



B.F. MODARABA



Managed By
E.A. MANAGEMENT (PVT) LTD.

Registered under
The Companies Ordinance 1984 & Modaraba
Companies & Modaraba Ordinance 1980

A photograph of an industrial facility, likely a power plant or refinery, featuring two tall smokestacks emitting white smoke against a blue sky. The foreground shows various pipes and industrial structures.

Annual Report 2016



B. F. MODARABA
28th ANNUAL REPORT 2016
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CORPORATE INFORMATION

MODARABA MANAGEMENT COMPANY

E.A. Management (Pvt.) Ltd.

BOARD OF DIRECTORS

DIRECTORS OF MODARABA MANAGEMENT COMPANY

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ahmed Ali Muhammad Amin Bawany	- Chairman
Mr. Muhammad Omar Amin Bawany	- Member
Mr. Hamza Omar Bawany	- Member

CFO & COMPANY SECRETARY

Mr. Muhammad Ayub

SHARIAH ADVISOR

Mr. Mufti Zubair Usmani

LEGAL ADVISOR

Mr. Ghulam Rasool Korai

MODARABA AUDITORS

M/s. RSM Avasi Hyder Liaquat Nauman
Chartered Accountants

BANKERS

Al-Baraka Islamic Investment Bank
Bank Al-Habib Limited-Islamic
Habib Bank Limited
Habib Metropolitan Islamic Bank Limited
Burj Bank Limited
UBL Ameen Islamic Banking

REGISTERED OFFICE

4th Floor, Bank House No. I,
Habib Square, M.A. Jinnah Road,
Karachi-74000, Pakistan.
Phone : (92-21) 111 786 878, 32413240
Fax : (92-21) 32421010

EMAIL & WEBSITE

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

SHARES REGISTRAR

M/s. C & K Management Associates (Pvt.) Ltd,
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi-75530
Tel: (92-21) 35687839 & 35685930



**28th ANNUAL REPORT OF THE DIRECTORS
OF THE MODARABA COMPANY
FOR THE YEAR ENDED JUNE 30, 2016**

Dear Certificate Holders.

Assalam-o-Aalikum,

In the name of ALLAH the most gracious and most merciful, your directors are pleased to present 28th Annual Report of your Modaraba together with the audited financial statements for the year ended June 30, 2016.

FINANCIAL RESULTS

Financial results are summarized as follows:

	June 2016 Rupees	June 2015 Rupees
Revenue	<u>17,761,703</u>	<u>15,379,989</u>
Profit before charging management fee	12,180,090	10,562,501
Management fee	<u>(1,218,009)</u>	<u>(1,056,250)</u>
Profit before WWF	<u>10,962,081</u>	<u>9,506,251</u>
WWF	<u>(219,242)</u>	<u>(190,125)</u>
Profit before taxation	10,742,839	9,316,126
Taxation	<u>(518,072)</u>	<u>(200,000)</u>
Profit after taxation	10,224,767	9,116,126
Add: Un-appropriated profit brought forward	<u>5,891,866</u>	<u>5,682,801</u>
	<u>16,116,633</u>	<u>14,798,927</u>
Appropriations:		
Transferred to statutory reserve @50% of profit (2015: 40%)	<u>5,112,383</u>	<u>3,646,450</u>
Cash Dividend @ 6.50 % (2015: 7%)	<u>4,884,853</u>	<u>5,260,611</u>
	<u>9,997,236</u>	<u>8,907,061</u>
Un-appropriated profit carried forward	<u>6,119,397</u>	<u>5,891,866</u>
Earnings per certificate	<u>1.36</u>	<u>1.21</u>

REVIEW OF OPERATIONS

Gross revenues during the year were Rs.17.761 million vis-à-vis Rs.15.379 million for the corresponding period of 2014-15. Major components of revenue were trading income of Rs.6.65 million, dividend income of Rs.5.52 million and profit on bank deposit of Rs.2.19 million. Thus, Pre-tax Profit stood at Rs.10.742 million against a Pre-tax Profit of Rs.9.316 million for the corresponding period of 2014-15. FY'16 turned out to be quite an eventful year for the stock market. The year initiated with continued foreign investors' selling which dragged the market.



down during the first half but positive developments later like continued monetary easing by the SBP and reclassification of Pakistan in MSCI's emerging markets category (after eight years) provided the much needed impetus to keep the investors' confidence intact and drive the market to new highs. During the year PSX-100 Index has crossed all time high level of 40,000. This positive trend was reflected in our portfolio investment valuation and unrealized gain of marketable securities improved, which has been reflected in the equity.

PROFIT DISTRIBUTION

The Board in its meeting held on October 05, 2016 has approved final profit distribution @6.5% i.e. Re.0.65 per certificate.

FUTURE OUTLOOK

Pakistan was among the best performing markets globally during FY'16 which coupled with healthy participations by global investors in the country's international bond/sukuk issues, improving economy (falling inflation and interest rates, strengthening forex reserves, lowered deficits, etc) and upcoming investments scheduled under CPEC, highlight that the future case for Pakistan is very strong.

The reclassification of Pakistan in the MSCI Emerging Markets category will work as a catalyst driving the market's performance during the new fiscal year. While some political concerns may stay in the near term, it is pertinent to note that continued monetary softening, low international oil prices, Pakistan's stock market being attractive among peers on the basis of P/E multiple, strong corporate profitability expected to continue, improving macroeconomic fundamentals and ongoing development under the China Pakistan Economic Corridor is also expected to keep the equities strong and performing in the long run. Our Modaraba's investment portfolio is invested with prudence while seeking a modest return in line with market condition. We believe that stock market is quiet attractive at present. The PSX-100 Index has crossed 40,000 points. Keeping in view current market condition, we are applying conservative approach while trading in equity market. We have mostly invested in high dividend yielding blue chip stock, which show resilience under such market conditions. Also we expect positive contribution from trading activities in commodities in next year too.

The current economic situation, along with a very competitive environment for Islamic products, has resulted in a very challenging outlook for the Modaraba. The Management of your Modaraba is proactively studying available options which would best protect and preserve Certificate holders' interest in the future.

CORPORATE GOVERNANCE

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

- A. The financial statements prepared by the management of the Modaraba present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- B. Proper books of accounts of the Modaraba have been maintained.
- C. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- D. International Accounting Standards, as applicable in Pakistan have been followed in the preparation of financial statements.



- E. The system of internal control is sound and has been effectively implemented and monitored.
- F. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- G. There is no material departure from best practices of corporate governance as detailed in the listing regulations of stock exchanges.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE.

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

BOARD MEETINGS

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

PATTERN OF CERTIFICATE HOLDERS

A statement showing the pattern of holding of the certificates as at June 30, 2016 is annexed to the Annual report.

TRADING OF CERTIFICATE

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

KEY OPERATING & FINANCIAL DATA

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

AUDITORS

The present Auditors M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants, retiring on the date of Annual Review Meeting, being eligible, have offered themselves for re-appointment for the year ending June 30, 2017 subject to approval by the Registrar Modaraba Companies and Modarabas, the Board has confirmed their appointment.

ACKNOWLEDGEMENT

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

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

On behalf of the Board

Karachi.
Date : October 5, 2016

Muhammad Omar Amin Bawany
Chief Executive



28 ویں سالانہ ڈائریکٹرز کی رپورٹ

محترم سرٹیفکیٹ یافتگان

اسلام علیکم!

اللہ تعالیٰ کے نام سے جو بہت مہربان اور نہایت رحم کرنے والا ہے۔ آپ کے ڈائریکٹرز آپ کے مضاربہ کی 28 ویں سالانہ رپورٹ کے ساتھ 30 جون 2016 کو ختم ہونے والے سال کے لئے آڈٹ شدہ مالیاتی گوشوارہ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج

مالیاتی نتائج کا خلاصہ/سری درج ذیل ہے۔

2015 روپے	2016 روپے	
15,379,989	17,761,703	آمدنیاں
10,562,501	12,180,090	منافع قبل از مینجمنٹ کی فیس
(1,056,250)	(1,218,009)	مینجمنٹ فیس
9,506,251	10,962,081	منافع قبل از WWF
(190,125)	(219,242)	WWF
9,316,126	10,742,839	منافع قبل از ٹیکس
(200,000)	(518,072)	ٹیکس
9,116,126	10,224,767	منافع ٹیکس کے بعد
5,682,801	5,891,866	جمع: غیر تصرف شدہ منافع برارڈ فارورڈ
14,798,927	16,116,633	تصرفات
3,646,450	5,112,383	منافع کا 50 فیصد کے حساب سے دستوری ذخائر میں منتقل کیا گیا۔
5,260,611	4,884,853	منافع کی تقسیم بحساب 6.50 فیصد (7% : 2015)
8,907,061	9,997,236	
5,891,866	6,119,397	
1.21	1.36	فی سرٹیفکیٹ آمدنی

آپریشنز (افعال) کا جائزہ

سال کے دوران مجموعی آمدنیاں 17.761 ملین روپے تھیں جبکہ 2014-15 کی اسی مدت کے لئے 15.379 ملین روپے تھی۔ آمدنی کے اہم کمپوننٹس 6.65 ملین روپے کی ٹریڈنگ انکم (تجارتی آمدنی) 5.52 ملین روپے کی ڈیویڈنڈ کی آمدنی اور 2.19 ملین روپے کے بینک ڈیپازٹ پر نفع تھا۔ لہذا ٹیکس سے پہلے نفع 2014-15 کی اسی مدت کے لئے 9.316 ملین روپے کے مقابلے میں ٹیکس سے پہلے نفع 10.742 ملین روپے رہا۔ مالی سال 2016 نے اسٹاک مارکیٹ کے لئے ایک اہم سال ثابت ہوا۔ سال



کے آغاز سے غیر ملکی سرمایہ کاروں کی مسلسل فروخت کی وجہ سے پہلی ششماہی کے دوران مارکیٹ نیچے رہی لیکن بعد میں بینک دولت پاکستان کی جانب سے زر کی مسلسل آسانی نے ترقیات کے مثبت نتائج دیئے اور **MSCI** کی پاکستان میں دوبارہ درجہ بندی نے مارکیٹ کی ٹیگی کی ظہور (آٹھ سال کے بعد) بہت زیادہ قوت فراہم کی کہ انوسٹر کے مکمل اعتماد کو برقرار رکھا اور مارکیٹ کو نئی بلندیوں پر لے گیا سال کے دوران **PSX-100** انڈیکس **40,000** کی بلند ترین سطح کو پار کر گیا۔ یہ مثبت رجحان ہمارے پورٹ فائلو انوسٹمنٹ ویلیویشن کے رجحان کا عکاس تھا اور قابل فروخت سکیورٹیز (ضمانتیں) کے ناقابل اعتماد حصول میں بہتری آئی جو ایکویٹی میں ظاہر کی گئی ہے۔

نفع کی تقسیم

بورڈ نے اپنے منعقدہ اجلاس 05 اکتوبر 2016 میں بحساب 6.5 فیصد مثلاً 0.65 روپے فی سٹیفیکٹ حتمی نفع کی تقسیم کی منظوری دی۔

مستقبل کے مناظر

مالی سال 2016 کے دوران پاکستان عالمی مارکیٹس (منڈیوں) کے مابین بہترین کارکردگی رکھنے والوں میں ایک تھا جو ملک میں بین الاقوامی بانڈ/صلوک کے اجراء میں عالمی سرمایہ کاروں کی جانب سے حوصلہ افزاء شرکت سے وابستہ ہے۔ معیشت میں بہتری آرہی ہے (افراط زر اور سود کی شرحوں میں کمی۔ زرمبادلہ کے ذخائر میں استحکام، خسارہ میں کمی وغیرہ) اور **CPEC** کے تحت سرمایہ کاری کے شیڈول میں فروغ اجاگر کرتے ہیں کہ پاکستان کا مستقبل بہت مستحکم ہے۔

نئے مالی سال کے دوران **MSCI** کا ظہور سے مارکیٹس کی درجہ بندی میں پاکستان کی دوبارہ درجہ بندی مارکیٹ کی کارکردگی کو بڑھائے گی۔ جب کہ بعض سیاسی خدشات/تشویشیں مستقبل قریب میں برقرار رہ سکتے ہیں۔ یہ نوٹ کرنا ضروری ہے کہ زرعی پالیسی میں مسلسل نرمی، تیل کی عالمی قیمتوں میں کمی، پاکستان کی اسٹاک مارکیٹ بکثرت **P/E** کی بنیاد پر ہمسروں/ہم رتبوں کے درمیان پرکشش ہے۔ مستحکم منافع جاری رہنے کی توقع ہے۔ میکرو اکنامکس کی بنیادوں میں بہتری آرہی ہے اور چین پاکستان اقتصادی راہداری کے تحت ترقی جاری ہے اور طویل مدت میں کارکردگی اور ایکٹیویٹی کو برقرار رکھنے کی توقع ہے۔ ہمارے مضاربہ کی سرمایہ کاری عاقبت اندیشی سے کی گئی ہے، جب کہ مارکیٹ کے حالات کے ساتھ قطار میں باعظمت معاوضہ کی تلاش میں ہیں۔ **PSX-100** کا انڈیکس **40,000** پوائنٹس سے کراس/پار کر گیا ہے۔ مارکیٹ کی موجودہ صورت حال کو مد نظر رکھتے ہوئے ہم قدامت پسندانہ رسائی استعمال کر رہے ہیں جب کہ ایکویٹی مارکیٹ میں ٹریڈنگ کر رہے ہیں۔ ہم اکثر بہت زیادہ ڈیوڈنڈ کے ذخائر کی بیلو چپ اسٹاک میں سرمایہ کاری کرتے ہیں۔ جو مارکیٹ کی صورت حال کے تحت ابھرنے کی قوت ظاہر کرتا ہے۔ اگلے سال سے ہم اجناس کی ٹریڈنگ سے مثبت فائدہ اٹھانے کی توقع بھی رکھتے ہیں۔

اسلامی پروڈکٹس کے لئے بہت زیادہ مقابلے کے ماحول کے ساتھ معیشت کی حالیہ صورت حال مضاربہ کے لئے بہت زیادہ مقابلے کا منظر کا نتیجہ ہے۔ آپ کی مضاربہ کی انتظامیہ بہت تندی سے دستیاب آپشن کا مطالعہ کر رہی ہے جو مستقبل میں سٹیفیکٹ یافتگان کے مفاد کو تحفظ دے اور محفوظ بنائے۔



کارپوریٹ گورننس

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

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

کارپوریٹ گورننس کے ضابطے کی تعمیل

کارپوریٹ گورننس کے بہترین افعال کے تعمیل کی طے شدہ حیثیت کا گوشوارہ سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

بورڈ کا اجلاس

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

سرٹیفیکیٹ یافتگان کا طریقہ کار

سرٹیفیکیٹس کے رکھنے کا طریقہ کار 30 جون 2016 کے گوشوارے میں دکھایا گیا ہے۔

سرٹیفیکیٹ یافتگان کی مثال

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

اہم آپریٹنگ اور مالیاتی ڈیٹا

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



آڈیٹرز

موجودہ آڈیٹرز ممبرز آرام الیس اویس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس، سالانہ جائزہ اجلاس کی تاریخ پر سبک دوش ہو رہے ہیں باصلاحیت ہونے کی وجہ سے انہیں اختتامی سال 30 جون 2017 کے لئے دوبارہ تقرری کی پیش کش کی گئی ہے جو رجسٹرڈ مضافہ اور مضافہ کی منظوری سے مشروط ہے۔ بورڈ نے ان کی تقرری کی توثیق کر دی ہے۔

اعتراف

بورڈ آف ڈائریکٹرز ریگولیٹری اتھارٹیز کو ان کی رہنمائی اور معاونت کے لئے شکریہ ادا کرتے ہیں اور ساتھ ہی اپنے سرٹیفکیٹ یافتگان کی مسلسل معاونت اور ملازمین کی سخت محنت اور مضافہ کمپنی کی انتظامیہ پر اعتماد کرنے پر تہ دل سے شکریہ ادا کرتے ہیں۔ اللہ تعالیٰ ہمیں ہمارے مضافہ کی ترقی کی جدوجہد میں رہنمائی فرمائے اور اپنے نعمتوں سے نوازے۔ آمین

بورڈ کے توسط سے

کراچی

بتاریخ: 5 اکتوبر 2016

محمد عمر امین بادانی

چیف ایگزیکٹو



**SHARI'AH ADVISOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

I have examined the Shari'ah matters of **B.F.Modaraba** managed by **E.A. Management (Private) Limited**, Modaraba Management Company for the financial year ended **June 30, 2016**.

I have reviewed Shari'ah issues during my Shari'ah audit and Shari'ah review in accordance with the compliance of B.F Modaraba

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. Following were the major developments that took place during the year:
 - a) Research and new product development
 - Adopted new inducted Shari'ah Compliance and Shari'ah Audit Mechanism.
 - Followed Model Islamic Financing Agreements approved by Religious Board.
 - b) Training and Development
 - None
- iii. The agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- iv. To the best of my information and according to the explanations given to me, the business transactions carried out by the Modaraba and all other matters incidental thereto are in lines with the Shari'ah rulings as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas
- v. Profit sharing ratios, profits and charging of losses relating to any deposit raising product conform to the basic principles of Shari'ah.
- vi. During the fiscal year no earnings have been realized from the sources prohibited by Shari'ah.

Recommendation(s)

- Assets which required Insurance must be arranged by Takaful companies. And in case of conventional Insurance a return approval must be sought from the Shari'ah Advisor after providing return justification for the same,

Conclusion

The business activities of the Modaraba are overall at satisfactory level from Shari'ah perspective.

Dated: October 05, 2016

Mufti Zubair Usmani
Shari'ah Advisor



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of B.F. MODARABA as at **June 30, 2016** 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 purposes of our audit.

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

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

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



- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan ,and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2016 and of the profit, comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: **Adnan Zaman**

Karachi.
Dated: October 05, 2016



**B. F. MODARABA
BALANCE SHEET
AS AT JUNE 30, 2016**

	2016	2015
Note Rupees.....	
ASSETS		
Current Assets		
Cash and bank balances	4 29,155,953	24,152,746
Investments	5 89,749,276	83,260,051
Advances, prepayments and other receivables	6 2,185,788	1,109,801
Trade Debts - considered good and unsecured	36,580,000	-
Stock in trade	-	43,030,000
	157,671,017	151,552,598
Non-Current Assets		
Long term deposits	7 40,019	40,019
Property, plant and equipment	8 47,743	129,881
	87,762	169,900
TOTAL ASSETS	157,758,779	151,722,498
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued and other liabilities	9 1,624,961	1,302,176
Due to management company	1,218,009	1,056,250
Unclaimed dividend	1,074,645	831,521
	3,917,615	3,189,947
Certificate Holders' Equity		
Certificate capital	11 75,151,587	75,151,587
Reserves	12 48,590,784	43,626,629
Unrealized gain on available for sale investments	30,098,793	29,754,335
	153,841,164	148,532,551
TOTAL LIABILITIES AND EQUITY	157,758,779	151,722,498
Contingencies and Commitments	13 -	-

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



**B. F. MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Note</i>	<i>2016</i> <i>Rupees</i>	<i>2015</i>
Revenue			
Gain on sale of available for sale investments	14	2,335,605	5,894,019
Trading profit	15	6,653,000	2,468,500
Dividend - net of zakat	16	5,518,628	3,220,641
Gain on disposal of Assets		619,048	-
Profit on bank deposits		2,192,667	3,750,750
Income on Musharaka certificates	17	442,755	46,079
		<u>17,761,703</u>	<u>15,379,989</u>
Expenditure			
Operating expenses	18	(5,581,613)	(4,817,488)
Profit before charging management fee		<u>12,180,090</u>	<u>10,562,501</u>
Provision for management fee		(1,218,009)	(1,056,250)
		<u>10,962,081</u>	<u>9,506,251</u>
Provision for workers' welfare fund		(219,242)	(190,125)
Profit before taxation		<u>10,742,839</u>	<u>9,316,126</u>
Taxation	10	(518,072)	(200,000)
Profit after taxation		<u>10,224,767</u>	<u>9,116,126</u>
Earning per certificate - basic and diluted	20	<u>1.36</u>	<u>1.21</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



B. F. MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	<i>2016</i>	<i>2015</i>
	<i>..... Rupees</i>	
Profit after taxation	10,224,767	9,116,126
Other comprehensive income for the year		
Unrealised gain on re-measurement of available for sale investment	1,136,097	10,263,984
Gain realized on disposal of investments	(791,639)	(5,167,692)
	344,458	5,096,292
Total comprehensive income for the year	<u>10,569,225</u>	<u>14,212,418</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



**B. F. MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

	Notes	2016	2015
		Rupees	
Net cash generated (used in) / from operating activities (A)	22	2,984,350	(10,732,874)
Cash flows from investing activities			
Available for sale investments acquired		(25,816,214)	(48,929,509)
Proceeds from sale of investments		22,449,808	34,389,375
Dividend received		5,385,263	2,997,881
Net cash (used in) / generated from investing activities (B)		2,018,857	(11,542,253)
Cash flows from financing activities	(C)	-	-
Net (decrease) / increase in cash and cash equivalents (A+B+C)		5,003,207	(22,275,127)
Cash and cash equivalents at the beginning of the year		24,152,746	46,427,873
Cash and cash equivalents at the end of the year		29,155,953	24,152,746

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



B. F. MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	Reserves Statutory Reserve	Unappropriated Profits	Unrealized gain/(loss) on available for sale investments	Total
			Rupees		
Balance as at June 30, 2014	75,151,587	28,827,702	5,682,801	24,658,043	134,320,133
Total comprehensive income for the year ended June 30, 2015	-	-	9,116,126	5,096,292	14,212,418
Transfer to the statutory reserves @ 40%	-	3,646,450	(3,646,450)	-	-
	-	3,646,450	5,469,676	5,096,292	14,212,418
Balance as at June 30, 2015	<u>75,151,587</u>	<u>32,474,152</u>	<u>11,152,477</u>	<u>29,754,335</u>	<u>148,532,551</u>
Total comprehensive income for the year ended June 30, 2016	-	-	10,224,767	344,458	10,569,225
Transfer to the statutory reserves @ 50%	-	5,112,383	(5,112,383)	-	-
Dividend paid during the year	-	-	(5,260,612)	-	(5,260,612)
	-	5,112,383	(148,228)	344,458	5,308,613
Balance as at June 30, 2016	<u>75,151,587</u>	<u>37,586,535</u>	<u>11,004,249</u>	<u>30,098,793</u>	<u>153,841,164</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



B. F. MODARABA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

B.F. Modaraba (The Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder. The Modaraba is managed by E. A. Management (Pvt.) Limited (Modaraba Management Company). The registered office of the Modaraba is situated at Habib Square, M. A. Jinnah Road, Karachi. The Modaraba is listed on Pakistan Stock Exchange.

It is a perpetual multi-purpose Modaraba and is primarily engaged in Ijarah, investments, trading, musharaka and murabaha transactions.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities & Exchange Commission of Pakistan (SECP) (the Modaraba Regulations). Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modaraba's under the Modaraba Regulations. Wherever the requirements of the Modaraba Regulations differ with the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention except for the certain financial assets which are stated at fair value.

2.2 Functional and presentation currency

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

2.3 Use of estimates and judgments

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



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

	Note
(a) Current and deferred taxation	3.6 & 6
(b) Impairment of non-financial assets	3.8
(c) Impairment of financial assets	3.13.5
(d) Depreciation trade	3.7 & 8

2.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards that became effective but not relevant to the Modaraba or do not have material effect

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company.

IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 27 - Separate Financial Statements (Revised 2011)	January 01, 2015
IAS 28 - Investments in Associates and Joint Ventures (Revised 2011)	January 01, 2015

b) Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

	Effective date (Annual period beginning on or after)
IFRS 2 Share-based Payments - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Amendments resulting from September 2014 Annual Improvements to IFRSs.	January 01, 2016



	Effective date (Annual period beginning on or after)
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements).	January 01, 2016
IFRS 9 Financial Instruments - Amendments for incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12 Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 14 Regulatory Deferral Accounts, To recognize Regulatory Deferred Accounts balances arise from rate-regulated activities	January 01, 2016
IFRS 15 Revenue from Contracts with Customers (Superseded IAS 11), To recognize revenue for the transfer of promised goods or services to the customer under the contract	January 01, 2018
IFRS 16 Leases (Superseding IAS 17), To report all lease assets and lease liabilities on the balance sheet, initially measured at the present value of future lease payments as it eliminated classification of leases as Operating or Finance Leases for lessee	January 01, 2019
IAS 1 Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 7 Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12 Income Taxes - Amendment regarding the recognition of deferred tax assets for unrealized losses	January 01, 2017
IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable method of depreciation and bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19 Employee Benefits - Amendments resulting from September 2014 Annual improvements to IFRS's	January 01, 2016
IAS 27 Consolidated and Separate Financial Statements - Amendment reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associated in an entity separate financial statements	January 01, 2016



IAS 28	Investment in Associates and Joint Ventures - Amendment regarding the application of consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of amortization	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plant into the scope of IAS 16	January 01, 2016
Standards issued by IASB but not yet notified by SECP		
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018

The effects IFRS - 15 Revenue from Contract with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have significant effect on the Modaraba's future financial statements.

The management anticipates that the adoption of the above standards and amendments in future periods will no material impact on the Modaraba's financial statements.

2.5 Islamic Financial Accounting Standard - 1

During the year ended June 30, 2005, the Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard 1 issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transaction undertaken by a bank / financial institution, effective for financial periods beginning on or after January 1, 2006. The Modaraba adopted this standard effective from July 1, 2006.

2.6 Islamic Financial Accounting Standard - 2

During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the Securities and Exchange Commission of Pakistan vide an SRO 431(1)/2007 dated May 5, 2007 was adopted.

Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be 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.
- SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after 1 July 2008.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff provident fund

The Modaraba operates an unrecognized provident fund for all eligible employees and contributions to the provident fund are made at the rate of 9% of the basic salary of employees.

3.2 Compensated absences

The Modaraba provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

3.3 Accrued and other liabilities

Accrued and other liabilities are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Modaraba or not.

3.4 Provisions

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

3.5 Taxation

Current

The charge for current taxation is based on taxable income as per Schedule II para 2 clause 18 @ 25% of Income Tax Ordinance 2001.

The income of a modaraba from non-trading activities is exempt from tax provided that not less than 90 % of its profits, as reduced by the amount transferred to a mandatory reserve, are distributed to the certificate - holders.



Deffered

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

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

3.6 Fixed Assets

Fixed Assets - own use

Fixed assets held for own use are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note 8.

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

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

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

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

Ijarah Assets

Ijarah assets are stated at cost less accumulated amortization. Amortization is charged to income applying the reducing balance method whereby the depreciable values of assets are amortized over the lease period. In respect of additions and transfers during the year, amortization is charged proportionately to the period of Ijarah.

3.7 Impairment of non-financial assets

The Modaraba assesses at each balance sheet date the carrying value of assets subject to depreciation or amortization whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their



recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

3.8 Murabaha transaction

Murabaha transactions are reflected as receivables. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Modaraba and all documents relating to purchase are in customer name as agent of the modaraba. Recognition of profit on that portion of the sales revenue not due for payment is deferred by recording a debit to "Unearned Murabaha Income" account and a corresponding credit to "Deferred Murabaha Income" account.

3.9 Stock in trade

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

Cost is determined on weighted average method.

3.10 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.11 Accrued and other liabilities

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

3.12 Cash and cash equivalents

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

3.13 Financial assets

3.13.1 Classification

The Modaraba classifies its financial assets in accordance with the requirements of International Accounting standard 39 (IAS 39) Financial Instruments: Recognition and Measurement. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.



a) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market.

b) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss account.

3.13.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Modaraba commits to purchase or sale of the asset.

3.13.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

3.13.4 Subsequent measurement

Subsequent to initial recognition, carrying values of financial assets are remeasured as follows:

a) Financial asset as available for sale

The investment in listed securities are marked to market using the closing market rates and are carried on the balance sheet at fair value.

Net gains and losses arising from the excess of value determined in accordance with the above mentioned criteria over the carrying amount in respect of available for sale financial assets are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

b) Loans and receivables

Loans and receivables and held to maturity financial assets are carried at amortised cost.



3.13.5 Impairment of financial assets

The Modaraba assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is reclassified from equity to profit and loss account. Impairment losses recognised on equity instruments are not reversed through profit and loss. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms.

3.13.6 Derecognition

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

3.13.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is a intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously..

3.13.8 Financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities are initially recognised at their fair values and subsequently carried at amortized cost using effective interest method.

3.14 Provision for doubtful recoveries

Provision for doubtful debts are made after review of outstanding Ijarah rental and murabaha receivables on the basis of Prudential Regulations for Modaraba issued by Securities and Exchange Commission of Pakistan. Other doubtful debts are provided for on the basis of their possible realization.

3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business as depicted below:



- i. Ijarah rental income is recognised on a systematic basis over the lease period.
- ii. Dividend income is recognised when right to receive dividend is established.
- iii. Capital gain or loss is accounted for in the year in which it arises.
- iv. Income from trading activities is recognized on issuance of invoice.
- v. The profit on Murabaha transactions is recognised over the period the payments become due. The unearned portion is reflected as “Deferred Murabaha Income”.

		<i>2016</i>	<i>2015</i>
		<i>..... Rupees</i>	
4 CASH AND BANK BALANCES			
Cash		78,495	57,517
Balance with Banks			
- current accounts		985,011	809,257
- saving accounts	4.1	28,092,447	23,285,972
		29,077,458	24,095,229
		<u>29,155,953</u>	<u>24,152,746</u>

4.1 Saving accounts represents islamic bank accounts and rate of profit on these accounts ranges from 4.2 to 5.9% (2015: 5 to 8.05%) per annum

		<i>2016</i>	<i>2015</i>
		<i>..... Rupees</i>	
5 INVESTMENTS			
Investments in Musharika - held to maturity	5.1	-	5,046,079
Investment in quoted shares / certificates - available for sale	5.2	59,554,762	49,935,255
Investment in Mutual Funds - Open Ended - available for sale	5.3	30,194,514	28,278,717
		<u>89,749,276</u>	<u>83,260,051</u>

5.1 Investments in Musharika - held to maturity

No. of certificates			
2016	2015		
-	5	Musharaka certificates	5,000,000
		Income on Musharaka Certificates	46,079
			<u>5,046,079</u>



5.2 Investment in quoted shares / certificates

Number of Shares/Certificates		NAME OF COMPANY/ INSTITUTION	NET BOOK VALUE		MARKET VALUE	
June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
			Rupees	Rupees	Rupees	Rupees
MODARABAS						
117,636	117,636	Standard Chartered Modaraba	1,064,606	1,064,606	2,940,901	3,529,081
72,900	72,900	First Punjab Modaraba	127,575	127,575	344,088	391,473
-	19,360	First Tri Star Modaraba	-	6,776	-	48,401
BANK						
100,000	-	Meezan Bank Limited	4,187,148	-	4,249,999	-
CEMENT						
35,000	55,000	Cherat Cement Limited	2,218,276	3,485,875	4,184,950	4,786,650
100,000	50,000	Fauji Cement Limited	2,983,987	1,210,090	3,580,000	1,743,500
FUEL AND ENERGY						
110,000	110,000	Hub Power Company Limited	2,783,753	2,783,753	13,206,600	10,292,700
49,000	49,000	Kohinoor Energy Limited	2,126,091	2,126,091	2,018,791	2,474,500
15,840	15,840	Pakistan State Oil	3,042,977	3,042,713	5,947,286	6,110,914
30,873	30,873	Pakistan Petroleum Limited	2,715,559	2,715,567	4,786,892	5,071,232
525,000	250,000	K-Electric Limited	4,031,750	1,729,821	4,231,744	2,105,000
-	7,000	Pakistan Oilfields Limited	-	2,697,238	-	2,826,740
60,000	-	Kot Addu Power	5,207,771	-	5,355,293	-
COMMUNICATION						
57,000	57,000	Pakistan Telecommunication Company Limited	1,006,050	1,006,050	856,710	1,168,500
CHEMICALS & PHARMACEUTICALS						
62,820	62,820	Fauji Fertilizer Limited	5,268,317	5,268,317	7,206,709	9,386,564
10,000	-	Engro Fertilizer Limited	676,416	-	644,799	-
			<u>37,440,276</u>	<u>27,264,472</u>	<u>59,554,762</u>	<u>49,935,255</u>

5.2 Realised/unrealised gain arise from the above investment other than investments in First Tri star Modaraba are earned under a Shariah permissible arrangement.

5.3 Investment in Mutual Funds - Open Ended

Number of Units		NAME OF MUTUAL FUNDS	NET BOOK VALUE		NAV VALUE	
June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
			Rupees	Rupees	Rupees	Rupees
126,971	123,463	Meezan Balanced Fund	1,293,682	1,238,123	2,011,208	1,811,197
423,062	409,268	Meezan Cash Fund	15,247,406	14,556,766	21,212,318	20,504,343
105,286	97,582	Meezan Islamic Fund	5,668,754	5,400,000	6,970,988	5,963,177
			<u>22,209,842</u>	<u>21,194,889</u>	<u>30,194,514</u>	<u>28,278,717</u>



	<i>2016</i>	<i>2015</i>
	<i>.....Rupees.....</i>	
6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advance tax	1,294,247	611,728
Provision for tax	<u>(518,072)</u>	<u>(200,000)</u>
Net	776,175	411,728
 Prepayments	 129,996	 127,903
 Other receivables		
Profit on bank deposits	111,508	95,927
Receivable from RIC	680,000	-
Loan to staff	4,600	161,000
Sales tax	127,384	90,483
Dividend receivable	356,125	222,760
	1,279,617	570,170
	<u>2,185,788</u>	<u>1,109,801</u>
 7 LONG TERM DEPOSITS		
Central Depository Company of Pakistan Limited	25,000	25,000
State Bank of Pakistan	10,019	10,019
PTCL	5,000	5,000
	<u>40,019</u>	<u>40,019</u>
 8 Property, plant & equipment		
Own use	8.1 <u>47,743</u>	<u>129,881</u>



8.1 Own use

Reconciliations of carrying amount of own fixed assets at the beginning and at the end of the year are as follows:

2016					
Description	Office equipments	Furniture & fixture	Computer & allied equipments	Vehicles	Total
Rupees					
Net carrying value basis					
Year ended June 30, 2016					
Opening net book value (NBV)	15,818	19,318	23,033	71,712	129,881
Additions at cost	-	-	-	-	-
Disposal					
Cost / Written off	-	-	-	849,000	849,000
Accumulated depreciation	-	-	-	(788,047)	(788,047)
	-	-	-	60,953	60,953
Depreciation charged	(1,582)	(1,932)	(6,912)	(10,759)	(21,185)
Closing net book value (NBV)	14,236	17,386	16,121	-	47,743
Gross carrying value basis					
At June 30, 2016					
Cost	147,225	146,603	337,720	-	631,548
Accumulated depreciation	(132,989)	(129,217)	(321,599)	-	(583,805)
Net book value	14,236	17,386	16,121	-	47,743
Depreciation rate % per annum	10	10	30	20	

2015					
Description	Office equipments	Furniture & fixture	Computer & allied equipments	Vehicles	Total
Rupees					
Net carrying value basis					
Year ended June 30, 2015					
Opening net book value (NBV)	17,576	21,464	32,904	89,640	161,584
Additions at cost	-	-	-	-	-
Disposal					
Cost / Written off	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	-	-	-	-
Depreciation charged	(1,758)	(2,146)	(9,871)	(17,928)	(31,703)
Closing net book value (NBV)	15,818	19,318	23,033	71,712	129,881
Gross carrying value basis					
At June 30, 2015					
Cost	147,225	146,603	337,720	849,000	1,480,548
Accumulated depreciation	(131,407)	(127,285)	(314,687)	(777,288)	(1,350,667)
Net book value	15,818	19,318	23,033	71,712	129,881
Depreciation rate % per annum	10	10	30	20	

8.2 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds (receivable)	Mode of disposal
Vehicles	849,000	788,047	60,953	680,000	Insurance claim



Note **2016** **2015**
 Rupees

9 ACCRUED AND OTHER LIABILITIES

Audit fee payable		275,000	355,000
Commission payable		18,000	18,000
Provident fund payable		663,285	363,198
Workers' welfare fund	9.1	560,986	341,744
Others		<u>107,690</u>	<u>224,234</u>
		<u>1,624,961</u>	<u>1,302,176</u>

9.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers' Welfare Fund (WWF) is payable @ 2% of the profit before taxation as per the financial statements or taxable income which ever is higher.

During the year 2011, the Honorable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

The Management Company, as a matter of abundant caution, has made the provision for WWF amounting to Rs. 219,242 in these financial statements.

Note **2016** **2015**
 Rupees

10 PROVISION FOR TAXATION

Provision for taxation	10.1	<u>518,072</u>	<u>200,000</u>
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10.1 Income tax assessments of the Modaraba have been finalized upto tax year 2015 under section 120 of Income Tax Ordinance, 2001. In the current year, the Modaraba has distributed 96% of its profits to its certificate holders and therefore, its income other than income from trading activities is exempt from tax as per clause 100 of part I of the Second Schedule of the Income Tax Ordinance, 2001.

11 CERTIFICATE CAPITAL

2016	2015		2016	2015
No. of Certificates			Rupees	
Authorized certificate capital				
<u>10,000,000</u>	<u>10,000,000</u>	Modaraba Certificates of Rs. 10 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital				
3,000,000	3,000,000	Modaraba certificates of Rs.10/- each issued for cash	30,000,000	30,000,000
4,515,158	4,515,158	Modaraba certificates of Rs.10/- each issued as bonus certificates	45,151,587	45,151,587
<u>7,515,158</u>	<u>7,515,158</u>		<u>75,151,587</u>	<u>75,151,587</u>



	Note	2016	2015
		Rupees	
12 RESERVES			
Statutory reserve	12.1	37,586,535	32,474,152
Unappropriated profit		<u>11,004,249</u>	<u>11,152,477</u>
		<u>48,590,784</u>	<u>43,626,629</u>
12.1 'Statutory reserve represents profits set aside to comply with the Prudential Regulations for modarabas issued by the SECP. These regulations require a modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. During the current year the Modaraba has transferred an amount of Rs. 5,112,383, (2015: Rs.3,646,450) which represents 50% (2015: 40%) of the profit after tax.			
13 CONTINGENCIES AND COMMITMENTS			
There are no known commitments as at June 30, 2016 (2015: Nil).			
14 GAIN ON SALE OF AVAILABLE FOR SALE INVESTMENTS			
Gain/(loss) on sale of available for sale investments other than gain/(loss) on sale of investments in First Tri star Modaraba is earned under a Shariah permissible arrangement.			
	Note	2016	2015
		Rupees	
15 TRADING PROFIT			
Sugar	15.1	6,653,000	2,398,500
Vehicle	15.2	-	70,000
		<u>6,653,000</u>	<u>2,468,500</u>
15.1 Sales-Net		105,430,000	33,810,000
Cost of sales			
Opening stock		43,030,000	31,411,500
Purchases		55,747,000	43,030,000
Closing stock		-	(43,030,000)
		<u>98,777,000</u>	<u>31,411,500</u>
		<u>6,653,000</u>	<u>2,398,500</u>
15.2 Sales value of vehicles		-	5,077,500
Cost of vehicles		-	(5,007,500)
Gain on sale of vehicles		-	70,000
16 DIVIDEND - Net of Zakat			
Dividend income	16.1	5,522,588	3,224,601
Less: Zakat deducted at source		(3,960)	(3,960)
		<u>5,518,628</u>	<u>3,220,641</u>



		2016	2015
		Rupees.....	
16.1 Name of the Company/Fund			
Maple leaf Cement Factory Limited		1,250	500
Cherat Cement Limited		220,000	-
Fauji Cement Limited		162,500	50,000
Hub Power Company Limited		1,485,000	880,000
Kohinoor Energy Limited		269,500	159,000
Pakistan State Oil		142,560	158,400
Pakistan Petroleum Limited		192,956	557,977
Pakistan Oilfields Limited		75,000	-
Kot Addu Power		456,875	-
Pakistan Telecommunication Company Limited		114,000	142,500
Fauji Fertilizer Limited		613,750	809,294
Engro Corporation Limited		70,000	-
Aagri autos industries Limited		1,000	500
Meezan Balance Fund		74,078	-
Meezan Cash Fund		920,854	-
Meezan Income Fund		298,616	-
First Punjab Modaraba		36,450	36,450
Standard Chartared Modaraba		388,199	352,908
Habib ADM		-	24,572
Pioneer Cement		-	30,000
Oil & Gas Development Company		-	22,500
		<u>5,522,588</u>	<u>3,224,601</u>
17 INCOME ON MUSHARIKA CERTIFICATES		<u>442,755</u>	<u>46,079</u>
	Note	2016	2015
		Rupees.....	
18 OPERATING EXPENSES			
Salaries and other benefits	18.1 & 18.2	3,881,417	3,379,695
Fees and subscription		831,384	807,940
Newspapers and periodicals		6,004	5,744
Printing and stationery		130,048	97,751
Repair and maintenance		5,540	8,810
Travelling and conveyance		9,435	10,545
Postage and telephone		80,980	49,700
Auditors' remuneration	18.3	335,000	310,000
Vehicles running and maintenance		1,126	1,313
Insurance		19,163	22,871
Depreciation	8.1	21,186	31,704
Advertisement		21,600	20,720
Bank charges		1,330	640
Miscellaneous		77,411	70,055
Default surcharge		159,989	-
		<u>5,581,613</u>	<u>4,817,488</u>

18.1 Salaries and other staff benefits include Rs 330,197 (2015: Rs 297,606) on account of the Modaraba's contribution to the staff provident fund



	2016	2015
 Rupees	

18.2 Remuneration of executives

Remuneration and staff retirement benefits	1,441,140	1,221,300
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	2016	2015
 Numbers	
Number of employees at the end of the year	8	8

	2016	2015
 Rupees	

18.3 Auditors' remuneration

Audit fee	250,000	250,000
Review of Code of corporate governance	25,000	-
Half yearly review including other certificates	60,000	60,000
	<u>335,000</u>	<u>310,000</u>

19 TAXATION

- Current year	<u>518,072</u>	<u>200,000</u>
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19.1 Income tax assessments of the Modaraba have been finalized upto tax year 2015, as these are deemed to have been finalized under section 120 of Income Tax Ordinance, 2001.

19.2 The current Tax expense represents Tax on trading income.

20 EARNINGS PER CERTIFICATE - BASIC AND DILLUTED

Basic

Profit for the year	<u>10,224,767</u>	<u>9,116,126</u>
Weighted average number of certificates outstanding	<u>7,515,159</u>	<u>7,515,159</u>
Earnings per certificate	<u>1.36</u>	<u>1.21</u>

Diluted

There is no dilutive effect on the basic earnings per certificate of the Modaraba, since there are no convertible instruments in issue as at 30 June 2016 and 30 June 2015 which would have any effect on the earnings per share if the option to convert is exercised.

21 TRANSACTION WITH RELATED PARTY

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over the other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated undertakings with or without common directors, directors of the Modaraba Management Company, key management personnel and financial institution having nominee on the Board of Directors. Remuneration and benefits to the executives of the Company are in accordance with the terms of employment while contribution to the provident fund are in accordance with the staff services rules. Transactions with other related parties are entered in to at rates negotiated with them.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

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



	2016			2015
Balance / Transaction	Associate undertakings	Management Company	Total	Total
		Rupees		Rs
Purchases during the year	55,747,000	-	55,747,000	43,030,000
Insurance expense during the year	19,163	-	19,163	22,871
Management fee - payment during the year	-	1,056,250	1,056,250	252,412
Management fee - for the year and balance at year end	-	1,218,009	1,218,009	1,056,250
	<u>55,766,163</u>	<u>2,274,259</u>	<u>58,040,422</u>	<u>44,361,533</u>

	2016	2015
	Rupees	
22 Cash generated from operations		
Profit before taxation	10,742,839	9,316,126

Adjustment from non-cash charges and other items:

Depreciation on own assets	21,186	31,704
Gain/(Loss) on disposal of Assets	(619,048)	-
Provision for provident fund	330,197	297,606
Provision for Management Fee	1,218,009	1,056,250
Provision for WWF	219,242	190,125
Gain on sale of investments	(2,335,605)	(5,894,019)
Income on Musharika Certificates	(442,755)	(46,079)
Dividend income	(5,518,628)	(3,220,641)
	<u>(7,127,402)</u>	<u>(7,585,054)</u>
Cash generated from operations	<u>3,615,437</u>	<u>1,731,072</u>

22.1 Net changes in working capital

Decrease / (Increase) in current assets		
Stock in trade	43,030,000	(11,618,500)
Trade debts - considered good and unsecured	(36,580,000)	-
Advances, deposits, prepayments and other receivables	142,163	29,346
	<u>6,592,163</u>	<u>(11,589,154)</u>
(Decrease) / increase in current liabilities		
Accrued and other liabilities	(196,546)	21,067
Net increase / (decrease) in working capital	<u>6,395,617</u>	<u>(11,568,087)</u>
Management fee paid	(1,056,250)	(589,919)
Dividend paid	(5,017,488)	(3,110)
Provident fund paid	(30,110)	-
Taxes paid	(922,856)	(302,830)
	<u>(7,026,704)</u>	<u>(895,859)</u>
Net cash (used in) / generated from operating activities	<u>2,984,350</u>	<u>(10,732,874)</u>

23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

23.1 Financial assets and financial liabilities

Financial assets and financial liabilities for the year ended June 30, 2016 are stated below:

2016										
Description	Interest / Mark-up bearing				Non-Interest bearing				Total	
	Rate of interest	Maturity up to one year	Maturity after one year and up to 5 years	Maturity after one year and up to 5 years	Sub-total	Maturity up to one year	Maturity after one year and up to 5 years	Maturity after 5 years	Sub-total	
Rupees										
Financial assets	% age	Rupees								
Cash and bank balance	4.75 to 5.75	28,092,447	-	-	28,092,447	1,063,506	-	-	1,063,506	29,155,953
Investments	-	-	-	-	-	89,749,276	-	-	89,749,276	89,749,276
Advances, prepayments and other receivables	-	-	-	-	-	2,185,788	-	-	2,185,788	2,185,788
Stock in trade	-	-	-	-	-	-	-	-	-	-
Long term deposits	-	-	-	-	-	40,019	-	-	40,019	40,019
		28,092,447	-	-	28,092,447	93,038,589	-	-	93,038,589	121,131,036
Financial liabilities										
Accrued and other liabilities	-	-	-	-	-	1,624,961	-	-	1,624,961	1,624,961
Due to management company	-	-	-	-	-	1,218,009	-	-	1,218,009	1,218,009
Unclaimed dividend	-	-	-	-	-	1,074,645	-	-	1,074,645	1,074,645
		-	-	-	-	3,917,615	-	-	3,917,615	3,917,615
On balance sheet Gap		28,092,447	-	-	28,092,447	89,120,974	-	-	89,120,974	117,213,421





2015										
Description	Interest / Mark-up bearing				Non-Interest bearing					
	Rate of interest	Maturity up to one year	Maturity after one year and up to 5 years	Maturity after 5 years	Sub-total	Maturity up to one year	Maturity after one year and up to 5 years	Maturity after 5 years	Sub-total	Total
	%	Rupees				Rupees				
Financial assets										
Cash and bank balances	5% to 8.05%	23,285,972	-	-	23,285,972	866,774	-	-	866,774	24,152,746
Investments		-	-	-	-	83,260,051	-	-	83,260,051	83,260,051
Advances, prepayments and other receivables		-	-	-	-	1,109,801	-	-	1,109,801	1,109,801
Stock in trade		-	-	-	-	43,030,000	-	-	43,030,000	43,030,000
Long term deposits		-	-	-	-	40,019	-	-	40,019	40,019
		23,285,972	-	-	23,285,972	128,306,645	-	-	128,306,645	151,592,617
Financial liabilities										
Accrued and other liabilities		-	-	-	-	1,302,176	-	-	1,302,176	1,302,176
Due to management company		-	-	-	-	1,056,250	-	-	1,056,250	1,056,250
Unclaimed dividend		-	-	-	-	831,521	-	-	831,521	831,521
		-	-	-	-	3,189,947	-	-	3,189,947	3,189,947
On balance sheet Gap		23,285,972	-	-	23,285,972	125,116,698	-	-	125,116,698	148,402,670



24 FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations through equity. The Modaraba utilises funds in ijarah, morabaha financing, trading activities and investments in equity instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

24.1 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Modaraba manages this risk through continuous monitoring of the market prices, market mark-up/profit rates and its mark-up/profit rates sensitivity position. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

24.1.1 *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. The Modaraba, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

24.1.2 *Price risk*

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Modaraba is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 89.749 million (2015: Rs. 83.260 million) at the reporting date. The Modaraba manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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



Sensitivity analysis

The table below summarizes Modaraba's equity price risk as of 30 June 2016 and 2015 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Modaraba's equity investment portfolio

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity
June 30, 2016	Rupees	89,749,276	10% increase	98,724,204	8,974,928
			10% decrease	80,774,348	(8,974,928)
June 30, 2015	Rupees	83,260,051	10% increase	91,586,056	8,326,005
			10% decrease	74,934,046	(8,326,005)

24.1.3 Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Modaraba manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

Financial assets and liabilities include balances of Rs. 28,092,447/- (2015: Rs. 23,285,972/-) and Rs. Nil (2015: Rs. Nil) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

- a) At the reporting date, the interest rate profile of the Modaraba's significant interest bearing financial instruments was as follows:

	2016	2015		2016	2015
	Effective interest rate (%)			Carrying amounts	
Financial assets					
Bank deposits - <i>pls account</i>	4.75% to 5.75%	5% to 8.025%	Rupees	28,092,447	23,285,972

b) Sensitivity analysis

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument.



The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets increases and decreases in interest rates on cash flows from financial assets the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

		Profit and loss 100 bp increase	decrease
As at June 30, 2016			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	280,924	(280,924)
As at June 30, 2015			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	232,860	(232,860)

24.2 CREDIT RISK

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

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

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

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

Out of the total financial assets of Rs.108.522 million (2015: Rs.104.925 million) the financial assets which are subject to credit risk amounted to Rs 24.890 million (2015: Rs 47.281 million). The management believes that the Modaraba is not exposed to major concentration of credit risk.



24.2.1 The carrying amounts of the financial assets against which the Modaraba do not hold any collateral represent the maximum credit exposure, as specified below:

	2016		2015	
	Carrying Amount	Maximum Exposure	Carrying Amount	Maximum Exposure
	Rupees			
Balance with banks	29,155,953	29,155,953	24,095,229	24,095,229
Advances	1,279,617	1,279,617	570,170	570,170

24.2.2 Credit quality

The credit quality of Modaraba's liquid funds can be assessed with reference to external credit ratings as follows:

	Rating Long term	Rating Agency	2016 Rupees	2015 Rupees
Al-Barka Islamic Bank Limited	A	JCR-VIS	13,865	13,819
Bank Al-Habib Limited	AA+	PACRA	453,754	205,444
Burj Bank Limited	A	JCR-VIS	10,770	10,482
Habib Bank Limited	AAA	JCR-VIS	522,946	595,845
Habib Metropolitan Bank Limited	AA+	PACRA	28,068,656	23,262,516
UBL Islamic Bank	AA+	JCR-VIS	528	184
			<u>29,070,519</u>	<u>24,088,290</u>

24.3 LIQUIDITY RISK

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Modaraba finances its operations through equity.

24.3.1 The following are the contractual maturities profile of financial liabilities, including estimated interest payments:

	2016			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Non-Derivative				
Financial liabilities				
Accrued and other liabilities	1,624,961	1,624,961	1,624,961	-
Due to Management Company	1,218,009	1,218,009	1,218,009	-
Unclaimed Dividend	1,074,645	1,074,645	1,074,645	-
	<u>3,917,615</u>	<u>3,917,615</u>	<u>3,917,615</u>	<u>-</u>



	Carrying Amount	Contractual cash flows	2015 Twelve months or less Rupees	Two to Five years
Non-Derivative				
Financial liabilities				
Accrued and other liabilities	1,302,176	1,302,176	1,302,176	-
Due to Management Company	1,056,250	1,056,250	1,056,250	-
Unclaimed Dividend	831,521	831,521	831,521	-
	<u>3,189,947</u>	<u>3,189,947</u>	<u>3,189,947</u>	<u>-</u>

25 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of dividends paid to certificate-holders, issue new shares or sell assets to reduce debt.

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

	2016 Rupees	2015 Rupees
Cash and bank balances	29,155,953	24,152,746
Total equity	<u>157,758,779</u>	<u>151,722,498</u>
Total capital	<u>186,914,732</u>	<u>175,875,244</u>
Gearing ratio	NIL	NIL

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities is estimated to approximate their carrying amounts.

27 INFORMATION ABOUT BUSINESS SEGMENTS



	2016		
	Sugar Trading	Investments	Others
	Rupees		
			Consolidated
Segment Revenues	105,430,000	8,296,988	2,811,715
			116,538,703
Segment Results			
Segment Expenses	(98,777,000)	-	-
Unallocated operating expense.	-	-	(5,581,613)
Management fee	-	-	(1,218,009)
Provision for workers' welfare.	-	-	(219,242)
Profit for the year	6,653,000	8,296,988	(4,207,149)
			10,742,839
Assets and liabilities			
Segment assets	-	89,749,276	-
Unallocated assets	-	-	68,009,503
Consolidated total assets	-	89,749,276	68,009,503
			157,758,779
Unallocated liabilities	-	-	3,917,615
Consolidated total liabilities	-	-	3,917,615

The above mentioned segments do not necessarily match with the organizational structure of Modaraba



2015				
	Sugar Trading	Investments	Others	Consolidated
	Rupees			
Segment Revenues	33,880,000	9,114,660	3,796,829	46,791,489
Segment Results				
Segment Expenses	(31,411,500)	-	-	(31,411,500)
Unallocated operating expense:	-	-	(4,817,488)	(4,817,488)
Management fee	-	-	(1,056,250)	(1,056,250)
Provision for workers' welfare:	-	-	(190,125)	(190,125)
Profit for the year	2,468,500	9,114,660	(2,267,034)	9,316,126
Assets and liabilities				
Segment assets	43,030,000	83,260,051	-	126,290,051
Unallocated assets	-	-	25,432,447	25,432,447
Consolidated total assets	43,030,000	83,260,051	25,432,447	151,722,498
Unallocated liabilities	-	-	3,189,947	3,189,947
Consolidated total liabilities	-	-	3,189,947	3,189,947

The above mentioned segments do not necessarily match with the organizational structure of Modaraba



28 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **October 05, 2016** by the Board of Directors of the Modaraba Management Company.

29 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2016 of Re.0.65 per certificate (2015: Re.0.70 per certificate), amounting to Rs. 4,884,853 (2015: Rs.5,260,611) at their meeting held on Oct. 05, 2016. The financial statements for the year ended June 30, 2016 do not include the effect of the above which will be accounted for in the period in which it is declared.

30 GENERAL

Figures have been rounded off to the nearest rupee, corresponding figures have also been re-arranged and re-classified where ever necessary.

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

Chairman

Chief Executive

Director



***PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30, 2016***

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING			TOTAL CERTIFICATES HELD
709	1	-	100	15,635
251	101	-	500	63,068
85	501	-	1000	62,087
172	1001	-	5000	350,993
31	5001	-	10000	224,833
8	10001	-	15000	94,522
5	15001	-	20000	86,040
5	20001	-	25000	108,727
2	25001	-	30000	55,939
1	30001	-	35000	31,165
4	40001	-	45000	170,144
1	45001	-	50000	46,000
1	70001	-	75000	72,105
1	115001	-	120000	115,724
1	165001	-	170000	169,000
1	170001	-	175000	171,360
1	180001	-	185000	183,078
1	185001	-	190000	187,877
1	210001	-	215000	212,554
1	225001	-	230000	227,910
1	270001	-	275000	275,000
2	280001	-	285000	563,803
1	315001	-	320000	318,113
1	335001	-	340000	339,095
1	355001	-	360000	356,138
1	455001	-	460000	459,831
1	675001	-	680000	675,629
2	935001	-	940000	1,878,788
1292	TOTAL			7,515,158



**CATEGORIES OF CERTIFICATE HOLDINGS
AS AT JUNE 30, 2016**

	Number of Certificate Holders	Total Certificates Held	Percentage %
Director CEO and their Spouses and Minor Children Holding			
Mr. Omar Amin Bawany - Chief Executive		29,411	0.3914
Mrs. Rukhsana		366,447	4.8761
Mr. Ahmed Ali Bawany - Chairman		31,165	0.4147
Mrs Ambreen		459,831	6.1187
Miss. Alveena		5,846	0.0778
Mr. Hamz Omar Bawany - Director		42,539	0.5660
	8	935,239	12.4447
Associated Companies, Undertaking and Related Parties			
E.A Management (Pvt) Ltd.		939,394	12.5000
Faran Sugar Mills Ltd.		939,394	12.5000
Reliance Insurance Co. Ltd.		115,724	1.5399
	3	1,994,512	26.5399
NIT and ICP			
Trustee National Bank of Pakistan, Pension Fund		41,908	0.5576
Trustee National Bank of Pakistan, Benevolent Fund		1,471	0.0196
ICP		7,399	0.0985
National Bank of Pakistan Ltd		756	0.0101
IDBP (ICP Unit)		1,911	0.0254
	7	53,445	0.7112
Certificate Holders Holding Five percent or more			
Sind Particle Board Mills		675,629	8.9902
Mrs.Shaheda Muhammad Amin		539,216	7.1750
Mrs.Gulshan Ara Muhammad Amin		508,213	6.7625
Mrs.Aisha Bai Muhammad Amin		510,455	6.7923
	7	2,233,513	29.7200
INDIVIDUALS	1243	1,918,887	25.5336
INVESTMENT COMPANIES	5	108,624	1.4454
INSURANCE COMPANIES	1	187,877	2.5000
JOINT STOCK COMPANIES	8	4,499	0.0599
FINANCIAL INSTITUTIONS	1	10,456	0.1391
OTHERS	7	45,747	0.6087
CHARITABLE TRUSTS	1	17,532	0.2333
COOPERATIVE SOCIETIES	1	4,827	0.0642
Total	1292	7,515,158	100



July 2015-June 2016 NUMBER OF BOARD MEETINGS	
Name of Director	Number of Meeting Attended
1. Mr. Muhammad Omar Amin Bawany	4
2. Mr. Ahmed Ali Mohammad Amin Bawany	3
3. Mr. Hamza Omar Bawany	4
4. Mr. Abdul Ghaffar Umar	3

KEY OPERATING AND FINANCIAL DATA					Rs. 000's	
Year	2016	2015	2014	2013	2012	2011
Paid-up Capital	75,151	75,151	75,151	75,151	75,151	75,151
Equity	153,841	148,532	134,320	122,971	115,327	127,504
Operating Revenue	17,761	15,379	12,223	12,436	16,005	29,489
Net Profit After Tax	10,224	9,116	4,437	1,995	6,307	17,491
Bonus	-	-	-	-	-	-
Cash Dividend	6.50%	7%	-	-	5%	15%
Earning Per Certificate (Rs.)	1.36	1.21	0.59	0.27	0.84	2.33



**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2016**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Modaraba has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

<u>Category</u>	<u>Names</u>
Independent Director(s)	Mr. Abdul Ghaffar Umer
Executive Directors	Mr. Muhammad Omar Amin Bawany
Non-Executive Directors	Mr. Ahmed Ali Muhammad Amin Bawany Mr. Hamza Omar Bawany

The independent director(s) meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on 1st July 2015 which was filled up by the directors within 69 days.
5. The Modaraba has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.



6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board has not arranged training programs for its directors during the year as three out of four directors already attended Director Training Program or have met the criteria of having 14 years of education and 15 years of experience on the Board of Directors of Listed Company. The criteria of training certification for the remaining director will be complied in due course.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members of whom all are non-executive directors including one independent director.



16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is also non executive director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

MUHAMMAD AYUB
Company Secretary



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of E.A Management (Private) Limited (the Management Company) for the year ended June 30, 2016 to comply with the requirements of Regulation No.5.19.24 of Pakistan Stock Exchange, where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provision of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system 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 risk and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all materials respects, which the best practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2016.

Karachi.
Dated: October 05, 2016

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: Adnan Zaman



NOTICE OF ANNUAL REVIEW MEETING

The 17th Annual Review Meeting of the Certificate Holders of B.F. Modaraba will be held on Monday October 31, 2016 at 5:00 p.m. at the Registered office of Modaraba at 4th Floor Bank House No. 1, Habib Square, M.A. Jiannah, Road, Karachi.

The Board of Directors, in their meeting held on October 05, 2016, have approved Cash Dividend @ 6.50% i.e. Re. 0.65 per certificate for the year ended June 30, 2016.

The Certificate Transfer Books of the Modaraba will remain closed from October 25, 2016 to October 31, 2016 (both days inclusive) to determine the names of certificate holders entitled to receive the Cash Dividend and to attend the Annual review meeting.

Transfer received in order at the shares registrar office of the Modaraba M/s. C & K Management Associated (Pvt.) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530, before the close of business hours on October 24, 2016, will be treated in time.

Dated: October 05, 2016

Muhammad Ayub
Company Secretary

NOTE

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



VISION

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



MISSION

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

Introducing a just and equitable financial system by being a good multipurpose financial institution;

- * Providing a range of specialized services working on Shariah principles to sustain continuous earning growth through effective management of its existing resources and through selective investment and financing.
- * Providing for reasonable and just profit, prudent growth and pursuit of better efficiency.
- * Focusing on serving our clients and customers building relationship with them based on trust and mutual benefit; and
- * Fulfilling our responsibilities to satisfy the certificate holders, clients and the employees.

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