



# Trust Modaraba

Managed By:

Al-Zāmin Modaraba Management (Private) Limited.

## ANNUAL **REPORT** --- 2022



[www.trustmodaraba.com](http://www.trustmodaraba.com)



## CONTENTS

02	Mission Statement
03	Corporate Information
04	Notice of Annual General Meeting
05	Review Report by the Chairman
06	Director's Report
13	Director's Report Urdu
17	Key Operating and Financial data
18	Statement of Compliance
21	Shari'ah Advisors' Report
22	Review Report to Certificate
23	Auditor's Report
25	Balance Sheet
26	Profit & Loss Account
27	Statement of Comprehensive Income
28	Cash Flow Statement
29	Statement of Changes In Equity
30	Notes to the Financial Statement
83	Pattern Of Certificate-Holding
84	Categories of Certificate holders

## **MISSION STATEMENT**

Trust Modaraba aims to evolve and practice exemplary standards of integrity and proficiency by achieving balanced growth, building quality investment portfolio, maintaining high standards of efficiency and providing good return to its certificate holders. Trust Modaraba shall endeavor to maintain a comprehensive edge in the industry and contribute effectively in promotion of Islamic Financial Regime. It shall adopt a management culture based on participation, motivation and accountability to achieve professional and personal excellence and growth of human resource.

Trust Modaraba shall achieve a balanced texture of being a prudent and progressive organization with a sound image in the market place



## CORPORATE INFORMATION

### MODARABA COMPANY

Al-Zamin Modaraba Management (Private) Limited

### BOARD OF DIRECTORS

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

### MANAGEMENT

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

### AUDIT COMMITTEE

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

### HUMAN RESOURCE COMMITTEE

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

### INTERNAL AUDITORS

UHY Hassan Naeem & Co.  
Chartered Accountants

### AUDITORS OF THE MODARABA

Grant Thornton Anjum Rahman.  
Chartered Accountants

### BANKER

Meezan Bank Limited

### LEGAL ADVISORS

Holscott International  
S&B Durrani Law Associates

### REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

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

### REGIONAL OFFICE

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

### REGISTRARS

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

## NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of Trust Modaraba to review the performance of the Modaraba for the year ended June 30, 2022 will be held on Thursday 27th October, 2022 at 10:15 am at NBFI & Modaraba Association of Pakistan, 602, Progressive Centre, 30-A, Block-6, PECHS, Shahr-e-Faisal, Karachi-75400.

The certificate transfer books of the Modaraba will remain closed from Thursday, October 20, 2022, to Thursday, October 27, 2022 (both days inclusive).

**Hamida Aqeel**

Company Secretary

Karachi

September 28<sup>th</sup>, 2022.

## REVIEW REPORT BY THE CHAIRMAN

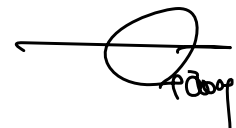
I am pleased to report that the performance of Trust Modaraba during the year 2021-22 remained strong with 98% increase in profit before tax which is a reflection of the effectiveness of oversight role of the Board of Directors and efforts of the management and staff to achieve the targets set for the year.

It is also encouraging to report that the improvements achieved by your Modaraba in all the key performance indicators including credit quality was duly acknowledged by the rating agency and after due analysis enhance the credit rating of the Modaraba by two points to BBB+/A-2 with assignment of “Stable” outlook.

As required under the code of Corporate Governance, an annual evaluation of the Board of Directors of Al-Zamin Modaraba Management (Private) Limited is carried out. The purpose of evaluation is to ensure that the Board’s overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Modaraba.

For the financial year ended June 30, 2022, the Board’s overall performance and effectiveness has been assessed as “Satisfactory”. Improvement is an ongoing process leading to action plans. The overall assessment as “Satisfactory” is based on an evaluation of integral components, including visions, mission and values; engagement in strategic planning, formulation of policies, monitoring the organization’s business activities; financial resource management, effective fiscal oversight, equitable treatment of all employees and efficiency in carrying out the Board’s business.

The Board’s of Directors of the Company received agendas and supporting written material including follow up material in sufficient time prior to the Board and its committee meetings. The Board meets frequently enough to adequate its responsibilities. The non-executive and independent directors are equally involved in important decisions.



**Mian Sheikh Arshad Farooq**

CHAIRMAN

Karachi

September 28<sup>th</sup>, 2022.

## **DIRECTORS' REPORT**

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited, the management company of Trust Modaraba is pleased to present to the certificate holders, the Directors' Report together with the audited financial statements of the Modaraba for the year ended 30<sup>th</sup> June, 2022.

## **ECONOMIC REVIEW**

In the throes of the COVID 19 pandemic entering its third year, the world received yet another major shock as Russia launched a full scale military operation inside Ukraine. Not only has this caused a woeful humanitarian crisis, the economic upheaval this war has triggered is huge as evidenced by increasing prices of goods, supply chain disruptions, accelerating inflation and financial vulnerability. Trading between global economies have now become restricted and the financial pressures have mounted disproportionately on developing countries as they are caught in a vicious circle of inflation, geo-political strife and uncertainty with regards to way forward. The inflation world is experiencing now is higher than it has been in the past decades and with the expected slow growth of supplies inflation will remain high for longer period than previously anticipated. The fallout from the war in Ukraine compounds the challenges for world economy and once the hostilities in Ukrain subside, large scale coordinated support will be necessary to accelerate construction efforts. At the same time global effort is still needed to achieve a durable solution to COVID 19 pandemic.

Despite dual plight the world economic environment is experiencing on account of the Russia Ukraine conflict and raging pandemic, Pakistan's economy fared well on the strength of its external sector. The comfortable external balance position of Pakistan has been supported by surplus current account balance on the back of robust flow of remittances and a substantial recovery in exports. The inflow of workers' remittances has been increasing since 2018 and the trend continued in the financial year 2021-22 providing much needed support to country's foreign exchange reserves. FBR tax collections surpassed Rs.6.0 trillion mark for the first time in the history of Pakistan, and the financial year 2021-22 ended up by posting 29% growth in tax collections. However, on the other side, supply disruptions and rising commodity prices have inflated the import bill creating balance of payments crises for the country. Ongoing political unrest not only creating governance problems but also intensifying the uncertainties depicted interalia by the exchange rate depreciation which for Pakistan being an import dominated country will have far reaching consequences in the shape of rising inflation, financial distress and increased cost of production. Recent floods in Pakistan, inarguably the worst ever have submerged nearly one third of its territory and have transformed once populated areas into islands. The acute loss of farmland and agriculture is likely to be felt in the months and years ahead.

Pakistan's economy has time and again proved its resilience and the economic recovery after Covid 19 is a clear manifestation of the enormous potential the country possesses. For the policy makers, there is urgent need to address the long outstanding structural weaknesses of the economy and ensure political stability for business confidence private sector investment and industrial growth.

## PERFORMANCE REVIEW

It is encouraging to report that the performance of the Modaraba during the year under review, even under the most challenging circumstances remained strong and all the key performance indicators registered healthy increase comparable to the previous year as is evident from the key financial highlights summarized below.

FINANCIAL YEAR	2021-22	2020-21
Total Income (Rs)	75,778,772	44,316,107
Profit before Management Fee (Rs)	14,840,203	9,017,057
Management Fee (Rs)	1,484,020	901,706
Profit before tax (Rs)	13,089,059	7,953,044
Tax	1,723,826	1,346,478
Profit after tax (Rs)	11,365,233	6,606,566
Net Profit margin	15%	14.9%
Return on equity	3.5%	2.1 %
Earning per certificate (Rs)	0.38	0.22

Aggregate income for the year from all the segments of operations stood at Rs.75.78 million as compared to Rs.44.32 million of the previous year registering a notable increase of 71%. The hall mark of the performance during the year has been recovery of Rs.50 million from litigated portfolio which provided much needed support to income and financial resources of the Modaraba. Effective deployment of available liquidity at attractive rates resulted in increase in the operational base of the Modaraba and further expansion of its business activities. Income from core business segment (Ijarah, Diminishing Musharakah, Murabahah) stood at Rs. 32.71 million as compared to Rs.26.34 million of the previous year translating into an increase of 24%. Net financing portfolio witnessed growth of 20% during the year and stood at Rs.305.61 million as at year end (FY:2021 Rs.255.41 million). Operating expenses increased by Rs.7.0 million during the year: major increase of which was noted in staff salaries, annual increments and payment of one-time fee of Rs.2.3 million to SECP for increase in authorized capital of the Modaraba. Unlike previous year, performance of stock exchange remained depressed and the stock market index which once touched highest level of 47,000 points in the previous year sunk to as low as 39,000 points during the year allowing only marginal returns on the equity

portfolio. Due to depreciation in the market price of the shares, unrealized loss of Rs.12.5 million had to be accounted for in compliance of the relevant accounting standards. As a prudent portfolio risk management strategy and in compliance of IFRS 9 the management had to enhance provision coverage by recording an amount of Rs.5.04 million on account of provisions against various classified accounts. After accounting for all the expenses, your Modaraba posted profit after tax to the tune of Rs.11.37 million as compared to Rs.6.60 million of the previous year registering an increase of 72%.

Disbursements during the year amounted to Rs.168 million in the core business activities as compared to Rs.130 million of the previous year. As a result of management's planned strategy, a shift was implemented in the client profile with more weightage to the corporate sector and high net worth individuals. Consequently, 57% of the disbursements during the year were made to the corporate sector followed by 38% to high net worth individuals and 5% to selective SMEs. This shift in portfolio mix towards corporate clients has improved the credit risk profile of your Modaraba. Consequently, the infection ratios have reduced considerably as compared to the previous year. Asset base of the Modaraba has increased to Rs.415 million (FY 21: 378 million) as at 30<sup>th</sup> June, 2022. Total equity base increased to Rs.321 million. Improved performance of your Modaraba enhanced earnings per certificate to Rs.0.38 as compared to Rs.0.22 for the preceding comparable period.

A careful assessment has been made to gauge the impact of recent floods on our portfolio in rural Sindh. Fortunately, the areas catered to by Trust Modaraba are located on the left bank where the damage is minimal. Trust Modaraba, therefore, does not anticipate any major impact on its rural financing portfolio barring some temporary delays in receipt of receivables.

## **CREDIT RATING**

The management is pleased to report that VIS Credit Rating Company has upgraded the long term entity ratings of Trust Modaraba by 2 points that is from BBB-to BBB+ and have also upgraded short term rating from A3 to A2. Outlook on the ratings is also assigned as "Stable".

The upward revision in ratings takes into account growth in financing portfolio, improvement in credit quality resulting in substantial reduction in NPLs and improvement in infection ratios. The rating company has also duly acknowledged internal efficiencies achieved in the operations of the Modaraba. Recovery from the litigated portfolio and its consequent positive impact on the growth and profitability of the Modaraba has also been duly taken into consideration.

The upward revision in the rating has opened avenues for resource mobilization from the Banks which shall be duly capitalized for business growth and profitability.

## **FUTURE OUTLOOK**



The current economic situation is dominated by soaring energy prices, spiraling food costs, rising interest rates and the possibility of higher inflation in the backdrop of IMF conditions of Extended Fund Facility for Pakistan. On the political arena, the situation is no less than a turmoil and the nation is paying heavy price of ongoing confrontation which does not seem to reach a reasonable arbitration any time soon. Recent floods have further added to the miseries causing serious damage to the lives and livelihoods of the already vulnerable segment of our society. The times ahead are turbulent, way forward is hazy and it is uncertain as to how market dynamics will shape up in the forthcoming period. Nevertheless, even under these challenging circumstances, it is your management's resolve to continue its policies with the same prudence and focus for the growth and profitability of the Modaraba. Having achieved improvements in credit ratings, it is also planned to mobilize credit lines from the Banks to supplement existing financial resources of the Modaraba for increased business activities and resultant profitability. Recovery from litigated portfolio has hitherto remained an area of special focus and shall continue to remain so for expeditious settlement of the cases mostly relating to legacy portfolio now at advance stages of finalization.

## **DIVIDEND**

During the year, there have been two major developments which had an impact on the distributable profits of your Modaraba. As you are aware, section 37 of the Modaraba Companies and Modarabas (Floatation & Control) Ordinance 1980 allowed tax exemption to the Modarabas which distributed 90% of the profits to its certificate holders. The said tax exemption has since been revoked and the entire Modaraba sector is now subject to corporate tax at the applicable rate. Secondly, IFRS 9 has also been made a mandatory requirement applicable with effect from 1<sup>st</sup> July, 2021 necessitating higher provisioning requirements. Financial impact of both the aforementioned aspects have reduced the pool of distributable profits which otherwise would have been available had the above factors not been enforced. The Board therefore, after detailed deliberations had to make the hard choice to pass over the dividends this year as any payout below the minimum benchmark of 5% would be uneconomical for the certificate holders as well as Modaraba. Your management is making all out efforts to increase the profitability of the Modaraba by implementing the strategies planned and mentioned above for the ensuing period to ensure better profitability and payout to the certificate holders.

## **GOVERNANCE FRAMEWORK**

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

Trust Modaraba has a formal process of evaluation of the performance of the Board of Directors and its committees. The evaluation is carried out once a year. To undertake the evaluation process, comprehensive proforma are circulated to the members for their

input. The responses are compiled and results shared in the Board meeting for collective feedback of the members on the areas requiring further improvements.

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

### **Composition of the Board and Meetings**

The Board of Directors consists of qualified individuals possessing knowledge, experience, and skill in various professions with the leadership and vision to act in the best interests of the Modaraba and its certificate holders. The Board of Directors has a major role to play in deciding corporate policy and strategic direction.

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

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

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

<b>NAME</b>	<b>MEETINGS ATTENDED</b>
Mr. Mian Sheikh Arshad Farooq	4
Mr. Basheer A. Chowdry	4
Mr. Etrat Hussain Rizvi	4
Mr. S. Shahnawaz Rizvi	3
Mr. Sohail Ansar	3
Mr. Muhammad Yasin	2
Ms. Dr. Namooos Baqar	2

As per the Board's Remuneration Policy, Chairman, non-executive directors and independent directors are entitled only for the fee for attending the meetings which is paid by the Management Company.



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

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

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

<b>NAME</b>	<b>MEETINGS ATTENDED</b>
Mr. Syed Shahnawaz Rizvi (Chairman)	3
Mr. Arshad Farooq (Member)	4
Mr. Etrat Hussain Rizvi (Member)	4
Mr. Sohail Ansar (Member)	3
Mrs. Hamida Aqeel (Secretary)	4

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

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

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

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

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

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

## **WITHDRAWAL OF TAX EXEMPTIONS**

By virtue of section 37 of the Modaraba Companies and Modarabas (Floatation & Control) Ordinance 1980, tax exemption was allowed to the Modarabas which distributed 90% of their net profits to the certificate holders. The said exemption has since been withdrawn. The entire sector is now subject to corporate tax and necessary provision has accordingly been made in the financial statements for the year ended on 30<sup>th</sup> June, 2022.

## **AUDITORS**

On the recommendations of the Audit Committee, the present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants have been re-appointed as external auditors of Trust Modaraba for the year 2022-23 subject to the approval of Registrar Modaraba.

## **PATTERN OF CERTIFICATE HOLDING**

Pattern of certificate holding as at 30<sup>th</sup> June 2022 is attached. No trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary and their spouses.

## **VALUE OF THE FUNDS INVESTMENT**

The Modaraba operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Modaraba and employees to the fund @10% of the basic salary. Based on latest accounts of the fund, the value of its investments works out to be Rs.5,828,699 / as at 30<sup>th</sup> June, 2022.

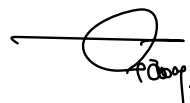
## **EARNINGS PER CERTIFICATE**

The earning per certificate of the Modaraba for the year ended 30<sup>th</sup> June, 2022 stood at Rs.0.38 per certificate as compared to Rs.0.22 per certificate for the previous year.

## **ACKNOWLEDGEMENTS**

The Board wishes to place on record its appreciations for the support and guidance provided by the Registrar Modaraba and Securities and Exchange Commission of Pakistan. The Board also acknowledges the hard work and commitment of the executives and staff members. Finally, the Board extends its gratitude to the certificate-holders who remained committed to the Modaraba and looks forward to their continued support in future too.

**For and on behalf of Trust Modaraba**



**Director**



**Chief Executive**

**28<sup>th</sup> September, 2022.**

## ڈائریکٹر کی رپورٹ

الضامن مضاربہ منجمنٹ (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز (بورڈ کے ناظمین)، جوڑسٹ مضاربہ کی منجمنٹ کمپنی ہے، کی جانب سے 30 جون 2022 اختتام پذیر سال پر مضاربہ کی ڈائریکٹرز کی رپورٹ بمع محتسب شدہ مالیاتی و ستاویرات اپنے سرٹیفیکیٹ کنندگان کو پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

## معاشی جائزہ

کووڈ-19 کی عالمی وبا کی تکالیف تیسرے سال میں داخل ہو رہی ہے اور دنیا نے ایک اور بڑا جھکا دیکھا جس کی وجہ روس کا یوکرین میں بڑے پیمانے پر ملٹری آپریشن کا آغاز تھا۔ اس جنگ نے نہ صرف پریشان کن انسان بحران اور معاشی ہجڑا پیدا کیا، جیسا کہ غذائی اجناس کی بڑھتی ہوئی قیمتیں، سپلائی چین کا قحط، تیزی سے بڑھتی ہوئی مہنگائی اور مالیاتی زود پڑی سے ظاہر ہے۔ عالمی معیشتوں میں تجارت محدود ہو چکی ہے اور ترقی پذیر ممالک پر غیر متناسب مالیاتی دباؤ بڑھ چکا ہے کیونکہ وہ مہنگائی کے شیطانی چکر، جغرافیائی-سیاسی تنازعات اور مستقبل کے بارے میں غیر یقینی کا شکار ہو چکے ہیں۔ دنیا اب جو مہنگائی دیکھ رہی ہے وہ گزشتہ کئی دہائیوں سے زیادہ ہے اور سپلائی کی متوقع سمت نموسے توقع ہے کی زیادہ مہنگائی اندازہ لگائی ہوئی مدت سے زیادہ طویل مدت تک رہے گی۔ یوکرین میں جنگ کے اثرات نے عالمی معیشت کے لیے مسائل پیدا کر دیے ہیں اور جب یوکرین میں جنگی کاروائیاں کم ہوں تو تعمیراتی کوششوں میں بڑے پیمانے کی مربوط مدد کی ضرورت ہوگی۔ اسی دوران کووڈ-19 کی عالمی وبا کے پائیدار حل کے لیے عالمی کوششوں کی ضرورت ہوگی۔ روس-یوکرین جنگ اور تند و تیز عالمی وبا کی وجہ سے جو عالمی معاشی ماحول دہری پریشانی کا شکار ہے، پاکستان کی معیشت بیرونی سیکٹر کی مضبوطی کی وجہ سے اچھی رہی۔ پاکستان کی اطمینان بخش بیرونی بیلنس کی صورت حال کی معاونت فائو (surplus) جاری کھاتے کے بیلنس جس کی وجہ بھرپور اندرونی ترسیل زراور برآمدات میں خاصی بحالی رہی۔ سال 2018 سے اندرونی ترسیل زراور میں اضافہ ہو رہا ہے اور یہ رجحان مالی سال 2022 میں بھی جاری رہا جس نے ملک کے غیر ملکی زرمبادلہ کے ذخائر میں مطوبہ معاونت کی۔ پاکستان کی تاریخ میں FBR نے پہلی مرتبہ 6.0 کھرب روپے سے زیادہ کی ٹیکس کی وصولیائی کیں جس کی وجہ سے مالی سال 2022 کا اختتام ٹیکس کی وصولی میں 29 فیصد کے اضافے کا اندراج کیا۔ تاہم، دوسری جانب، سپلائی میں قحط اور اجناس کی بڑھتی ہوئی قیمتوں نے در آمدات کے بل کو حد سے زیادہ بڑھا دیا جس کی وجہ سے ملک کے لیے ادائیگی کے توازن کا بحران پیدا کر دیا۔ جاری سیاسی بے چینی نہ صرف انتظامی مسائل پیدا کر رہے ہیں بلکہ مبادلہ نرخ کی فرسودگی کی وجہ سے غیر یقینی صورت حال کو بڑھ رہا ہے، پاکستان ایک درآمد پر انحصار کرنے والا ملک ہے، اس پر بڑھتی ہوئی مہنگائی، مالی دباؤ اور بڑھی ہوئی پیداوار کی لاگت پر دیرپا اثرات ہوں گے۔ پاکستان میں حالیہ سیلاب اب تک کا بدترین ہے جس نے ایک تہائی زمین، جس میں لوگ آباد تھے اسے ڈبو کر جزیروں میں تبدیل کر دیا ہے۔

پاکستان کی معیشت نے بار بار یہ ثابت کیا ہے کہ اس میں دوبارہ ابھرنے کے صلاحیت ہے، اور کووڈ-19 کے بعد معاشی بحالی واضح مظاہر ہے جس سے ظاہر ہوتا ہے کہ ملک کے پاس غیر معمولی صلاحیت ہے۔ پالیسی ساز اداروں کے لیے ضروری ہے کہ وہ فوری طور پر معیشت کی دیرینہ باقی ڈھانچائی کمزوریوں دور کریں اور سیاسی استحکام کو یقینی بنائیں تاکہ سرمایہ کاری میں نجی شعبے کا کاروبار میں اعتماد اور صنعتی نمو کو بحال کیا جائے۔

## کارکردگی کا جائزہ

زیر جائزہ سال میں انتہائی مشکل حالات کے باوجود یہ بات حوصلہ افزا ہے کہ آپ کے مضاربہ کی کارکردگی مستحکم رہی اور گزشتہ سال کے مقابلے میں کارکردگی کے تمام اہم اشارے میں صحت مند اضافے کا اندراج ہوا جو اہم مالیاتی جھلکیوں کے درج ذیل خلاصے سے ظاہر ہے۔

مالیاتی سال	2021-22	2020-21
کل آمدنی (روپے)	75,778,772	44,316,107
منافع قبل از منجمنٹ فیس (روپے)	14,840,203	9,017,057
منجمنٹ فیس (روپے)	1,484,020	901,706
منافع قبل از ٹیکس (روپے)	13,089,059	7,953,044
ٹیکس	1,723,826	1,346,478
منافع بعد از ٹیکس (روپے)	11,365,233	6,606,566
خالص منافع کا مارجن	15%	14.9%
ملکیتی سرمایہ پر آمدنی	3.5%	2.1 %
آمدنی فی سرٹیفیکیٹ (روپے)	0.38	0.22

زیر جائزہ سال میں، مضاربہ کے آپریشن کے تمام شعبہ جات گزشتہ سال کی مجموعی آمدنی 44.32 ملین روپے میں 71 فیصد کے نمایاں اضافے 25.961 سے بڑھ کر 75.78 ملین روپے رہی۔ سال کے دوران کارکردگی کی نمایاں خصوصیت میں مقدمہ بازی کے شکار پورٹ فولیو سے 50 ملین روپے کی وصولی شامل ہے جس نے مضاربہ آمدن اور مالیاتی ذرائع میں مطوبہ مدد فراہم کی۔ دستیاب سیالیت (liquidity) کے پرکشش نرخوں پر مؤثر استعمال کا نتیجہ مضاربہ کی آپریشن کی بنیاد میں اور مزید کاروباری سرگرمیوں میں اضافہ کی صورت میں نکلا۔ بنیادی کاروبار کے شعبہ جات (اجارہ، گھسٹا ہوا مشارکہ، مراحبہ) سے آمدنی 32.71 ملین روپے رہی جبکہ گزشتہ سال اس کی مالیت 26.34 ملین روپے تھی جو 24 فیصد اضافہ دکھا رہا ہے۔ سال کے اختتام پر مجموعی فنانسنگ پورٹ فولیو نے 20 فیصد اضافے سے 305.61 ملین روپے رہا (سال 2021 میں 255.41 ملین روپے)۔ سال کے دوران آپریٹنگ اخراجات میں 7.0 ملین روپے جو عملے کی تنخواہیں، سالانہ تنخواہوں میں اضافہ اور ایک مرتبہ کی 2.3 ملین روپے کی فیس جو مضاربہ کے ادا شدہ سرمایہ میں اضافے کے لئے SECP کو ادا کی گئی تھی۔ گزشتہ

سال کے برعکس اسٹاک ایکسیج کی کارکردگی دباؤ میں رہی اور اسٹاک مارکیٹ انڈیکس نے گزشتہ سال ایک مرتبہ 47,000 پوائنٹس کی بلند ترین سطح کو چھوا تھا وہ سال کے دوران گر کر 39,000 پوائنٹس پر آگیا تھا جس کی وجہ سے ملکیتی سرمایہ پورٹ فولیو سے معمولی آمدنی ہوئی۔ حصص کی منڈی کی قیمت میں فرسودگی (depreciation) کی وجہ سے متعلقہ اکاؤنٹنگ اسٹینڈرڈ کی تعمیل میں ممکنہ 12.5 ملین روپے ہونے والے نقصان کا حساب کتاب کرنا ہوگا۔ بطور محتاط پورٹ فولیو رسک مینجمنٹ حکمت عملی اور IFRS 9 کی تعمیل کرتے ہوئے انتظامیہ کو مختلف درجہ بند اکاؤنٹس کی مد میں خفص کرنے کے کا دائرہ کار بڑھا کر 5.04 ملین روپے کرنا ہوگا۔ آپ کے مضاربہ نے تمام اخراجات کا حساب کتاب کرنے کے بعد گزشتہ سال کے 6.60 ملین روپے کے منافع بعد از ٹیکس میں 72 فیصد اضافے سے بڑھ کر 11.37 ملین رہا۔

سال کے دوران، بنیادی کاروباری سرگرمیوں میں قرضہ جات کی فراہمی 168 ملین روپے رہی جبکہ گزشتہ سال اس کی مالیت 130 ملین تھی۔ انتظامیہ کی منصوبہ بندی کے ساتھ حکمت عملی کلائنٹ پروفائل میں تبدیلی نافذ کی گئی ہے جس میں زیادہ اہمیت اداراتی شعبے اور بلند خالص مالی قدر رکھنے والے افراد کو دی گئی ہے۔ اس کے نتیجے میں، سال کے دوران، 57 فیصد اداراتی سیکٹر اور اس کے بعد 38 فیصد بلند خالص قدر رکھنے والے افراد کو اور 5 فیصد منتخب SMEs کو قرضہ جات کی فراہمی کی گئی۔ اداراتی کلائنٹس کی جانب پورٹ فولیو کس کی تبدیلی نے آپ کے مضاربہ کے کریڈٹ رسک پروفائل کو بہتر کیا ہے۔ اس کے نتیجے میں گزشتہ سال کے مقابلے میں انفیکشن ریشوز (infection ratios) میں اس سال نمایاں کمی آئی ہے۔ 30 جون 2022 پر ہائش جات کی بنیاد بڑھ کر 415 ملین روپے ہو گئی ہے (مالی سال 2021: 378 ملین روپے)۔ کل ملکیتی سرمایہ کی بنیاد بڑھ کر 321 ملین روپے ہو گئی ہے۔ آپ کے مضاربہ کی بہتر کارکردگی نے آمدنی فی سرٹیفیکیٹ کو بڑھا کر 0.38 روپے کر دیا ہے جبکہ اس کے مقابلے گزشتہ سال اسی مدت کے دوران یہ 0.22 روپے تھی۔

حالیہ سیلاب کے دہائی سندھ میں ہمارے پورٹ فولیو پر اثرات کی پیمائش کے لیے ایک محتاط تخمینہ لگایا جا چکا ہے۔ خوش قسمتی سے، ٹرسٹ مضاربہ جن علاقوں میں کام کرتا ہے وہ لیفٹ بینک پر واقع ہیں جہاں نقصان کم ہے۔ اس لیے ٹرسٹ مضاربہ، اپنے دیہی فنانسنگ پورٹ فولیو پر کسی بڑے اثرات کی توقع نہیں کر رہا، ماسوائے وصولیوں میں عارضی تاخیر کے۔

### کریڈٹ درجہ بندی

انتظامیہ اس بات کی اطلاع دیتے ہوئے خوشی محسوس کرتی ہے کہ وی آئی ایس۔ کریڈٹ ریٹنگ کمپنی لمیٹڈ نے ٹرسٹ مضاربہ کی دو پوائنٹس کے اضافے سے طویل المدت۔ اینٹیٹی (entity) ریٹنگس BBB-/BBB+ (تین B نئی سے تین B مثبت) اور قلیل المدت ریٹنگ میں بھی اضافہ کر کے A3 سے بڑھ کر A2 کر دیا ہے۔ ان ریٹنگس کا پس منظر مستحکم تفویض کیا ہے۔ ان نظر ثانی شدہ ریٹنگس میں اضافے کی بنیاد فنانسنگ پورٹ فولیو کی نمو، کریڈٹ معیار میں بہتری کا نتیجہ غیر فعال قرضہ جات (NPLs) میں خاصہ کمی اور انفیکشن ریشوز میں بہتری کی صورت میں نکلا۔ ریٹنگ کمپنی نے مضاربہ کے آپریشن میں اندرونی صلاحیت کا باقاعدہ اعتراف کیا ہے۔ مقدمے کا شکار پورٹ فولیو کی بحالی اور اس کے نتیجے میں مضاربہ کی نمو اور منافع بخشی پر مثبت اثر کو بھی باقاعدہ مد نظر رکھا گیا تھا۔ ریٹنگ میں اضافے پر نظر ثانی نے بینکوں سے مالی ذریعہ متحرک کرنے کے نئے مواقع کھول دیے ہیں جس کو کاروباری نمو اور منافع بخشی میں اضافے کے کام میں لایا جائے گا۔

### امید مستقبل

پاکستان کے لیے IMF کے توسیع شدہ فنڈ کی سہولت کی شرائط کے پس منظر میں موجودہ معاشی صورتحال میں بڑھتی ہوئی توانائی کی قیمتیں، بڑھتی ہوئی غذا کی لاگتیں، بڑھتا ہوا سودی نرخ اور امکانی طور پر بلند تر افراط زر نمایاں ہیں۔ سیاسی اکھاڑے میں صورتحال افراد تفری سے کم نہیں ہے اور قوم اس جاری محاذ آرائی کی بھاری قیمت ادا کر رہی ہے اس کے جلد تصفیہ پر پہنچنے کو کوئی امکان نہیں ہے۔ حالیہ سیلاب نے پریشانیوں میں مزید اضافہ کیا ہے اور پہلے سے ہی زود پذیر لوگوں کی زندگیوں اور ذرائع معاش کو بہت نقصان پہنچا ہے۔ آنے والا وقت انتشار انگیز ہے، آگے کا راستہ دھندلا ہے اور یہ بات غیر یقینی ہے کہ آنے والے وقت میں مارکیٹ کی حرکیات (dynamics) کیا شکل اختیار کرتی ہے۔ اس مسائل والے حالات کے باوجود آپ کے مضاربہ کا تہیہ ہے کہ اپنی پالیسیوں کو اسی دانائی سے جاری رکھے گا اور مضاربہ کی نمو اور منافع بخشی پر توجہ رکھے گا۔ کریڈٹ درجہ بندی میں بہتری حاصل کرنے کے بعد، یہ منصوبہ بنایا گیا ہے کہ بینکوں سے کریڈٹ لائن حاصل کی جائیں تاکہ مضاربہ کے موجودہ مالی وسائل کی معاونت ہو تاکہ کاروباری سرگرمیوں اور اس کے نتیجے میں منافع بخشی میں اضافہ ہو۔ مقدمے بازی کے شکار پورٹ فولیو اب تک خصوصی توجہ کا مرکز رہے ہیں اور یہ توجہ تیزی سے کیسز کے تصفیہ تک جاری رہے گی جو میراث کے پورٹ فولیو سے متعلق ہیں اور اب وہ تمام تصفیہ کے حتمی مراحل میں ہیں۔

### مستقیم منافع

سال کے دوران دو بڑی پیش رفتیں ہوئی ہیں جن کا آپ کے مضاربہ کے قابل تقسیم منافع پر اثر ہوا۔ جیسا کہ آپ آگاہ ہیں کہ مضاربہ پکینیز اور مضاربہ (فلوئیشن اور کنٹرول) آرڈیننس 1980 کی شق نمبر 37 مضاربہ کو جو اپنے منافع 90 فیصد اپنے سرٹیفیکیٹس کنندگان میں تقسیم کرتا ہے اس ٹیکس سے استثنیٰ حاصل ہے۔ مذکورہ ٹیکس کا استثنیٰ ختم کیا جا چکا ہے اور اب تمام مضاربہ سیکٹر پر لاگو نرخ سے کارپوریٹ ٹیکس لاگو ہوگا۔ دوئم یہ کہ پہلی جولائی 2021 سے IFRS 9 کو لازمی ضرورت کے طور پر لاگو کر دیا گیا ہے جس کے تحت بلند تر منافع خفص کرنا ہوگا۔ دونوں مذکورہ بالا پہلوؤں کے مالی اثر کی وجہ سے جمع شدہ قابل تقسیم منافع کم ہو گیا ہے بصورت دیگر وہ دستیاب ہوتا اگر ان عناصر کا نفاذ نہ ہوتا۔ اس لیے بورڈ نے کافی سوچ بچار کے بعد یہ سخت چوائس کی ہے کہ اس سال منقسم منافع نہ دیا جائے کیونکہ کوئی بھی ادائیگی کم سے کم 5 فیصد کے بینج پارک سے کم ہونا سرٹیفیکیٹس کنندگان اور مضاربہ کے معاشی طور پر غیر دانشمندانہ قدم ہوگا۔ آپ کی انتظامیہ بھرپور کوششیں کر رہی ہے کہ اوپر بیان کردہ حکمت عملی کے نفاذ سے آنے والی مدت میں بہتر منافع بخشی اور سرٹیفیکیٹس کنندگان کو ادائیگی کو یقینی بنایا جا سکے۔

### نظم و ضبط کا ڈھانچہ

ٹرسٹ، مضاربہ، نظم و ضبط کا مستحکم ڈھانچہ قائم کر چکا ہے جو اداراتی تنوع، تزویراتی سمت کا تعین، واضح مقاصد، وضاحتی پالیسیاں اور نگرانی کے موثر نظام کو یقینی بنائے گا۔ یہ، بورڈ کو ادارے، اس کی کمیٹیوں کی کارکردگی کی واضح نگرانی کا موقع اور مجموعی نگرانی کا موثر نظام فراہم کرتا ہے۔ ٹرسٹ مضاربہ کے پاس بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی جانچنے کا باضابطہ طریقہ کار ہے۔ کارکردگی کی جانچ پڑتال سال میں ایک مرتبہ کی جاتی ہے۔ کارکردگی کا جائزہ لینے کے طریقہ کار میں، ارکان کو ان کی رائے حاصل کرنے کے لیے ایک جامع پروفارما (proforma) بھیجا جاتا ہے۔ پھر ان آراء کو مرتب کیا جاتا ہے اور نتائج بورڈ میننگ میں پیش کئے جاتے ہیں تاکہ جن ایاز میں مزید بہتری کی ضرورت ہو اس پر ارکان کیا اجتماعی رائے حاصل کی جاسکے۔

بورڈ کے ناظمین، مضاربہ کی مالیاتی کارکردگی، کاروبار کے منصوبے، حکمت عملیاں، متعلقہ فریق کے سودوں، انضباطی ضروریات کی تعمیل اور سیکٹر میں دیگر اہم تبدیلیاں جو مضاربہ کی کارکردگی پر اندازہ ہو سکتی ہیں کا جائزہ لیے کے لیے ہر سہ ماہی میں کم از کم ایک مرتبہ ملاقات کرتے ہیں۔

#### بورڈ کی ساخت اور اجلاس

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

#### کیٹگری

#### نام

جناب میاں شیخ ارشد فاروقی (چئیرمین)	نان ایگزیکٹو ڈائریکٹر
جناب بشیر اے۔ چودھری (CEO)	ایگزیکٹو ڈائریکٹر
جناب عزت حسین رضوی	آزاد
جناب ایس۔ شاہنواز رضوی	آزاد
جناب سہیل انصار	نان ایگزیکٹو ڈائریکٹر
جناب محمد یاسین	آزاد
جناب ڈاکٹر ناموس باقر	نان ایگزیکٹو ڈائریکٹر

مذکورہ بالا تمام ناظمین ڈائریکٹر کی ٹریگ سرٹیفیکیٹیشن کے حوالے سے اداراتی نظم و ضبط کے ضابطہ کی ضروریات کی ضابطہ طور پر تعمیل کرتے ہیں۔

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

#### اجلاس میں شرکت کی تعداد

#### نام

جناب میاں شیخ ارشد فاروقی	4
جناب بشیر اے۔ چودھری	4
جناب عزت حسین رضوی	4
جناب ایس۔ شاہنواز رضوی	3
جناب سہیل انصار	3
جناب محمد یاسین	2
جناب ڈاکٹر ناموس باقر	2

بورڈ کی مشارکہرہ پالیسی کے مطابق چئیرمین، نان ایگزیکٹو ڈائریکٹر ز اور آزاد ڈائریکٹر ز صرف اجلاس میں شرکت کی فیس کے حقدار ہیں جس کی ادائیگی منجمنٹ کمپنی کرتی ہے۔

#### آڈٹ کمیٹی اور اندرونی نگرانی کا نظام

آپ کے مضاربہ کی انتظامیہ نے اداراتی نظم و ضبط کے ضوابط پر یقین رکھتی ہے جو ایک معیاری نگرانی کے نظام کے ذریعے نافذ کیا گیا ہے۔ بورڈ آف ڈائریکٹر ز ایک مضبوط اندرونی نگرانی کا نظام تشکیل دے دیا ہے اور اس کو مضاربہ کی ہر سطح پر نافذ کیا جا چکا ہے۔ بورڈ اداراتی نظم و ضبط کے ضوابط تعمیل کرتے ہوئے آڈٹ کمیٹی تشکیل کر چکا ہے جو چار (4) افراد پر مشتمل ہے اور وہ تمام بشمول چیرمین کمیٹی جو آزاد ڈائریکٹر ہیں۔ سال کے دوران بورڈ آف ڈائریکٹر ز کے چار اجلاس ہوئے اور ہر ڈائریکٹر کے اجلاس میں حاضری کی تفصیلات درج ذیل ہے:

#### اجلاس میں شرکت کی تعداد

#### نام

جناب سید شاہنواز رضوی (چئیرمین)	3
جناب ارشد فاروقی (رکن)	4
جناب عزت حسین رضوی (رکن)	4
جناب سہیل انصار (رکن)	3
بیگم حمیدہ عقیل (معتد)	4

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

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

## انسانی وسائل اور مشاہرہ کمیٹی

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

جناب عزت حسین رضوی	چئیرمین
جناب شہناز رضوی	رکن
جناب بشر اے۔ چوہری	رکن
جناب محمد یاسین	رکن
جناب حمیدہ عقیل	معمد

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

## ٹیکس اسٹینڈی سے دستبرداری

مضاربہ کمپنیز اور مضاربہ (اجراء اور کنٹرول) آرڈیننس 1980 کی شق نمبر 37 کے مطابق مضاربہ کو اسٹینڈی حاصل تھا کہ اگر وہ اپنے خالص منافع کا 90 فیصد اپنے سرٹیفیکیٹ کنندگان میں تقسیم کر دے۔ مذکورہ بالا اسٹینڈی واپس لے لیا جا چکا ہے۔ تمام سیکٹر پر ادارتی ٹیکس لاگو ہو گا اور 30 جون کو اختتام پذیر سال کی مالی دستاویزات میں اس سے متعلق ضروری اقدامات کئے جا چکے ہیں۔

## مختب (Auditors)

آڈٹ کمیٹی کے مشورے کے تحت، میسرز۔ گرانٹ تھورٹن انٹرنیشنل، چارٹرڈ اکاؤنٹنٹس موجودہ بیرونی مختب کے 2022-23 کے لیے بطور بیرونی مختب کی دوبارہ منظوری دی ہے جو رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔

## سرٹیفیکیٹ رکھنے کا رجحان

30 جون 2022 پر سرٹیفیکیٹ رکھنے کا رجحان منسلک ہے۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور ان کے شرکاء حیات اور ان کے نابالغ بچوں نے سرٹیفیکیٹس کا کوئی خرید و فروخت نہیں کی ہے۔

## فٹڈ کی سرمایہ کاری کی مالیت

مضاربہ اپنے مستقل ملازمین کے لیے شرکائی پراویڈنٹ فنڈ چلاتا ہے۔ مضاربہ اور ملازمین دونوں اس فنڈ میں ماہانہ مساوی حصہ، جو بنیادی تنخواہ کا 10 فیصد کی شرح ہوتا ہے اس فنڈ میں جمع کرتے ہیں۔ تازہ ترین فنڈ کے کھاتے کی بنیاد پر، 30 جون 2022 پر اس فنڈ کے سرمایہ کاری کی حساب کردہ مالیت / 5,828,699 روپے ہے۔

## آمدنی فی سرٹیفیکیٹ

30 جون 2022 کو ختم ہونے والے سال پر آمدنی فی سرٹیفیکیٹ 0.38 روپے فی سرٹیفیکیٹ رہی جبکہ گذشتہ سال یہ آمدنی 0.22 روپے فی سرٹیفیکیٹ تھی۔

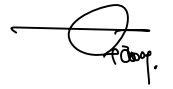
## سٹاف

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

بورڈ آف ڈائریکٹرز کی جانب سے



چیف ایگزیکٹو



ڈائریکٹر

28 ستمبر 2022

## KEY OPERATING & FINANCIAL DATA FOR THE LAST SIX YEARS

	(Rupees in Thousands)					
	2022	2021	2020	2019	2018	2017
<b>Balance Sheet</b>						
Total assets	415,588	378,810	357,503	371,269	377,335	389,933
Ijara Financing	190,179	184,059	196,778	211,387	196,191	244,702
Morabaha financing	130,179	132,768	118,167	140,145	141,296	132,409
Musharaka financing	28,168	27,685	32,562	31,698	26,119	23,736
Assets own use	15,794	13,126	11,971	12,263	22,913	23,434
Current Assets	222,175	223,814	220,395	213,457	237,430	220,782
Current Liabilities	44,745	33,092	26,024	40,102	49,822	45,800
Total Liabilities	94,538	63,199	50,638	67,398	71,332	74,765
Paid-up Capital	298,000	298,000	298,000	298,000	298,000	298,000
Reserves	28,580	17,614	8,865	5,870	8,002	17,168
Net Equity	321,051	315,612	306,865	303,870	306,002	315,168
<b>Income Statement</b>						
Income	58,316	45,463	33,713	31,030	29,844	84,158
Operating expenses	43,476	36,446	30,504	29,699	27,584	68,431
Profit/(Loss) before management fee	14,840	9,017	3,209	1,331	2,260	15,727
Profit/(Loss) after taxation	11,365	6,606	1,732	1,037	1,922	14,154
Earning/(Loss) per certificate	0.38	0.22	0.06	0.03	0.06	0.47



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

### Trust Modaraba Managed by Al-Zamin Modaraba Management (Pvt.) Limited Year ending June 30, 2022

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

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

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

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



requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Five Directors of the Modaraba Company have already obtained director's training certification from Pakistan Institute of Corporate Governance and two directors are exempted from the requirement by virtue of their experience as prescribed by the listing regulations of the Pakistan Stock Exchange.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

**a) Audit Committee**

Mr. Syed Shahnawaz A. Rizvi	- Chairman
Mr. Sheikh Arshad Farooq	- Member
Mr. Syed Etrat Hussain Rizvi	- Member
Mr. Sohail Ansar	- Member

**b) HR and Remuneration Committee**

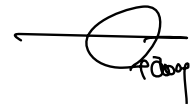
Mr. Syed Etrat Husain Rizvi	- Chairman
Mr. Syed Shahnawaz A. Rizvi	- Member
Mr. Basheer Ahmed Chowdry	- Member
Mr. Muhammad Yasin	- Member

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

a) Audit Committee	- Quarterly
b) HR and Remuneration Committee	- Annually
15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in

the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

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



**MIAN SHEIKH ARSHAD  
FAROOQ  
CHAIRMAN**

Karachi.

September 28, 2022.

## REPORT OF SHARIAH ADVISOR

I have conducted a Shariah Review of Trust Modaraba managed by Al-Zamin Modaraba Management (Private) Limited for the financial year ended 30th June 2022 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah Principles;
- ii. The agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
- iii. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
- iv. No earnings have been realized by any means prohibited by Shariah.

In my opinion, the operations of Trust Modaraba are in conformity with the Shariah Compliance and Audit Mechanism for Modarabas.

Karachi

September 28<sup>th</sup>, 2022.



Signature

Stamp of Shariah Advisor

**Muhammad Zubair Usmani**

Jamia Darul Uloom Karachi

**MUHAMMAD ZUBAIR USMANI**

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

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


We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Trust Modaraba for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2022.



**Grant Thornton Anjum Rahman**

Chartered Accountants

Karachi.

Date: September 28<sup>th</sup>, 2022.

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Trust Modaraba (the Modaraba) as at June 30, 2022 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Trust Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion;
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made, and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and the Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2022 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) No zakat was deducted at source under the Zakat and Ushr Ordinance, 1980.

### **Emphasis of Matter**

We draw attention to note 20.3.1 to the financial statements for the year ended June 30, 2022, which inter alia states the details of land which is in the ownership but not in the possession of the Modaraba. Our opinion is not modified in respect of this matter.

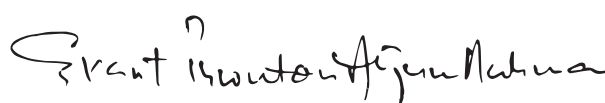
### **Other Matter**

The financial statements of Trust Modaraba for the year ended June 30, 2021 were audited by other auditor who issued an unmodified opinion on those financial statements on September 16, 2021.

**Date:** September 28, 2022

**Karachi**

**UDIN:** AR202210126Ffze3IZBt



**Grant Thornton Anjum Rahman**

Chartered Accountants

**Engagement Partner:**

**Muhammad Shaukat Naseeb**

## BALANCE SHEET AS AT JUNE 30, 2022

		2022	2021
	Note	-----Rupees-----	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	7,690,515	5,394,699
Short term investments	6	32,908,149	26,057,529
Advances, deposits, prepayments and other receivables	7	28,291,113	23,568,097
Short term murabaha finances - secured	8	30,990,535	41,750,837
Ijarah rental receivables - secured	9	4,048,929	16,549,899
Stock in trade	10	-	429,561
Current portion of long term murabaha finances	11	79,992,821	77,841,930
Short term musharakah finances (secured - considered good)	12	23,689,845	26,792,292
Current portion of diminishing musharakah finances	13	1,704,637	651,731
Deferred taxation	14	1,160,917	-
Income tax refundable	15	3,072,891	4,777,383
		213,550,352	223,813,958
Assets classified as held for sale	16	8,625,000	13,805,000
<b>Total current assets</b>		<b>222,175,352</b>	<b>237,618,958</b>
<b>Non-current assets</b>			
Murabaha finances	11	19,195,330	13,175,768
Diminishing musharakah financing	13	2,773,749	241,302
Deposits	17	1,106,562	707,962
Investments	18	7,281,478	10,515,018
Investment property	19	-	8,469,000
Fixed assets	20	163,055,963	108,082,311
		193,413,082	141,191,361
<b>Total non-current assets</b>		<b>193,413,082</b>	<b>141,191,361</b>
<b>Total assets</b>		<b>415,588,434</b>	<b>378,810,319</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Unclaimed profit distributions	21	12,834,792	12,889,720
Creditors, accrued and other liabilities	22	11,361,125	3,742,653
Current portion of deferred income on murabaha	23	6,698,560	5,143,468
Current portion of customers' security deposits	24	8,810,600	8,330,765
Current portion of lease liabilities against right of use assets	25	430,555	-
Due to director	26	5,000,000	-
<b>Total current liabilities</b>		<b>45,135,632</b>	<b>30,106,606</b>
<b>Non-current liabilities</b>			
Deferred income on murabaha	23	2,366,206	1,746,246
Customers' security deposits	24	45,071,713	31,345,731
Lease liabilities against right of use assets	25	1,964,011	-
<b>Total non-current liabilities</b>		<b>49,401,930</b>	<b>33,091,977</b>
<b>Total liabilities</b>		<b>94,537,562</b>	<b>63,198,583</b>
<b>NET ASSETS</b>		<b>321,050,872</b>	<b>315,611,736</b>
<b>REPRESENTED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Certificate capital	27	298,000,000	298,000,000
Reserves	28	28,579,554	17,882,962
<b>Total equity</b>		<b>326,579,554</b>	<b>315,882,962</b>
Unrealized loss on revaluation of investments	29	(5,528,682)	(2,728,426)
Surplus on revaluation of fixed assets	30	-	2,457,200
		321,050,872	315,611,736
Contingencies and commitments	31		

The annexed notes from 1 to 52 form an integral part of these financial statements.

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2022

		2022	2021
	Note	-----Rupees-----	
Income from ijarah - net	32	<b>15,656,639</b>	9,748,839
Profit on murabaha finances	33	<b>10,764,230</b>	10,831,033
Profit on musharakah finances	34	<b>6,293,903</b>	5,764,166
Income from investments - net	35	<b>431,113</b>	8,414,326
Other income	36	<b>42,632,887</b>	9,557,743
		<b>75,778,772</b>	44,316,107
Provision for doubtful receivables	37	<b>(5,041,533)</b>	-
Unrealized (loss) / gain on revaluation of financial assets at fair value through profit or loss	6.3	<b>(12,474,396)</b>	1,146,910
Fair value gain on asset held for sale	16	<b>53,550</b>	-
		<b>58,316,393</b>	45,463,017
Operating expenses	38	<b>(43,476,190)</b>	(36,445,960)
		<b>14,840,203</b>	9,017,057
Modaraba Management Company's fee	39	<b>(1,484,020)</b>	(901,706)
Workers' Welfare Fund		<b>(267,124)</b>	(162,307)
<b>Profit before taxation</b>		<b>13,089,059</b>	7,953,044
Taxation	40	<b>(1,723,826)</b>	(1,346,478)
<b>Profit for the year</b>		<b>11,365,233</b>	6,606,566
<b>Earnings per certificate - basic and diluted</b>	41	<b>0.38</b>	0.22

The annexed notes from 1 to 52 form an integral part of these financial statements.

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	Note -----Rupees-----	
<b>Profit for the year</b>	<b>11,365,233</b>	6,606,566
<b>Other comprehensive (loss) / income:</b>		
<b>Items that will not be reclassified to profit and loss account</b>		
- Net change in fair value of investments classified as fair value through other comprehensive income - net of tax	29 <b>(2,800,256)</b>	2,139,452
"Items that may be reclassified subsequently to profit and loss account"	-	-
Other comprehensive (loss) / income for the year	<b>(2,800,256)</b>	2,139,452
<b>Total comprehensive income for the year</b>	<b>8,564,977</b>	8,746,018

The annexed notes from 1 to 52 form an integral part of these financial statements.

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2022

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES	Note -----Rupees-----		
Cash generated from operations			
Cash generated from operations	42	90,337,868	26,541,494
<i>Decrease / (Increase) in non-current assets:</i>			
- Long term murabaha finances		(14,827,750)	(14,336,281)
- Long term musharakah finances		(3,685,469)	598,411
<i>(Decrease) / Increase in non-current liabilities:</i>			
- Deferred income on murabaha		2,175,052	2,364,658
- Customers security deposits		26,416,532	16,778,681
Purchase of ijarah assets	20.2	(106,776,227)	(48,755,681)
Long term deposits		(171,200)	851,200
Proceeds from disposal of ijarah assets		16,046,219	11,780,546
Income tax paid / deducted		(1,590,417)	(615,823)
<b>Net cash generated from / (used in) operating activities</b>		<b>7,924,608</b>	<b>(4,792,795)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of owned assets	20.3	(1,103,050)	(3,605,708)
Proceeds from disposal of owned assets		313,313	3,199,738
Proceeds from disposal of assets classified as held for sale	16.1	9,810,000	-
(Purchase) / disposal of investments - net		(20,599,653)	1,446,528
Dividends received		1,705,750	1,210,874
<b>Net cash (used in)/ generated from investing activities</b>		<b>(9,873,640)</b>	<b>2,251,432</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment made against lease liability	25	(700,224)	(155,743)
Loan obtained from a director	26	10,000,000	-
Loan repaid to director	26	(5,000,000)	-
Profit distributed to certificate holders	21	(54,928)	(1,581)
<b>Net cash generated from / (used in) financing activities</b>		<b>4,244,848</b>	<b>(157,324)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,295,816</b>	<b>(2,698,687)</b>
Cash and cash equivalents at the beginning of the year		5,394,699	8,093,386
<b>Cash and cash equivalents at the end of the year</b>	5	<b>7,690,515</b>	<b>5,394,699</b>

The annexed notes from 1 to 52 form an integral part of these financial statements.

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR AND JUNE 30, 2022

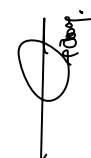
Particulars	Certificate capital	Capital reserves	Revenue reserves		Total reserves	Total equity
		Statutory reserve (Note 28.1)	Accumulated loss			
(Rupees)						
Balance as at June 30, 2020	298,000,000	80,191,484	(68,915,088)		11,276,396	309,276,396
Profit for the year	-	-	6,606,566		6,606,566	6,606,566
Other comprehensive income for the year	-	-	-		-	-
Total comprehensive income for the year	-	-	6,606,566		6,606,566	6,606,566
Transfer to statutory reserve at 20%	-	1,321,313	(1,321,313)		-	-
Balance as at June 30, 2021	298,000,000	81,512,797	(63,629,835)		17,882,962	315,882,962
Effect of change in accounting policy						
Impact of IFRS 9 (note 4.1)	-	-	(3,125,841)		(3,125,841)	(3,125,841)
Profit for the year						
Other comprehensive loss for the year	-	-	11,365,233		11,365,233	11,365,233
Total comprehensive income for the year	-	-	11,365,233		11,365,233	11,365,233
Revaluation surplus transferred to equity	-	-	2,457,200		2,457,200	2,457,200
Transfer to statutory reserve at 20%	-	2,273,047	(2,273,047)		-	-
Balance as at June 30, 2022	298,000,000	83,785,844	(55,206,290)		28,579,554	326,579,554

The annexed notes from 1 to 52 form an integral part of these financial statements.

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



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

## 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

The principal place of business and registered office is located at 104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi - 75600 while regional office is located at 301 & 320, 3rd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Islamic Financial Accounting Standards (IFASs), as are notified under the provisions of the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 and requirement of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021 for Modaraba (hereinafter referred to as the relevant laws). Until previous years, Modaraba was also following the requirement of Prudential Regulations for Modaraba, which are now replaced by Modaraba Regulations, 2021. There are no material adjustments requiring upon adoption of Modaraba Regulation, 2021 in place of Prudential Regulations for modarabas.

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

### 2.2 Functional and presentation currency

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

### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except investments, investment property, assets held for sale, lease liabilities and right-of-use assets. Investments and investment property are measured at fair value. Assets held for sale are measured at lower of fair value less cost to sell or carrying value. Lease liabilities and right-of-use assets are initially measured at the present value of the lease payments that are not paid at the commencement date. Basis of measurement has been discussed in related notes 4.4, 4.20, 4.19 and 4.11.1 respectively. These financial statements have been prepared following accrual basis accounting except for cash flow information.

## 2.4 Changes in accounting standards, interpretations and pronouncements

### 2.4.1 Standards, amendments and interpretations to the published standards that may be relevant to the Modaraba and adopted in the current year

The Modaraba has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

New or Revised Standard or Interpretation	Effective Date (Annual periods beginning on or after)
Annual improvements to IFRS standards 2018-2020	January 1, 2022
IFRS 3 - References to Conceptual Framework	January 1, 2022
IAS 16 - Proceeds before intended use	January 1, 2020
IAS 37 - Onerous Contracts - Cost of fulfilling a contract	January 1, 2020
IFRS 16 - Covid-19-Related Rent Concessions beyond	April 1, 2021
IFRS-9 Financial instruments	January 1, 2021

### 2.4.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Modaraba.

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Annual periods beginning on or after	Effective Date (Annual periods beginning on or after)
IAS 1 - Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
IAS 8 - 'Definition of Accounting Estimates	January 1, 2023

The Modaraba is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Modaraba.

### Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB Effective Date (Annual periods beginning on or after)
IFRS 17 'Insurance Contracts' and amendments to IFRS 17	January 1, 2023

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

#### 3.2 Provision against non performing financing

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

#### 3.3 Impairment of other financial assets

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

#### 3.4 Provisions and Contingencies

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



### 3.5 **NRV of stock in trade**

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

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

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, except for the adoption of IFRS 9 as mentioned in note 4.1 below:

### 4.1 **Change in accounting policy - Adoption of IFRS 9 'Financial Instruments'**

Effective from July 1, 2021, the Modaraba has adopted the requirement of IFRS 9, 'Financial Instruments' with respect to Expected Credit Loss (ECL) model. The ECL has an impact on the assets of the Modaraba which are exposed to credit risk. Provision for non-performing Islamic financing is made in accordance with the Modaraba Regulation, 2021 for modarabas issued by SECP vide SRO 284 (I) / 2021 dated March 05, 2021 and subsequent amendments made therein, and is charged to profit and loss account. Upon adoption of ECL model under IFRS 9, the Modaraba while recognizing provisioning for impaired assets has considered the amount which is higher of :

- the provisioning required under the Modaraba Regulation, 2021; and
- the provisioning required under IFRS 9 using the Expected Credit Loss (ECL) model

The Modaraba has adopted the requirements of ECL model as given in IFRS 9 using the modified retrospective approach. Accordingly, the cumulative impact of adoption has been recognised in the accumulated losses of current year and comparative figures have not been restated.

The impacts of applying ECL approach on the current year figures in profit and loss account and other comprehensive income, statement of changes in equity and cash flow statement are as follows:

- Decrease in earnings per certificate (0.01)

#### **Impact on statement of changes in equity:**

- Increase in accumulated losses (3,125,841)

The Modaraba applies the IFRS 9 general approach to measure Expected Credit Losses (ECL) for Ijarah, Murabaha and Diminishing Musharika. A lifetime ECL is recorded on Ijarah, Murabaha and diminishing musharika in which there have been Significant Increase in Credit Risk (SICR) from the date of initial recognition and which are credit impaired as on the reporting date. A 12 months ECL is recorded for Ijarah, Murabaha and diminishing musharika which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in credit risk the Modaraba compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Modaraba also considers reasonable and supportive forwarding-looking information in determination of ECL.

## 4.2 Cash and cash equivalents

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

## 4.3 Advances, deposits and prepayments and other receivables

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

## 4.4 Financial instruments

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

### 4.4.1 Financial assets

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

#### 4.4.1.1 Classification

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

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

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

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

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

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

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

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



## Reclassification

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

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

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

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

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

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

### 4.4.1.2 Initial recognition and measurement

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

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

#### 4.4.1.3 Subsequent measurement

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

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

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

Financial assets 'at fair value through profit and loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise. Fair values of quoted investments are based on current prices. Fair value hierarchies are described in note 4.18.

#### 4.4.1.4 Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or
- the Modaraba has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) the Modaraba has transferred substantially all the risks and rewards of the asset; or
  - b) the Modaraba has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

#### **4.4.1.5 Impairment of financial assets**

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

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

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

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

The Modaraba uses the simplified approach and measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Modaraba recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit and loss account.

#### **4.4.2 Financial liabilities**

##### **4.4.2.1 Initial recognition and measurement**

All financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition.

The Modaraba does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss account.

#### 4.4.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Modaraba's key management personnel. The Modaraba has not designated any financial liability as at fair value through profit or loss.

##### All other liabilities

All other financial liabilities are measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit and loss account.

#### 4.4.2.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

If the Modaraba repurchases a part of a financial liability, the Modaraba allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit or loss.

#### **4.4.3 Offsetting of financial assets and liabilities**

A financial assets and a financial liabilities are offset and the net amount is reported in the balance sheet if the Modaraba has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.5 Murabaha and Musharakah arrangements**

##### **4.5.1 Murabaha arrangements**

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

##### **4.5.2 Musharakah arrangements**

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

#### **4.6 Tangible fixed assets**

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

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income by applying the straight-line method at the rates given in note 20.

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

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

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

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

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

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



#### 4.7 **Impairment of assets**

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

#### 4.8 **Stock in trade**

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

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

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

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

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

#### 4.9 **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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

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

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

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

#### 4.11 Leases

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

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

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

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

##### 4.11.1 Modaraba as a lessee

###### **Recognition**

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

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

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

###### *Lease liability*

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

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



### *Right-of-use asset*

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

### **Subsequent measurement**

#### *Lease liability*

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

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

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

#### *Right-of-use asset*

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

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

Depreciation is charged to profit or loss account at rates given in note 20.2.

#### **4.11.2 Modaraba as a lessor**

Leases in which the Modaraba does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Such leases are treated under IFAS-2 and the accounting policy for assets given to customers under ijarah arrangements (Note 4.6.3) is applied for such leases.

#### **4.12 Revenue from Contracts with Customers**

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

**Murabaha profit**

Profit on transactions under murabaha arrangements is recognized on a pro-rata basis taking into account the elapsed duration for payment of murabaha amounts payable by the customer. Profit not due for payment in the current year is deferred by accounting for unearned murabaha income with corresponding credit to deferred murabaha income which is recorded as a liability. The same is then recognized as revenue on a time proportionate basis as and when the due dates approach for payment of recoverable amounts by the customers.

**Musharakah profit**

Profit on diminishing musharakah transactions is recognized on accrual basis.

**Ijarah rentals**

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

**Dividend income**

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

**Capital gain or loss**

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

**Sale of goods**

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

**Rental income**

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

**Return on deposit accounts**

Return on deposit accounts is recognized on accrual basis.

**4.13 Taxation****Current**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account applicable tax credit, rebates and exemption available, if any as per Income Tax Ordinance, 2001.

**Deferred**

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

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

#### 4.14 **Post employment benefits**

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

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

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

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

#### 4.16 **Earnings per certificate**

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

#### 4.17 **Operating segments**

An operating segment is a component of an entity:

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

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

The Modaraba is divided into five operating segments:

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

All these operating segments are located in Pakistan.

#### **4.17.1 Segment assets and liabilities**

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

#### **4.17.2 Allocation of segment expenses**

All identifiable expenses are directly attributed to the respective segments.

#### **4.18 Fair value measurement**

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

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

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

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

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

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

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

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

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

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Modaraba can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the asset or liability.

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

#### **4.19 Assets classified as held for sale**

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

#### **4.20 Valuation of investment properties**

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

## 5 Cash and Bank Balances

		2022	2021
	Note	-----Rupees-----	
- Current accounts	5.1	<b>13,939</b>	161,388
- Saving accounts	5.2	<b>3,116,919</b>	5,077,166
		<b>3,130,858</b>	5,238,554
Balances with dividend account	21.1	<b>4,531,160</b>	148,787
Balances with banks - total		<b>7,662,018</b>	5,387,341
Cash in hand		<b>28,497</b>	7,358
		<b>7,690,515</b>	5,394,699

5.1 This include bank account maintained by Modaraba with State Bank of Pakistan as per the requirement of BSD circular No. 04. for recovering CIB service charges having balance of Rs 12,317 (2021: 10,414).

5.2 These carry profit at rates ranging from 2.84 % to 6.50% (2021: 2.75% to 2.84%) per annum.

## 6 Short Term Investments

Financial assets at fair value through profit or loss:

NIT Islamic Unit Fund	6.1	<b>431,563</b>	540,868
Shares of listed companies	6.2	<b>32,476,586</b>	25,516,661
		<b>32,908,149</b>	26,057,529

6.1 These represent 55,901 (2021: 55,901) number of units held as at the reporting date. Average cost of these units as at the reporting date amounts to Rs. 631,503 (2021: Rs. 631,503).

## 6.2 Shares of listed companies

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

Number of shares		Name of Investee	June 30, 2022		June 30, 2021	
2022	2021		Average Cost	Market Value	Average Cost	Market Value
-----Rupees-----						
12,500	3,000	Attock Refinery Limited	2,508,071	2,197,250	786,867	769,350
90,000	80,000	Fauji Cement Co. Ltd.	2,326,055	1,275,300	2,173,016	1,840,000
22,500	10,000	D.G. Khan Cement Co. Ltd.	2,525,849	1,390,275	1,267,186	1,179,200
90,000	90,000	Cenergyico Pk Limited	1,521,156	480,600	1,521,156	1,044,900
120,000	120,000	Hascol Petroleum Ltd.	1,622,511	504,000	1,622,511	1,071,600
35,000	35,000	Pakistan Petroleum Ltd.	3,324,124	2,362,850	3,324,124	3,039,050
32,500	33,000	Shell Pakistan Ltd.	6,372,095	3,839,225	6,883,339	5,781,600
32,000	20,000	Sui Southern Gas Co. Ltd.	409,163	285,120	279,856	266,000
5,154	5,154	Dawood Hercules Corp Ltd	686,386	477,054	686,386	592,813
19,000	18,500	Descon Oxychem Ltd.	625,949	298,300	615,106	496,540
-	1,000	Meezan Bank Ltd.	-	-	111,991	115,410
30,000	30,000	Nishat Mills Limited	3,151,994	2,205,300	3,151,994	2,799,000
14,000	3,000	National Refinery Ltd.	5,582,675	3,535,980	1,605,303	1,569,570
24,000	6,500	Netsol Technologies Ltd.	3,283,764	2,393,760	1,169,556	1,104,870
25,000	18,000	Oil & Gas Development Co.	2,484,976	1,966,750	1,838,561	1,710,540
25,000	25,000	PTCL	338,570	173,750	338,570	296,000
52,000	30,000	Unity Foods Ltd	1,953,861	1,043,640	1,385,967	1,335,588
-	3,000	Sazgar Engineering Works Ltd.	-	-	532,946	504,630
13,000	-	Century Paper & Board Mills	1,282,273	803,400	-	-
41,500	-	Allied Rental Modaraba	935,786	931,675	-	-
13,000	-	Avanceon Limited	1,065,627	1,012,830	-	-
7,000	-	Pakistan State Oil Co. Ltd.	1,310,107	1,202,880	-	-
5,000	-	Frieslandcampins Engro Foods	476,850	341,250	-	-
5,200	-	Lucky Cement Limited	3,252,003	2,387,008	-	-
40,000	-	Sui Northern Gas Pipelines Ltd.	1,579,606	1,368,389	-	-
			48,619,451	32,476,586	29,294,435	25,516,661



### 6.3 Unrealized loss on revaluation of financial assets at fair value through profit or loss

June 30, 2022

	Note	-----Rupees-----
Unrealized loss on shares	6.3.1	(12,365,091)
Unrealized loss on mutual funds	6.3.2	(109,305)
		(12,474,396)

#### 6.3.1 Unrealized loss on shares

Difference between market value and average cost		(16,142,865)
- Current year		(3,777,774)
- Prior year		(12,365,091)

#### 6.3.2 Unrealized loss on mutual funds

Difference between market value and average cost		(199,940)
- Current year		(90,635)
- Prior year		(109,305)

## 7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		2022	2021
	Note	-----Rupees-----	
Loans to / receivable from employees - considered good	7.1	585,000	302,502
Current portion of long term deposits	17	-	227,400
Prepayments		2,172,608	4,437,498
Advance against expenses		250,000	-
Accrued profit (secured - considered good)	7.2	1,098,826	1,019,939
Advances to suppliers - (considered good)		20,420,000	5,030,500
Trade receivables - considered good (secured)	7.3	-	7,964,773
Legal suits' charges receivable (secured - considered good)	7.4	1,988,926	2,808,702
Receivable against sale of Faisalabad Property		669,000	-
Sundry receivables (unsecured - considered good)	7.5	1,106,753	1,776,783
		<u>28,291,113</u>	<u>23,568,097</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2022

- 7.1 This includes the loan given to and receivables from executives amounting to Rs. 0.50 million (2021: Rs. 0.17 million). The executives are included in the key management personnel of the Modaraba. The loans are provided for maximum period of six months period and deductible from employees salaries.

Maximum aggregate balance due from executives and employees, at the end of any month during the year, was Rs. 0.585 million (2021: Rs. 0.912 million).

#### 7.2 Accrued profit

	2022	2021
Note -----Rupees-----		
Profit receivable on musharakah finances	5.1 <b>1,270,606</b>	1,019,939
Less: Suspended income	5.2 <b>(171,780)</b>	-
	<b>1,098,826</b>	<b>1,019,939</b>
21.1		

#### 7.3 Trade receivables

Opening balance	38.1 <b>7,964,773</b>	10,610,210
Bad debts - write off	7.3.1 <b>(5,600,071)</b>	(1,847,579)
Provision - write off	<b>(366,265)</b>	(257,593)
Received during the year	<b>(1,898,437)</b>	(74,000)
Gross amount	7.3.1 <b>100,000</b>	8,431,038
Allowance for doubtful trade receivables	<b>(100,000)</b>	(466,265)
	<b>-</b>	<b>7,964,773</b>

#### 7.3 Movement in provision for doubtful trade receivables

Opening balance	<b>466,265</b>	723,858
Charge for the year	<b>-</b>	-
Less: provision written off during the year	<b>(366,265)</b>	(257,593)
Closing balance	<b>100,000</b>	<b>466,265</b>

#### 7.4 Legal suits' charges receivable

Opening balance	<b>3,465,652</b>	3,555,652
Expenses incurred	<b>495,000</b>	25,000
Write off - legal suits' charges receivable	38.1 <b>(753,750)</b>	-
Write off - provision	7.4.1 <b>(433,550)</b>	(115,000)
Legal suits' charges received during the year	<b>(317,500)</b>	-
Gross amount	<b>2,455,852</b>	3,465,652
Allowance for doubtful legal suits' charges receivables	7.4.1 <b>(466,926)</b>	(656,950)
	<b>1,988,926</b>	<b>2,808,702</b>

#### 7.4.1 Movement in provision for doubtful legal suits' charges receivables

Opening balance	<b>656,950</b>	771,950
Provision made during the year	<b>243,526</b>	-
Less: provision written off during the year	<b>(433,550)</b>	(115,000)
	<b>466,926</b>	<b>656,950</b>

		2022	2021
	Note	Rupees	
<b>7.5 Sundry receivables</b>			
Gross amount		<b>1,106,753</b>	1,776,783
Allowance for doubtful sundry receivables	7.5.1	-	-
		<b>1,106,753</b>	<b>1,776,783</b>
<b>7.5.1 Allowance for doubtful sundry receivables</b>			
Opening balance		-	896,211
Less: Provision written off during the year	7.5.1	-	(896,211)
		-	-
<b>8 SHORT TERM MURABAHA FINANCES - SECURED</b>			
Considered good		<b>2,721,927</b>	10,471,818
Considered doubtful:			
- Regular parties		-	4,036,596
- Parties under litigation	8.2	<b>39,679,019</b>	35,642,423
- Suspended income	8.4	-	-
		<b>39,679,019</b>	39,679,019
Provision for doubtful receivables	8.5	<b>(11,410,411)</b>	(8,400,000)
		<b>30,990,535</b>	<b>41,750,837</b>
<b>8.1</b>	The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation of stocks, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.		
<b>8.2</b>	These represent receivables from 4 (2021: 3) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law (Banking court of Lahore). The Courts have awarded decree in favor of Modaraba in 4 (2021: 3) cases for recovery of Rs. 50.277 million (2021: Rs. 44.021 million).		
<b>8.3</b>	The maximum aggregate amount outstanding during the year at any point is Rs 59,293,242. (2021: Rs. 53,318,785)		
<b>8.4 Suspended income</b>			
Opening balance		-	428,000
Suspension transferred to long term murabaha	11.3.1	-	(428,000)
Suspension made during the year		-	-
		-	-
<b>8.5 Provision for doubtful receivables</b>			
Opening balance		<b>8,400,000</b>	28,700,300
Provision made during the year	37.1	<b>3,010,411</b>	-
Written off during the year		-	(20,300,300)
		<b>11,410,411</b>	<b>8,400,000</b>

## 9 IJARAH RENTAL RECEIVABLES - SECURED

		2022	2021
	Note -----Rupees-----		
Considered good	9.1	319,733	2,583,809
Parties under litigation - Considered doubtful		5,155,831	17,503,284
Suspended ijarah income - Considered doubtful	9.2	(856,442)	(3,537,194)
Provision for doubtful ijarah rental receivables	9.3	(570,193)	-
		<u>4,048,929</u>	<u>16,549,899</u>

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

### 9.2 Suspended ijarah income - considered doubtful

Opening balance	3,537,194	17,900,639
Written off during the year	-	(14,363,445)
Income suspended during the year	24,720	-
Reversal during the year	(2,705,472)	-
	<u>856,442</u>	<u>3,537,194</u>

### 9.3 Provision for doubtful Ijarah rental receivables

Opening balance	-	2,958,183
Written off during the year	37.1 -	(2,958,183)
Effect of change in accounting policy	570,193	-
Closing balances	<u>570,193</u>	<u>-</u>

## 10 STOCK IN TRADE

Potatoes	10.1	429,561	429,561
Less: Stock write off	38	(429,561)	-
		<u>-</u>	<u>429,561</u>

10.1 These represent finished goods obtained for the purpose of trading business.

## 11 MURABAHA FINANCES - SECURED

Considered good		69,047,726	53,314,776
Considered doubtful	11.3	36,797,722	40,763,081
Provision for doubtful long term murabaha finances	11.4	(6,657,297)	(3,060,159)
		<u>99,188,151</u>	<u>91,017,698</u>
Current / overdue portion shown under current assets		(79,992,821)	(77,841,930)
		<u>19,195,330</u>	<u>13,175,768</u>

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

11.2 The maximum aggregate amount outstanding during the year at any point is Rs 109,562,978. (2021: Rs. 101,987,154)

		2022	2021
	Note	Rupees	
<b>11.3 Break up of considered doubtful Murabaha finances</b>			
Considered doubtful		<b>38,087,247</b>	42,620,899
Suspended income	11.3.1	<b>(1,289,525)</b>	(1,857,818)
	11.3.2	<b>36,797,722</b>	40,763,081
<b>11.3.1 Suspended income</b>			
Opening balance		<b>1,857,818</b>	1,814,320
Reversal during the year	33	<b>(568,293)</b>	(983,096)
Suspension made during the year	33	-	598,594
Suspension transferred from short term	8.4	-	428,000
		<b>1,289,525</b>	1,857,818
<b>11.3.2</b>			
The doubtful murabaha finances include receivables from 5 (2021:5) customers under murabaha finance which is under litigation. Legal proceedings against these customers are in process in the Courts of Law. The Courts have awarded decree in favor of Modaraba in 3 (2021: 3) cases for recovery of Rs. 60.673 million (2021: Rs. 60.673 million).			
<b>11.4 Provision for doubtful long term murabaha finances</b>			
Opening balance		<b>3,060,159</b>	3,060,159
Provision for the year	37.1	<b>1,787,596</b>	-
Effect of change in accounting policy due to IFRS-9		<b>1,809,542</b>	-
Closing balances		<b>6,657,297</b>	3,060,159
<b>12 SHORT TERM MUSHARAKAH FINANCES - SECURED</b>			
Considered good		<b>24,385,893</b>	26,792,292
Provision for short term Musharakah finances	12.1	<b>(696,048)</b>	-
		<b>23,689,845</b>	26,792,292
<b>12.1 Provision for short term Musharakah finances</b>			
Opening balance		-	-
Provision resulting from change in accounting policy		<b>(696,048)</b>	-
		<b>(696,048)</b>	-
<b>13 DIMINISHING MUSHARAKAH FINANCING - SECURED</b>			
Considered good	13.1	<b>4,528,444</b>	893,033
Current / overdue portion grouped under current assets		<b>(1,704,637)</b>	(651,731)
Provision for Diminishing Musharakah finances	13.3	<b>(50,058)</b>	-
		<b>2,773,749</b>	241,302
<b>13.1</b>			
This represents facility given to 2 (2021:1) customers. The facilities are secured by way of asset. Customer will participate in cost ranging between 25% to 50% in purchasing the musharakah asset.			
<b>13.2</b>			
The maximum aggregate amount outstanding during the year at any point is Rs 4,528,440. (2021: Rs 1,405,952)			
<b>13.3 Provision for Diminishing Musharakah finances</b>			
Opening balance		-	-
Provision resulting from change in accounting policy		<b>(50,058)</b>	-
		<b>(50,058)</b>	-

## 14 DEFERRED TAXATION

		2022	2021
	Note	-----Rupees-----	
<b>Taxable temporary difference in respect of:</b>			
Operating fixed assets given on lease / ijarah	12.1	7,500,659	-
<b>Deductible temporary difference in respect of:</b>			
"Provision for classified receivables under prudential - Regulations for Modarabas"		(3,309,019)	-
Suspended ijarah income - considered doubtful		(248,368)	-
Provision for trade receivable		(29,000)	-
Provision for doubtful Ijarah rental receivables		(165,356)	-
Provision for legal charges receivable		(135,409)	-
Provision for doubtful Murabaha finances		(1,930,616)	-
Provision for short term Musharakah finances		(201,854)	-
Provision for Diminishing Musharakah finances		(14,517)	-
Unrealized loss on revaluation of financial - assets at fair value through profit or loss		(1,933,720)	-
Unrealized loss on revaluation of financial assets at - fair value through other comprehensive income		(693,717)	-
		<u>(1,160,917)</u>	<u>-</u>

- 14.1 Till June 30, 2021, the income of non-trading Modarabas is exempt from income tax provided that not less than 90% of their profit are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (Second) Amendment Ordinance, 2021. As a result of withdrawal of tax exemption, there are implications of deferred tax which have been assessed.

## 15 INCOME TAX REFUNDABLE

Income tax refundable	<u>3,072,891</u>	<u>4,777,383</u>
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## 16 ASSETS HELD FOR SALE

Opening balance		13,805,000	-
Reclassification from investment properties	19	8,469,000	13,805,000
Disposal during the year	16.1	(13,702,550)	-
Fair value gain on revaluation		53,550	-
Closing balance	51	<u>8,625,000</u>	<u>13,805,000</u>

The properties were obtained by the Modaraba by taking possession of collateral held with the Modaraba as security against its receivables. Particulars of asset held for sale as at the reporting date are as follows:

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

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

#### 16.1 Disposal of assets held for sale

Property Type	Location	Fair value	Sales proceeds	Gain/ (loss)
-----Rupees-----				
Land	District Faisalabad	3,305,000	3,310,000	5,000
Agriculture land	District Gujranwala	10,397,550	6,500,000	(3,897,550)
		<u>13,702,550</u>	<u>9,810,000</u>	<u>(3,892,550)</u>

#### 16.2 Fair value measurements

There are no level 1 and level 3 assets or transfers between levels 1, 2 and 3 during the year 2022.

##### 16.2.1 Valuation techniques used to derive level 2 fair values

Description	Valuation Technique	Significant Unobservable Inputs	Range (weighted average)
Shops	Research and analysis of the neighborhood and calling the leading realtors of the area.	Price per marla/ Price per sq. ft.	Reasonable fair value estimates

#### 16.3 There is associated liabilities relating to assets held for sale.

#### 17 DEPOSITS

	2022	2021
Note -----Rupees-----		
Security deposit for Central Depository Company of Pakistan Limited	<b>154,862</b>	154,862
Security deposit for rented property	<b>210,000</b>	210,000
Less: current portion shown under current assets	-	-
	<b>210,000</b>	210,000
Ijarah deposit money	<b>706,900</b>	535,700
Less: current portion shown under current assets	-	(227,400)
	<b>706,900</b>	308,300
Others	<b>34,800</b>	34,800
	<b><u>1,106,562</u></b>	<u>707,962</u>



## 18 INVESTMENTS

### Long term investments at fair value through OCI

#### **Investment in shares of listed companies**

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

Number of shares		Name of Investee	June 30, 2022		June 30, 2021	
2022	2021		Average Cost	Market Value	Average Cost	Market Value
-----Rupees-----						
90,000	90,000	Sui Southern Gas Co. Ltd.	5,806,704	3,078,900	5,806,704	4,372,200
21,500	15,000	The Searle Company Limited	4,743,273	2,343,930	4,482,840	3,639,308
75,000	75,000	PTCL	1,029,049	521,250	1,029,049	888,000
17,000	17,000	Oil & Gas Development Co.	1,924,850	1,337,398	1,924,850	1,615,510
			13,503,876	7,281,478	13,243,443	10,515,018

## 19 INVESTMENT PROPERTY

		2022	2021
	Note	-----Rupees-----	
Opening balance		<b>8,469,000</b>	20,405,000
Reclassified to asset held for sale	16	<b>(8,469,000)</b>	(13,805,000)
Fair value gain on investment property	36	-	1,869,000
Closing balance		<u>-</u>	<u>8,469,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2022

20	FIXED ASSETS	Note	2022	2021
	Intangible asset	20.1	-	-
	Operating fixed assets given on lease / ijarah - tangible	20.2	147,262,006	94,956,022
	Operating fixed assets in own use - tangible	20.3	13,527,952	13,126,289
	Right of use assets	20.5	2,266,005	-
			<u>163,055,963</u>	<u>108,082,311</u>

**20.1** This represents fully amortized Enterprise Resource Planning (ERP) software costing Rs. 1.05 million (2021: Rs. 1.05 million).

**20.2** **Operating fixed assets given on lease / ijarah - tangible**

#### Year ended June 30, 2022

Description	Cost			Accumulated Depreciation		Book value as at June 30, 2022
	As at July 01, 2021	Additions / Transfers	Disposals / Transfers	As at June 30, 2022	Charge for the year	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Plant and machinery	46,545,794	25,119,945	(42,757,000)	28,908,739	6,990,375	23,462,924
Vehicles	137,512,906	81,656,282	(57,899,000)	161,270,188	25,831,637	123,799,082
	<u>184,058,700</u>	<u>106,776,227</u>	<u>(100,656,000)</u>	<u>190,178,927</u>	<u>32,822,012</u>	<u>147,262,006</u>

#### Year ended June 30, 2021

	Cost			Depreciation rate	Accumulated Depreciation		Book value as at June 30, 2021
	As at July 01, 2020	Additions / Transfers	Disposals / Transfers		As at July 01, 2020	Charge for the year	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees
Plant and machinery	66,956,113	5,843,681	(26,254,000)	20% to 50%	62,918,953	1,324,487	6,658,354
Vehicles	129,822,376	42,912,000	(35,221,470)	20% to 100%	45,923,662	25,767,248	88,297,668
	<u>196,778,489</u>	<u>48,755,681</u>	<u>(61,475,470)</u>		<u>108,842,615</u>	<u>27,091,735</u>	<u>94,956,022</u>

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

**20.2.2** The Modaraba has filed suits for re-possession of leased assets costing Rs. 44,758 million (2021: Rs. 44,758 million) against 4 clients (2021: 4 clients). The Court has awarded decree in favour of Modaraba in 2 (2021: 2) cases for recovery of Rs. 74,446 million (2021: Rs. 74,446 million). The Courts have decided to attach some properties of customers in addition to their assets to the Modaraba. However, execution petitions for recovery of the decretal amount are still pending.

**20.2.3** Aggregate amount of future ijarah rentals receivable on the basis of agreements executed upto the reporting date are as follows:

	2022	2021
Receivable not later than one year	49,555,782	34,963,100
Receivable later than one year but not later than 5 years	86,844,132	43,815,200
	<u>136,399,914</u>	<u>78,778,300</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2022

#### 20 Operating fixed assets in own use - tangible

Year ended June 30, 2022

Description	Cost			Depreciated on rate	Accumulated Depreciation				Book Value as at June 30, 2022
	As at July 01, 2021	Additions	Disposals / Transfers		As at June 30, 2022	Charge for the year	Disposals / Transfers	As at June 30, 2022	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Land (20.3.1)	10,728,400	-	-	10,728,400	-	-	-	-	10,728,400
Furniture & fixtures	1,072,656	183,350	-	1,256,006	10%	834,056	52,313	886,369	369,637
Office equipment	2,688,373	280,500	(553,516)	2,415,357	10%	1,860,060	189,581	(540,520)	906,236
Vehicles	1,576,465	295,400	(196,065)	1,675,800	20%	608,388	220,463	(82,616)	929,565
Leasehold improvements	700,000	-	-	700,000	20%	700,000	-	-	-
Books	16,423	-	-	16,423	20%	16,423	-	-	-
Electrical equipment	1,084,459	343,800	(78,200)	1,350,059	10%	721,560	92,185	(57,800)	594,114
	17,866,776	1,103,050	(827,781)	18,142,045		4,740,487	554,542	(680,936)	13,527,952

Year ended June 30, 2021

	As at July 01, 2020	Additions	Disposals / Transfers	As at June 30, 2021	Depreciati on rate	As at July 01, 2020	Charge for the year	Disposals / Transfers	As at June 30, 2021	Book Value as at June 30, 2021
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Land	10,728,400	-	-	10,728,400	-	-	-	-	-	10,728,400
Furniture & fixtures	1,877,611	-	(804,955)	1,072,656	10%	1,576,307	53,891	(796,142)	834,056	238,600
Office equipment	3,127,790	518,324	(957,741)	2,688,373	10%	2,602,086	181,608	(923,634)	1,860,060	828,313
Vehides	757,711	1,014,300	(195,546)	1,576,465	20%	640,960	137,632	(170,204)	608,388	968,077
Leasehold improvements	700,000	-	-	700,000	20%	700,000	-	-	700,000	-
Books	16,423	-	-	16,423	20%	16,423	-	-	16,423	-
Electrical equipment	988,201	145,000	(48,742)	1,084,459	10%	689,056	70,839	(38,335)	721,560	362,899
	18,196,136	1,677,624	(2,006,984)	17,866,776		6,224,832	443,970	(1,928,315)	4,740,487	13,126,289

20.3.1 It represents a piece of land measuring 10 Kanals, costing Rs. 10,728,400 situated at Mauza Amer Sidhu, Lahore Cantt. acquired through settlement of certain Murabaha facilities. The subject land is presently in the possession of Defence Housing Authority, Lahore (DHA). The Modaraba has filed legal suit in the Civil Court, Lahore for possession of land. The management and legal counsel of the Modaraba are confident that Modaraba has valid claim against DHA because title and sale deed is in the name of the Modaraba and accordingly no loss has been recorded against such land. Management is also making efforts to achieve out of court settlement and next date of hearing is 7th October, 2022 for further processing of the case.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2022

#### 20.4 Disposal of operating fixed assets

##### 20.4.1 Disposal of fixed assets given on ijarah

Description	Cost	Accumulated Depreciation	Book Value	Adjustment / Sale Proceeds	Gain	Mode of Disposal	Particulars of Buyer
-----Rupees-----							
<b><u>Vehicles:</u></b>							
Motor Vehicle	1,495,000	1,195,000	300,000	300,000	-	Term of ijarah agreement	Nafees Traders
Motor Vehicle	825,000	660,000	165,000	165,000	-	Term of ijarah agreement	Nafees Traders
Motor Vehicle	1,627,000	1,138,900	488,100	488,100	-	Term of ijarah agreement	Pakistan Chemical & Bio Ind.
Motor Vehicle	1,094,000	875,200	218,800	218,800	-	Term of ijarah agreement	Pakistan Chemical & Bio Ind.
Motor Vehicle	1,175,000	800,000	375,000	375,000	-	Term of ijarah agreement	Naveed Tahir
Motor Vehicle	1,250,000	1,000,000	250,000	250,000	-	Term of ijarah agreement	Ali Husnain Nasir
Motor Vehicle	1,250,000	937,500	312,500	312,500	-	Term of ijarah agreement	Javed Latif
Motor Vehicle	1,782,500	1,143,780	638,720	678,115	39,395	Term of ijarah agreement	Zahid Rafique
Motor Vehicle	1,800,000	1,234,200	565,800	565,800	-	Term of ijarah agreement	Urooj Usna Hussain
Motor Vehicle	756,000	467,124	288,876	336,184	47,308	Term of ijarah agreement	Sain Bux
Motor Vehicle	1,900,000	1,700,000	200,000	200,000	-	Term of ijarah agreement	Syed Ali Mohsin Raza
Motor Vehicle	1,600,000	1,280,000	320,000	320,000	-	Term of ijarah agreement	Muhammad Suleman Azam
Motor Vehicle	141,500	126,485	15,015	15,015	-	Term of ijarah agreement	Ahsun Haider
Motor Vehicle	2,763,400	763,400	2,000,000	2,000,000	-	Term of ijarah agreement	Tehmina Khalid
Motor Vehicle	1,701,000	1,360,800	340,200	340,200	-	Term of ijarah agreement	Gasco Engineering (Pvt) Ltd.
Motor Vehicle	1,701,000	1,360,800	340,200	340,200	-	Term of ijarah agreement	Gasco Engineering (Pvt) Ltd.
Motor Vehicle	1,289,000	1,031,200	257,800	257,800	-	Term of ijarah agreement	Gasco Engineering (Pvt) Ltd.
Motor Vehicle	3,183,000	2,296,695	886,305	1,050,966	164,661	Term of ijarah agreement	Snowwhite Dry Cleaners
Motor Vehicle	3,183,000	2,301,987	881,013	1,041,284	160,271	Term of ijarah agreement	Snowwhite Dry Cleaners
Motor Vehicle	2,269,000	1,547,227	721,773	852,363	130,590	Term of ijarah agreement	Snowwhite Dry Cleaners
Motor Vehicle	2,125,000	1,374,200	750,800	988,848	238,048	Term of ijarah agreement	Sabs The Salon
Motor Vehicle	3,489,500	2,296,325	1,193,175	1,412,037	218,862	Term of ijarah agreement	Snowwhite Dry Cleaners
Motor Vehicle	806,500	645,200	161,300	161,300	-	Term of ijarah agreement	Pacific Pharmaceuticals Limited
Motor Vehicle	806,500	645,200	161,300	161,300	-	Term of ijarah agreement	Pacific Pharmaceuticals Limited
Motor Vehicle	3,200,000	1,574,064	1,625,936	2,023,537	397,601	Term of ijarah agreement	Sabs The Salon
Motor Vehicle	1,600,000	1,083,330	516,670	577,788	61,118	Term of ijarah agreement	Zabihullah
Motor Vehicle	1,800,000	937,500	862,500	941,982	79,482	Term of ijarah agreement	Shahid Ahmed Khan
Motor Vehicle	2,475,000	828,683	1,646,317	1,787,815	141,498	Term of ijarah agreement	Snowwhite Dry Cleaners
Motor Vehicle	1,161,100	696,672	464,428	1,185,000	720,572	Negotiation	Mehmood Ahmed
Motor Vehicle	1,201,500	660,825	540,675	1,200,000	659,325	Negotiation	Aijaz Khan
Motor Vehicle	1,769,800	557,327	1,212,473	1,570,000	357,527	Negotiation	M. Aslam
Motor Vehicle	1,135,400	794,766	340,634	1,150,000	809,366	Negotiation	Shakil Khan
Motor Vehicle	1,201,500	680,850	520,650	1,160,000	639,350	Negotiation	Aijaz Khan
Motor Vehicle	1,180,700	787,120	393,580	1,290,000	896,420	Negotiation	M. Tariq Khan
Motor Vehicle	1,161,100	793,409	367,691	1,215,000	847,309	Negotiation	Naveen Zehra
	<b>57,899,000</b>	<b>37,575,769</b>	<b>20,323,231</b>	<b>26,931,934</b>	<b>6,608,703</b>		
<b><u>Plant and Machinery</u></b>							
Plant and Machinery	34,500,000	34,500,000	-	-	-	Term of ijarah agreement	Sunshine Cloth Ltd
Plant and Machinery	5,217,000	4,500,000	717,000	717,000	-	Term of ijarah agreement	Asif Public School
Plant and Machinery	2,040,000	1,632,000	408,000	408,000	-	Term of ijarah agreement	Megatech Trackers (Pvt) Ltd
Plant and Machinery	1,000,000	800,000	200,000	200,000	-	Term of ijarah agreement	Allah Rakha Engineering Works
	<b>42,757,000</b>	<b>41,432,000</b>	<b>1,325,000</b>	<b>1,325,000</b>	<b>-</b>		
<b>Total 2022</b>	<b>100,656,000</b>	<b>79,007,769</b>	<b>21,648,231</b>	<b>28,256,934</b>	<b>6,608,703</b>		
<b>Total 2021</b>	<b>61,475,470</b>	<b>46,831,672</b>	<b>14,643,798</b>	<b>20,325,046</b>	<b>5,681,248</b>		

## 20.5 Right of use assets

		2022	2021
	Note	Rupees	
Opening balance		-	133,976
Additions during the year		<b>2,774,700</b>	-
		<b>2,774,700</b>	133,976
Depreciation charge for the year	38	<b>(508,695)</b>	(133,976)
Closing balance		<b>2,266,005</b>	-
Lease term		<b>5 years</b>	16 Months
Depreciation rate		<b>20%</b>	N/A

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

## 21 UNCLAIMED PROFIT DISTRIBUTIONS

Opening balance		<b>12,889,720</b>	12,891,301
Less: dividends paid	11.3.1	<b>(54,928)</b>	(1,581)
Closing balance		<b>12,834,792</b>	12,889,720

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

Opening balance		<b>148,787</b>	148,787
Amount transferred during the year		<b>4,304,494</b>	-
Dividend claim received and settled		<b>(346)</b>	-
Received profit		<b>78,225</b>	-
Closing balance	5	<b>4,531,160</b>	148,787

21.2 Management has maintained funds of Rs. 4,531,160 (2021: Rs. 148,787) against unclaimed profit distribution of Rs 12,834,792 (2021: 12,889,720) resulting shortage of funds of Rs 8,303,632. This shortage of funds of Rs 8,303,632 relates to unclaimed profit distribution when modaraba was managed by Trust management services (previous management company) from incorporation till 2009 when change of management took place through appointment of administrator by registrar under section 19 and 20 of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980. Modaraba has maintained complete funds for unclaimed profit distribution after acquisition of Al-Zamin Management Company Limited in 2009 till date.

## 22 CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to Modaraba Management Company (Related party)	39	<b>1,484,020</b>	901,706
Provision for Workers' Welfare Fund		<b>317,087</b>	212,270
Payable to SQZ Business Management Consultancy (Private) Limited		-	159,904
Accrued expenses		<b>232,156</b>	1,243,421
Other liabilities	22.1	<b>9,327,862</b>	1,225,352
		<b>11,361,125</b>	3,742,653

22.1 It includes charity payable amounting to Rs. nil (2021: Rs. 183,219).

The reconciliation is as follows:

	2022	2021
Note	-----Rupees-----	
Opening balance	183,219	109,223
Additions during the year	48,963	313,996
Charity paid during the year	(232,182)	(240,000)
Closing balance	-	183,219

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

## 23 DEFERRED INCOME ON MURABAHA

Opening balance	6,889,714	4,525,056
Additions during the year	12,272,389	11,326,034
Recognized during the year	(10,097,337)	(8,961,376)
	9,064,766	6,889,714
Current portion shown as current liabilities	(6,698,560)	(5,143,468)
	2,366,206	1,746,246

## 24 CUSTOMERS' SECURITY DEPOSITS

Opening balance	39,676,496	31,442,315
Received during the year	26,416,532	16,778,681
Adjusted during the year	(12,210,715)	(8,544,500)
Closing balance	53,882,313	39,676,496
Current portion shown as current liabilities	(8,810,600)	(8,330,765)
	45,071,713	31,345,731

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

## 25 LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS

Opening balance	-	153,052
Additions during the year	2,774,700	-
	2,774,700	153,052
Add: interest expense	320,090	2,691
Less: payments made during the year	(700,224)	(155,743)
Gross liability	2,394,566	-
Less: current portion	(430,555)	-
Closing balance	1,964,011	-

## 25.1 Maturity analysis of contractual cash flows

At June 30, 2022	Within one year	Later than one year but not later than five years	Later than five years
	-----Rupees-----		
Undiscounted cash flows	843,336	2,600,285	-
Less: Discounting	412,780	636,274	-
Discounted Cash Flows	430,556	1,964,011	-

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

		2022	2021
	Note	-----Rupees-----	
Carrying amount of ROU assets	20.5	<b>2,266,005</b>	-
Depreciation charge	38	<b>508,695</b>	133,976
Interest expense	38	<b>320,090</b>	2,691
Repayment of lease liability	25	<b>700,224</b>	155,743

26 **DUE TO DIRECTOR**

This represents the amount received as a loan from Director Mr. Etrat Rizvi. The loan is interest free, unsecured and payable at within 6 months from 3rd June 2022. The purpose of this loan is to provide interim liquidity support to modaraba.

27 **CERTIFICATE CAPITAL**

27.1 **Authorized certificate capital**

2022	2021		2022	2021
			Note	-----Rupees-----
		Modaraba certificates		
<b>70,000,000</b>	70,000,000	of Rs. 10 each.	<b>70,000,000</b>	70,000,000

27.2 **Certificate capital**

2022	2021		2022	2021
			Note	-----Rupees-----
		Modaraba certificates of		
		Rs. 10 each fully paid in		
<b>15,000,000</b>	15,000,000	cash.	<b>150,000,000</b>	150,000,000
		Modaraba certificates of		
		Rs. 10 each issued as fully		
<b>12,300,000</b>	12,300,000	paid bonus certificates.	27.3 <b>123,000,000</b>	123,000,000
		Modaraba certificates issued		
		of Rs. 10 each issued in		
		consideration of assets		
<b>2,500,000</b>	2,500,000	as result of take over	27.4 <b>25,000,000</b>	25,000,000
<b>29,800,000</b>	29,800,000		<b>298,000,000</b>	298,000,000

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



27.4 Al-Zamin Modaraba Management (Private) Limited holds 5,261,388 (2021: 5,261,388) Modaraba certificates which represents 18% (2021: 18%) of the equity stake in the Modaraba as required by the SECP vide Order No. SC/M/RW/Trust/2009-44.

As at June 30, 2022, Mr. Aslam Motiwala, a major certificate holder of the Modaraba, holds 27.5 16,959,500 modaraba certificates (2021: 16,959,500) of the Modaraba representing 56.91% (2021: 56.91%) holding.

27.6 All certificates rank equally with regard to residual assets of the Modaraba. Certificate holders are entitled to receive all distributions including profit distributions and other entitlements in the form of bonus and right certificates as and when declared by the Modaraba. Voting and other rights are in proportion to the shareholding.

## 28 RESERVES

		2022	2021
	Note	-----Rupees-----	
Statutory reserve	28.1	<b>83,785,844</b>	81,512,797
Revenue reserves:			
- Accumulated loss		<b>(55,206,290)</b>	(63,629,835)
		<b>28,579,554</b>	<b>17,882,962</b>

28.1 This represents profit set aside to comply with the Modaraba Regulations, 2021 for modarabas issued by the SECP which is not available for distribution. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time that reserves equal to 100% of the paid up capital and thereafter, a sum not less than 5% of its after tax profits. During the current year, the Modaraba has transferred an amount of Rs. 2,273,047 (2021: Rs. 1,321,313) which represents 20% (2021: 20%) of the profit after tax.

## 29 UNREALIZED LOSS ON REVALUATION OF INVESTMENTS

Opening balance		<b>(2,728,426)</b>	(4,867,878)
(Deficit) / surplus on revaluation during the year	29.1	<b>(2,800,256)</b>	2,139,452
Transferred to accumulated loss during the year		-	-
		<b>(2,800,256)</b>	2,139,452
Closing balance		<b>(5,528,682)</b>	(2,728,426)

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

## 30 SURPLUS ON REVALUATION OF FIXED ASSETS

		2022	2021
	Note	-----Rupees-----	
Opening balance		<b>2,457,200</b>	2,457,200
Surplus transferred to equity on disposal of fixed assets	30.1	<b>(2,457,200)</b>	-
Closing balance		<b>-</b>	<b>2,457,200</b>

30.1 This represents surplus over book value resulting from the revaluation of owner-occupied land that became asset held for sale. Revaluation surplus cannot be distributed to the certificate holders.

## 31 CONTINGENCIES AND COMMITMENTS

### 31.1 Contingencies

31.1.1 Notice was served to Trust Modaraba dated 28 August 2018, along with certain other modarabas, by Sindh Revenue Board (SRB) for the recovery of tax under Sindh Sales Tax on Services Act, 2011 amounting to Rs. 38.52 million comprising allegedly unpaid sales tax on services rendered in Sindh from years 2011-12 to 2017-18.

The Modaraba along with other Modarabas has filed a petition in Honorable Sindh High Court (SHC) on September 1, 2018 challenging the demand of Sindh Revenue Board (SRB) on the grounds of non-applicability of sales tax. A stay order in this regard has been granted by the SHC stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners. The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the Court and the merits of the matter involved, the impugned charge of sales tax will be quashed and favorable outcome is expected. Therefore, no provision for any sales tax liability on rentals of lease financing has been made in the financial statements. The expected date of hearing is 12 October, 2022 for further processing of the case.

The Assistant commissioner Inland Revenue has issued order dated June 30, 2022 by creating demand under sub-section 161 of Rs 1,038,285 along with default surcharge of Rs 809,862. The tax payer has filed appeal against said order on July 16, 2022. Hearing of the case is pending and date of hearing is not yet fixed. In view of tax consultant, the favorable outcome is expected in favor of modaraba.

### 31.2 Ijarah commitments

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

		2022	2021
	Note	-----Rupees-----	
Not later than one year	28.1	<b>843,336</b>	461,151
Later than one year and not later than five years		<b>2,600,285</b>	3,047,065
		<b>3,443,621</b>	<b>3,508,216</b>
Disbursement of Ijarah / Murabaha / Musharakah to be made	32.2.1	<b>39,911,500</b>	7,030,500

31.2.1 These represent facilities committed but not yet disbursed to the customers as at the reporting date.

## 32 INCOME FROM IJARAH - NET

Income from ijarah operations		<b>51,965,702</b>	39,393,144
Income suspended during the year	9.2	<b>(24,720)</b>	-
Less: depreciation on fixed assets given on ijarah	20.2	<b>(32,822,012)</b>	(27,091,735)
Less: insurance on ijarah assets		<b>(3,462,331)</b>	(2,552,570)
		<b>15,656,639</b>	<b>9,748,839</b>

**33 PROFIT ON MURABAHA FINANCES**

		<b>2022</b>	<b>2021</b>
	Note	-----Rupees-----	
Profit on murabaha finances		<b>10,195,937</b>	10,446,531
Income suspended during the year	11.3.1	-	(598,594)
Reversal of suspension income	33.1 & 11.3.1	<b>568,293</b>	983,096
		<b>10,764,230</b>	<b>10,831,033</b>

33.1 This includes reversal of suspension amounting to Rs. 0.568 million (2021: 0.983) in respect of parties with whom contracts has been rescheduled.

**34 PROFIT ON MUSHARAKAH FINANCES**

Profit on musharakah finances		<b>6,647,978</b>	6,944,166
Income suspended during the year		<b>(171,780)</b>	-
Less: Commission of selling agent		<b>(156,000)</b>	(1,180,000)
Less: Insurance on diminishing musharakah		<b>(26,295)</b>	-
		<b>6,293,903</b>	<b>5,764,166</b>

**35 INCOME FROM INVESTMENTS - NET**

Dividend income on equity investments classified at FVTPL		<b>1,705,750</b>	1,210,874
Profit on sale of long term investments		-	538,891
(Loss) / profit on sale of short term investments		<b>(1,274,637)</b>	6,664,561
		<b>431,113</b>	<b>8,414,326</b>

**36 OTHER INCOME**

Gain on disposal of ijarah assets	20.4.1	<b>6,608,703</b>	5,681,248
Gain on disposal of owned fixed assets		<b>166,468</b>	1,192,754
Fair value gain on investment property	19	-	1,869,000
Profit on deposit and saving accounts with banks		<b>505,560</b>	182,630
(Loss) on disposal of assets classified as held for sale	19.1	<b>(3,892,550)</b>	-
Rental income from investment properties		-	80,004
Gain on settlement		<b>37,335,047</b>	-
Miscellaneous income	36.1	<b>1,909,659</b>	552,107
		<b>42,632,887</b>	<b>9,557,743</b>

36.1 This includes an amount of Rs. 549,130 (2021: Rs. 352,730) pertaining to documentation fee.

**37 PROVISION FOR DOUBTFUL RECEIVABLES**

		<b>2022</b>	<b>2021</b>
	Note	-----Rupees-----	
Opening balance		<b>12,583,374</b>	37,110,661
Add: charged during the year	37.1	<b>5,041,533</b>	-
Impact of change in accounting policy	4.1	<b>3,125,841</b>	-
Less: Provision written off during the year		<b>(799,815)</b>	(24,527,287)
Net provision charged /(written off) for the year		<b>7,367,559</b>	(24,527,287)
Closing balance	37.2	<b>19,950,933</b>	<b>12,583,374</b>

		2022	2021
37.1	<b>Break up of provision for doubtful receivables charged during the year are as follow:</b>	-----Rupees-----	
	Long term murabaha finances	11.4	1,787,596
	Short term murabaha finances	8.5	3,010,411
	Legal suits charges receivable	7.4.1	243,526
			<b>5,041,533</b>
37.2	<b>Break up of provision for doubtful receivables are as follows:</b>		
	Provision for doubtful long term murabaha finances	11.4	6,657,297
	Provision for doubtful short term murabaha finances	8.5	11,410,411
	Provision for short term Musharakah finances	12.1	696,048
	Provision for Diminishing Musharakah finances	13.3	50,058
	Provision for trade receivables	7.3.1	100,000
	Provision for legal suits charges receivable	7.4.1	466,926
	Provision for sundry receivable	7.5.1	-
	Provision for doubtful ijarah rental receivables	9.3	570,193
			<b>19,950,933</b>
38	<b>OPERATING EXPENSES</b>		
	Salaries, allowances and other benefits	38.2	18,484,817
	Bad debts written off	38.1	6,445,935
	Fees and subscription		5,138,826
	Vehicle running		1,851,210
	Rent, rates and taxes	38.3	1,740,241
	Electricity, gas and water		1,006,358
	Repairs and maintenance		2,107,478
	Telephone, postage and courier		844,632
	Legal and professional charges		532,888
	Advertisement		132,783
	Printing and stationery		787,758
	Traveling and conveyance		528,664
	Entertainment		537,381
	Insurance		244,302
	Auditors' remuneration	38.4	450,000
	Registrar's services		112,228
	Depreciation on own assets	20.3	554,542
	Stock in trade - written off	10	429,561
	Depreciation on right of use assets	20.5	508,695
	Ijarah rental expense		461,151
	Unwinding of lease liabilities	25	320,090
	Miscellaneous		241,849
	Bank charges and commission		14,801
	Charity	38.5	-
	Zakat		-
			<b>43,476,190</b>
			<b>36,445,960</b>

		2022	2021
38.1	<b>Breakup of bad debts written off during the year are as follows:</b>	Note	-----Rupees-----
	Trade debtors	7.3	5,600,071
	Legal suits' charges receivable	7.4	753,750
	Ijarah rental receivable		-
	Sundry receivable		744,674
			273,950
			<b>6,445,935</b>
			<b>2,866,203</b>

38.2 This includes Rs. 0.956 million (2021: Rs. 0.776 million) in respect of contribution to the staff provident fund.

Salaries and wages also include salaries and allowances of executives as per the following details:

2022	Executives	Others	Total
	-----Rupees-----		
Basic salary	7,000,224	4,209,096	11,209,320
House rent allowance	2,799,792	1,683,527	4,483,319
Medical allowance	699,984	420,878	1,120,862
Other allowances	50,000	530,740	580,740
Retirement benefits	723,422	367,154	1,090,576
	<b>11,273,422</b>	<b>7,211,395</b>	<b>18,484,817</b>
Number of person(s)	4	13	

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

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

38.3 This includes expense relating to short term leases amounting to Rs. 1,493,568 (2021:Rs. 1,465,318).

38.4	<b>Auditors' remuneration</b>	2022	2021
	Note	-----Rupees-----	
	Annual audit fee	250,000	287,500
	Half yearly review	67,500	57,500
	Code of corporate governance	82,500	-
	Out of pocket expenses	50,000	55,000
		<b>450,000</b>	<b>400,000</b>

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

### 39 MODARABA MANAGEMENT COMPANY'S FEE

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

### 40 TAXATION

	Note	2022	2021
		-----Rupees-----	
Current tax expense for the year		<b>2,191,026</b>	1,243,335
Deferred tax	14	<b>(467,200)</b>	-
Prior year adjustment		-	103,143
	40.1	<b>1,723,826</b>	1,346,478

#### 40.1 Relationship between accounting profit and taxation

Accounting profit before taxation	40.1.1 & 40.1.2	<b>13,089,059</b>	7,953,044
Tax at the applicable tax rate of 17% (2021: 17%)		<b>2,225,140</b>	1,352,017
Tax effect of:			
- Permanent differences		<b>210,315</b>	-
- Adjustments relating to prior years		-	103,143
- Others		<b>(711,629)</b>	(108,682)
		<b>1,723,826</b>	1,346,478

40.1.1 As at June 30, 2021 income of non-trading Modarabas was exempt from tax provided that not less than 90% of its profits in the year after transfer to statutory reserve are distributed amongst the certificate holders. Since profit distributed was below the defined limit; alternative corporate tax was charged at 17% in 2021.

40.1.2 In current year, the exemption from tax of non-trading Modarabas is withdrawn and current tax is calculated on at the rate of 17%.

### 41 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Net profit for the year	Rupees	<b>11,365,233</b>	6,606,566
Weighted average number of certificates	Number	<b>29,800,000</b>	29,800,000
Earnings per certificate	Rupees	<b>0.38</b>	0.22

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



## 42 CASH GENERATED FROM OPERATIONS

		2022	2021
	Note	-----Rupees-----	
Profit before taxation		<b>13,089,059</b>	7,953,044
<b>Adjustments for non-cash and other items:</b>			
- Depreciation:			
Under ijarah	20.2	<b>32,822,012</b>	27,091,735
In own use	20.3	<b>554,541</b>	443,739
Right of use assets	20.5	<b>508,695</b>	133,976
- Provision for doubtful receivables	37	<b>5,041,533</b>	-
- Gain on disposal of ijarah assets	36	<b>(6,608,703)</b>	(5,681,248)
- Gain on disposal of owned fixed assets	36	<b>(166,468)</b>	(1,192,754)
- Loss on disposal of asset held for sale	16.1	<b>3,892,550</b>	-
- Profit on long term investment	35	<b>-</b>	(538,891)
- Balances written off	38	<b>6,445,935</b>	2,866,203
- Stock in trade - written off	38	<b>429,561</b>	-
- Loss / (profit) on sale of short term investments	35	<b>1,274,637</b>	(6,664,561)
- Unrealized loss / (gain) on revaluation of financial assets at fair value through profit or loss	6.3	<b>12,474,396</b>	(1,146,910)
- Unwinding of lease liabilities	25	<b>320,090</b>	2,691
- Fair value gain on investment property	19	<b>-</b>	(1,869,000)
- Workers' Welfare Fund		<b>267,124</b>	162,307
- Dividend income	35	<b>(1,705,750)</b>	(1,210,874)
		<b>55,550,153</b>	12,396,413
<b>Operating profit before working capital changes</b>		<b>68,639,212</b>	20,349,457
Decrease / (increase) in current assets			
- Advances, deposits, prepayments and other receivables		<b>(11,749,924)</b>	368,115
- Short term murabaha finances receivables		<b>10,760,302</b>	(265,369)
- Short term musharakah finances receivables		<b>2,406,399</b>	4,278,036
- Ijarah rental receivables		<b>12,500,970</b>	(142,784)
- Stock in trade		<b>429,561</b>	-
Increase in current liabilities			
- Creditors, accrued and other liabilities		<b>7,351,348</b>	1,954,039
		<b>21,698,656</b>	6,192,037
Cash generated from operations		<b>90,337,868</b>	26,541,494



#### 42.1 Changes in Financing Activities

	As at June 30, 2021	Non-cash changes	Cash flows (Net)	As at June 30, 2022
	-----Rupees-----			
Unclaimed profit distributions	12,889,720	-	(54,928)	12,834,792
Loan from Director	-	-	5,000,000	5,000,000
Lease liabilities against right of use assets	-	3,094,790	(700,224)	2,394,566
	<u>12,889,720</u>	<u>3,094,790</u>	<u>4,244,848</u>	<u>20,229,358</u>
Unclaimed dividends	12,891,301	-	(1,581)	12,889,720
Lease liabilities against right of use assets	153,052	2,691	(155,743)	-
	<u>13,044,353</u>	<u>2,691</u>	<u>(157,324)</u>	<u>12,889,720</u>

Impact of non-cash changes in lease liabilities comprise of interest charge on lease liabilities Rs. 320,090 (2021: 2,691) (refer to note 25).

#### 43 MATURITIES OF ASSETS AND LIABILITIES

MATURITIES OF ASSETS AND LIABILITIES		2022			
		Total	Up to one year	One year to five years	Over five years
	Note	-----Rupees-----			
<b>Assets:</b>					
Cash and bank balances	5	7,690,515	7,690,515	-	-
Short term investments	6	32,908,149	32,908,149	-	-
Advances, deposits, prepayments and other receivables	7	28,291,113	28,291,113	-	-
Ijarah rental receivables - secured	9	4,048,929	4,048,929	-	-
Income tax refundable	15	3,072,891	3,072,891	-	-
Long term murabaha finances	11	99,188,151	79,992,821	19,195,330	-
Asset held for sale		8,625,000	8,625,000	-	-
Short term murabaha finances - secured	8	30,990,535	30,990,535	-	-
Long term musharakah finances	13	4,478,386	1,704,637	2,773,749	-
Short term musharakah finances	12	23,689,845	23,689,845	-	-
Deferred taxation	14	1,160,917	1,160,917	-	-
Deposits	17	1,106,562	-	951,700	154,862
Investments	18	7,281,478	-	7,281,478	-
Operating fixed assets given on lease / ijarah - tangible	20	147,262,006	34,963,100	112,298,906	-
Operating fixed assets in own use-tangible	20	13,527,952	-	11,657,965	1,869,987
Right of use assets	20	2,266,005	554,940	1,711,065	-
		<u>415,588,434</u>	<u>257,693,392</u>	<u>155,870,193</u>	<u>2,024,849</u>
<b>Liabilities:</b>					
Unclaimed profit distributions	21	12,834,792	12,834,792	-	-
Creditors, accrued and other liabilities	22	11,361,125	11,361,125	-	-
Due to director	26	5,000,000	5,000,000	-	-
Lease liabilities against right of use assets	25	2,394,566	430,555	1,964,011	-
Deferred income on murabaha	23	9,064,766	6,698,560	2,366,206	-
Customers' security deposits	24	53,882,313	8,810,600	45,071,713	-
		<u>94,537,562</u>	<u>45,135,632</u>	<u>49,401,930</u>	<u>-</u>
<b>Net Balance</b>		<u>321,050,872</u>	<u>212,557,760</u>	<u>106,468,263</u>	<u>2,024,849</u>
Certificate holders' equity		326,579,554			
Unrealized loss on revaluation of investments		(5,528,682)			
Surplus on revaluation of fixed assets		-			
<b>Net Balance</b>		<u>321,050,872</u>			

		2021			
		Total	Up to one year	One year to five years	Over five years
		-----Rupees-----			
<b>Assets:</b>					
Cash and bank balances	5	5,394,699	5,394,699	-	-
Short term investments	6	26,057,529	26,057,529	-	-
Advances, deposits, prepayments and other receivables	7	23,568,097	23,568,097	-	-
Ijarah rental receivables - secured	9	16,549,899	16,549,899	-	-
Income tax refundable	15	4,777,383	4,777,383	-	-
Stock in trade	10	429,561	429,561	-	-
Long term murabaha finances	11	91,017,698	77,841,930	13,175,768	-
Short term murabaha finances - secured	8	41,750,837	41,750,837	-	-
Long term musharakah finances	13	893,033	651,731	241,302	-
Short term musharakah finances	12	26,792,292	26,792,292	-	-
Deposits	17	707,962	-	553,100	154,862
Investments	18	10,515,018	-	10,515,018	-
Investment property	19	8,469,000	8,469,000	-	-
Assets held for sale					
Operating fixed assets given on lease / ijarah - tangible	16 17	13,805,000 94,956,022	13,805,000 34,963,100	- 59,992,922	- -
Operating fixed assets in own use - tangible	18	13,126,289	-	11,696,477	1,429,812
		<u>378,810,319</u>	<u>281,051,058</u>	<u>96,174,587</u>	<u>1,584,674</u>
<b>Liabilities:</b>					
Unclaimed profit distributions	21	12,889,720	12,889,720	-	-
Creditors, accrued and other liabilities	22	3,742,653	3,742,653	-	-
Lease Liabilities against right of use assets	25	-	-	-	-
Deferred income on murabaha	23	6,889,714	5,143,468	1,746,246	-
Customers' security deposits	24	39,676,496	8,330,765	31,345,731	-
		<u>63,198,583</u>	<u>30,106,606</u>	<u>33,091,977</u>	<u>-</u>
<b>Net Balance</b>		<u>315,611,736</u>	<u>212,557,760</u>	<u>106,468,263</u>	<u>2,024,849</u>
Certificate holders' equity		315,882,962			
Unrealized loss on revaluation of investments		(2,728,426)			
Surplus on revaluation of fixed assets		2,457,200			
<b>Net Balance</b>		<u>315,611,736</u>			

## 44 FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Modaraba's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) of the Management Company, chief operating officer and chief financial officer. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Modaraba's overall risk management procedures, to minimize the potential adverse effects of financial market on its performance, are as follows:

### 44.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, profit rate, commodity price and equity price that will affect the Modaraba's income or the value of its holdings of financial instruments.

#### 44.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Modaraba is not exposed to currency risk arising from currency exposure as Modaraba is not involved in foreign currency transactions.

#### 44.1.2 Profit rate risk

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

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

#### **Fixed rate instruments**

		2022	2021
	Note	-----Rupees-----	
<b><u>Financial assets</u></b>			
Short term murabaha finances	8	<b>30,990,535</b>	41,750,837
Ijarah rental receivables	9	<b>4,048,929</b>	16,549,899
Long term murabaha finances	11	<b>99,188,151</b>	91,017,968
Long term musharakah finances	13	<b>4,528,444</b>	893,033
Short term musharakah finances		<b>23,689,845</b>	26,792,292

#### **Floating rate instruments**

#### **Financial assets**

Bank balances - deposit accounts	5	<b>3,116,919</b>	5,077,166
Bank balances - dividend account	5	<b>4,531,160</b>	148,787

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

The Modaraba does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in profit rate at the reporting date would not affect profit or loss of the Modaraba.

### **Cash flow sensitivity analysis for variable rate instruments**

If profit rates, as at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 71,143 (2021: Rs. 52,260) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

#### **44.2 Credit risk**

44.2.1 Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, net of impairment, was as follows:

		<b>2022</b>	<b>2021</b>
	Note	-----Rupees-----	
Bank balances	5	<b>7,662,018</b>	5,387,341
Short term murabaha finances	8	<b>30,990,535</b>	41,750,837
Ijarah rental receivables	9	<b>4,048,929</b>	16,549,899
Long term musharakah finances	13	<b>4,478,386</b>	893,033
Short term musharakah finances		<b>23,689,845</b>	26,792,292
Long term murabaha finances	11	<b>99,188,151</b>	91,017,698
Long term deposits	17	<b>1,106,562</b>	707,962
Short term investments	6	<b>32,908,149</b>	26,057,529
Investments	18	<b>7,281,478</b>	10,515,018
Advances, deposits and other receivables	7	<b>5,448,505</b>	11,291,397
		<b>216,802,558</b>	230,963,006

44.2.2 Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables (murabaha financing, musharakah financing and ijarah / lease rental receivables) as at the reporting date by type of customer was:

		<b>2022</b>	<b>2021</b>
	Note	-----Rupees-----	
Textile Composite		-	12,347,453
Healthcare		<b>3,931,171</b>	2,711,430
Steel		<b>3,067,440</b>	-
Food and Allied		<b>28,236,807</b>	28,236,807
Educational Institutions		<b>23,758,461</b>	14,361,733
Miscellaneous		<b>49,749,168</b>	63,671,549
Oil & Gas		<b>18,005,513</b>	25,148,851
Agriculture		<b>32,004,666</b>	38,241,821
Clearing Forwarding		<b>2,740,515</b>	-
Insurance/Tracker		<b>21,908,500</b>	8,632,752
		<b>183,402,241</b>	193,352,396

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

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

	Note	2022	2021
		-----Rupees-----	
Not past due		<b>100,759,382</b>	92,743,810
Past due 1 - 180 days		<b>4,501,131</b>	6,735,952
Past due 181 days - 1 year		<b>3,751,073</b>	1,439,731
Past due 1 - 2 years		<b>-</b>	4,854,253
More than 2 years		<b>82,038,524</b>	99,312,944
		<b>191,050,110</b>	205,086,690

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

Past due 181 - 365 days	<b>-</b>	598,594
1 - 2 years	<b>1,400,000</b>	-
More than 2 years	<b>17,104,133</b>	16,722,842
	<b>18,504,133</b>	17,321,436

The Modaraba has adopted a policy of only dealing with creditworthy parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed annually.

The management monitors and limits Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

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

	Rating Short term	Rating Long term	Rating Agency	2022	2021
				-----Rupees-----	
The Bank of Punjab	-	AA	PACRA	-	148,787
Meezan Bank Limited	A-1+	AAA	JCR-VIS	7,649,701	5,228,140
State Bank of Pakistan				12,317	10,414
				<b>7,662,018</b>	<b>5,387,341</b>

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

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

#### 44.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Owing to the fact that the Modaraba is in a positive working capital position at the year end, the management believes the liquidity risk to be low.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equate to their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 & 5 years	Over 5 years
<b>June 30, 2022</b>	-----Rupees-----				
Lease liabilities against right of use assets	2,394,566	2,394,566	430,555	1,964,011	-
Unclaimed profit distributions	12,834,792	12,834,792	12,834,792	-	-
Creditors, accrued and other liabilities	11,361,125	11,361,125	11,361,125	-	-
Due to director	5,000,000	5,000,000	5,000,000	-	-
	<u>26,590,483</u>	<u>26,590,483</u>	<u>24,626,472</u>	<u>1,964,011</u>	<u>-</u>
<b>June 30, 2021</b>	-----Rupees-----				
Lease liabilities against right of use assets	-	-	-	-	-
Unclaimed profit distributions	12,889,720	12,889,720	12,889,720	-	-
Creditors, accrued and other liabilities	3,742,653	3,742,653	3,742,653	-	-
	<u>16,632,373</u>	<u>16,632,373</u>	<u>16,632,373</u>	<u>-</u>	<u>-</u>

Note 43 to the financial statements summarizes the maturity profile of the Modaraba's assets and liabilities.

#### 44.4 Fair value of financial instruments

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

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

##### Fair value estimation

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

##### Fair value hierarchy

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



The following table presents the Company's financial assets that are measured at fair value at June 30, 2022:

	Level 1	Level 2	Level 3	Level 4
-----Rupees-----				
<b>Financial Assets:</b>				
Short term investments (note 6)	32,908,149	-	-	32,908,149
Long term investments (note 18)	7,281,478	-	-	7,281,478

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

<b>Financial Assets:</b>				
Short term investments (note 6)	26,057,529	-	-	26,057,529
Long term investments (note 18)	10,515,018	-	-	10,515,018

#### 44.5 Financial instruments by categories

	Note	At fair value through OCI (equity instruments designated upon initial recognition)	Amortized cost	Assets at fair value through profit or loss (Mandatorily Measured)	Total
-----Rupees-----					
<b>2022</b>					
Cash and bank balances	5	-	7,690,515	-	7,690,515
Short term investments	6	-	-	32,908,149	32,908,149
Advances, deposits and other receivables	7	-	5,448,505	-	5,448,505
Short term murabaha finances - secured	8	-	30,990,535	-	30,990,535
Short term musharakah finances (secured - considered good)		-	23,689,845	-	23,689,845
Diminishing musharakah financing	13	-	4,478,386	-	4,478,386
Ijarah rental receivables - secured	9	-	4,048,929	-	4,048,929
Murabaha finances	11	-	99,188,151	-	99,188,151
Deposits	17	-	1,106,562	-	1,106,562
Investments	18	7,281,478	-	-	7,281,496
		<u>7,281,478</u>	<u>176,641,428</u>	<u>32,908,149</u>	<u>216,831,073</u>
<b>2021</b>					
Cash and bank balances	5	-	5,394,699	-	5,394,699
Short term investments	6	-	-	26,057,529	26,057,529
Advances, deposits and other receivables	7	-	11,291,397	-	11,291,397
Short term murabaha finances - secured	8	-	41,750,837	-	41,750,837
Short term musharakah finances (secured - considered good)		-	26,792,292	-	26,792,292
Diminishing musharakah financing	13	-	893,033	-	893,033
Ijarah rental receivables - secured	9	-	16,549,899	-	16,549,899
Murabaha finances	11	-	91,017,698	-	91,017,69
Deposits	17	-	707,962	-	707,962
Investments	18	10,515,018	-	-	10,515,018
		<u>10,515,018</u>	<u>194,397,817</u>	<u>26,057,529</u>	<u>230,970,364</u>

#### Financial liabilities at amortized cost

	Note	2022	2021
-----Rupees-----			
Lease liabilities against right of use assets	25	<b>2,394,566</b>	-
Unclaimed profit distributions	21	<b>12,834,792</b>	12,889,720
Creditors, accrued and other liabilities	22	<b>11,361,125</b>	3,742,653
Due to director	26	<b>5,000,000</b>	-
		<u><b>31,590,483</b></u>	<u>16,632,373</u>



#### 44.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

#### 44.7 Capital risk management

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

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

	Note	2022	2021
		-----Rupees-----	
Total equity		<b>326,579,554</b>	315,882,962
Less: Cash and bank balances		<b>(7,690,515)</b>	(5,394,699)
Capital		<b>318,889,039</b>	310,488,263
Total liabilities		<b>94,537,562</b>	63,198,583
Debt to equity ratio		<b>30%</b>	20%

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

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

#### 45 **REMUNERATION OF EXECUTIVES / KEY MANAGEMENT PERSONNEL**

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

	<b>Executives / Key Management Personnel</b>	
	<b>2022</b>	<b>2021</b>
	-----Rupees-----	
Managerial remuneration	<b>7,000,224</b>	4,658,743
House rent allowance	<b>2,799,792</b>	1,863,497
Medical allowance	<b>699,984</b>	465,874
Meeting fees allowance	<b>-</b>	420,000
Other allowances	<b>50,000</b>	-
Retirement benefits	<b>723,422</b>	463,006
	<b>11,273,422</b>	<b>7,871,120</b>
Number of person(s)	<b>4</b>	<b>4</b>

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

#### 46 **TRANSACTIONS WITH RELATED PARTIES**

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

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

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

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

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

### Transactions during the year

Related party	Basis of Relationship	Nature of transaction	Note	2022	2021
				-----Rupees-----	
Al-Zamin Modaraba Management (Private) Limited	Modaraba Management Company	Management fee	39	<b>1,484,020</b>	901,706
Employees' Provident Fund	Associated undertaking	Contribution for the year		<b>955,501</b>	776,865
Director	Director	Interest free loan obtained	26	<b>10,000,000</b>	-
		Interest free loan repaid	26	<b>5,000,000</b>	-
Executives and close relatives thereof	Associated persons	Loan given during the year	7.1	<b>500,000</b>	200,000
		Repayment of loan received	7.1	<b>170,000</b>	30,000

The amounts above do not include salaries and other employee benefits of the executives of the Company which have been disclosed in note 45.

### Outstanding balance as at the reporting date

Al-Zamin Modaraba Management (Private) Limited	Payable against management fee		<b>1,484,020</b>	901,706
Director	Loan payable	26	<b>5,000,000</b>	-
Executives	Loan receivables	7.1	<b>500,000</b>	170,000



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

		2022	2021
	Note	-----Rupees-----	
<b>Revenues</b>			
Total revenues for reportable segments		39,779,308	40,678,692
Other revenues		35,999,464	3,637,415
Modaraba's revenues		75,778,772	44,316,107
<b>Profit</b>			
Total profit for reportable segments		22,263,379	41,738,943
Other income		35,999,464	3,523,765
Fair value gain on asset held for sale		53,550	-
Operating expenses		(43,476,190)	(36,445,960)
Modaraba Management Company's fee		(1,484,020)	(901,706)
Workers' Welfare Fund		(267,124)	(162,307)
Taxation		(1,723,826)	(1,146,169)
		11,365,233	6,606,566
<b>Assets</b>			
Total assets for reportable segments		363,193,012	323,946,811
Corporate assets unallocated:			
Advances, deposits, prepayments and other receivables		14,945,580	8,583,175
Income tax refundable		3,072,891	4,777,383
Deferred taxation		1,160,917	-
Deposits		1,106,562	707,962
Non-current assets held for sale		8,625,000	22,274,000
Fixed assets		15,793,957	13,126,289
Cash and bank balances		7,690,515	5,394,699
		52,395,422	54,863,508
Total assets as per the balance sheet		415,588,434	378,810,319
<b>Liabilities</b>			
Total liabilities for reportable segments		70,930,424	47,776,915
Corporate liabilities unallocated:			
Unclaimed profit distributions		12,834,792	12,889,720
Creditors, accrued and other liabilities		3,377,780	2,531,948
Due to director		5,000,000	-
Lease liabilities against right of use assets		2,394,566	-
Total liabilities as per the balance sheet		94,537,562	63,198,583

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

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

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

There are no asymmetrical allocations to reportable segments.

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

47.4 Sales to five major customers of the Modaraba are approximately 28% during the year ended June 30, 2022 (2021: 41%).

#### 48 NUMBER OF EMPLOYEES

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

2022	2021
17	21
19	21

#### 49 PROVIDENT FUND

Size of the fund (in rupees)  
Percentage of investments made  
Fair value of investments (in rupees)  
Cost of investments made (in rupees)

Audited	Audited
Rupees (Un-audited)	Rupees (Audited)
5,828,699	6,467,134
85.78%	0.00%
5,000,000	-
5,000,000	-

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

	2022		2021	
	Investment Rupees	Investment as a % of size of funds	Investment Rupees	Investment as a % of size of funds
Investment in COIs	5,000,000	85.78%	-	0.00%
	5,000,000		-	

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

#### 50 SUBSEQUENT NON ADJUSTING EVENT

Pakistan Telecommunication Company Limited having market value of Rs 695,000 and Netsol Technologies Limited having market value of Rs 2,393,760 were subsequently excluded from PSX KMI all shares Islamic Index (List of sharia Compliant shares) with effect from July 15, 2022.

#### 51 COMPARATIVE FIGURES

Items presented in the statement of comprehensive income for the year ended June 30, 2020 have been reclassified to confirm to current year's presentation. The items are reclassified for better presentation.

	Note	Before classification	Reclassification	After classification
Assets classified as held for sale	16	-	13,805,000	13,805,000
Investment properties	19	22,274,000	(13,805,000)	8,469,000

#### 52 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved for issue by the Board of Directors of the Management Company in its meeting held on \_\_\_\_\_.

The annexed notes from 1 to 52 form an integral part of these financial statements.

## PATTERN OF CERTIFICATE HOLDING

AS ON 30<sup>th</sup> JUNE 2022

Number of Certificate Holders	Certificate Holding		Total Certificate	Percentage Held
	From	To		
608	1	100	28105	0.09
900	101	500	264211	0.89
602	501	1000	525063	1.76
291	1001	5000	707444	2.37
54	5001	10000	423742	1.42
18	10001	15000	220070	0.74
10	15001	20000	171297	0.57
7	20001	25000	161014	0.54
4	25001	30000	115074	0.39
1	30001	35000	31300	0.11
4	35001	40000	152550	0.51
2	45001	50000	95174	0.32
2	60001	65000	127000	0.43
1	65001	70000	67740	0.23
2	70001	75000	148000	0.50
1	75001	80000	78382	0.26
1	85001	90000	87400	0.29
2	100001	105000	206120	0.69
2	115001	120000	238100	0.80
1	120001	125000	125000	0.42
1	170001	175000	172730	0.58
1	290001	295000	291200	0.98
1	395001	400000	396500	1.33
1	525001	530000	527500	1.77
1	955001	960000	959500	3.22
1	1155001	1160000	1159500	3.89
1	1255001	1260000	1258896	4.22
1	5260001	5265000	5261388	17.66
1	15795001	15800000	15800000	53.02
<b>2522</b>			<b>29,800,000</b>	<b>100.00</b>



## CATEGORIES OF CERTIFICATEHOLDERS

AS AT JUNE 2022

Categories of Certificateholders	Number of Certificate Holders	Total Certificates Held	Percentage
Associated companies, undertakings and related parties			
Al-Zamin Modaraba Management (Private) Limited	1	5,261,388	17.6557
Investment Corporation of Pakistan	1	10,100	0.0339
Directors, CEO & their spouse and minor children			
Executives	-	-	-
Public sector companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
	17	1,577,136	5.2924
Joint Stock Companies	20	67,843	0.2277
Individuals	2,475	22,797,033	76.5001
Others	8	86,500	0.2903
<b>Total</b>	<b>2,522</b>	<b>29,800,000</b>	<b>100.00</b>

### Certificateholders holding five percent or more certificate in the Modaraba

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



## BOOK POST

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