



# **B.F. MODARABA**

Managed By

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

Registered under

The Companies Ordinance 1984 & Modaraba  
Companies & Modaraba Ordinance 1980

## **Annual Accounts 2018**



**B. F. MODARABA**  
**30<sup>th</sup> ANNUAL REPORT 2018**  
**CONTENTS**

Corporate Information .....	2
Chairman Review Report .....	3
Chairman Review Report Urdu .....	4
Directors' Report .....	5
Directors' Report Urdu .....	8
Shari'ah Advisor's Report .....	12
Auditors' Report .....	13
Balance Sheet .....	15
Profit and Loss Account .....	16
Statement of Comprehensive Income .....	17
Cash Flow Statement .....	18
Statement of Changes in Equity .....	19
Notes to the Financial Statements .....	20
Pattern of Certificate Holdings .....	47
Number of Meetings .....	49
Key Operating & Financial Data .....	49
Auditors' Review Report .....	50
Statement of Compliance with Code of Corporate Governance .....	51
Notice of Annual Review Meeting .....	54
Vision & Mission .....	55



## 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  
UBL Ameen Islamic Banking

### REGISTERED OFFICE

Bungalow No. 14-H, Block 6,  
P.E.C.H.S, Main Shahrah-e-Faisal,  
Karachi, Pakistan.  
Phone : (92-21) 34322851-54  
UAN : (92-21) 111 229 269  
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



## **CHAIRMAN'S REVIEW REPORT**

I am pleased to present Annual Review Report of B.F.Modaraba for the year ended June 30, 2018. The profitability showed a decline mainly due to negative contribution from trading business. However, we earned moderate profit from marketable securities which offset loss incurred on trading activity.

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

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

**Ahmed Ali Bawany**  
**Chairman**

Karachi.  
Date : September 28, 2018



## چیرمین کی جائزہ رپورٹ

میں 30 جون 2018 کو اختتام پذیر سال کے لئے بی ایف مضاربہ کی سالانہ جائزہ رپورٹ پیش کرتے ہوئے مسرت محسوس کرتا ہوں۔ نفع میں دکھائی گئی کمی کا اہم سبب ٹریڈنگ بزنس سے منفی حصہ ہے۔ چنانچہ ہم نے سیکورٹیز کی خرید و فروخت سے متعدل نفع حاصل کیا۔ جس نے تجارتی سرگرمیوں میں ہونے والے نقصان کو متوازن کر دیا۔

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

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

احمد علی باوانی

چیرمین

کراچی 28 ستمبر 2018



**30<sup>th</sup> ANNUAL REPORT OF THE DIRECTORS  
OF THE MODARABA COMPANY  
FOR THE YEAR ENDED JUNE 30, 2018**

Dear Certificate Holders.

Assalam-o-Aalikum,

In the name of ALLAH the most gracious and most merciful, your directors are pleased to present 30<sup>th</sup> Annual Report of your Modaraba together with the audited financial statements for the year ended June 30, 2018.

**FINANCIAL RESULTS**

Financial results are summarized as follows:

	<b>June 2018 Rupees</b>	<b>June 2017 Rupees</b>
Revenue	<u><b>12,434,874</b></u>	<u>24,223,439</u>
Profit before charging management fee	<b>4,974,574</b>	18,029,318
Management fee	<u><b>(497,457)</b></u>	<u>(1,802,932)</u>
Profit before WWF	<b>4,477,117</b>	16,226,386
WWF	<u><b>(89,542)</b></u>	<u>(324,528)</u>
Profit before taxation	<b>4,387,575</b>	15,901,858
Taxation		
- For the Year	<div style="border: 1px solid black; padding: 2px;"><b>(670,293)</b></div>	<div style="border: 1px solid black; padding: 2px;">-</div>
- Prior Year	<div style="border: 1px solid black; padding: 2px;">-</div>	<div style="border: 1px solid black; padding: 2px;">(21,832)</div>
	<u><b>(670,293)</b></u>	<u>(21,832)</u>
Profit after taxation	<b>3,717,282</b>	15,880,026
Add: Un-appropriated profit brought forward	<u><b>6,544,251</b></u>	<u>6,119,397</u>
	<u><b>10,261,533</b></u>	<u>21,999,423</u>
Appropriations:		
Transferred to statutory reserve @50% of profit (2017: 50%)	<div style="border: 1px solid black; padding: 2px;"><b>(1,858,641)</b></div>	<div style="border: 1px solid black; padding: 2px;">(7,940,013)</div>
Cash Dividend <u>Nil</u> ( 2017: 10% )	<div style="border: 1px solid black; padding: 2px;">-</div>	<div style="border: 1px solid black; padding: 2px;">(7,515,159)</div>
	<u><b>(1,858,641)</b></u>	<u>(15,455,172)</u>
	<u><b>8,402,892</b></u>	<u><b>6,544,251</b></u>
Earnings per certificate	<u><b>0.49</b></u>	<u><b>2.11</b></u>

**REVIEW OF OPERATIONS**

Our overall Gross revenues during the year were Rs.12.434 million vis-à-vis Rs.24.223 million for the corresponding period of 2016-17, mainly due to negative contribution from trading inventory. Reason being the delay decision of the government for the export of excess quantity of the commodity produced in the country. However, we earned handsome profit from marketable securities despite of moderate performance of stock exchange which offset loss incurred on trading inventory. Major components



of revenue were Capital gain of Rs.11.155 million, dividend income of Rs.4.779 million and profit on bank deposit of Rs.0.747 million. Thus, overall profitability remained positive as Pre-tax Profit stood at Rs.4.387 million against a Pre-tax Profit of Rs.15.901 million for the corresponding period of 2016-17. Consequently, earning per certificate has also slipped by Rs. 1.62 to Rs. 0.49 per certificate. Unrealized gain in the value of investment in marketable securities was Rs. 2.285 million which has been reflected in the equity.

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

The Board in its meeting held on **September 28, 2018** has not approved any distribution due to meager profitability.

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

The B.F Modaraba finances its operation through its own equity. We utilize our funds in trading activities and investments in equity instruments. Hence, we, being cautious of the prevailing economic conditions, would continue with our strategy of achieving steady growth by taking exposure in selected avenues of investment following stringent risk management policies.

Your modaraba's investment portfolio is invested with prudence while seeking a modest return in line with market condition. The prices of commodity for which we have already made commitments are stable and we expect positive contribution from our trading business when price increase Inshallah.

#### ***CORPORATE GOVERNANCE***

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

- A. The financial statements prepared by the management of the Modaraba present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- B. Proper books of accounts of the Modaraba have been maintained
- C. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments
- D. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements.
- E. The system of internal control is sound and has been effectively implemented and monitored.
- F. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- G. There is no material departure from best practices of corporate governance as detailed in the Regulations of Rule Book of Pakistan Stock Exchange.



#### ***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. Some instances highlighted in this statement will be compiled after reconstitution of the board which is scheduled in month of October 2018.

#### ***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, 2018 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. Avais Hyder Liaquat Nauman, Chartered Accountants is retiring in accordance with provisions of the Code of Corporate Governance on completion of five years, and in their place M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have been recommended by the Audit Committee for the audit of books of accounts of Modaraba for the year ending June 30, 2019, 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 : September 28, 2018



## 30 ویں سالانہ ڈائریکٹرز کی رپورٹ

مضاربہ کمپنی برائے اختتامی سال 30 جون 2018

محترم سٹیفکیٹ 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 30 ویں سالانہ رپورٹ کے ساتھ 30 جون 2018 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۔

2017 روپے	2018 روپے	
24,223,439	12,434,874	آمدنیاں
18,029,318	4,974,574	منافع قبل از مینجمنٹ کی فیس
(1,802,932)	(497,457)	مینجمنٹ فیس
16,226,386	4,477,117	منافع قبل از WWF
(324,528)	(89,542)	WWF
15,901,858	4,387,575	منافع قبل از ٹیکس
-	(670,293)	ٹیکس
(21,832)	-	• اسی سال کا
(21,832)	(670,293)	• پچھلے سال کا بقایا
15,880,026	3,717,282	منافع ٹیکس کے بعد
6,119,397	6,544,251	جمع: غیر تصرف شدہ منافع برارڈ فارورڈ
21,999,423	10,261,533	
(7,940,013)	(1,858,641)	تصرفات
(7,515,159)	-	منافع کا 50 فیصد کے حساب سے دستوری ذخائر میں منتقل کیا گیا
(15,455,172)	(1,858,641)	منافع کی تقسیم بحساب Nil فیصد (10% : 2017)
6,544,251	8,402,892	
2.11	0.49	فی سٹیفکیٹ آمدنی

آپریشنز (افعال) کا جائزہ

سال کے دوران ہماری مجموعی آمدنی 12.434 ملین روپے تھی جبکہ 2016-17 کی اسی مدت کے لئے 24.223 ملین روپے تھی۔ جس کی اہم وجہ ٹریڈنگ انونٹری سے منفی کنٹری بیوشن ہے۔ ملک میں پیدا شدہ اجناس کی وافر مقدار کی برآمد کے لئے حکومت کے تاخیری



فیصلہ بھی ایک وجہ ہے۔ مگر ہم نے اسٹاک ایکسچینج کی اعتدال پسند کارکردگی کے باوجود قابل خرید سیکورٹیز ڈیپازٹ سے کافی منافع کمایا جس سے ٹریڈنگ انومنٹری پر نقصان پیش آیا۔ آمدنی کے اہم عنصر 11.155 ملین روپے کا کیپٹل گین، 4.779 ملین روپے کی ڈیویڈنڈ انکم اور 0.747 ملین روپے کے بینک ڈیپازٹ پر نفع تھے۔ اس طرح مجموعی فائدہ مندی (نفع) مثبت رہی۔ جیسا کہ ٹیکس سے پہلے نفع 17-2016 کی اسی مدت کے لئے 15.901 ملین روپے کے مقابلہ میں ٹیکس سے پہلے نفع 4.387 ملین روپے رہا۔ اس لئے فی سرٹیفیکٹ آمدنی بھی 1.62 روپے سے گر کر 0.49 روپے فی سرٹیفیکٹ ہو گئی۔ قابل فروخت سیکورٹیز میں سرمایہ کاری کی قیمت میں غیر حقیقی نفع / فائدہ 2.285 ملین روپے تھا۔ جو مساوات کا مظہر ہے۔

### نفع کی تقسیم

بورڈ نے اپنے اجلاس منعقدہ 28 ستمبر 2018 کم نفع ہونے کی وجہ کسی تقسیم کی منظوری نہیں دی۔

### مستقبل کے مناظر

بی ایف۔ مضاربہ فنانسز اپنے آپریشن خود اپنی اکیویٹی سے کرتا ہے۔ ہم اپنے فنڈز تجارتی سرگرمیوں میں استعمال کرتے ہیں اور اکیویٹی انسٹرومنٹس میں سرمایہ کاری کرتے ہیں۔ چنانچہ ہم موجودہ معاشی حالات سے محتاط ہونے کے باعث سخت رسک مینجمنٹ پالیسیز پر عمل پیرا ہوتے ہوئے سرمایہ کاری کے منتخب مواقع میں مستحکم فروغ حاصل کرنے کے لئے اپنی حکمت عملی جاری رکھیں گے۔

آپ کے مضاربہ کے انوسٹمنٹ پورٹ فولیو عاقبت اندیشی سے انوسٹ کئے گئے ہیں۔ جب کہ مارکیٹ کے حالات کے ساتھ لائن میں با عظمت ریٹرن کی جستجو کر رہے ہیں۔ کو موڈ پٹی کی قیمتیں جس کے لئے ہم پہلے ہی وعدہ کر چکے ہیں مستحکم ہیں اور ہمیں اپنے ٹریڈنگ بزنس سے مثبت کٹری بیوٹن کی توقع ہے۔ جب قیمتیں بڑھیں گی۔ انشاء اللہ

### 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 اکیویٹی 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 اندیشہ فیصلوں کی بنیاد پر کئے گئے ہیں۔



D مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی اکاؤنٹنگ معیارات پر عمل کیا گیا ہے۔

E 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 توشیو 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

کمپلائنس کا اسٹینڈرڈ کا گوشوارہ کارپوریٹ گورننس کی عمدہ پریکٹسز سے ترتیب دیا گیا ہے جو سالانہ رپورٹ کے ساتھ منسلک ہے۔ اس گوشوارے میں بعض مثالیں اجاگر کی گئی ہیں جس کی تعمیل بورڈ کے دوبارہ تشکیل کے بعد کی جائے گی جو اکتوبر 2018 کے مہینے میں طے 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 2018 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 آڈیٹر میسرز اولیس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس پانچ سال کی تکمیل پر کوڈ آف کارپوریٹ گورننس کی شیٹوں کے مطابق سبک دوش ہو رہے ہیں اور ان کی جگہ 30 جون 2019 کو ختم ہونے والے سال کے لئے مضاربہ کے اکاؤنٹس کی کتابوں کا آڈٹ کرنے کے لئے آڈٹ کمیٹی کی جانب سے میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس کی سفارش کی گئی ہے جو رجسٹرار مضاربہ کمپنی اور مضاربہ کی منظوری سے مشروط ہے۔ بورڈ نے ان کی تقرری کی تصدیق کی 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 کمپنی کی انتظامیہ پر اعتماد کرنے پر تہہ دل سے شکریہ ادا کرتے ہیں۔

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

بورڈ کے توسط سے

کراچی

بتاریخ: 28 ستمبر 2018

محمد عمر امین بادانی

چیف ایگزیکٹو



## **Shari'ah Advisor's Report For the financial year ended June 30, 2018**

This to please report that for the financial year ended June 30, 2018, 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, 2018 have been found to be Sharia'h compliant

Dr. Zubair Usmani

Shari'ah Advisor

Dated: September 28, 2018



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of B.F. MODARABA (the Modaraba) as at June 30, 2018 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 expect for changes in accounting policies as disclosed in notes 3.1 to the financial statements with which we concur;
  - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of 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, 2018 and of the profit, comprehensive loss, 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: September 28, 2018



## B. F. MODARABA BALANCE SHEET AS AT JUNE 30, 2018

	2018	2017	2016
<i>Note</i>	.....	Rupees	.....
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	4 24,943,033	6,900,266	29,155,953
Investments	5 97,645,100	116,889,103	89,749,276
Advances, prepayments and other receivables	6 6,140,547	4,995,495	2,703,860
Trade Debts	1,863,406	-	36,580,000
Stock in trade	10,107,090	30,087,034	-
	<b>140,699,176</b>	<b>158,871,898</b>	<b>158,189,089</b>
<b>Non-Current Assets</b>			
Long term deposits	7 40,019	40,019	40,019
Property, plant and equipment	8 38,417	39,745	47,743
	<b>78,436</b>	<b>79,764</b>	<b>87,762</b>
<b>TOTAL ASSETS</b>	<b>140,777,612</b>	<b>158,951,662</b>	<b>158,276,851</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accrued and other liabilities	9 4,839,548	2,154,193	1,624,961
Due to management company	497,457	1,802,932	1,218,009
Unclaimed dividend	1,545,582	1,236,326	1,074,645
Provision for taxation	10 670,293	21,832	518,072
	<b>7,552,880</b>	<b>5,215,282</b>	<b>4,435,687</b>
<b>Certificate Holders' Equity</b>			
Certificate capital	11 75,151,587	75,151,587	75,151,587
Reserves	12 55,788,081	59,585,957	48,590,784
	<b>130,939,668</b>	<b>134,737,543</b>	<b>123,742,371</b>
Unrealized gain on available for sale investments	13 2,285,064	18,998,836	30,098,793
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>140,777,612</b>	<b>158,951,662</b>	<b>158,276,851</b>
<b>Contingencies and Commitments</b>	14 -	-	-

*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

Chief Financial Officer



## B. F. MODARABA PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017
<b>Revenue</b>			
Gain on sale of available for sale investments	15	11,155,212	18,867,788
Trading profit	16	(4,247,344)	-
Dividend - net of zakat	17	4,779,867	3,449,501
Profit on bank deposits		747,139	1,906,150
		<u>12,434,874</u>	<u>24,223,439</u>
<b>Expenditure</b>			
Operating expenses	18	(7,460,300)	(6,194,121)
Profit before charging management fee		4,974,574	18,029,318
Provision for management fee		(497,457)	(1,802,932)
		4,477,117	16,226,386
Provision for workers' welfare fund		(89,542)	(324,528)
<b>Profit before taxation</b>		<u>4,387,575</u>	<u>15,901,858</u>
-For the year	19	(670,293)	-
-Prior year		-	(21,832)
<b>Profit after taxation</b>		<u>3,717,282</u>	<u>15,880,026</u>
<b>Earnings per certificate - basic and diluted</b>	20	<u>0.49</u>	<u>2.11</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

\_\_\_\_\_  
Chief Financial Officer



**B. F. MODARABA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<i>2018</i>	<i>2017</i>
	<i>..... Rupees .....</i>	
Profit after taxation	<b>3,717,282</b>	15,880,026
Other comprehensive income not reflected in equity		
(Deficit) / surplus on re-measurement of available for sale investment*	<b>(5,263,590)</b>	3,467,141
Gain realised on disposal of investments*	<b>(11,450,182)</b>	(14,567,098)
	<b>(16,713,772)</b>	(11,099,957)
Total comprehensive (loss) / income for the year	<b><u>(12,996,490)</u></b>	<b><u>4,780,069</u></b>

\* (Deficit) / Surplus on re-measurement of available for sale investment & gain realised on disposal of investments is presented separately below equity as 'Surplus on revaluation of investments' been shown in order to comply with the amended "Prudential Regulations for Modarabas" issued by SECP vide SC/M/PRDD/PRs Circular no. 259 of 2017 on December 11, 2017.

*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

\_\_\_\_\_  
Chief Financial Officer



**B. F. MODARABA  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

	Notes	2018	2017
		..... Rupees .....	
Net cash generated / (used in) from operating activities (A)	22	1,650,697	(6,689,504)
<b>Cash flows from investing activities</b>			
Addition to fixed assets for own use		(7,000)	-
Available for sale investments acquired		(6,715,877)	(148,244,393)
Proceeds from sale of investments		18,335,080	128,872,584
Dividend received		4,779,867	3,805,626
<b>Net cash generated / (used in) from investing activities (B)</b>		<b>16,392,070</b>	<b>(15,566,183)</b>
<b>Cash flows from financing activities (C)</b>		<b>-</b>	<b>-</b>
<b>Net cash generated from investing activities</b>		<b>-</b>	<b>-</b>
Net increase / (decrease) in cash and cash equivalents (A+B+C)		18,042,767	(22,255,687)
Cash and cash equivalents at the beginning of the year		6,900,266	29,155,953
Cash and cash equivalents at the end of the year		<u>24,943,033</u>	<u>6,900,266</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

\_\_\_\_\_  
Chief Financial Officer



## B. F. MODARABA STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Share Capital	Reserves Statutory Reserve	Unappropriated Profits	Unrealized gain/(loss) on available for sale investments	Total
	Rupees				
Balance as at June 30, 2016 as previously reported	75,151,587	37,586,535	11,004,249	30,098,793	153,841,164
Effect of retrospective change in accounting policy	-	-	-	(30,098,793)	(30,098,793)
Balance as at June 30, 2016 - Restated	75,151,587	37,586,535	11,004,249	-	123,742,371
Total comprehensive income for the year ended June 30, 2016	-	-	15,880,026	-	15,880,026
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	-	10,995,173
Balance as at June 30, 2017 - Restated	75,151,587	45,526,548	14,059,409	-	134,737,543
Total comprehensive income for the year ended June 30, 2018	-	-	3,717,282	-	3,717,282
Transfer to statutory reserve @ 50%	-	1,858,641	(1,858,641)	-	-
Dividend paid during the year	-	-	(7,515,158)	-	(7,515,158)
	-	1,858,641	(5,656,517)	-	(3,797,876)
Balance as at June 30, 2018	75,151,587	47,385,189	8,402,892	-	130,939,668

\* In accordance with the Prudential Regulations for modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of after tax profits is required to be transferred to statutory reserve.

*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

\_\_\_\_\_  
Chief Financial Officer



## **B. F. MODARABA**

### **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2018**

#### **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 Bungalow No. 14-H, Block-6, P.E.C.H.S, Main Shahrah-e-Faisal, 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.

#### **1.1 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE**

All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For a detailed discussion about these significant transactions and events please refer to the Directors' report.

#### **2. STATEMENT OF COMPLIANCE**

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 (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba 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 Act, 2017 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 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

##### **2.1.1 Accounting standards and interpretations not yet effective**

The following standards and amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. The applicable changes may have impact on the Company's annual financial statements. The management is in the process of determining the impact of such changes.

- IFRS 2 Share Based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date



- 'Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.
- 'IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.
- 'Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.
- 'Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.
- 'Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.
- 'IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.

Accounting standards and interpretations:      Effective date (Annual period beginning on or after)

		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 de-recognition	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

**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.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- '- IFRS 1 'First Time Adoption of International Financial Reporting Standards'
- '- IFRS 14 'Regulatory Deferral Accounts'
- '- IFRS 17 'Insurance Contracts'



## 2.2 New disclosure requirement due to adoption of Companies Act, 2017

Due to adoption of the Companies Act, 2017 certain new and enhanced disclosures have become applicable, which are in addition to those required by the International Accounting Standards. The relevant notes have been updated accordingly.

## 2.3 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.

## 2.4 Functional and presentation currency

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

## 2.5 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 rates	3.6 & 8

## 2.6 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.

## 2.7 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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for change explained in notes 3.1

#### 3.1 Change in accounting policy

##### **Surplus on revaluation of investments classified as 'Available-for-sale'**

Pursuant to the amendment in the Prudential Regulations for Modarabas by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017, the surplus on revaluation of investments shall not become part of equity. Previously, such surplus was presented as a separate component of equity. In view of the above amendment, the Modaraba has changed its accounting policy in respect of recording the surplus on revaluation of investments and the same is now shown below the equity as a separate line item in the balance sheet.

##### **Effect of change in accounting policy**

The above change is accounted for in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The modaraba has applied the above mentioned change in prudential regulations retrospectively and consequently the earliest periods presented in balance sheet and statement of changes in equity have been restated.

There is no profit and loss account, comprehensive income and cash flow impact as a result of the retrospective application of change in accounting policy.

The following table summarizes the impact of retrospective application:

01 July, 2017	<b>Impact of change in accounting policy</b>		
	<b>As previously</b>	<b>Effect of change</b>	<b>As restated stated</b>
		(Rupees)	
<b><u>Impact in Balance Sheet &amp; Statement of changes in Equity</u></b>			
Equity	153,736,379	18,998,836	134,737,543
<b><u>01 July, 2016</u></b>			
	<b>As previously</b>	<b>Effect of change</b>	<b>As restated stated</b>
		(Rupees)	
<b><u>Impact in Balance Sheet &amp; Statement of changes in Equity</u></b>			
Equity	158,276,851	30,098,793	123,742,371

#### 3.2 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.

#### 3.3 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.

#### 3.4 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.

#### 3.5 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.



### 3.6 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.

#### Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. This is recognized on the basis of the expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates to the extent that it is probable enacted or 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 recognized in these financial statements.

### 3.7 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.

### 3.8 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.



### **3.9 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.

### **3.10 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.

### **3.11 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.

### **3.12 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.

### **3.13 Cash and cash equivalents**

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

### **3.14 Financial assets**

#### **3.14.1 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.

#### **3.14.2 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.

#### **3.14.3 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.



#### **3.14.4 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 separately shown below equity until the available for sale investment is derecognized. At this time, the cumulative gain or loss previously presented below equity is transferred to the income statement.

All purchases and sales of securities are recognized at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

##### **b) Loans and receivables**

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

#### **3.14.5 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.

#### **3.14.6 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.

#### **3.14.7 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 an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

#### **3.14.8 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.



### 3.15 Provision for doubtful debts

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.

### 3.16 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>2018</i>	<i>2017</i>
		<i>..... Rupees .....</i>	
<b>4 CASH AND BANK BALANCES</b>			
Cash in hand		<b>6,247</b>	11,700
Balance with Banks			
- current accounts		<b>943,689</b>	1,549,497
- saving accounts	4.1	<b>23,993,097</b>	5,339,068
		<b>24,936,786</b>	6,888,566
		<b><u>24,943,033</u></b>	<b><u>6,900,266</u></b>

4.1 'Saving accounts represents islamic bank accounts and rate of profit on these accounts ranges from 5 to 5.50% (2017: 5 to 5.50%) per annum.



Note      2018      2017  
..... Rupees.....

## 5 INVESTMENTS

Investment in quoted shares / certificates - available for sale	5.1	<b>29,193,695</b>	49,201,891
Investment in Mutual Funds - Open Ended - available for sale	5.2	<b>68,451,405</b>	67,687,212
		<b><u>97,645,100</u></b>	<b><u>116,889,103</u></b>

### 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, 2018	June 30, 2017		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
			Rupees	Rupees	Rupees	Rupees
MODARABAS						
92,636	117,636	Orix Modaraba	838,356	1,064,606	1,538,683	2,744,448
72,900	72,900	First Punjab Modaraba	127,575	127,575	400,950	583,200
BANK						
53,000	50,000	Meezan Bank Limited	2,243,648	2,093,648	4,331,160	3,950,000
CEMENT						
10,000	-	Kohat Cement Limited	2,122,412	-	1,230,700	-
162,000	162,000	Fauji Cement Limited	5,091,404	5,091,404	3,701,700	6,646,860
FUEL AND ENERGY						
20,000	110,000	Hub Power Company Limited	916,669	2,783,753	1,843,200	12,917,300
49,000	49,000	Kohinoor Energy Limited	2,126,091	2,126,091	1,959,991	2,110,421
73	30,873	Pakistan Petroleum Limited	6,480	2,715,789	15,688	4,573,560
600,500	600,500	K-Electric Limited	5,255,514	5,255,514	3,411,083	4,143,693
ENGINEERING						
25,000	25,000	Mughal Iron & Steel Ind.	3,654,865	3,654,865	1,535,500	2,018,250
25,000	25,000	International Steel	1,756,825	1,756,825	2,542,500	3,197,250
AUTOMOBILE ASSEMBLER						
2,000	2,000	Pak Suzuki Motors Limited	1,434,613	1,434,613	786,760	1,560,340
COMMUNICATION						
57,000	57,000	Pakistan Telecommunication Company Limited	1,006,050	1,006,050	652,080	889,770
CHEMICALS & PHARMACEUTICALS						
70,000	70,000	Engro Fertilizer Limited	4,333,450	4,333,450	5,243,699	3,866,799
			30,913,952	33,444,183	29,193,695	49,201,891

### 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, 2018	June 30, 2017		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
			Rupees	Rupees	Rupees	Rupees
133,957	133,957	Meezan Balanced Fund	1,412,718	1,412,718	2,067,782	2,270,551
111,436	111,436	Meezan Islamic Fund	6,142,544	6,142,544	7,057,724	8,514,766
1,107,256	1,107,256	Meezan Islamic Income Fund	56,890,822	56,890,822	59,325,899	56,901,895
			64,446,084	64,446,084	68,451,405	67,687,212



Note      2018      2017  
 .....Rupees.....

**6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

Advance tax	2,531,821	1,809,045
Prepayments	125,450	124,876

**Other receivables**

Profit on bank deposits	77,097	24,052
Sales tax	1,339,940	3,037,522
Dividend receivable	2,066,239	-
	3,483,276	3,061,574

<u>6,140,547</u>	<u>4,995,495</u>
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**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>38,147</u>	<u>39,745</u>
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## 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:

2018				
Description	Office equipments	Furniture & fixture	Computer & allied equipments	Total
<b>Net carrying value basis</b>				
<b>Year ended June 30, 2018</b>				
Opening net book value (NBV)	12,814	15,646	11,286	39,746
Additions at cost	-	-	7,000	7,000
<b>Disposal</b>				
Cost / Written off	-	-	-	-
Accumulated depreciation	-	-	-	-
Depreciation charged	(1,281)	(1,565)	(5,483)	(8,329)
<b>Closing net book value (NBV)</b>	<b>11,533</b>	<b>14,081</b>	<b>12,803</b>	<b>38,417</b>
<b>Gross carrying value basis</b>				
<b>At June 30, 2018</b>				
Cost	147,225	146,603	344,720	638,548
Accumulated depreciation	(135,692)	(132,522)	(331,917)	(600,131)
<b>Net book value</b>	<b>11,533</b>	<b>14,081</b>	<b>12,803</b>	<b>38,417</b>
Depreciation rate % per annum	10	10	30	
2017				
Description	Office equipments	Furniture & Fixture	Computer & allied equipments	Total
<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>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>39,745</b>
Depreciation rate % per annum	10	10	30	



**Note**      **2018**      **2017**  
                                  **Rupees**

## 9 ACCRUED AND OTHER LIABILITIES

Audit fee payable	300,000	275,000
Advance against sugar	3,242,903	-
Commission payable	18,000	18,000
Provident fund payable	270,265	942,647
Sindh workers' welfare fund	975,054	885,514
Others	33,326	33,032
	<b>4,839,548</b>	<b>2,154,193</b>

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

**Note**      **2018**      **2017**  
                                  **Rupees**

## 10 PROVISION FOR TAXATION

Tax for the year	10.1 <b>670,293</b>	-
Prior years adjustment	-	21,832
	<b>670,293</b>	<b>21,832</b>

10.1 'Income tax assessments of the Modaraba have been finalized upto tax year 2017 under section 120 of Income Tax Ordinance, 2001.



## 11 CERTIFICATE CAPITAL

2018	2017		2018	2017
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	2018	2017
		Rupees	
<b>12 RESERVES</b>			
Statutory reserve	12.1	47,385,189	45,526,548
Unappropriated profit		<u>8,402,892</u>	<u>14,059,409</u>
		<u>55,788,081</u>	<u>59,585,957</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. 1,858,641, (2017: Rs.7,940,013) which represents 50% of the profit after tax.

	Note	2018	2017
		Rupees	
<b>13 SURPLUS ON REVALUATION OF INVESTMENTS CLASSIFIED AS 'AVAILABLE-FOR-SALE'</b>			
Market value of investments	5.1	97,645,100	116,889,103
Less: cost of investments		<u>(95,360,036)</u>	<u>(97,890,267)</u>
		<u>2,285,064</u>	<u>18,998,836</u>
Surplus on revaluation at the beginning of the year		18,998,836	30,098,793
Transferred to profit and loss account during the year		<u>(11,450,182)</u>	<u>(14,567,098)</u>
(Deficit) / surplus on revaluation during the year		<u>(5,263,590)</u>	<u>3,467,141</u>
		<u>(16,713,772)</u>	<u>(11,099,957)</u>
Surplus on revaluation at the ending of the year		<u>2,285,064</u>	<u>18,998,836</u>

## 14 CONTINGENCIES AND COMMITMENTS

There are no known commitments as at June 30, 2018 (2017: Nil).

## 15 GAIN ON SALE OF AVAILABLE FOR SALE INVESTMENTS

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



	Note	2018 ..... Rupees.....	2017
<b>16 TRADING PROFIT / (LOSS)</b>			
Sale of Sugar	16.1	(4,247,344)	-
		<u>(4,247,344)</u>	<u>-</u>
<b>16.1 Sales-Net</b>		<b>25,068,600</b>	<b>-</b>
<b>Cost of sales</b>			
Opening stock		30,087,034	-
Purchases		9,336,000	30,087,034
Closing stock		(10,107,090)	(30,087,034)
		<u>29,315,944</u>	<u>-</u>
		<u>(4,247,344)</u>	<u>-</u>
<b>17 DIVIDEND</b>			
Dividend income	17.1	4,792,367	3,474,501
Less: Zakat deducted at source		(12,500)	(25,000)
		<u>4,779,867</u>	<u>3,449,501</u>
<b>17.1 Name of the Company/Fund</b>			
Maple leaf Cement Factory Limited		-	2,250
Kohat Cement Limited		20,000	-
Fauji Cement Limited		162,000	162,000
Bestway Cement Limited		-	1,250
Hub Power Company Limited		427,000	880,000
Kohinoor Energy Limited		220,500	245,000
Pakistan State Oil		-	118,800
Pakistan Petroleum Limited		256,730	200,675
Pak Suzuki Motors Limited		37,200	11,000
International Steel Limited		62,500	62,500
Mughal Steel		15,000	-
Pakistan Telecommunication Company Limited		57,000	57,000
Fauji Fertilizer Limited		-	66,371
Engro Fertilizer Limited		595,000	230,000
Agri autos industries Limited		750	875
Meezan Bank Limited		153,750	237,500
Meezan Balance Fund		-	158,715
Meezan Islamic Income Fund		2,430,870	-
Meezan Islamic Fund		-	526,433
Nishat Mills Limited		-	75,000
First Punjab Modaraba		36,450	36,450
Orix Modaraba		317,617	399,962
Service Fabrics		-	2,720
		<u>4,792,367</u>	<u>3,474,501</u>



	Note	2018 ..... Rupees.....	2017
<b>18 OPERATING EXPENSES</b>			
Salaries and other benefits		5,618,970	4,548,762
Fees and subscription		885,331	828,653
Newspapers and periodicals		6,770	6,426
Printing and stationery		140,047	135,519
Repair and maintenance		105,415	8,956
Travelling and conveyance		15,760	14,150
Postage and telephone		79,930	82,516
Auditors' remuneration	18.1	335,000	335,000
Comission responses		72,000	-
Insurance		-	6,931
Depreciation	8.1	8,329	8,000
Advertisement		43,200	21,600
Bank charges		248	2,665
Miscellaneous		120,500	164,543
Rent, Rates & Taxes		28,800	30,400
		<u>7,460,300</u>	<u>6,194,121</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		<u>670,293</u>	<u>-</u>
<b>19.1</b> Income tax assessments of the Modaraba have been finalized upto tax year 2017, 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>3,717,282</u>	<u>15,880,026</u>
Weighted average number of certificates outstanding		<u>7,515,159</u>	<u>7,515,159</u>
Earnings per certificate		<u>0.49</u>	<u>2.11</u>
<b>Diluted</b>			

**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 2018 and 30 June 2017 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:

	2018	2017
Balance / Transaction	Management Company	
	Rupees	
Management fee - payment during the year	1,802,932	1,218,009
Management fee - for the year	497,457	1,802,932

	2018	2017
	Rupees	
<b>22 Cash generated from operations</b>		
Profit before taxation	<b>4,387,575</b>	15,901,858
Adjustment from non-cash charges and other items:		
Depreciation on own assets	<b>8,329</b>	8,000
Provision for provident fund	<b>429,693</b>	374,362
Provision for Management Fee	<b>497,457</b>	1,802,932
Provision for WWF	<b>89,542</b>	324,528
Gain on sale of investments	<b>(11,155,212)</b>	(18,867,788)
Dividend income	<b>(4,779,867)</b>	(3,449,501)
	<b>(14,910,058)</b>	(19,807,467)
Cash used in from operations	<b>(10,522,483)</b>	<b>(3,905,609)</b>



2018                      2017  
..... Rupees .....

**22.1 Net changes in working capital**

Decrease / (Increase) in current assets

Stock in trade	<b>19,979,944</b>	(30,087,037)
Trade Debts	<b>(1,863,406)</b>	36,580,000
Advances, deposits, prepayments and other receivables	<b>1,643,963</b>	(2,133,148)
	<b>19,760,501</b>	4,359,815

Increase / (Decrease) in current liabilities

Accrued and other liabilities	<b>3,268,197</b>	(74,658)
<b>Net increase in working capital</b>	<b>23,028,698</b>	<b>4,285,157</b>

Management fee paid	<b>(1,802,932)</b>	(1,218,009)
Dividend paid	<b>(7,205,901)</b>	(4,723,173)
P.F paid	<b>(1,102,075)</b>	(95,000)
Taxes paid	<b>(744,609)</b>	(1,032,871)
	<b>(10,855,517)</b>	(7,069,052)
<b>Net cash generated / (used in) from operating activities</b>	<b>1,650,697</b>	<b>(6,689,504)</b>

## 23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 23.1 Financial assets and financial liabilities

Financial assets and financial liabilities for the year ended June 30, 2018 are stated below:

Description	2018									
	Interest / Mark-up bearing					Non-Interest bearing				
	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	Total	
% age	Rupees					Rupees				
<b>Financial assets</b>										
Cash and bank balances	5.00% to 5.50%	23,993,097	-	23,993,097	949,936	-	-	949,936	24,943,033	
Investments		-	-	-	97,645,100	-	-	97,645,100	97,645,100	
Advances, prepayments and other receivables		-	-	-	6,140,547	-	-	6,140,547	6,140,547	
Trade debts		-	-	-	1,863,406	-	-	1,863,406	1,863,406	
Stock in trade		-	-	-	10,107,090	-	-	10,107,090	10,107,090	
Long term deposits		-	-	-	40,019	-	-	40,019	40,019	
		23,993,097	-	23,993,097	116,746,098	-	-	116,746,098	140,739,195	
<b>Financial liabilities</b>										
Accrued and other liabilities		-	-	-	4,839,548	-	-	4,839,548	4,839,548	
Due to management company		-	-	-	497,457	-	-	497,457	497,457	
Unclaimed dividend		-	-	-	1,545,582	-	-	1,545,582	1,545,582	
		-	-	-	6,882,587	-	-	6,882,587	6,882,587	
<b>On balance sheet Gap</b>		23,993,097	-	23,993,097	109,863,511	-	-	109,863,511	133,856,608	



2017									
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	
	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
Trade debts	-	-	-	-	-	-	-	-	-
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
On balance sheet Gap		5,339,068	-	5,339,068	148,379,398	-	-	148,379,398	153,718,466



## 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. 97.645 million (2017: Rs. 116.889 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 2018 and 2017 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
<b>June 30, 2018</b>	<i>Rupees</i>	97,645,100	10% increase	107,409,610	9,764,510
			10% decrease	87,880,590	(9,764,510)
<b>June 30, 2017</b>	<i>Rupees</i>	116,889,103	10% increase	128,578,014	11,688,910
			10% decrease	105,200,193	(11,688,910)

#### 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. 23,993,097/- (2017: Rs. 5,339,068/-) and Rs. Nil (2017: 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 follow:

	Effective interest rate (%)		Carrying amounts	
	2018	2017	2018	2017
<b>Financial assets</b>				
Bank deposits - <i>pls account</i>	5.00% to 5.50%	5.00% to 5.50%	23,993,097	5,339,068

#### 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, 2018</b>			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	<u>239,931</u>	<u>(239,931)</u>
<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>

## 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.140.739 million (2017: Rs.158.912 million) the financial assets which are subject to credit risk amounted to Rs. Nil. (2017: Rs. Nil). 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:

	2018		2017	
	Carrying Amount	Maximum Exposure	Carrying Amount	Maximum Exposure
	Rupees			
Balance with banks	24,943,033	24,943,033	6,900,266	6,900,266
Advances	3,483,276	3,483,276	3,061,573	3,061,573

#### 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	2018 ..... Rupees .....	2017 ..... Rupees .....
Al-Barka Islamic Bank Limited	A+	JCR-VIS	25,725	25,277
Bank Al-Habib Limited	AA+	PACRA	960,252	617,884
Habib Bank Limited	AAA	JCR-VIS	4,306	923,302
Habib Metropolitan Bank Limited	AA+	PACRA	23,945,974	5,313,941
UBL Islamic Bank	AAA	JCR-VIS	530	529
			<u>24,936,786</u>	<u>6,880,932</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:

	2018			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
<b>Non-Derivative</b>				
<b>Financial liabilities</b>				
Accrued and other liabilities	4,839,548	4,839,548	4,839,548	-
Due to Management Company	497,457	497,457	497,457	-
Unclaimed Dividend	1,545,582	1,545,582	1,545,582	-
	<u>6,882,587</u>	<u>6,882,587</u>	<u>6,882,587</u>	<u>-</u>



	2017			
	Carrying Amount	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>5,193,450</u>	<u>5,193,450</u>	<u>5,193,450</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.

	2018	2017
	..... Rupees .....	
Cash and bank balances	24,943,033	6,900,266
Total equity	<u>140,777,613</u>	<u>158,951,661</u>
Total capital	<u>165,720,646</u>	<u>165,851,927</u>
<b>Gearing ratio</b>	NIL	NIL

## 26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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



	2018		
	Sugar Trading	Investments	Others
	Rupees		
<b>Segment Revenues</b>	<b>25,068,600</b>	<b>11,155,212</b>	<b>5,527,006</b>
<b>Segment Results</b>			
Segment expenses	(29,315,944)	-	-
Unallocated operating expenses	-	-	(7,460,300)
Management fee	-	-	(497,457)
Provision for workers' welfare	-	-	(89,542)
<b>Profit for the year</b>	<b>(4,247,344)</b>	<b>11,155,212</b>	<b>(2,520,293)</b>
<b>Assets and liabilities</b>			
<b>Segment assets</b>	<b>10,107,089.60</b>	<b>97,645,100</b>	<b>-</b>
Unallocated assets	-	-	33,025,422
<b>Consolidated total assets</b>	<b>10,107,090</b>	<b>97,645,100</b>	<b>33,025,422</b>
Segment liabilities	-	-	-
Unallocated liabilities	-	-	7,552,880
<b>Consolidated total liabilities</b>	<b>-</b>	<b>-</b>	<b>7,552,880</b>

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



2017			
	Sugar Trading	Investments	Others
	Rupees		
			Consolidated
<b>Segment Revenues</b>	-	3,449,501	1,906,150
			5,355,651
<b>Segment Results</b>			
Segment expenses	-	-	-
Unallocated operating expenses	-	-	(6,194,121)
Management fee	-	-	(1,802,932)
Provision for workers' welfare	-	-	(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>			
Unallocated assets	30,087,034	116,889,103	146,976,137
	-	-	11,975,524
<b>Consolidated total assets</b>	30,087,034	116,889,103	158,951,662
<b>Segment liabilities</b>			
Unallocated liabilities	-	-	-
	-	-	11,975,524
<b>Consolidated total liabilities</b>	-	-	11,975,524

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 28 September 2018 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, 2018 of Rs. NIL per certificate (2017: Re. 1.00 per certificate), amounting to Rs. NIL (2017: Rs. 7,515,158) at their meeting held on September 28, 2018. The financial statements for the year ended June 30, 2018 do not include the effect of the above which will be accounted for in the period in which 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

\_\_\_\_\_  
Chief Financial Officer



***PATTERN OF CERTIFICATE HOLDING  
AS AT JUNE 30, 2018***

<b>NO. OF CERTIFICATE HOLDERS</b>	<b>CERTIFICATE HOLDING</b>			<b>TOTAL CERTIFICATES HELD</b>
706	1	-	100	15,984
244	101	-	500	61,944
81	501	-	1000	58,437
164	1001	-	5000	331,666
31	5001	-	10000	221,205
8	10001	-	15000	92,614
2	15001	-	20000	32,486
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	95001	-	100000	97,000
1	115001	-	120000	115,724
1	155001	-	160000	157,000
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	265001	-	270000	269,240
1	280001	-	285000	280,303
1	285001	-	290000	286,500
1	315001	-	320000	318,113
1	335001	-	340000	339,095
1	355001	-	360000	356,138
1	455001	-	460000	459,831
1	675001	-	680000	675,629
2	935001	-	940000	1,878,788
<b>1268</b>	<b>TOTAL</b>			<b>7,515,158</b>



**CATEGORIES OF CERTIFICATE HOLDINGS  
AS AT JUNE 30, 2018**

	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	1219	1,912,835	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>	<b>1268</b>	<b>7,515,158</b>	<b>100</b>



<b>July 2017-June 2018</b> <b>NUMBER OF MEETINGS</b>			
<b>Name of Director</b>	<b>No. of BOD Meetings Attended</b>	<b>No. of Audit Committee Meetings Attended</b>	<b>No. of HR &amp; R Committee Meeting Attended</b>
1. Mr. Muhammad Omar Amin Bawany	4	N/A	1
2. Mr. Ahmed Ali Mohammad Amin Bawany	2	2	1
3. Mr. Hamza Omar Bawany	4	4	1
4. Mr. Abdul Ghaffar Umar	4	4	N/A

<b>KEY OPERATING AND FINANCIAL DATA</b>						<b>Rs. 000's</b>
<b>Year</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Paid-up Capital	75,151	75,151	75,151	75,151	75,151	75,151
Equity	130,939	134,737	123,742	118,778	109,662	105,225
Operating Revenue	12,434	24,223	17,761	15,379	12,223	12,436
Net Profit After Tax	3,717	15,880	10,224	9,116	4,437	1,995
Bonus	-	-	-	-	-	-
Cash Dividend	-	10%	6.50%	7%	-	-
Earning Per Certificate (Rs.)	0.49	2.11	1.36	1.21	0.59	0.27



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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of E. A. Management (Pvt.) Limited (the Management Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirement(s) of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

<b>S#</b>	<b>Paragraph reference</b>	<b>Description</b>
I.	23 (a)	As per guidelines issued by SECP dated 6 <sup>th</sup> December, 2017, separate persons should hand the functions of CFO and company secretary within a listed company. The position of CFO & Company Secretary is held by the same person in the Modaraba, however, Modaraba is in the process of appointment of separate persons for these two positions.
II.	23 (b)	As per regulation # 28(1)(b) of Listed Companies (Code of Corporate Governance) Regulations, 2017, Chairman of the Audit committee shall be an independent director. The requirement of independent director of chairman of Audit committee will be complied subsequently by the Modaraba after the election of directors to be held in the month of October, 2018.
III.	23 (c)	As per regulation # 29(1) of Listed Companies (Code of Corporate Governance) Regulations, 2017, Chairman of the Human Resource committee shall be an independent director. The requirement of independent director of chairman of HR and Remuneration Committee will be complied subsequently by the Modaraba after the election of directors to be held in the month of October, 2018.

Karachi.

RSM Avais Hyder Liaquat Nauman

Dated: September 28, 2018

Chartered Accountants  
Engagement Partner: Adnan Zaman



**STATEMENT OF COMPLIANCE WITH THE CODE OF  
CORPORATE GOVERNANCE**

FOR THE YEAR ENDED JUNE 30, 2018

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:

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

*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. During the year, one director attended "Director training program" organized by the Pakistan Institute of Corporate Governance. Three out of four directors have already either attended directors' training Program from recognized institute or have met the criteria of requisite education and experience on the Board of Directors of Listed Company.
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 set up an effective internal audit function.
18. 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.
19. 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.
20. 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).
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. 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.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for:
  - a) As per guidelines issued by SECP dated 6th December, 2017, separate persons should hand the functions of CFO and company secretary within a listed company. The position of CFO & Company Secretary is held by the same person in the Modaraba, however, Modaraba is in the process of appointment of separate persons for these two positions.
  - b) As per regulation # 28(1)(b) of Listed Companies (Code of Corporate Governance) Regulations, 2017, Chairman of the Audit committee shall be an independent director. The requirement of independent director of chairman of Audit committee will be complied subsequently by the Modaraba after the election of directors to be held in the month of October, 2018.
  - c) As per regulation # 29(1) of Listed Companies (Code of Corporate Governance) Regulations, 2017, Chairman of the Human Resource and Remuneration committee shall be an independent director. The requirement of independent director of chairman of HR and Remuneration Committee will be complied subsequently by the Modaraba after the election of directors to be held in the month of October, 2018.

**MUHAMMAD AYUB**

*Company Secretary*



### NOTICE OF ANNUAL REVIEW MEETING

The 19th Annual Review Meeting of the Certificate Holders of B.F. Modaraba will be held on Friday October 26, 2018 at 5:00 p.m. at the Registered office of Modaraba at Bungalow 14-H, Block 6, P.E.C.H.S., Off Main Shahrah-e-Faisal, Karachi.

The Certificate Transfer Books of the Modaraba will remain closed from October 20, 2018 to October 26, 2018 (both days inclusive).

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 19, 2018, will be treated in time.

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

Dated: September 28, 2018

**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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