12,801	38,418
Depreciation for the year	(1,153)	(1,408)	(3,840)	(6,401)
Closing net book value	10,380	12,676	8,961	32,017
As at June 30, 2019				
Cost	147,225	146,603	351,720	645,548
Accumulated depreciation	(136,845)	(133,927)	(342,759)	(613,531)
	10,380	12,676	8,961	32,017
Movement during the year ended June 30, 2020				
Opening net book value	10,380	12,676	8,961	32,017
Depreciation for the year	(1,038)	(1,268)	(2,688)	(4,994)
Closing net book value	9,342	11,408	6,273	27,023
As at June 30, 2020				
Cost	147,225	146,603	351,720	645,548
Accumulated depreciation	(137,883)	(135,195)	(345,447)	(618,525)
	9,342	11,408	6,273	27,023
Rate of depreciation per annum	10%	10%	30%	

5	LONG TERM DEPOSITS		2020	2019
			(Rupees)	
	<i>Basic deposits placed with:</i>			
	- Central Depository Company of Pakistan Limited		25,000	25,000
	- State Bank of Pakistan		10,019	10,019
	- Pakistan Telephone Communications Limited		5,000	5,000
			<u>40,019</u>	<u>40,019</u>
6	LONG TERM INVESTMENTS		2020	(Restated) 2019
			(Rupees)	
	<i>At fair value through other comprehensive income</i>			
	Ordinary shares of listed companies	Note 6.1	21,840,336	20,314,751
	<i>At fair value through profit or loss</i>			
	Units of open-ended mutual funds	Note 6.2	81,206,295	75,301,754
			<u>103,046,631</u>	<u>95,616,505</u>



6.1 Investments in ordinary shares of listed companies

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

Number of shares / certificates		Name of Company / Institution	Cost		Market value	
2020	2019		2020	2019	2020	2019
Rupees						
		MODARABAS				
21,136	21,136	Orix Modaraba	191,281	191,281	380,446	327,608
72,900	72,900	First Punjab Modaraba	127,575	127,575	145,800	167,670
		BANK				
21,230	21,230	Meezan Bank Limited	742,751	742,751	1,461,685	1,850,407
		CEMENT				
162,000	162,000	Fauji Cement Limited	5,091,404	5,091,404	2,734,560	2,548,260
13,000	13,000	Kohat Cement Limited	2,122,412	2,122,412	1,786,880	682,890
10,000	10,000	D.G.Khan Cement Limited	975,797	975,797	853,300	565,400
		REFINERY				
12,500	12,500	Attock Refinery Limited	2,078,108	2,078,108	1,116,500	965,875
		FUEL AND ENERGY				
22,419	22,419	Hub Power Company Limited	1,037,619	1,037,619	1,625,377	1,765,496
49,000	49,000	Kohinoor Energy Limited	2,126,091	2,126,091	1,714,011	1,764,000
10,099	83	Pakistan Petroleum Limited	886,443	6,421	876,391	11,990
600,500	600,500	K-Electric Limited	5,255,514	5,255,514	1,807,747	2,636,195
		ENGINEERING				
25,000	25,000	Mughal Iron & Steel Industries Limited	1,756,825	3,654,865	997,000	629,000
25,000	25,000	International Steels Limited	3,654,865	1,756,825	1,291,250	992,750
		AUTOMOBILE ASSEMBLER				
2,000	2,000	Pak Suzuki Motors Limited	1,434,613	1,434,613	323,660	457,920
		COMMUNICATION				
57,000	57,000	Pakistan Telecommunication Company Limited	1,006,050	1,006,050	506,161	471,390
		CHEMICALS & PHARMACEUTICALS				
70,000	70,000	Engro Fertilizer Limited	4,333,450	4,333,450	4,219,598	4,477,899
			32,820,798	31,940,776	21,840,336	20,314,751

6.1.1 The assessment of the Modoraba's business model was made as at the date of initial application of IFRS 9 i.e. July 01, 2018, and then applied retrospectively to those financial assets that were not derecognised before July 01, 2018. As a result of the above assessment, the management has concluded that all the investments in shares of listed companies previously classified as 'Available for Sale' will be re-classified as 'at Fair Value through Other Comprehensive Income' in accordance with the objectives of the Modoraba.

6.1.2 Particulars of investments disposed of during the year

During the year ended June 30, 2020, no disposals of investments in ordinary shares of listed companies classified as at fair value through other comprehensive income were made. However, during the comparative year, certain disposals were made the details of which are as follows:

Scrip symbol	Scrip name	Number of shares disposed of	Fair value of the investment at the date of disposal	Cumulative gain / (loss) on disposal	Dividend income recognized on disposed of investments	Reason for the disposal
----- (Rupees) -----						
MEBL	Meezan Bank Ltd	39,000	3,565,589	2,064,692	54,987	Refer note 6.1.3.
ORIXM	Orix Modaraba	71,500	1,421,370	774,295	-	Refer note 6.1.3.
Total			4,986,959	2,838,987	54,987	

6.1.3 Initially the management had made these investments with long term objectives, however, during the comparative year upon performance analysis and future expectations the management decided to divest these investments and realize the capital gains.



6.2 Investment in units of open-ended mutual funds

Number of units		Name of Mutual Fund	Cost		Fair Value	
2020	2019		2020	2019	2020	2019
Rupees						
51,229	51,061	Alfalakh GHP Islamic Value Fund	5,014,914	5,000,000	4,549,833	4,568,392
69,549	69,549	AKD Islamic Stock Fund	3,000,000	3,000,000	2,080,320	2,420,396
116,508	111,436	Meezan Islamic Fund	6,379,345	6,142,544	5,439,299	5,340,403
1,343,360	1,224,273	Meezan Islamic Income Fund	69,029,940	62,904,469	69,136,843	62,972,563
			83,424,199	77,047,013	81,206,295	75,301,754

	2020	2019
7 PREPAYMENTS AND OTHER RECEIVABLES	Rupees	
Prepayments	123,960	128,740
Other receivables		
Profit on bank deposits	5,597	77,418
Loan to staff	-	35,000
Sales tax	248,542	216,911
	<u>254,139</u>	<u>329,329</u>
	<u>378,099</u>	<u>458,069</u>

8 CASH AND BANK BALANCES		
Cash in hand	70,774	27,949
Balance with banks:		
- Current accounts	943,655	943,654
- Saving accounts	23,723,633	11,904,189
	<u>24,667,288</u>	<u>12,847,843</u>
	<u>24,738,062</u>	<u>12,875,792</u>

8.1 Saving accounts represent Islamic bank accounts. The rate of profit on these accounts ranges from 5.0% to 5.35% (2019: 5% to 10.20%) per annum.

	2020	(Restated) 2019
9 TRADE AND OTHER PAYABLES	Rupees	
Payable against purchase of securities	882,660	-
Accrued liabilities:		
- Accrued auditor's remuneration	275,000	300,000
- Salaries payables	263,713	-
- Commission payable	18,000	18,000
- Provident fund payable	424,960	67,247
- Sindh Workers' Welfare Fund	1,056,390	975,054
- Other liabilities	247,579	180,670
	<u>3,168,302</u>	<u>1,540,971</u>

9.1 This represents the amount payable to Growth Securities (Pvt) Ltd against purchase of Pakistan Petroleum Limited shares by the Modaraba. Subsequently, in the month of July 2020, the Modaraba settled the amount.

9.2 This represents the provision for Sindh Workers' Welfare Fund recognized in respect of the financial years ended June 30, 2015 to June 30, 2020. The provision has been computed at the rate of 2% of declared taxable income or accounting profit, whichever is higher, as notified under the Sindh Workers' Welfare Fund Act, 2014 promulgated in June 2015.



10 CERTIFICATE CAPITAL

2020	2019		2020	2019
----- No. of Certificates -----			----- Rupees -----	
		Authorized certificate capital		
<u>10,000,000</u>	<u>10,000,000</u>	Modaraba certificates of Rs. 10 each	<u>100,000,000</u>	<u>100,000,000</u>
		Issued, subscribed and paid-up capital		
		Modaraba certificates of Rs.10/- each issued for cash		
3,000,000	3,000,000		30,000,000	30,000,000
		Modaraba certificates of Rs.10/- each issued as bonus certificates		
4,515,158	4,515,158		45,151,587	45,151,587
<u>7,515,158</u>	<u>7,515,158</u>		<u>75,151,587</u>	<u>75,151,587</u>

11 RESERVES

	Note	2020	2019
Statutory reserve	11.1	48,713,465	47,385,189
Unappropriated profits		13,646,050	12,317,774
		<u>62,359,515</u>	<u>59,702,963</u>

- 11.1 Statutory reserve represents profits set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require a modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. During the year, the Modaraba has transferred an amount of Rs. 1.328 million (2019: Nil) which represents 50% of the profit after tax.

12 UNREALIZED (LOSS) / GAIN ON REMEASUREMENT OF INVESTMENTS CLASSIFIED AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	2020	2019
Market value of investments	6	21,840,336	20,314,751
Less: cost of investments		(32,820,798)	(31,940,776)
		<u>(10,980,462)</u>	<u>(11,626,025)</u>

12.1 Movement in unrealized (loss) / gain

Unrealized loss as at the beginning of the year - net		(11,626,025)	(1,720,491)
Gain realized on disposal transferred to unappropriated profits		-	(2,838,986)
Surplus / (deficit) on remeasurement of investments recognised during the year in other comprehensive income		645,563	(7,066,548)
		<u>645,563</u>	<u>(9,905,534)</u>
Unrealized loss as at the end of the year - net		<u>(10,980,462)</u>	<u>(11,626,025)</u>

13 CONTINGENCIES AND COMMITMENTS

There were no known contingencies and commitments as at June 30, 2020 (June 30, 2019: None).

N-



		2020	2019
	Note	Rupees	
14	TRADING PROFIT FROM SALE OF SUGAR		
Sales revenue		-	24,578,750
Cost of sales	14.1	-	(22,035,090)
		<u>-</u>	<u>2,543,660</u>
14.1	Cost of sales		
Opening stock		-	10,107,090
Purchases		-	11,928,000
		<u>-</u>	<u>22,035,090</u>
Closing stock		-	-
		<u>-</u>	<u>22,035,090</u>
15	DIVIDEND INCOME - NET OF ZAKAT		
Dividend income - gross	15.1	8,908,497	6,564,127
Less: Zakat deducted at source		-	(18,075)
		<u>8,908,497</u>	<u>6,546,052</u>
15.1	Dividend income - gross		
<i>Dividend income from investments classified as at fair value through profit or loss</i>			
Meezan Islamic Fund		278,589	-
Meezan Islamic Income Fund		7,206,437	4,644,008
Alfalalah GHP Islamic Value Fund		17,545	-
		<u>7,502,571</u>	<u>4,644,008</u>
<i>Dividend income from investments classified as at fair value through other comprehensive income</i>			
D.G.Khan Cement		10,000	42,500
Fauji Cement Limited		121,500	283,500
Kohat Cement Limited		32,500	50,000
Hub Power Company Limited		-	56,000
Kohinoor Energy Limited		98,000	196,000
Pakistan Petroleum Limited		166	109
Pak Suzuki Motors Limited		-	6,320
International Steel Limited		37,500	112,500
Mughal Steel		30,000	55,000
Pakistan Telecommunication Company Limited		28,500	85,500
Engro Fertilizer Limited		910,000	770,000
Meezan Bank Limited		84,920	173,400
First Punjab Modaraba		-	36,450
Orix Modaraba		52,840	52,840
		<u>1,405,926</u>	<u>1,920,119</u>
		<u>8,908,497</u>	<u>6,564,127</u>



		2020	2019
		-----Rupees-----	
16 OPERATING EXPENSES	<i>Note</i>		
Salaries and other benefits		4,568,578	4,724,644
Fees and subscription		1,041,951	1,098,429
Newspapers and periodicals		5,520	7,837
Printing and stationery		18,440	90,231
Repair and maintenance		114,514	316,181
Travelling and conveyance		5,900	3,500
Postage and telephone		14,750	20,180
Auditors' remuneration	16.1	335,000	335,000
Depreciation	4	4,996	6,401
Advertisement		20,160	30,160
Bank charges		539	784
Miscellaneous		124,482	83,940
Rent, rates and taxes		26,800	25,817
		<u>6,281,630</u>	<u>6,743,104</u>
16.1 Auditors' remuneration			
Audit fee		250,000	250,000
Review of code of corporate governance		25,000	25,000
Half yearly review including other certificates		60,000	60,000
		<u>335,000</u>	<u>335,000</u>
17 MANAGEMENT COMPANY'S REMUNERATION			
Management Company's remuneration excluding sales tax		458,491	-
Sales tax on Management Company's remuneration		59,604	-
		<u>518,095</u>	<u>-</u>
17.1	The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended 30 June 2020 has been recognised at 10% (2019: 10%) of the profit for the year before charging such remuneration.		
18 TAXATION	<i>Note</i>	2020	2019
		-----Rupees-----	
Current		1,328,925	1,275,423
Deferred	18.1	-	-
		<u>1,328,925</u>	<u>1,275,423</u>
18.1	As of the reporting date there were no material temporary differences, therefore, no deferred tax has been recognized in these financial statements.		
18.2	Income tax assessments of the Modaraba have been finalized upto tax year 2019 under section 120 of Income Tax Ordinance, 2001.		
19 EARNINGS / (LOSS) PER CERTIFICATE - Basic and diluted		2020	(Restated) 2019
19.1 Basic earnings / (loss) per certificate		-----Rupees-----	
Profit / (loss) after taxation		<u>2,656,552</u>	<u>(2,929,488)</u>
		-----Number-----	
Weighted average number of certificates outstanding		<u>7,515,158</u>	<u>7,515,158</u>
		-----Rupees-----	
Earnings / (loss) per certificate - basic		<u>0.35</u>	<u>(0.39)</u>



19.2 Diluted earnings / (loss) per certificate

There is no dilutive effect on the basic earnings / (loss) per certificate of the Modaraba, since there were no potential certificates in issue as at June 30, 2020 and June 30, 2019.

20 TRANSACTIONS ENTERED INTO AND BALANCES HELD WITH RELATED PARTIES

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

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

	2020	(Restated) 2019
	-----Rupees-----	
Transactions during the year		
Management fee - payment during the year	346,593	497,457
Management fee - charge for the year	518,095	-
Balances outstanding as at the year end		
Management fee payable	159,581	-

21 FINANCIAL INSTRUMENTS

21.1 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

21.1.1 Credit risk

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

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

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of its investments in equity instruments, mutual funds, trading from sale of sugar and bank deposit arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

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

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

W



Carrying value	Contractual cashflows			
	Total	Upto one year	More than one year	
	Rupees			
As on June 30, 2020				
Trade and other payables	2,079,064	2,079,064	(2,079,064)	-
Due to Management Company	159,581	159,581	(159,581)	-
	<u>159,581</u>	<u>159,581</u>	<u>(159,581)</u>	<u>-</u>
As on June 30, 2019				
Trade and other payables (restated)	565,917	565,917	(565,917)	-
Due to Management Company (restated)	-	-	-	-
	<u>565,917</u>	<u>565,917</u>	<u>(565,917)</u>	<u>-</u>

21.1.3 Market risk

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

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of the reporting date, the Modaraba was not exposed to any foreign currency risk as all its transactions were carried out in Pak Rupees.

(b) Profit rate risk

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

(c) Other price equity risk

Other price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / markup rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 10%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Modaraba manages price risk by monitoring its exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its equity investments before it led the Modaraba to incur significant mark-to-market and credit losses. As of the reporting date, the Modaraba was exposed to equity risk since it had investments in quoted securities amounting to Rs. 21.840 million (2019: Rs. 20.315 million) and investments in mutual funds amounting to Rs. 81.206 million (2019: Rs. 75.302 million).

The carrying value of investments subject to price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Modaraba's portfolio of investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sectors of the market.

M



Analysis of investments in quoted securities by business sector is as follows:

	June 30, 2020		June 30, 2019	
	(Rupees)	%	(Rupees)	%
Modarabas	526,246	0.51	495,278	0.52
Bank	1,461,685	1.42	1,850,407	1.94
Cement	5,374,710	5.22	3,796,551	3.97
Refinery	1,116,500	1.08	965,875	1.01
Fuel and energy	6,023,526	5.85	6,177,681	6.46
Engineering	2,288,250	2.22	1,621,750	1.70
Automobile assembler	323,660	0.31	457,920	0.48
Communication	506,161	0.49	471,390	0.49
Chemicals & pharmaceuticals	4,219,598	4.09	4,477,899	4.68
Open-ended Mutual funds	81,206,295	78.81	75,301,754	78.75
	103,046,631	100.00	95,616,505	100.00

Sensitivity analysis

The table below summarizes Modaraba's equity price risk as of June 30, 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of markets and the aforementioned concentrations existing in Modaraba's investment portfolio.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in profit / (loss) before tax	Hypothetical increase / (decrease) in other comprehensive income
June 30, 2020 Rupees	103,046,631	10% increase	113,351,295	8,120,630	2,184,034
		10% decrease	92,741,968	(8,120,630)	(2,184,034)
June 30, 2019 Rupees	95,616,505	10% increase	105,178,155	7,530,175	2,031,475
		10% decrease	86,054,854	(7,530,175)	(2,031,475)

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

W



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

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

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

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

Following is the fair value hierarchy of financial assets carried at fair value in the statement of financial position:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
	Rupees			
<i>Financial assets</i>				
Investments in units of open-end mutual funds	81,206,295	-	-	81,206,295
Investment in ordinary shares of listed companies	21,840,336	-	-	21,840,336
	<u>103,046,631</u>	<u>-</u>	<u>-</u>	<u>103,046,631</u>
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	Rupees			
<i>Financial assets</i>				
Investments in units of open-end mutual funds	75,301,754	-	-	75,301,754
Investment in ordinary shares of listed companies	20,314,751	-	-	20,314,751
	<u>95,616,505</u>	<u>-</u>	<u>-</u>	<u>95,616,505</u>

21.3 Financial instruments by categories

	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Total
	Rupees			
<u>As at June 30, 2020</u>				
<i>Financial assets</i>				
Long term deposits	-	-	40,019	40,019
Long term investments	81,206,295	21,840,336	-	103,046,631
Other receivables	-	-	5,597	5,597
Cash and bank balances	-	-	24,738,062	24,738,062
	<u>81,206,295</u>	<u>21,840,336</u>	<u>24,783,678</u>	<u>127,830,309</u>
<i>Financial liabilities</i>				
Trade and other payables				2,079,064
Due to Management Company				<u>159,581</u>
				<u>2,238,645</u>



	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Total
Rupees				
As at June 30, 2019				
Financial assets				
Long term deposits	-	-	40,019	40,019
Long term investments	75,301,754	20,314,751	-	95,616,505
Trade debts	-	-	14,960,000	14,960,000
Other receivables	-	-	112,418	112,418
Cash and bank balances	-	-	12,875,792	12,875,792
	<u>75,301,754</u>	<u>20,314,751</u>	<u>27,988,229</u>	<u>123,604,734</u>
				Financial liabilities at amortized cost
				- Rupees -
Financial liabilities				
Trade and other payables (restated)				565,917
Due to Management Company (restated)				-
				<u>565,917</u>

22 CAPITAL MANAGEMENT

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

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

The management closely monitors the return on capital along with the level of distributions to certificate holders. Following is the quantitative analysis of what the Company manages as capital:

	2020	(Restated) 2019
Rupees		
Certificate holders' equity		
- Issued, subscribed and paid up capital	75,151,587	75,151,587
- Reserves	62,359,515	59,702,963
Total capital managed by the Company	<u>137,511,102</u>	<u>134,854,550</u>

The Modaraba is not subject to any externally imposed capital requirements.

23 CORRECTION OF A PRIOR PERIOD ERROR

In its annual financial statements for the year ended June 30, 2019, the Modaraba applied the International Financial Reporting Standard (IFRS) 9 *Financial Instruments* which replaced the previous guidance on financial instruments contained in the International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*. Besides other simplifications and significant amendments in the accounting for financial instruments, IFRS 9 has simplified the classification of financial assets and replaced the various classification categories in IAS 39 with only three classification categories: (1) at 'amortized cost'; (2) at 'fair value through other comprehensive income' (FVOCI); and (3) at 'fair value through profit or loss' (FVPL). IFRS 9 also sets out the criteria for classification categories (1) and (2) based on the reporting entity's business model for managing the financial asset as well as the contractual cash flow characteristics of the financial asset and specifies that the classification category (3) is the residual category. However, IFRS 9 also allows an entity to make an irrevocable election at initial recognition for particular investments in **equity instruments** (i.e. those instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination) that otherwise would be measured at FVPL to present subsequent changes in fair value in other comprehensive income ('the OCI option').

Mr



For a considerably long period of time, the Modaraba has been holding investments in ordinary shares of listed companies and the units of open-ended quoted mutual funds. As reported in note 3.2(i) to the financial statements of the Modaraba for the year ended June 30, 2019, upon initial application of IFRS 9, the Modaraba adopted the OCI option, referred to above, to present subsequent changes in the fair value of *all* its investments (including investments in units of mutual funds) in other comprehensive income. However, since, as per IAS 32 *Financial Instruments: Presentation*, units of a mutual fund are considered as **puttable financial instruments** (thus, falling under the definition of a 'financial liability'), they are not considered as 'equity instruments' for the purpose of applying the aforesaid OCI option in IFRS 9 (as also acknowledged by the International Accounting Standards Board (IASB) in paragraph BC5.21 of IFRS 9). Accordingly, the OCI option was not available for investments in units of mutual funds and, thus, these investments should have been carried at FVPL instead of at FVOCI.

Hence, in these financial statements, the above error has been rectified retrospectively in accordance with the requirements of IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*', and the corresponding figures have been restated, wherever deemed necessary. However, these restatements have no effect on the statement of financial position as at the beginning of the earliest period presented (i.e. as of June 30, 2018) because, as reported in note 3.2(i) to the financial statements of the Modaraba for the year ended June 30, 2019, the change in classification of investments in ordinary shares of listed companies and units of mutual funds was only applied as at July 01, 2018 (i.e. not retrospectively) as permitted under the transitional provisions of IFRS 9. Hence, the statement of financial position as at June 30, 2018 has not been presented in these financial statements.

The retrospective correction of the aforesaid errors has its effects on the corresponding figures presented in these financial statements as follows:

	Reserves	Surplus / (deficit) on re-measurement of investments at fair value through comprehensive income	Trade and other payables	Due to Management Company
Rupees				
Effects on the statement of financial position				
Balance as at June 30, 2019 (as previously reported)	61,039,244	(13,371,286)	1,603,358	346,593
<i>Effect of restatement as on June 30, 2019</i>				
Reclassification of unrealized loss on re-measurement of investments in units of mutual funds	(1,745,261)	1,745,261	-	-
Reversal of Management fee	346,593	-	-	(346,593)
Reversal of provision for Workers' Welfare Fund	62,387	-	(62,387)	-
Balance as at June 30, 2019 (as restated)	<u>59,702,963</u>	<u>(11,626,025)</u>	<u>1,540,971</u>	<u>-</u>

Effects on statement of comprehensive income for the year ended June 30, 2019	Rupees
<i>Effects on profit or loss</i>	
Recognition of unrealized loss on investment in units of mutual funds	(5,750,632)
Recognition of gain realised on disposal of investments in units of mutual funds	630,634
Reversal of Management Company's remuneration	346,593
Reversal of provision for Workers' Welfare Fund	62,387
Decrease in profit before and after taxation	<u>(4,711,018)</u>
Decrease in the basic and diluted earnings per certificate	<u>(0.63)</u>
<i>Effects on other comprehensive income</i>	
Derecognition of unrealized loss on investment in units of mutual funds	5,120,067
Derecognition of loss realized on disposal of investments	-
Decrease in other comprehensive loss	<u>5,120,067</u>
Net decrease in total comprehensive loss	<u>409,048</u>



24 GENERAL

24.1 Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Modaraba Management Company in their meeting held on September 25, 2020.

24.2 Corresponding figures

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

From component	To component	Amount (Rupees)
Short term investments (Current assets)	Long term investments (Non-current assets)	<u>95,616,505</u>

24.3 Level of rounding

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

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

Chairman

Chief Executive

Director

Chief Financial Officer



***PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30, 2020***

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING			TOTAL CERTIFICATES HELD
635	1	-	100	13,850
244	101	-	500	61,378
74	501	-	1000	54,188
167	1001	-	5000	341,312
30	5001	-	10000	216,163
6	10001	-	15000	71,382
2	15001	-	20000	32,486
5	20001	-	25000	109,329
2	25001	-	30000	55,939
4	40001	-	45000	170,144
1	45001	-	50000	46,000
1	70001	-	75000	72,105
1	95001	-	100000	97,000
1	115001	-	120000	115,724
1	155001	-	160000	164,500
1	170001	-	175000	171,360
1	180001	-	185000	183,078
1	185001	-	190000	187,877
1	210001	-	215000	212,554
1	225001	-	230000	227,910
1	265001	-	270000	269,240
1	280001	-	285000	280,303
1	285001	-	290000	286,500
1	315001	-	320000	318,113
1	335001	-	340000	339,095
1	355001	-	360000	356,138
1	505001	-	510000	507,073
1	675001	-	680000	675,629
2	935001	-	940000	1,878,788
1189	TOTAL			7,515,158



CATEGORIES OF CERTIFICATE HOLDINGS

AS AT JUNE 30, 2020

	Number of Certificate Holders	Total Certificates Held	Percentage %
Director CEO and their Spous and Minor Children Holding			
Mr. Omar Amin Bawany - Chief Executive		29,411	0.3914
Mrs. Rukhsana		366,447	4.8761
Mr. Ahmed Ali Bawany - Chairman		507,073	6.7473
Hamza Omar Bawany - Director		42,539	0.5660
	6	945,470	12.5808
Associated Companies, Undertaking and related Parties			
E.A Management (Pvt) Ltd.		939,394	12.5000
Faran Sugar Mills Ltd.		939,394	12.5000
Reliance Insurance Co. Ltd.		115,724	1.5399
	3	1,994,512	26.5399
NIT and ICP			
Trustee National Bank of Pakistan, Pension Fund		41,908	0.5576
Trustee National Bank of Pakistan, Benevolent Fund		1,471	0.0196
M/S. ICP		7,399	0.0985
National Bank of Pakistan Ltd		756	0.0101
IDBP (ICP Unit)		1,911	0.0254
	7	53,445	0.7112
Certificate Holders Holding Five percent or more			
Sind Particle Board Mills		675,629	8.9902
Mrs. Shaheda Muhammad Amin		539,216	7.1750
Mrs. Gulshan Ara Muhammad Amin		508,213	6.7625
Mrs. Aisha Bai Muhammad Amin		510,455	6.7923
	7	2,233,513	29.7201
INDIVIDUALS	1143	1,903,604	25.3302
INVESTMENT COMPANIES	4	107,971	1.4367
INSURANCE COMPANIES	1	187,877	2.5000
JOINT STOCK COMPANIES	8	4,634	0.0617
FINANCIAL INSTITUTIONS	1	10,456	0.1391
OTHERS	7	45,747	0.6087
CHARITABLE TRUSTS	1	23,102	0.3074
COOPERATIVE SOCIETIES	1	4,827	0.0642
Total	1189	7,515,158	100



July 2019-June 2020			
NUMBER OF MEETINGS			
Name of Director	No. of BOD Meetings Attended	No. of Audit Committee Meetings Attended	No. of HR & R Committee Meeting Attended
1. Mr. Muhammad Omar Amin Bawany	4	N/A	1
2. Mr. Ahmed Ali Mohammad Amin Bawany	3	3	1
3. Mr. Hamza Omar Bawany	4	4	N/A
4. Mr. Abdul Ghaffar Umar	4	4	1

KEY OPERATING AND FINANCIAL DATA						Rs. 000's
Year	2020	2019	2018	2017	2016	2015
		(Restated)				
Paid-up Capital	75,151	75,151	75,151	75,151	75,151	75,151
Equity	137,511	134,855	130,939	134,737	123,742	118,778
Operating Revenue	10,867	5,089	12,434	24,223	17,761	15,379
Net Profit / (Loss) After Tax	2,657	(2,929)	3,717	15,880	10,224	9,116
Bonus	-	-	-	-	-	-
Cash Dividend	-	-	-	10%	6.50%	7%
Earning / (Loss) Per Certificate (Rs.)	0.35	(0.39)	0.49	2.11	1.36	1.21



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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations') prepared by the Board of Directors of E.A. Management Company (Private) Limited ('the Management Company') for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2020.

Further, we highlight below an instance of non-compliance with a mandatory requirement and an explanation for non-compliance with a non-mandatory requirement of the code as stated in paragraphs 18 and 19 of the Statement of Compliance respectively:

S.No.	Nature of the requirement	Paragraph No.	Description
1	Mandatory	18	As per regulation # 6 of Listed Companies (Code of Corporate Governance) Regulations, 2019, number of independent directors shall be at least two or one third of the total board members, whichever is higher. However, during the year June 30, 2020, the Modaraba had only one independent director.
2	Non-mandatory	19	As per the proviso to regulation # 24 of Listed Companies (Code of Corporate Governance) Regulations, 2019, the same person shall not simultaneously hold the position of Company Secretary and Chief Financial Officer. However, as noted in clause 19, currently these positions are held by the same person since considering the volume of business, it is not cost effective for the Modaraba to assign these positions to two separate individuals.

Karachi.
Date: September 25, 2020

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants



Statement of Compliance with Listed Companies

(Code of Corporate Governance) Regulations, 2019

Name of modaraba: **B.F.Modaraba**

Year ended: **June 30, 2020**

The Modaraba Management Company (hereinafter referred to as 'the Company') has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations') in the following manner:

1. The total number of directors are 4 as per the following:

- a) Male: - 4
- b) Female: - Nil

2. The composition of Board of Directors ('the Board') is as follows:

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

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
- 4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the 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 Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and the Regulations;
9. The Board has not arranged any Directors' training program during the year ended June 30, 2020. Two directors of the Company have already attended Directors' training program from recognized institutes and remaining two meet the criteria for exemption as stated in proviso to regulation 19(2) of the Regulations;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. The frequency of meetings of the committees were as per following:
 - a) Audit Committee – Quarterly
 - b) HR and Remuneration Committee – Yearly



15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act 2017, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of the regulations 3, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with. Explanation as required under the regulation is mentioned below:

Company currently has one elected independent director out of total four directors who are representing EA Management Company (Pvt.) Limited (Management Company of Modaraba) on the board and it is impracticable to appoint Two directors out of Four member of the board as independent. The elected independent director has requisite competency, skills, knowledge and experience to discharge and execute his duties competently as per laws and regulations under which hereby fulfill the necessary requirements.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27,32, 33 and 36 are as below:
- a) As per the proviso to regulation # 24 of Listed Companies (Code of Corporate Governance) Regulations, 2019, the same person shall not simultaneously hold the position of Company Secretary and Chief Financial Officer. However, currently these positions are held by the same person since considering the volume of business, it is not cost effective for the Modaraba to assign these positions to two separate individuals.

Chairman

E.A Management (Private) Limited

(Management Company)



NOTICE OF ANNUAL REVIEW MEETING

The 21st Annual Review Meeting of the Certificate Holders of B.F. Modaraba will be held on Wednesday October 28, 2020 at 4:00 p.m. at the registered office of Modaraba at Plot No. 43-1-E, (B) P.E.C.H.S, Block-6, Off Razi Road, Shahrah-e-Faisal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2020.

The Certificate Transfer Books of the Modaraba will remain closed from October 22, 2020 to October 28, 2020 (both days inclusive).

Transfers received at the Share Registrar Office, M/s. C & K Management Associated (Pvt.) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530, before the close of business hours on October 21, 2020, will be treated in time.

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

Karachi.
Date: September 25, 2020

Muhammad Ayub
Company Secretary

NOTE:

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



VISION

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

MISSION

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

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

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



www.jamapunji.pk

**Jama
Punji**
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