



# B.F. MODARABA

Managed By

**E.A. MANAGEMENT (PVT) LTD.**

Registered under

The Companies Ordinance 1984 & Modaraba  
Companies & Modaraba Ordinance 1980



## Annual Report 2017



**B. F. MODARABA**  
**29<sup>th</sup> ANNUAL REPORT 2017**  
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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

Bungalow No. 14-H, Block 6,  
P.E.C.H.S, Main Shahr-e-Faisal,  
Karachi, Pakistan.  
Phone : (92-21) 34322851-60  
Fax : (92-21) 34322863

### EMAIL & WEBSITE

E-mail: [info@bfmodaraba.com.pk](mailto:info@bfmodaraba.com.pk)  
[feedback@bfmodaraba.com.pk](mailto:feedback@bfmodaraba.com.pk)  
URL : [www.bfmodaraba.com.pk](http://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



**29<sup>th</sup> ANNUAL REPORT OF THE DIRECTORS  
OF THE MODARABA COMPANY  
FOR THE YEAR ENDED JUNE 30, 2017**

Dear Certificate Holders.

Assalam-o-Aalikum,

In the name of ALLAH the most gracious and most merciful, your directors are pleased to present 29<sup>th</sup> Annual Report of your Modaraba together with the audited financial statements for the year ended June 30, 2017.

**FINANCIAL RESULTS**

Financial results are summarized as follows:

	<b>June 2017 Rupees</b>	<b>June 2016 Rupees</b>
Revenue	<b>24,223,439</b>	17,761,703
Profit before charging management fee	<b>18,029,318</b>	12,180,090
Management fee	<b>(1,802,932)</b>	(1,218,009)
Profit before WWF	<b>16,226,386</b>	10,962,081
WWF	<b>(324,528)</b>	(219,242)
Profit before taxation	<b>15,901,858</b>	10,742,839
Taxation		
- For the Year	-	(518,072)
- Prior Year	<b>(21,832)</b>	-
	<b>(21,832)</b>	(518,072)
Profit after taxation	<b>15,880,026</b>	10,224,767
Add: Un-appropriated profit brought forward	<b>6,119,397</b>	5,891,866
	<b>21,999,423</b>	16,116,633
Appropriations:		
Transferred to statutory reserve @50% of profit (2016: 50%)	<b>7,940,013</b>	5,112,383
Cash Dividend 10% ( 2016: 6.5% )	<b>7,515,159</b>	4,884,853
	<b>15,455,172</b>	9,997,236
	<b>6,544,251</b>	6,119,397
Earnings per certificate	<b>2.11</b>	1.36

**REVIEW OF OPERATIONS**

By the blessing of Allah Subhanahu Wata'ala, the management has concluded yet another successful financial year consolidating its position within Modaraba Sector of Pakistan. Alhamdulillah, we have again fulfilled our commitment in presenting a satisfactory financial result. We also demonstrated operational and managerial strength which is well reflected on both the business volume and profitability. Gross revenues during the year were Rs.24.223 million vis-à-vis Rs.17.761 million for the



corresponding period of 2015-16. Major components of revenue were capital gain of Rs.18.867 million, dividend income of Rs.3.449 million and profit on bank deposit of Rs.1.906 million. Thus, Pre-tax Profit stood at Rs.15.901 million against a Pre-tax Profit of Rs.10.742 million for the corresponding period of 2015-16. The unrealized gain in the value of investment in marketable securities was Rs.18.998 million.

#### ***PROFIT DISTRIBUTION***

The Board in its meeting held on **October 6, 2017** has approved final profit distribution @ **10%** i.e. **Re.1.00** per certificate.

#### ***FUTURE OUTLOOK***

Year 2017-18 again would be a challenging year in terms of profitability for financial institutions, as seen the lower lending rate would give a tough time to our industry particularly in assets booking by Islamic Financial Institutions. At present due to low yield on government bonds, commercial banks are aggressively chasing for financing on a very fine rates. Islamic Financial industry is growing at a good pace in Pakistan's financial market. With this growth, a healthy competition among the industry is booming.

Furthermore, to seek the maximum reward of growing Islamic Finance Industry, we are continuously aligning our corporate strategy and look forward for upcoming opportunities. We are focusing to take more exposure in marketable securities and expect further improvement in profitability in coming year.

#### ***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. The accounting policies and disclosures are in accordance with IFRS & IAS as applicable in Pakistan, unless otherwise disclosed
- 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, 2017 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, 2018 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

Muhammad Omar Amin Bawany  
Chief Executive

Karachi.  
Date : October 6, 2017



## 29 ویں سالانہ ڈائریکٹرز کی رپورٹ

مضاربہ کمپنی برائے اختتامی سال 30 جون 2017

محترم سرٹیفیکیٹ یافتگان

اسلام و علیکم!

اللہ تعالیٰ کے نام سے جو بہت مہربان اور نہایت رحم کرنے والا ہے۔ آپ کے ڈائریکٹرز آپ کے مضاربہ کی 29 ویں سالانہ رپورٹ کے ساتھ 30 جون 2017 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۔

2016 روپے	2017 روپے	
17,761,703	24,223,439	آمدنیاں
12,180,090	18,029,318	منافع قبل از مینجمنٹ کی فیس
(1,218,009)	(1,802,932)	مینجمنٹ فیس
10,962,081	16,226,386	منافع قبل از WWF
(219,242)	(324,528)	WWF
10,742,839	15,901,858	منافع قبل از ٹیکس
(518,072)	-	• اسی سال کا
-	(21,832)	• پچھلے سال کا بقایا
(518,072)	(21,832)	
10,224,767	15,880,026	منافع ٹیکس کے بعد
5,891,866	6,119,397	جمع: غیر تصرف شدہ منافع برارڈ فارورڈ
16,116,633	21,999,423	
5,112,383	7,940,013	تصرفات
4,884,853	7,515,159	منافع کا 50 فیصد کے حساب سے دستوری ذخائر میں منتقل کیا گیا
9,997,236	15,455,172	منافع کی تقسیم بحساب 10 فیصد (6.5% : 2016)
6,119,397	6,544,251	
1.36	2.11	فی سرٹیفیکیٹ آمدنی

آپریٹنگز (افعال) کا جائزہ

اللہ سبحانہ تعالیٰ کے فضل و کرم سے مینجمنٹ نے پاکستان کے مضاربہ کے شعبے میں ایک اور کامیاب مالی سال کا اختتام کیا اہم اپنے عہد و بیان کے مطابق دوبارہ تسلی بخش مالیاتی نتائج پیش کر رہے ہیں۔ ہم نے آپریٹنگز اور مینجمرل استحکام کا بھی مظاہرہ کیا جو کاروباری حجم اور



منافع جات دونوں پر بہت عیاں ہے۔ سال کے دوران مجموعی آمدنی 24,223 ملین روپے تھی جب کہ 2015-16 کی اس مدت کے دوران 17,761 ملین روپے تھی۔ آمدنی کے اہم اجزاء میں 18,867 ملین روپے کا کپیٹل گین، 3,449 ملین روپے کی ڈیویڈنڈ کی آمدنی اور 1,906 ملین روپے بینک ڈپازٹس پر نفع تھا۔ ٹیکس سے پہلے نفع 2015-2016 کی اسی مدت کے دوران 10,742 ملین روپے کے مقابلے میں اس سال نفع 15,901 ملین روپے ہے۔ قابل فروخت سکیورٹیز میں سرمایہ کی قیمت میں غیر تصرف شدہ گین 18,998 ملین روپے تھے۔

### نفع کی تقسیم

بورڈ نے اپنے منعقدہ اجلاس 06 اکتوبر 2017 میں بحساب 10 فیصد مثلاً 1.00 روپے فی سٹیک کی تقسیم کی منظوری دی ہے۔

### مستقبل کے مناظر

سال 2017-18 مالی اداروں کے لئے نفع کی اصطلاحات میں ایک چیلنجنگ سال ہوگا۔ جیسا کہ قرض کی کم تر شرح پر دیکھا گیا جو بالخصوص اسلامی فنانس انڈسٹریز کی جانب سے اثاثے بک کرنے میں ہماری انڈسٹری کو سخت وقت دیا گیا۔ فی الوقت حکومت پر کم yield کی وجہ سے بانڈز، کمرشل بینکس جارحانہ طور پر بہت عمدہ شرحوں پر فنانسنگ کا پیچھا کر رہے ہیں۔ اسلامی فنانس انڈسٹری پاکستانی کی فنانس مارکیٹ میں بڑی تیزی سے پروان چڑھ رہی ہے۔ اور فروغ کے ساتھ انڈسٹری کے مابین صحت مند مسابقت عروج پر ہے۔

مزید یہ کہ بڑھتی اسلامی فنانس انڈسٹری کے زیادہ سے زیادہ رپورڈ (صلہ) حاصل کرنے کے لئے ہم کارپوریٹ لائحہ عمل کی مسلسل صف بندی کر رہے ہیں اور آئندہ پیدا ہونے والے مواقع کے منتظر ہیں۔ ہماری توجہ مارکیٹ اینبل سکیورٹیز پر مرکوز ہے اور آنے والے سال میں منافع جات میں مزید بہتری کی توقع رکھتے ہیں۔

### کارپوریٹ گورننس

کارپوریٹ گورننس کے ضابطے کی ضرورت کے مطابق آپ کے ڈائریکٹر پورٹ 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، کیش فلو اور ایکویٹی میں تبدیلیوں کا نتیجہ ہے۔

**B** مضاربہ کی باقاعدہ اکاؤنٹ کی کتابیں مینجمن 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 نفاذ و نگرانی کی جاتی ہے۔
- F یہاں مضاربہ جاری رکھنے کی اہلیت پر کوئی شبہات نہیں ہیں جو توثیق کا باعث ہو۔
- G یہاں کارپوریٹ گورننس کے بہترین افعال سے کوئی مادی رعایت نہیں ہے۔ جیسا کہ اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز میں بیان کیا گیا ہے۔

### کارپوریٹ گورننس کے ضابطے کی تعمیل

کارپوریٹ گورننس کے بہترین افعال کی 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 2017 کے گوشوارے میں دکھایا گیا ہے۔

### سرٹیفیکیٹ کی خرید و فروخت

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

### اہم آپریٹنگ اور مالیاتی ڈیٹا

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 میسرز آراہیم ایس ایس او ایس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس، سالانہ جائزہ اجلاس کی تاریخ پر سبک دوش ہو رہے ہیں باصلاحیت ہونے کی وجہ سے اختتامی سال 30 جون 2018 کے لئے دوبارہ تقرری کی پیش کش کی ہے جو رجسٹر ارمضار بہ اور مضاربہ 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 مضاربہ کمیٹی کی انتظامیہ پر اعتماد کرنے پر تہہ دل سے شکریہ ادا کرتے ہیں۔

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

بورڈ کے توسط سے

کراچی

تاریخ: 06 اکتوبر 2017

محمد عمر امین باوانی

چیف ایگزیکٹو



## **Shari'ah Advisor's Report For the financial year ended June 30, 2017**

This to please report thatfor the financial year ended June 30, 2017, I have examined/reviewed the transactions and agreements executed, polices implemented and procedures followed by B.F. Modaraba managed by E.A. Management (Private) Limited being Modaraba Management Company.

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

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

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

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

I will recommend that:

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

Conclusion:

The business activities of B.F. Modaraba during the financial year ended June 30, 2017 have been found to be Sharia'h compliant

Dr. Zubair Usmani

Dated: October 06, 2017

Shari'ah Advisor



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of B.F. MODARABA (the Modaraba) as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
  - i. the 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;



- © 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, 2017 and of the profit, comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, Zakat 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 that Ordinance.

---

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

Karachi.  
Dated: October 06, 2017



## B. F. MODARABA BALANCE SHEET AS AT JUNE 30, 2017

	2017	2016
Note	..... Rupees.....	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank balances	4 <span style="border: 1px solid black; padding: 2px;">6,900,266</span>	29,155,953
Investments	5 <span style="border: 1px solid black; padding: 2px;">116,889,103</span>	89,749,276
Advances, prepayments and other receivables	6 <span style="border: 1px solid black; padding: 2px;">4,995,495</span>	2,703,860
Trade Debts	<span style="border: 1px solid black; padding: 2px;">-</span>	36,580,000
Stock in trade	<span style="border: 1px solid black; padding: 2px;">30,087,034</span>	-
	<span style="border: 1px solid black; padding: 2px;">158,871,898</span>	158,189,089
<b>Non-Current Assets</b>		
Long term deposits	7 <span style="border: 1px solid black; padding: 2px;">40,019</span>	40,019
Property, plant and equipment	8 <span style="border: 1px solid black; padding: 2px;">39,745</span>	47,743
	<span style="border: 1px solid black; padding: 2px;">79,764</span>	87,762
<b>TOTAL ASSETS</b>	<span style="border: 1px solid black; padding: 2px;">158,951,662</span>	<span style="border: 1px solid black; padding: 2px;">158,276,851</span>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accrued and other liabilities	9 <span style="border: 1px solid black; padding: 2px;">2,154,193</span>	1,624,961
Due to management company	<span style="border: 1px solid black; padding: 2px;">1,802,932</span>	1,218,009
Unclaimed dividend	<span style="border: 1px solid black; padding: 2px;">1,236,326</span>	1,074,645
Provision for taxation	10 <span style="border: 1px solid black; padding: 2px;">21,832</span>	518,072
	<span style="border: 1px solid black; padding: 2px;">5,215,282</span>	4,435,687
<b>Certificate Holders' Equity</b>		
Certificate capital	11 <span style="border: 1px solid black; padding: 2px;">75,151,587</span>	75,151,587
Reserves	12 <span style="border: 1px solid black; padding: 2px;">59,585,957</span>	48,590,784
Unrealized gain on available for sale investments	<span style="border: 1px solid black; padding: 2px;">18,998,836</span>	30,098,793
	<span style="border: 1px solid black; padding: 2px;">153,736,379</span>	153,841,164
<b>TOTAL LIABILITIES AND EQUITY</b>	<span style="border: 1px solid black; padding: 2px;">158,951,662</span>	<span style="border: 1px solid black; padding: 2px;">158,276,851</span>
Contingencies and Commitments	13 <span style="border: 1px solid black; padding: 2px;">-</span>	-

*The annexed notes 1 to 31 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, 2017**

	<i>Note</i>	<i>2017 Rupees</i>	<i>2016</i>
<b>Revenue</b>			
Gain on sale of available for sale investments	14	<b>18,867,788</b>	2,335,605
Trading profit	15	-	6,653,000
Dividend - net of zakat	16	<b>3,449,501</b>	5,518,628
Gain on disposal of Assets		-	619,048
Profit on bank deposits		<b>1,906,150</b>	2,192,667
Income on Musharaka certificates	17	-	442,755
		<b>24,223,439</b>	17,761,703
<b>Expenditure</b>			
Operating expenses	18	<b>(6,194,121)</b>	(5,581,613)
Profit before charging management fee		<b>18,029,318</b>	12,180,090
Provision for management fee		<b>(1,802,932)</b>	(1,218,009)
		<b>16,226,386</b>	10,962,081
Provision for workers' welfare fund		<b>(324,528)</b>	(219,242)
<b>Profit before taxation</b>		<b>15,901,858</b>	10,742,839
Taxation			
- For the year	10	-	(518,072)
- Prior Year		<b>(21,832)</b>	-
<b>Profit after taxation</b>		<b>15,880,026</b>	10,224,767
<b>Earning per certificate - basic and diluted</b>	20	<b>2.11</b>	1.36

*The annexed notes 1 to 31 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, 2017**

	<i>2017</i>	<i>2016</i>
	<i>..... Rupees .....</i>	
<b>Profit after taxation</b>	<b>15,880,026</b>	10,224,767
Other comprehensive income for the year		
Unrealised gain on re-measurement of available for sale investment	<b>3,467,141</b>	1,136,097
Gain realised on disposal of investments	<b>(14,567,098)</b>	(791,639)
	<b>(11,099,957)</b>	344,458
Total comprehensive income for the year	<u><b>4,780,069</b></u>	<u>10,569,225</u>

*The annexed notes 1 to 31 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, 2017**

	Notes	2017	2016
		Rupees	
Net cash (used in)/generated from operating activities (A)	22	(6,689,504)	2,984,350
<b>Cash flows from investing activities</b>			
Available for sale investments acquired		(148,244,393)	(25,816,214)
Proceeds from sale of investments		128,872,584	22,449,808
Dividend received		3,805,626	5,385,263
Net cash (used in)/generated from investing activities (B)		(15,566,183)	2,018,857
<b>Cash flows from financing activities</b>		-	-
Net cash (used in)/generated from financing activities (C)		-	-
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(22,255,687)	5,003,207
Cash and cash equivalents at the beginning of the year		29,155,953	24,152,746
Cash and cash equivalents at the end of the year		6,900,266	29,155,953

*The annexed notes 1 to 31 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, 2017**

	Share Capital	Reserves Statutory Reserve	Unappropriated Profits	Unrealized gain/(loss) on available for sale investments	Total
	Rupees				
Balance as at June 30, 2015	75,151,587	32,474,152	11,152,477	29,754,335	148,532,551
Total comprehensive income for the year ended June 30, 2015	-	-	10,224,767	344,458	10,569,225
Transfer to statutory reserve @ 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	75,151,587	37,586,535	11,004,249	30,098,793	153,841,164
Total comprehensive income for the year ended June 30, 2017	-	-	15,880,026	(11,099,957)	4,780,069
Transfer to statutory reserve @ 50%	-	7,940,013	(7,940,013)	-	-
Dividend paid during the year	-	-	(4,884,853)	-	(4,884,853)
	-	7,940,013	3,055,160	(11,099,957)	(104,784)
Balance as at June 30, 2017	<u>75,151,587</u>	<u>45,526,548</u>	<u>14,059,409</u>	<u>18,998,836</u>	<u>153,736,379</u>

*The annexed notes 1 to 31 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, 2017**

#### **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 repealed 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	3.5 & 6
(b) Impairment of non-financial assets	3.7
(c) Impairment of financial assets	3.13.5
(d) Depreciation rate	3.6 & 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

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

IAS 27 - Separate Financial Statements (Revised 2011)

IAS 28 - Investments in Associates and Joint Ventures (Revised 2011)

##### **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 9	Financial Instruments - Amendments for incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
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 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
Standards issued by IASB but not yet notified by SECP		
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
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 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".

	2017	2016
	..... Rupees .....	
<b>4 CASH AND BANK BALANCES</b>		
Cash in hand	11,700	78,495
Balance with Banks		
- current accounts	1,549,497	985,011
- saving accounts	5,339,068	28,092,447
	6,888,566	29,077,458
	<u>6,900,266</u>	<u>29,155,953</u>

4.1 'Saving accounts represents islamic bank accounts and rate of profit on these accounts ranges from 5 to 5.50% (2016: 4.75 to 5.75%) per annum.



2017 2016

Rupees.....

## 5 INVESTMENTS

Investment in quoted shares / certificates - available for sale	5.1	49,201,891	59,554,762
Investment in Mutual Funds - Open Ended - available for sale	5.2	67,687,212	30,194,514
		<u>116,889,103</u>	<u>89,749,276</u>

### 5.1 Investment in quoted shares / certificates - available for sale

Number of Shares/Certificates		NAME OF COMPANY/ INSTITUTION	NET BOOK VALUE		MARKET VALUE	
June 30, 2017	June 30, 2016		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
			Rupees	Rupees	Rupees	Rupees
<b>MODARABAS</b>						
117,636	117,636	Orix Modaraba	1,064,606	1,064,606	2,744,448	2,940,901
72,900	72,900	First Punjab Modaraba	127,575	127,575	583,200	344,088
<b>BANK</b>						
50,000	100,000	Meezan Bank Limited	2,093,648	4,187,148	3,950,000	4,249,999
<b>CEMENT</b>						
-	35,000	Cherat Cement Limited	-	2,218,276	-	4,184,950
162,000	100,000	Fauji Cement Limited	5,091,404	2,983,987	6,646,860	3,580,000
<b>FUEL AND ENERGY</b>						
110,000	110,000	Hub Power Company Limited	2,783,753	2,783,753	12,917,300	13,206,600
49,000	49,000	Kohinoor Energy Limited	2,126,091	2,126,091	2,110,421	2,018,791
-	15,840	Pakistan State Oil	-	3,042,977	-	5,947,286
30,873	30,873	Pakistan Petroleum Limited	2,715,559	2,715,559	4,573,560	4,786,892
600,500	525,000	K-Electric Limited	5,255,514	4,031,750	4,143,693	4,231,744
-	60,000	Kot Addu Power	-	5,207,771	-	5,355,293
<b>ENGINEERING</b>						
25,000	-	Mughal Iron & Steel Ind.	3,654,865	-	2,018,250	-
25,000	-	International Steel	1,756,825	-	3,197,250	-
<b>AUTOMOBILE ASSEMBLER</b>						
2,000	-	Pak Suzuki Motors Limited	1,434,613	-	1,560,340	-
<b>COMMUNICATION</b>						
57,000	57,000	Pakistan Telecommunication Company Limited	1,006,050	1,006,050	889,770	856,710
<b>CHEMICALS &amp; PHARMACEUTICALS</b>						
-	62,820	Fauji Fertilizer Limited	-	5,268,317	-	7,206,709
70,000	10,000	Engro Fertilizer Limited	4,333,450	676,416	3,866,799	644,799
			33,443,953	37,440,276	49,201,891	59,554,762

### 5.2 Investment in Mutual Funds - Open Ended - available for sale

Number of Units		NAME OF MUTUAL FUNDS	NET BOOK VALUE		NET ASSETS VALUE	
June 30, 2017	June 30, 2016		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
			Rupees	Rupees	Rupees	Rupees
1,107,256	126,971	Meezan Balanced Fund	1,412,718	1,293,682	2,270,551	2,011,208
-	423,062	Meezan Cash Fund	-	15,247,406	-	21,212,318
111,436	105,286	Meezan Islamic Fund	6,142,544	5,668,754	8,514,766	6,970,988
133,957	-	Meezan Islamic Income Fund	56,890,822	-	56,901,895	-
			64,446,084	22,209,842	67,687,212	30,194,514



	<i>2017</i>	<i>2016</i>
	<i>.....Rupees.....</i>	
<b>6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advance tax	<b>1,809,045</b>	1,294,247
Prepayments	<b>124,876</b>	129,996
<b>Other receivables</b>		
Profit on bank deposits	<b>24,052</b>	111,508
Receivable from RIC	-	680,000
Loan to staff	-	4,600
Sales tax	<b>3,037,522</b>	127,384
Dividend receivable	-	356,125
	<b>3,061,574</b>	1,279,617
	<u><b>4,995,495</b></u>	<u>2,703,860</u>
<b>7 LONG TERM DEPOSITS</b>		
Central Depository Company of Pakistan Limited	<b>25,000</b>	25,000
State Bank of Pakistan	<b>10,019</b>	10,019
PTCL	<b>5,000</b>	5,000
	<u><b>40,019</b></u>	<u>40,019</u>
<b>8 Property, plant &amp; equipment</b>		
Own use	8.1 <u><b>39,745</b></u>	<u>47,743</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:

2017					
Description	Office equipments	Furniture & fixture	Computer & allied equipments	Vehicles	Total
Rupees					
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2017</b>					
Opening net book value (NBV)	14,235	17,386	16,121	-	47,743
Additions at cost	-	-	-	-	-
<b>Disposal</b>					
Cost / Written off	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation charged	(1,422)	(1,739)	(4,836)	-	(7,998)
<b>Closing net book value (NBV)</b>	<b>12,813</b>	<b>15,647</b>	<b>11,285</b>	<b>-</b>	<b>39,745</b>
<b>Gross carrying value basis</b>					
<b>At June 30, 2017</b>					
Cost	147,225	146,603	337,720	-	631,548
Accumulated depreciation	(134,411)	(130,957)	(326,434)	-	(591,803)
<b>Net book value</b>	<b>12,814</b>	<b>15,646</b>	<b>11,286</b>	<b>-</b>	<b>39,745</b>
Depreciation rate % per annum	10	10	30	20	

  

2016					
Description	Office equipments	Furniture & fixture	Computer & allied equipments	Vehicles	Total
Rupees					
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2016</b>					
Opening net book value (NBV)	15,818	19,318	23,033	71,712	129,881
Additions at cost	-	-	-	-	-
<b>Disposal</b>					
Cost / Written off	-	-	-	849,000	849,000
Accumulated depreciation	-	-	-	(788,047)	(788,047)
Depreciation charged	(1,582)	(1,932)	(6,912)	60,953	60,953
Depreciation charged	(1,582)	(1,932)	(6,912)	(10,759)	(21,185)
<b>Closing net book value (NBV)</b>	<b>14,236</b>	<b>17,386</b>	<b>16,121</b>	<b>-</b>	<b>47,743</b>
<b>Gross carrying value basis</b>					
<b>At June 30, 2016</b>					
Cost	147,225	146,603	337,720	-	631,548
Accumulated depreciation	(132,989)	(129,218)	(321,598)	-	(583,805)
<b>Net book value</b>	<b>14,236</b>	<b>17,385</b>	<b>16,122</b>	<b>-</b>	<b>47,743</b>
Depreciation rate % per annum	10	10	30	20	



	<b>2017</b>	<b>2016</b>
<b>Note</b>	.....	<b>Rupees</b> .....

## 9 ACCRUED AND OTHER LIABILITIES

Audit fee payable	<b>275,000</b>	275,000
Commission payable	<b>18,000</b>	18,000
Provident fund payable	<b>942,647</b>	663,285
Workers' welfare fund	9.1 <b>884,514</b>	560,986
Others	<u><b>33,032</b></u>	<u>107,690</u>
	<u><b>2,154,193</b></u>	<u>1,624,961</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. The legality of the above amendments were challenged in Sindh, Lahore and Peshawar High Courts. Due to variable judgments from the aforesaid Courts, the matter was forwarded to the Honorable Supreme Court of Pakistan. The Honorable Supreme Court has decided the matter on November 10, 2016, and Para 21 of its judgment states that the levy of WWF is in the nature of fee and the law could not be amended by a money bill and as such the amendments made in the year 2006 and 2008 are unlawful and ultravires to the Constitution. In terms of judgment by the Honorable Supreme Court of Pakistan, WWF under WWF Ordinance, is no more payable by the Modaraba and provision made against WWF up till June 30, 2014 is reversed during the period.

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

The Management Company as a matter of abundant caution, has made the provision for WWF amounting to Rs.324,528 (2016: 219,242) in these financial statements.

	<b>2017</b>	<b>2016</b>
<b>Note</b>	.....	<b>Rupees</b> .....

## 10 PROVISION FOR TAXATION

Tax for the year	10.1 <b>-</b>	518,072
Prior years adjustment	<u><b>21,832</b></u>	<u>-</u>
	<u><b>21,832</b></u>	<u>518,072</u>

10.1 Income tax assessments of the Modaraba have been finalized upto tax year 2016 under section 120 of Income Tax Ordinance, 2001. In the current year, the Modaraba has distributed 90% 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

2017	2016		2017	2016
No. of Certificates			Rupees	
<b>Authorized certificate capital</b>				
<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>
<b>Issued, subscribed and paid-up capital</b>				
<u>3,000,000</u>	<u>3,000,000</u>	Modaraba certificates of Rs.10/- each issued for cash	<u>30,000,000</u>	<u>30,000,000</u>
<u>4,515,158</u>	<u>4,515,158</u>	Modaraba certificates of Rs.10/- each issued as bonus certificates	<u>45,151,587</u>	<u>45,151,587</u>
<u>7,515,158</u>	<u>7,515,158</u>		<u>75,151,587</u>	<u>75,151,587</u>

Note 2017 2016  
Rupees

## 12 RESERVES

Statutory reserve	12.1	<u>45,526,548</u>	37,586,535
Unappropriated profit		<u>14,059,409</u>	11,004,249
		<u>59,585,957</u>	<u>48,590,784</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. 7,940,013 (2016: Rs.5,112,383) which represents 50% of the profit after tax.

## 13 CONTINGENCIES AND COMMITMENTS

There are no known commitments as at June 30, 2017 (2016: Nil).

## 14 GAIN ON SALE OF AVAILABLE FOR SALE INVESTMENTS

Gain/(loss) on sale of available for sale investments are earned under a Shariah permissible arrangement.

## 15 TRADING PROFIT

	Note	2017	2016
		Rupees	
Sale of Sugar	15.1	<u>-</u>	<u>6,653,000</u>
		<u>-</u>	<u>6,653,000</u>
15.1 Sales-Net		-	105,430,000
Cost of sales			
Opening stock		-	43,030,000
Purchases		<u>30,087,034</u>	<u>55,747,000</u>
Closing stock		<u>(30,087,034)</u>	<u>-</u>
		<u>-</u>	<u>98,777,000</u>
		<u>-</u>	<u>6,653,000</u>





		2017	2016
		Rupees	
<b>16 DIVIDEND</b>			
Dividend income	16.1	3,474,501	5,522,588
Less: Zakat deducted at source		<u>(25,000)</u>	<u>(3,960)</u>
		<u><b>3,449,501</b></u>	<u><b>5,518,628</b></u>
<b>16.1 Name of the Company/Fund</b>			
Maple leaf Cement Factory Limited		2,250	1,250
Cherat Cement Limited		-	220,000
Fauji Cement Limited		162,000	162,500
Bestway Cement Limited		1,250	-
Hub Power Company Limited		880,000	1,485,000
Kohinoor Energy Limited		245,000	269,500
Pakistan State Oil		118,800	142,560
Pakistan Petroleum Limited		200,675	192,956
Pakistan Oilfields Limited		-	75,000
Pak Suzuki Motors Limited		11,000	-
International Industries Limited		62,500	-
Kot Addu Power		-	456,875
Pakistan Telecommunication Company Limited		57,000	114,000
Fauji Fertilizer Limited		66,371	613,750
Engro Fertilizer Limited		230,000	-
Engro Corporation Limited		-	70,000
Agri autos industries Limited		875	1,000
Meezan Bank Limited		237,500	-
Meezan Balance Fund		158,715	74,078
Meezan Cash Fund		-	920,854
Meezan Islamic Fund		526,433	298,616
Nishat Mills Limited		75,000	-
First Punjab Modaraba		36,450	36,450
Orix Modaraba		399,962	388,199
Service Fabrics		2,720	-
		<u><b>3,474,501</b></u>	<u><b>5,522,588</b></u>
<b>17 INCOME ON MUSHARIKA CERTIFICATES</b>		<u><b>-</b></u>	<u><b>442,755</b></u>



	Note	2017 ..... Rupees.....	2016
<b>18 OPERATING EXPENSES</b>			
Salaries and other benefits		4,548,762	3,881,417
Fees and subscription		828,653	831,384
Newspapers and periodicals		6,426	6,004
Printing and stationery		135,519	130,048
Repair and maintenance		8,956	5,540
Travelling and conveyance		14,150	9,435
Postage and telephone		82,516	80,980
Auditors' remuneration	18.1	335,000	335,000
Vehicles running and maintenance		-	1,126
Insurance		6,931	19,163
Depreciation	8.1	8,000	21,186
Advertisement		21,600	21,600
Bank charges		2,665	1,330
Miscellaneous		164,543	77,411
Rent, Rates & Taxes		30,400	159,989
		<u>6,194,121</u>	<u>5,581,613</u>
<b>18.1 Auditors' remuneration</b>			
Audit fee		250,000	250,000
Review of Code of corporate governance		25,000	25,000
Half yearly review including other certificates		60,000	60,000
		<u>335,000</u>	<u>335,000</u>
<b>19 TAXATION</b>			
- Current year		-	518,072
<b>19.1</b> Income tax assessments of the Modaraba have been finalized upto tax year 2016, as these are deemed to have been finalized under section 120 of Income Tax Ordinance, 2001.			
<b>20 EARNINGS PER CERTIFICATE - BASIC AND DILLUTED</b>			
<b>Basic</b>			
Profit for the year		<u>15,880,026</u>	<u>10,224,767</u>
Weighted average number of certificates outstanding		<u>7,515,159</u>	<u>7,515,159</u>
Earnings per certificate		<u>2.11</u>	<u>1.36</u>
<b>Diluted</b>			

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 2017 and 30 June 2016 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:

	2017			2016
Balance / Transaction	Associate undertakings	Management Company	Total	Total
	Rupees			Rs
Purchases	-	-	-	55,747,000
Insurance expense	-	-	-	19,163
Management fee - payment during the year	-	1,218,009	1,218,009	1,056,250
Management fee - for the year and balance at year end	-	1,802,932	1,802,932	1,218,009
	-	3,020,941	3,020,941	58,040,422

	2017	2016
	Rupees	
<b>22 Cash generated from operations</b>		
Profit before taxation	<b>15,901,858</b>	10,742,839

Adjustment from non-cash charges and other items:

Depreciation on own assets	<b>8,000</b>	21,186
Gain/(Loss) on disposal of Assets	-	(619,048)
Provision for provident fund	<b>374,362</b>	330,197
Provision for Management Fee	<b>1,802,932</b>	1,218,009
Provision for WWF	<b>324,528</b>	219,242
Gain on sale of investments	<b>(18,867,788)</b>	(2,335,605)
Income on Musharika Certificates	-	(442,755)
Dividend income	<b>(3,449,501)</b>	(5,518,628)
	<b>19,807,467</b>	(7,127,402)
Cash (used in)/generated from operations	<b>(3,905,609)</b>	3,615,437



2017                      2016  
..... Rupees .....

**22.1 Net changes in working capital**

Decrease / (Increase) in current assets		
Stock in trade	<b>(30,087,037)</b>	43,030,000
Trade Debts	<b>36,580,000</b>	(36,580,000)
Advances, deposits, prepayments and other receivables	<b>(2,133,148)</b>	142,163
	<b>4,359,815</b>	6,592,163
(Decrease) / Increase in current liabilities		
Accrued and other liabilities	<b>(74,658)</b>	(196,546)
Net increase / (decrease) in working capital	<b>4,285,157</b>	6,395,617
Management fee paid	<b>(1,218,009)</b>	(1,056,250)
Dividend paid	<b>(4,723,173)</b>	(5,017,488)
P.F paid	<b>(95,000)</b>	(30,110)
Taxes paid	<b>(1,032,871)</b>	(922,856)
	<b>(7,069,052)</b>	(7,026,704)
Net cash generated/(used in) from operating activities	<b>(6,689,504)</b>	2,984,350



23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES  
23.1 Financial assets and financial liabilities

Financial assets and financial liabilities for the year ended June 30, 2017 are stated below:

	2017									
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 y 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
	%	age	Rupees							
<b>Financial assets</b>										
Cash and bank balances	5.00 to 5.50	5,339,068	-	-	5,339,068	1,561,197	-	-	1,561,197	6,900,266
Investments		-	-	-	-	116,889,103	-	-	116,889,103	116,889,103
Advances, prepayments and other receivables		-	-	-	-	4,995,495	-	-	4,995,495	4,995,495
Stock in trade		-	-	-	-	30,087,034	-	-	30,087,034	30,087,034
Long term deposits		-	-	-	-	40,019	-	-	40,019	40,019
		5,339,068	-	-	5,339,068	153,572,848	-	-	153,572,848	158,911,917
<b>Financial liabilities</b>										
Accrued and other liabilities		-	-	-	-	2,154,193	-	-	2,154,193	2,154,193
Due to management company		-	-	-	-	1,802,932	-	-	1,802,932	1,802,932
Unclaimed dividend		-	-	-	-	1,236,326	-	-	1,236,326	1,236,326
		-	-	-	-	5,193,450	-	-	5,193,450	5,193,450
		5,339,068	-	-	5,339,068	148,379,398	-	-	148,379,398	153,718,466
<b>On balance sheet Gap</b>										



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	Sub-total	Maturity up to one year	Maturity after one year and up to 5 years	Maturity after 5 years	Sub-total		
% age	Rupees								Rupees	
<b>Financial assets</b>										
Cash and bank balances 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		-	-	-	-	2,703,860	-	-	2,703,860	2,703,860
Stock in trade		-	-	-	-	-	-	-	-	-
Long term deposits		-	-	-	-	40,019	-	-	40,019	40,019
		28,092,447	-	-	28,092,447	93,556,661	-	-	93,556,661	121,649,108
<b>Financial liabilities</b>										
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
<b>On balance sheet Gap</b>		28,092,447	-	-	28,092,447	89,639,046	-	-	89,639,046	117,731,493



## 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. 116,889 million (2016: Rs. 89,749 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 2017 and 2016 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, 2017	Rupees	116,889,103	10% increase	128,578,014	11,688,910
			10% decrease	105,200,193	(11,688,910)
June 30, 2016	Rupees	89,749,276	10% increase	98,724,204	8,974,928
			10% decrease	80,774,349	(8,974,928)

#### 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. 5,339,068/- (2016: Rs. 28,092,447/-) and Rs. Nil (2016: 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:

	2017	2016	2017	2016
	Effective interest rate (%)		Carrying amounts	
Financial assets				
Bank deposits - <i>pls account</i>	5.00% to 5.50%	4.75% to 5.75%	5,339,068	28,092,447

#### 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
<b>As at June 30, 2017</b>			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	<u>53.391</u>	<u>(53,391)</u>
<b>As at June 30, 2016</b>			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	<u>280,924</u>	<u>(280,924)</u>

## 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.126,975million (2016: Rs.108.522 million) the financial assets which are subject to credit risk amounted to Rs. NIL million (2016: Rs. 36.58 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:

	2017		2016	
	Carrying Amount	Maximum Exposure	Carrying Amount	Maximum Exposure
	Rupees			
Balance with banks	6,900,266	6,900,266	29,077,458	29,077,458
Advances	3,061,573	3,061,573	1,279,617	1,279,617

#### 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	2017 ..... Rupees .....	2016 ..... Rupees .....
Al-Barka Islamic Bank Limited	A	JCR-VIS	25,277	24,636
Bank Al-Habib Limited	AA+	PACRA	617,884	453,754
Habib Bank Limited	AAA	JCR-VIS	923,302	522,946
Habib Metropolitan Bank Limited	AA+	PACRA	5,313,941	28,068,656
UBL Islamic Bank	AA+	JCR-VIS	529	528
			<u>6,880,932</u>	<u>29,070,520</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:

	Carrying Amount	2017 Contractual cash flows	Twelve months or less	Two to Five years
		Rupees		
<b>Non-Derivative</b>				
<b>Financial liabilities</b>				
Accrued and other liabilities	2,154,193	2,154,193	2,154,193	-
Due to Management Company	1,802,932	1,802,932	1,802,932	-
Unclaimed Dividend	1,236,326	1,236,326	1,236,326	-
	<u>5,793,450</u>	<u>5,793,450</u>	<u>5,793,450</u>	<u>-</u>



	Carrying Amount	Contractual cash flows	2016 Twelve months or less Rupees	Two to Five years
<b>Non-Derivative Financial liabilities</b>				
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>

## 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.

	2017	2016
	Rupees .....	
Cash and bank balances	6,900,266	29,155,953
Total equity	<u>158,951,662</u>	158,276,851
Total capital	<u>165,851,928</u>	<u>187,432,804</u>
<b>Gearing ratio</b>	<b>NIL</b>	<b>NIL</b>

## 26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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



	2017			
	Sugar Trading	Investments	Others	Consolidated
	Rupees			
<b>Segment Revenues</b>	-	3,449,501	1,906,150	5,355,651
<b>Segment Results</b>				
Unallocated operating expense:	-	-	(6,194,121)	(6,194,121)
Management fee	-	-	(1,802,932)	(1,802,932)
Provision for workers' welfare	-	-	(324,528)	(324,528)
<b>Profit for the year</b>	-	3,449,501	(6,415,431)	(2,965,930)
<b>Assets and liabilities</b>				
<b>Segment assets</b>	30,087,034	116,889,103	-	146,976,137
Unallocated assets	-	-	11,975,524	11,975,524
<b>Consolidated total assets</b>	30,087,034	116,889,103	11,975,524	158,951,662
Segment liabilities	-	-	-	-
Unallocated liabilities	-	-	11,975,524	11,975,524
<b>Consolidated total liabilities:</b>	-	-	11,975,524	11,975,524

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



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

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



## 28 CORRESPONDENCE FIGURES

Prior year's figures have been reclassified for the purpose of better presentation and comparison. Significant changes made during the year are as follows.

Reclassification from	Reclassification to	Amount
Advance Tax	Provision for taxation	
Provision for taxation	Provision for taxation	518,072

## 29 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 06, 2017 by the Board of Directors of the Modaraba Management Company.

## 30 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2017 of Re.1.00 per certificate (2016: Re. 0.65 per certificate), amounting to Rs. 7,515,159 (2016: Rs.4,884,853) at their meeting held on October 06, 2017. The financial statements for the year ended June 30, 2017 do not include the effect of the above which will be accounted for in the period in which it is declared.

## 31 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, 2017***

<b>NO. OF CERTIFICATE HOLDERS</b>	<b>CERTIFICATE HOLDING</b>			<b>TOTAL CERTIFICATES HELD</b>
770	1	-	100	16,971
248	101	-	500	61,942
82	501	-	1000	59,751
164	1001	-	5000	327,776
30	5001	-	10000	212,995
6	10001	-	15000	71,522
4	15001	-	20000	69,102
5	20001	-	25000	109,329
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	90001	-	95000	90,500
1	115001	-	120000	115,724
1	155001	-	160000	159,500
1	170001	-	175000	171,360
1	180001	-	185000	183,078
1	185001	-	190000	187,877
1	210001	-	215000	212,554
1	225001	-	230000	227,910
1	265001	-	270000	269,017
2	280001	-	285000	565,303
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
<b>1336</b>	<b>TOTAL</b>			<b>7,515,158</b>



## **CATEGORIES OF CERTIFICATE HOLDINGS AS AT JUNE 30, 2017**

	Number of Certificate Holders	Total Certificates Held	Percentage %
<b>Director CEO and their Spouses and Minor Children Holding</b>			
Mr. Muhammad 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
<b>Associated Companies, Undertaking and Related Parties</b>			
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
<b>NIT and ICP</b>			
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
<b>Certificate Holders Holding Five percent or more</b>			
Sind Particle Board Mills		675,629	8.9902
Mrs.Shaheda Muhammad Amin		539,216	7.1750
Mrs.Gulshan Ara Muhammad Amin		508,213	6.7625
Mrs.Aisha Bai Muhammad Amin		510,455	6.7923
	7	2,233,513	29.7201
INDIVIDUALS	1288	1,913,835	25.4663
INVESTMENT COMPANIES	4	107,971	1.4367
INSURANCE COMPANIES	1	187,877	2.5000
JOINT STOCK COMPANIES	8	4,634	0.0617
FINANCIAL INSTITUTIONS	1	10,456	0.1391
OTHERS	7	45,747	0.6087
CHARITABLE TRUSTS	1	23,102	0.3074
COOPERATIVE SOCIETIES	1	4,827	0.0642
<b>Total</b>	1336	7,515,158	100





July 2016-June 2017 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	4
3. Mr. Hamza Omar Bawany	4
4. Mr. Abdul Ghaffar Umar	4

KEY OPERATING AND FINANCIAL DATA					Rs. 000's	
Year	2017	2016	2015	2014	2013	2012
Paid-up Capital	75,151	75,151	75,151	75,151	75,151	75,151
Equity	153,736	153,841	148,532	134,320	122,971	115,327
Operating Revenue	24,223	17,761	15,379	12,223	12,436	16,005
Net Profit After Tax	15,880	10,224	9,116	4,437	1,995	6,307
Bonus	-	-	-	-	-	-
Cash Dividend	10%	6.50%	7%	-	-	5%
Earning Per Certificate (Rs.)	2.11	1.36	1.21	0.59	0.27	0.84



**STATEMENT OF COMPLIANCE WITH THE  
CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Pakistan Stock Exchange 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. No casual vacancy in the Board occurred during the year.
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 as determine by CEO.
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 two are non-executive directors.
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.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
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.

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**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 (Pvt.) Limited (the Management Company) for the year ended June 30, 2017 to comply with the requirements of clause 5.19 of chapter 5 of Pakistan Stock Exchange Rule Book issue by 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, 2017.

Karachi.

RSM Avais Hyder Liaquat Nauman

Dated: October 06, 2017

Chartered Accountants  
Engagement Partner: Adnan Zaman



### NOTICE OF ANNUAL REVIEW MEETING

The 18th Annual Review Meeting of the Certificate Holders of B.F. Modaraba will be held on Tuesday October 31, 2017 at 5:00 p.m. at the Registered office of Modaraba at Bungalow 14-H, P.E.C.H.S. Block 6, Off Main Shahrah-e-Faisal, Karachi.

The Board of Directors, in their meeting held on October 06, 2017, have approved Cash Dividend @ 10% i.e. Re. 1.00 per certificate for the year ended June 30, 2017.

The Certificate Transfer Books of the Modaraba will remain closed from October 25, 2017 to October 31, 2017 (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, 2017, will be treated in time.

Dated: October 06, 2017

**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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