

Annual Report

2015



B.F. MODARABA

Managed By

E.A. MANAGEMENT (PVT) LTD.

Registered under

The Companies Ordinance 1984 & Modaraba
Companies & Modaraba Ordinance 1980



B. F. MODARABA
27th ANNUAL REPORT 2015
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Corporate Information

MODARABA MANAGEMENT COMPANY

E.A. Management (Pvt.) Ltd.

BOARD OF DIRECTORS

DIRECTORS OF MODARABA MANAGEMENT COMPANY

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

CFO & COMPANY SECRETARY

Mr. Muhammad Ayub

MODARABA AUDITORS

M/s. Avais Hyder Liaquat Nauman
Chartered Accountants

SHARIAH ADVISOR

Mr. Mufti Zubair Usmani

LEGAL ADVISOR

Mr. Abdul Ghaffar Muhammad Gheewala

BANKERS

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

REGISTERED OFFICE

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

EMAIL & WEBSITE

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

SHARES REGISTRAR

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



**27th ANNUAL REPORT OF THE DIRECTORS
OF THE MODARABA COMPANY
FOR THE YEAR ENDED JUNE 30, 2015**

Dear Certificate Holders.

Assalam-o-Aalikum,

In the name of ALLAH the most gracious and most merciful, your directors are pleased to present 27th Annual Report of your Modaraba together with the audited financial statements for the year ended June 30, 2015.

FINANCIAL RESULTS

Financial results are summarized as follows:

	June 2015 Rupees	June 2014 Rupees
Revenue	<u>15,379,989</u>	<u>12,223,060</u>
Profit before charging management fee	10,562,501	5,899,194
Management fee	(1,056,250)	(589,919)
Profit before WWF	<u>9,506,251</u>	<u>5,309,275</u>
WWF	(190,125)	(106,185)
Profit before taxation	<u>9,316,126</u>	<u>5,203,090</u>
Taxation	(200,000)	(766,208)
Profit after taxation	<u>9,116,126</u>	<u>4,436,882</u>
Add: Un-appropriated profit brought forward	5,682,801	3,327,155
	<u>14,798,927</u>	<u>7,764,037</u>
Appropriations:		
Transferred to statutory reserve @ 40% of profit (2014: 40%)	3,646,450	2,081,236
Cash Dividend @ 7% (2014: Nil)	5,260,611	-
	<u>8,907,061</u>	<u>2,081,236</u>
	5,891,866	<u>5,682,801</u>
Earnings per certificate	<u>1.21</u>	<u>0.59</u>

REVIEW OF OPERATIONS

Gross revenue during the year were Rs.15.379 million vis-à-vis Rs.12.223 million for the corresponding period of 2013-14. Major components of revenue were Capital Gain Rs.5.89 million, trading income of Rs.2.46 million, dividend income of Rs.3.22 million and profit on bank deposit of Rs.3.75 million. Thus, Pre-tax Profit stood at Rs.9.316 million against a Pre-tax Profit of Rs.5.203 million for the corresponding period of 2013-14. Consequently, earning per share has also jumped by Rs. 0.62 to Rs. 1.21 per share.



Domestic bourses have been continuing improving and during the year, KSE-100 Index has crossed all time high level of 36,000. During the year, we earned handsome capital gain of Rs.5.89 million from sale of marketable securities as compared to Rs.0.83 million earned in last year. This positive trend was also reflected in our port folio investment valuation and unrealized gain of marketable securities improved by 21% recorded as Rs.29.754 million which has been reflected in the equity.

PROFIT DISTRIBUTION

The Board in its meeting held on October 02, 2015 has approved final profit distribution @ 7% i.e. Rs.0.70 per certificate.

FUTURE OUTLOOK

B.F. Modaraba finances its operation through its own equity. We utilize our funds in financing, 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.

The equity market has showed volatile behavior. The KSE-100 Index has crossed 36000 points during the year under review. Although the valuation is attractive, the overall sentiments are depressed. Keeping in view current market condition, we are applying conservative approach while trading in equity market. We have mostly invested in high dividend yielding blue chip stock, which show resilience under such market conditions.

The price of commodity for which we have already made commitments rose to highest level due to strong demand amid limited supplies, and we expect positive contribution from our further trading business.

CORPORATE GOVERNANCE

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

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



COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE.

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

BOARD MEETINGS

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

PATTERN OF CERTIFICATE HOLDERS

A statement showing the pattern of holding of the certificates as at June 30, 2015 is annexed to the Annual report.

TRADING OF CERTIFICATE

Trade in shares of the company, carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children are as follows:

Description	Purchase of Shares (No.)	Sales of Shares (No.)
Director	-	-
CFO and Company Secretary	-	-
Spouses and minor Children of Directors	48,334	-

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. M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, retiring on the date of Annual Review Meeting, being eligible, have offered themselves for re-appointment for the year ending June 30, 2016 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 confidence in the Management of Modaraba Company.

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

On behalf of the Board

Muhammad Omar Amin Bawany
Chief Executive

Karachi.
Date : October 2, 2015



SHARI'AH ADVISOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2015

I have conducted the Shari'ah review of **B.F.Modaraba** managed by **E.A Management (Private) Limited**, Modaraba Management Company for the financial year ended **June 30, 2015** in accordance with the requirements of the **Shari'ah Compliance and Shari'ah Audit Mechanism** for Modarabas and report that except the observations as reported hereunder, in my opinion:

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

Observation(s) -

Recommendation(s)

- Assets which required Insurance should be arranged by Takaful companies.

Conclusion -

Dated: October 02, 2015

Mufti Zubair Usmani
Shari'ah Advisor



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of B.F. MODARABA as at **June 30, 2015** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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



- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan ,and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2015 and of the profit, comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Karachi.
Dated: October 02, 2015



**B. F. MODARABA
BALANCE SHEET
AS AT JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
ASSETS			
Current Assets			
Cash and bank balances	4	24,152,746	46,427,873
Investments	5	83,260,051	57,683,737
Advances, prepayments and other receivables	6	1,109,801	813,556
Stock in trade		43,030,000	31,411,500
		151,552,598	136,336,666
Non-Current Assets			
Long term deposits	7	40,019	40,019
Property, plant and equipment	8	129,881	161,585
		169,900	201,604
TOTAL ASSETS		151,722,498	136,538,270
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued and other liabilities	9	1,302,176	793,587
Due to management company		1,056,250	589,919
Unclaimed dividend		831,521	834,631
		3,189,947	2,218,137
Certificate Holders' Equity			
Certificate capital	11	75,151,587	75,151,587
Reserves	12	43,626,629	34,510,503
Unrealized gain on available for sale investments		29,754,335	24,658,043
		148,532,551	134,320,133
TOTAL LIABILITIES AND EQUITY		151,722,498	136,538,270
Contingencies and Commitments	13	-	-

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



B. F. MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	<i>Note</i>	<i>2015</i>	<i>2014</i>
		<i>Rupees</i>	
Revenue			
Ijarah rentals		-	870,132
Gain on sale of available for sale investments		5,894,019	838,500
Trading profit	14	2,468,500	4,516,172
Dividend - net of zakat	15	3,220,641	2,560,943
Profit on bank deposits		3,750,750	3,437,313
Income on Musharaka certificates	5.1	46,079	-
		<u>15,379,989</u>	<u>12,223,060</u>
Expenditure			
Operating expenses	16	(4,817,488)	(5,486,194)
Amortization of Ijarah assets		-	(837,672)
		<u>(4,817,488)</u>	<u>(6,323,866)</u>
Profit before charging management fee		10,562,501	5,899,194
Provision for management fee		(1,056,250)	(589,919)
		<u>9,506,251</u>	<u>5,309,275</u>
Provision for workers' welfare fund		(190,125)	(106,185)
Profit before taxation		<u>9,316,126</u>	<u>5,203,090</u>
Taxation	10	(200,000)	(766,208)
Profit after taxation		<u>9,116,126</u>	<u>4,436,882</u>
Earning per certificate - basic and diluted	17	<u>1.21</u>	<u>0.59</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



B. F. MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	<i>2015</i>	<i>2014</i>
	<i>..... Rupees</i>	
Profit after taxation	9,116,126	4,436,882
Other comprehensive income for the year		
Unrealised gain on re-measurement of available for sale investment	10,263,984	7,350,917
Gain realized on disposal of investments	(5,167,692)	(438,750)
	5,096,292	6,912,167
Total comprehensive income for the year	<u>14,212,418</u>	<u>11,349,049</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



**B. F. MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015**

	Notes	2015	2014
	 Rupees.....	
Net cash generated (used in) / from operating activities (A)	19	(10,732,874)	40,528,956
Cash flows from investing activities			
Available for sale investments acquired		(48,929,509)	(1,774,855)
Proceeds from sale of investments		34,389,375	1,149,750
Dividend received		2,997,881	2,710,943
Net cash (used in) / generated from investing activities (B)		(11,542,253)	2,085,839
Cash flows from financing activities (C)		-	-
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(22,275,127)	42,614,795
Cash and cash equivalents at the beginning of the year		46,427,873	3,813,078
Cash and cash equivalents at the end of the year	13	24,152,746	46,427,873

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



B. F. MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	Reserves		Unrealized gain/(loss) on available for sale investments	Total
		Statutory Reserve	Unappropriated Profits		
Rupees					
Balance as at June 30, 2013	75,151,587	26,746,466	3,327,155	17,745,876	122,971,084
Total comprehensive income for the year ended June 30, 2014	-	-	4,436,882	6,912,167	11,349,049
Transfer to the statutory reserves @ 40%	-	2,081,236	(2,081,236)	-	-
Dividend paid during the year	-	-	-	-	-
	-	2,081,236	2,355,646	6,912,167	11,349,049
Balance as at June 30, 2014	75,151,587	28,827,702	5,682,801	24,658,043	134,320,133
Total comprehensive income for the year ended June 30, 2015	-	-	9,116,126	5,096,292	14,212,418
Transfer to the statutory reserves @ 40%	-	3,646,450	(3,646,450)	-	-
	-	3,646,450	5,469,676	5,096,292	14,212,418
Balance as at June 30, 2015	75,151,587	32,474,152	11,152,477	29,754,335	148,532,551

The annexed notes 1 to 27 form an integral part of these financial statements.

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

 Chairman

 Chief Executive

 Director



B. F. MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

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

2.1 Basis of Preparation

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

2.2 Functional and presentation currency

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

2.3 Use of estimates and judgments

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



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

	Note
(a) Current and deferred taxation	3.6
(b) Impairment of non-financial assets	3.8
(c) Impairment of financial assets	3.14.5

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

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

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

IAS 19 - Employee Benefits (Amendment) - Defined benefit plans:
Employee contributions

"IAS 32 - Financial Instruments - Presentation - (Amendment)
Offsetting financial assets and financial liabilities"

"IAS 36 - Impairment of Assets - (Amendment)
Recovery Amount Disclosures for Non-Financial Assets"

"IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment)
Novation of Derivative and Continuation of hedge Accounting"

IFRIC 21 Levies

b) Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments - Aggregation of operating segments

"IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets"



IFRS 13 Fair Value Measurement

"IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortisation"

IAS 24 Related party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

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

Description	Effective Date Annual periods beginning on or after
IFRS-10 Consolidated Financial Statements	January 01, 2015
IFRS 10.12 & Investment Entities (Amendment) IAS 27	January 01, 2015
IFRS 10, 12 & Investment Entities: Applying the IAS 27 Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 & Sale or Contribution of Assets between an IAS 28 Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
IFRS-11 Joint Arrangements January 01, 2015	January 01, 2015
IFRS-11 Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS-12 Disclosure of interests in Other Entities	January 01, 2015
IFRS-13 Fair Value Measurement	January 01, 2015
IAS-1 Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 & 38 Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)	January 01, 2016
IAS 16 & 41 Agriculture Bearer Plants (Amendment)	January 01, 2016
IAS 27 Equity Method in Separate Financial Statements (Amendment)	January 01, 2016
Standards issued by IASB but not yet notified by SECP	
IFRS 9 Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2018



Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- IFRS 13 'Fair Value Measurement'

2.5 Islamic Financial Accounting Standard - 1

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

2.6 Islamic Financial Accounting Standard - 2

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

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

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.
- SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after 1 July 2008.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

The Modaraba operated an unfunded gratuity scheme covering all its permanent employees with one or more years of service with the Modaraba.

Modaraba has discontinued the scheme in the last year and the amount of liability was paid in this respect.

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.



Deffered

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

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

3.7 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 taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

b) Loans and receivables

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



3.14.5 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 a 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 recoveries

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

3.16 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>2015</i>	<i>2014</i>
		<i>..... Rupees.....</i>	
4	CASH AND BANK BALANCES		
	Cash	57,517	85,197
	Balance with Banks		
	- current accounts	809,257	1,368,512
	- saving accounts	23,285,972	44,974,164
	4.1	24,095,229	46,342,676
		<u>24,152,746</u>	<u>46,427,873</u>

4.1 The effective rate of profit on savings account ranges from 5% to 8.05% (2014: 5% to 9.02%).

		<i>2015</i>	<i>2014</i>
		<i>..... Rupees.....</i>	
5	INVESTMENTS - Available for sale		
	Investments in Musharika - held to maturity	5,046,079	-
	Investment in quoted shares / certificates - available for sale	49,935,255	37,039,820
	Investment in Mutual Funds - Open Ended - available for sale	28,278,717	20,643,917
		<u>83,260,051</u>	<u>57,683,737</u>

5.1 Investments in Musharika - held to maturity

No. of certificates

2015 2014

5

-

Musharaka certificates

5,000,000

-

Income on Musharaka Certificates

46,079

-

5,046,079

-

5.1.1 The Modaraba has made investment in KASB Musharika Certificates amounting to Rs. 5 million (each of Rs. 1 million) carrying profit of 9.75 % which shall be shared between the Modaraba and the contributory. The maturity period of these musharika is one year.



5.2 Investment in quoted shares / certificates

Number of Shares/Certificates		NAME OF COMPANY/ INSTITUTION	NET BOOK VALUE		MARKET VALUE	
June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
			Rupees	Rupees	Rupees	Rupees
MODARABAS						
-	25,000	First Habib Bank Modaraba	-	103,750	-	388,750
117,636	117,636	Standard Chartered Modaraba	1,064,606	1,064,606	3,529,081	2,587,993
72,900	72,900	First Punjab Modaraba	127,575	127,575	391,473	275,562
19,360	19,360	First Tri Star Modaraba	6,776	6,776	48,401	127,776
SUGAR AND ALLIED						
-	12,286	Habib ADM Ltd (Shares having face value of Rs.5/- each)	-	144,589	-	431,239
CEMENT						
-	10,000	Pioneer Cement	-	488,473	-	466,600
55,000	-	Cherat Cement	3,485,875	-	4,786,650	-
50,000	-	Fauji Cement	1,210,090	-	1,743,500	-
FUEL AND ENERGY						
110,000	110,000	Hub Power Company Limited	2,783,753	2,783,753	10,292,700	6,461,400
49,000	19,000	Kohinoor Energy Limited	2,126,091	758,355	2,474,500	786,980
15,840	15,840	Pakistan State Oil	3,042,713	2,331,953	6,110,914	6,159,384
30,873	55,873	Pakistan Petroleum Limited	2,715,567	4,914,534	5,071,232	12,534,549
250,000	-	K-Electric Limited	1,729,821	-	2,105,000	-
7,000	-	Pakistan Oilfields Limited	2,697,238	-	2,826,740	-
COMMUNICATION						
57,000	57,000	Pakistan Telecommunication Company Limited	1,006,050	1,006,050	1,168,500	1,451,790
CHEMICALS & PHARMACEUTICALS						
62,820	47,820	Fauji Fertilizer Limited	5,268,317	3,500,391	9,386,564	5,367,797
			<u>27,264,472</u>	<u>17,230,805</u>	<u>49,935,255</u>	<u>37,039,820</u>

5.3 Investment in Mutual Funds - Open Ended

Number of Units		NAME OF MUTUAL FUNDS	NET BOOK VALUE		NAV VALUE	
June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
			Rupees	Rupees	Rupees	Rupees
123,463	117,058	Meezan Balanced Fund	1,238,123	1,238,123	1,811,197	1,562,729
409,268	381,090	Meezan Cash Fund	14,556,766	14,556,766	20,504,343	19,081,188
97,582	-	Meezan Islamic Fund	5,400,000	-	5,963,177	-
			<u>21,194,889</u>	<u>15,794,889</u>	<u>28,278,717</u>	<u>20,643,917</u>



2015 2014
.....Rupees.....

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance tax	5,113,251	4,810,420
Provision tax	<u>(4,701,523)</u>	<u>(4,501,523)</u>
Advance tax - net of provision	411,728	308,897

Prepayments	127,903	128,753
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Other receivables

Profit on bank deposits	95,927	348,276
Loan to staff	161,000	-
Sales tax	90,483	27,630
Dividend receivable	222,760	-
	570,170	375,906

	1,109,801	813,556
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7 LONG TERM DEPOSITS

Central Depository Company of Pakistan Limited	25,000	25,000
Others	15,019	15,019
	40,019	40,019

8 Property, plant & equipment

Own use		8.1 129,881	161,585
		129,881	161,585



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:

Description	2015				
	Office equipments	Furniture & fixture	Computer & allied equipments Rupees	Vehicles	Total
Net carrying value basis					
Year ended June 30, 2015					
Opening net book value (NBV)	17,576	21,464	32,904	89,640	161,584
Additions at cost	-	-	-	-	-
Disposal					
Cost / Written off	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation charged	1,758	2,146	9,871	17,928	31,703
Closing net book value (NBV)	15,818	19,318	23,033	71,712	129,881
Gross carrying value basis					
At June 30, 2015					
Cost	147,225	146,603	337,720	849,000	1,480,548
Accumulated depreciation	(131,407)	(127,284)	(314,685)	(777,290)	(1,350,666)
Net book value	15,818	19,319	23,035	71,710	129,882
Depreciation rate % per annum	10	10	30	20	

Description	2014				
	Office equipments	Furniture & fixture	Computer & allied equipments Rupees	Vehicles	Total
Net carrying value basis					
Year ended June 30, 2014					
Opening net book value (NBV)	19,529	23,849	47,005	112,050	202,433
Additions at cost	-	-	-	-	-
Disposal					
Cost / Written off	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation charged	(1,953)	(2,385)	(14,102)	(22,410)	(40,849)
Closing net book value (NBV)	17,576	21,464	32,904	89,640	161,584
Gross carrying value basis					
At June 30, 2014					
Cost	147,225	146,603	337,720	849,000	1,480,548
Accumulated depreciation	(129,649)	(125,138)	(304,814)	(759,362)	(1,318,964)
Net book value	17,576	21,465	32,906	89,638	161,585
Depreciation rate % per annum	10	10	30	20	

2015 2014
..... Rupees.....

8.2 Ijarah assets

Opening balance	-	3,537,672
Transfer during the year	-	(2,700,000)
Less: Accumulated amortization @ 11.2%	-	(837,672)
Closing balance	-	-



Note 2015 2014
 Rupees.....

9 ACCRUED AND OTHER LIABILITIES

Audit fee payable	355,000	355,000
Commission payable	18,000	18,000
Provident fund payable	363,198	65,592
Others	565,978	354,995
	1,302,176	793,587

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

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

The Management Company as a matter of abundant caution, has made the provision for WWF amounting to Rs.190,125 in these financial statements.

Note 2015 2014
 Rupees.....

10 PROVISION FOR TAXATION

Tax for the year	10.1 200,000	766,208
	411,728	766,208

10.1 Income tax assessments of the Modaraba have been finalized upto tax year 2014 under section 120 of Income Tax Ordinance, 2001. In the current year, the Modaraba has distributed 90% of its profits to its certificate holders and therefore, its income other than income from trading activities is exempt from tax as per clause 100 of part I of the Second Schedule of the Income Tax Ordinance, 2001.

11 CERTIFICATE CAPITAL

	2015	2014		2015	2014
	No. of Certificate		 Rupees	
Authorized certificate capital					
	10,000,000	10,000,000	Modaraba Certificates of Rs. 10 each	100,000,000	100,000,000
Issued, subscribed and paid-up capital					
	3,000,000	3,000,000	Modaraba certificates of Rs.10/- each issued for cash	30,000,000	30,000,000
	4,515,158	4,515,158	Modaraba certificates of Rs.10/- each issued as bonus certificates	45,151,587	45,151,587
	7,515,158	7,515,158		75,151,587	75,151,587



	Note	2015	2014
	 Rupees	
12 RESERVES			
Statutory reserve	12.1	32,474,152	28,827,702
Unappropriated profit		<u>11,152,477</u>	<u>5,682,801</u>
		<u>43,626,629</u>	<u>34,510,503</u>

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. 3,646,450 (2014: Rs.2,081,236) which represents 40% of the profit after tax.

13 CONTINGENCIES AND COMMITMENTS

There are no known commitments as at June 30, 2015 (2014: Nil).

	Note	2015	2014
	 Rupees	
14 TRADING PROFIT			
Sale of sugar	14.1	2,398,500	4,516,172
Sale of vehicle	14.2	<u>70,000</u>	-
		<u>2,468,500</u>	<u>4,516,172</u>
14.1 Sales-Net		33,810,000	93,455,000
Cost of sales			
Opening stock		31,411,500	68,660,328
Purchases		43,030,000	51,690,000
Closing stock		(43,030,000)	(31,411,500)
		<u>31,411,500</u>	<u>88,938,828</u>
		<u>2,398,500</u>	<u>4,516,172</u>
14.2 Sales value of vehicles		5,077,500	-
Cost of vehicles		<u>(5,007,500)</u>	-
Gain on sale of vehicles		<u>70,000</u>	-

15 DIVIDEND

Dividend income	3,224,601	2,589,543
Less: Zakat deducted at source	<u>(3,960)</u>	<u>(28,600)</u>
	<u>3,220,641</u>	<u>2,560,943</u>



	Note	2015 Rupees.....	2014
16 OPERATING EXPENSES			
Salaries and other benefits		3,379,695	3,998,353
Fees and subscription		807,940	753,392
Newspapers and periodicals		5,744	5,744
Printing and stationery		97,751	127,280
Repair and maintenance		8,810	18,550
Travelling and conveyance		10,545	7,710
Postage and telephone		49,700	84,150
Auditors' remuneration	16.1	310,000	310,000
Vehicles running and maintenance		1,313	1,500
Insurance		22,871	31,456
Depreciation	8.1	31,704	40,849
Advertisement		20,720	37,000
Bank charges		640	925
Miscellaneous		70,055	69,285
		<u>4,817,488</u>	<u>5,486,194</u>
16.1 Auditors' remuneration			
Audit fee		250,000	250,000
Half yearly review including other services		60,000	60,000
		<u>310,000</u>	<u>310,000</u>
17 EARNINGS PER CERTIFICATE			
Basic			
Profit for the year		<u>9,116,126</u>	4,436,882
Weighted average number of certificates outstanding		<u>7,515,159</u>	7,515,159
Earnings per certificate		<u>1.21</u>	<u>0.59</u>

Diluted

There is no dilutive effect on the basic earnings per certificate of the Modaraba, since there are no convertible instruments in issue as at 30 June 2015 and 30 June 2014 which would have any effect on the earnings per share if the option to convert is exercised.

18 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:

Balance / Transaction	2015			2014
	Associate undertakings	Management Company	Total	Total
	Rupees			Rs
Purchases	43,030,000	-	43,030,000	51,690,000
Insurance expense	22,871	-	22,871	22,195
Management fee		1,056,250	1,056,250	589,919
	<u>43,052,871</u>	<u>1,056,250</u>	<u>44,109,121</u>	<u>52,302,114</u>
			<i>2015</i>	<i>2014</i>
			<i>Rupees</i>	

19 Cash generated from operations

Profit before taxation 9,316,126 5,203,090

Adjustment from non-cash charges and other items:

Depreciation on own assets	31,704	40,849
Amortization on leased assets	-	837,672
Provision for provident fund	297,606	65,592
Provision for Management Fee	1,056,250	589,919
Provision for WWF	190,125	106,185
Provision for gratuity	-	849,076
Gain on sale of investments	(5,894,019)	(838,500)
Accrued income on Musharika Certificates	(46,079)	-
Dividend income	(3,220,641)	(2,560,943)
	<u>(7,585,054)</u>	<u>(910,150)</u>
Cash generated from operations	<u>1,731,072</u>	<u>4,292,940</u>



2015 2014
..... Rupees.....

19.1 Net changes in working capital

Decrease / (Increase) in current assets		
Stock in trade	(11,618,500)	37,248,828
Advances, deposits, prepayments and other receivables	29,346	1,217,074
	(11,589,154)	38,465,902
(Decrease) / increase in current liabilities		
Accrued and other liabilities	21,067	(577,777)
Net increase / (decrease) in working capital	(11,568,087)	37,888,125
Management fee paid	(589,919)	(252,412)
Dividend paid	(3,110)	(6,879)
Gratuity paid	-	(1,391,027)
Taxes paid	(302,830)	(1,792)
	(895,859)	(1,652,109)
Net cash (used in) / generated from operating activities	(10,732,874)	40,528,956



20 Financial instruments and related disclosures
20.1 Financial assets and financial liabilities

Financial assets and financial liabilities for the year ended June 30, 2015 are stated below:

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



2014										
Description	Interest / Mark-up bearing				Non-Interest bearing				Total	
	Maturity up to one year	Maturity after one year and up to 5 years	Maturity after 5 years	Sub-total	Maturity up to one year	Maturity after one year and up to 5 years	Maturity after 5 years	Sub-total		
Rate of interest	Rupees				Rupees					
Financial assets										
Cash and bank balances	44,974,164	-	-	44,974,164	1,453,709	-	-	1,453,709	46,427,873	
Investments	-	-	-	-	57,683,737	-	-	57,683,737	57,683,737	
Advances, prepayments and other receivables	-	-	-	-	813,556	-	-	813,556	813,556	
Stock in trade	-	-	-	-	31,411,500	-	-	31,411,500	31,411,500	
Long term deposits	-	-	-	-	40,019	-	-	40,019	40,019	
	44,974,164	-	-	44,974,164	91,402,520	-	-	91,402,520	136,376,684	
Financial liabilities										
Accrued and other liabilities	-	-	-	-	793,587	-	-	793,587	793,587	
Due to management company	-	-	-	-	589,919	-	-	589,919	589,919	
Unclaimed dividend	-	-	-	-	834,631	-	-	834,631	834,631	
Ijarah deposits	-	-	-	-	-	-	-	-	-	
	-	-	-	-	2,218,137	-	-	2,218,137	2,218,137	
On balance sheet Gap	44,974,164	-	-	44,974,164	89,184,383	-	-	89,184,383	134,158,547	



21 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.

21.1 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.

21.1.1 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.

21.1.2 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. 83.260 million (2014: Rs. 57.684 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 2015 and 2014 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Modaraba's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity
June 30, 2015	<i>Rupees</i>	83,260,051	10% increase	91,586,056	8,326,005
			10% decrease	74,934,046	(8,326,005)
June 30, 2014	<i>Rupees</i>	57,683,737	10% increase	63,452,110	5,768,374
			10% decrease	51,915,363	(5,768,374)

21.1.3 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. 23,385,972/- (2014: Rs. 44,974,164/-) and Rs. Nil (2014: Rs. Nil) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

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

	2015	2014		2015	2014
	Effective interest rate (%)			Carrying amounts	
Financial assets					
Bank deposits - <i>pls account</i>	5% to 8.025%	5% to 9.02%	<i>Rupees</i>	23,285,972	44,974,164

b) Sensitivity analysis

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



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

		Profit and loss 100 bp increase	decrease
As at June 30, 2015			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	<u>232,860</u>	<u>(232,860)</u>
As at June 30, 2014			
Cash flow sensitivity-Variable rate financial assets	<i>Rupees</i>	<u>449,742</u>	<u>(449,742)</u>

21.2 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.103.064 million (2014: Rs.104.925 million) the financial assets which are subject to credit risk amounted to Rs.24.890 million (2014: Rs. 47.281 million). The management believes that the Modaraba is not exposed to major concentration of credit risk.



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

	2015		2014	
	Carrying Amount	Maximum Exposure	Carrying Amount	Maximum Exposure
	Rupees			
Balance with banks	24,152,746	24,152,746	46,342,676	46,342,676
Advances	570,170	570,170	375,906	375,906

21.2.2 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	2015 Rupees	2014
Al-Barka Islamic Bank Limited	A	JCR-VIS	13,819	13,367
Bank Al-Habib Limited	AA+	PACRA	205,444	212,382
Burj Bank Limited	A	JCR-VIS	10,482	10,049
Habib Bank Limited	AAA	JCR-VIS	595,845	596,939
Habib Metropolitan Bank Limited	AA+	PACRA	23,262,516	44,951,593
UBL Islamic Bank	AA+	JCR-VIS	185	558,345
			<u>24,088,292</u>	<u>46,342,676</u>

21.3 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.

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

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



	Carrying Amount	Contractual cash flows	2014	
			Twelve months or less	Two to Five years
			Rupees	
Non-Derivative Financial liabilities				
Lease Deposits	-	-	-	-
Accrued and other liabilities	793,587	793,587	793,587	-
Due to Management Company	589,919	589,919	589,919	-
Unclaimed Dividend	834,631	834,631	834,631	-
	<u>2,218,137</u>	<u>2,218,137</u>	<u>2,218,137</u>	<u>-</u>

22 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.

	2015	2014
 Rupees	
Cash and bank balances	24,152,746	46,427,873
Total equity	151,922,498	137,304,478
Total capital	<u>176,075,244</u>	<u>183,732,351</u>
Gearing ratio	0.0%	0.0%

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

24 INFORMATION ABOUT BUSINESS SEGMENTS



	2015			Consolidated	
	Sugar Trading	Investments	jarah operations		Others
Segment Revenues	33,810,000	3,220,641	-	3,750,750	40,781,391
Segment Results					
Segment Expenses	(31,411,500)	-	-	-	(31,411,500)
Unallocated operating expenses	-	-	-	(4,817,488)	(4,817,488)
Management fee	-	-	-	(1,056,250)	(1,056,250)
Provision for workers' welfare fund	-	-	-	(190,125)	(190,125)
Profit for the year	<u>2,398,500</u>	<u>3,220,641</u>	<u>-</u>	<u>(2,313,113)</u>	<u>3,306,028</u>
Assets and liabilities					
Segment assets	43,030,000	83,260,051	-	-	126,290,051
Unallocated assets	-	-	-	25,432,448	25,432,448
Consolidated total assets	<u>43,030,000</u>	<u>83,260,051</u>	<u>-</u>	<u>25,432,448</u>	<u>151,722,498</u>
Segment liabilities	-	-	-	-	-
Unallocated liabilities	-	-	-	25,432,448	25,432,448
Consolidated total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,432,448</u>	<u>25,432,448</u>

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



2014				
Sugar Trading	Investments	Ijarah operations	Others	Consolidated
Rupees				
93,455,000	3,399,443	870,132	3,437,313	101,161,888
Segment Revenues				
Segment Results				
(88,938,828)	-	(837,672)	-	(89,776,500)
-	-	-	(5,486,194)	(5,486,194)
-	-	-	(589,919)	(589,919)
-	-	-	(106,185)	(106,185)
4,516,172	3,399,443	32,460	(2,744,986)	5,203,090
Profit for the year				
Assets and liabilities				
31,411,500	57,683,737	-	-	89,095,237
-	-	-	47,443,033	47,443,033
31,411,500	57,683,737	-	47,443,033	136,538,270
Consolidated total assets				
-	-	-	-	-
-	-	-	2,218,137	2,218,137
-	-	-	2,218,137	2,218,137
Consolidated total liabilities				

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



25 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 02, 2015 by the Board of Directors of the Modaraba Management Company.

26 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have approved Cash Dividend for the year ended June 30, 2015 of Rs. 0.7/- per certificate (2014: Rs. Nil per certificate), amounting to Rs. 5,260,611 (2014: Nil) at their meeting held on October 02, 2015. The financial statements for the year ended June 30, 2015 do not include the effect of the above which will be accounted for in the period in which it is declared.

27 GENERAL

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

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

Chairman

Chief Executive

Director



***PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30, 2015***

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING			TOTAL CERTIFICATES HELD
573	1	-	100	14,180
256	101	-	500	63,763
90	501	-	1000	64,868
175	1001	-	5000	349,463
35	5001	-	10000	249,092
6	10001	-	15000	71,522
5	15001	-	20000	86,040
4	20001	-	25000	86,227
2	25001	-	30000	55,939
1	30001	-	35000	31,165
4	40001	-	45000	170,144
1	55001	-	60000	58,000
1	70001	-	75000	72,105
1	115001	-	120000	115,724
1	125001	-	130000	129,750
1	160001	-	165000	165,000
1	170001	-	175000	171,360
1	180001	-	185000	183,078
1	185001	-	190000	187,877
1	210001	-	215000	212,554
1	215001	-	220000	216,500
1	220001	-	225000	225,000
1	225001	-	230000	227,910
1	280001	-	285000	280,303
1	315001	-	320000	318,113
1	335001	-	340000	339,095
1	355001	-	360000	356,138
1	455001	-	460000	459,831
1	675001	-	680000	675,629
2	935001	-	940000	1,878,788
1171	TOTAL			7,515,158



**CATEGORIES OF CERTIFICATE HOLDINGS
AS AT JUNE 30, 2015**

	Number of Certificate Holders	Total Certificates Held	Percentage %
Director CEO and their Spouses and Minor Children Holding			
Mr. Omar Amin Bawany - Chief Executive		29411	0.3914
Mrs. Rukhsana		366447	4.8761
Mr. Ahmed Ali Bawany - Chairman		31165	0.4147
Mrs Ambreen		459831	6.1187
Miss. Alveena		5846	0.0778
Mr. Hamz Omar Bawany - Director		42539	0.5660
	6	935239	12.4447
Associated Companies, Undertaking and Related Parties			
E.A Management (Pvt) Ltd.		939394	12.5000
Faran Sugar Mills Ltd.		939394	12.5000
Reliance Insurance Co. Ltd.		115724	1.5399
	3	1994512	26.5399
NIT and ICP			
Trustee National Bank of Pakistan, Pension Fund		41908	0.5576
Trustee National Bank of Pakistan, Benevolent Fund		1471	0.0196
ICP		7399	0.0985
National Bank of Pakistan Ltd		756	0.0101
IDBP (ICP Unit)		2085	0.0277
	7	53619	0.7135
Certificate Holders Holding Five percent or more			
Sind Particle Board Mills		675629	8.9902
Mrs.Shaheda Muhammad Amin		539216	7.1750
Mrs.Gulshan Ara Muhammad Amin		508213	6.7625
Mrs.Aisha Bai Muhammad Amin		510455	6.7923
	4	2233513	29.7200
INDIVIDUALS	1126	1,918,507	25.5285
INVESTMENT COMPANIES	5	108,624	1.4454
INSURANCE COMPANIES	1	187,877	2.5000
JOINT STOCK COMPANIES	9	4,705	0.0626
FINANCIAL INSTITUTIONS	1	10,456	0.1391
OTHERS	7	45,747	0.6087
CHARITABLE TRUSTS	1	17,532	0.2333
COOPERATIVE SOCIETIES	1	4,827	0.0642
Total	1171	7,515,158	100



July 2014-June 2015	
NUMBER OF BOARD MEETINGS	
Name of Director	Number of Meeting Attended
1. Mr. Muhammad Omar Amin Bawany	4
2. Mr. Ahmed Ali Mohammad Amin Bawany	4
3. Mr. Abdul Ghani Samad	2
4. Mr. Hamza Omar Bawany	2
5. Mr. Abdul Wahid Ghaffar	4

KEY OPERATING AND FINANCIAL DATA						Rs. 000's
Year	2015	2014	2013	2012	2011	2010
Paid-up Capital	75,151	75,151	75,151	75,151	75,151	68,319
Equity	148,532	134,320	122,971	115,327	127,504	102,220
Operating Revenue	15,379	12,223	12,436	16,005	29,489	11,913
Net Profit After Tax	9,116	4,437	1,995	6,307	17,491	3,403
Bonus	-	-	-	-	-	10%
Cash Dividend	7%	-	-	5%	15%	-
Earning Per Certificate (Rs.)	1.21	0.59	0.27	0.84	2.33	0.45



**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2015**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 company has applied the principles contained in the Code of Corporate Governance in the following manner:

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

<u>Category</u>	<u>Names</u>
Independent Directors	Mr. Abdul Wahid Ghaffar
Executive Directors	Mr. Muhammad Omar Amin Bawany
Non-Executive Directors	Mr. Ahmed Ali Muhammad Amin Bawany Mr. Hamza Omar Bawany Mr. Abdul Wahid Ghaffar

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the 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 member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No causal vacancy in the Board occurred during the year
5. The Management company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.



6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are aware of their fiduciary responsibilities. However whenever necessary the board arrange orientations course for its directors in this respect.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company 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 non-executive directors.



16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is also non-executive director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company 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 shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of Board of Directors

Karachi
Dated: October 02, 2015

Muhammad Omar Amin Bawany
Chief Executive



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

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **E.A Management (Private) Limited** (the Management Company) for the year ended June 30, 2015 to comply with the requirements of listing regulation No. 35(Chapter XI) of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited where the Modaraba is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all materials respects, which the best practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2015.

Karachi.
Dated: October 02, 2015

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: Adnan Zaman



NOTICE OF ANNUAL REVIEW MEETING

The 16th Annual Review Meeting of the Certificate Holders of B.F. Modaraba will be held on Thursday October 29, 2015 at 4:00 p.m. at the Registered office of Modaraba at 4th Floor Bank House No. 1, Habib Square, M.A. Jiannah, Road, Karachi.

The Board of Directors, in their meeting held on October 02, 2015, have approved Cash Dividend @ 7% i.e. Rs. 0.7 per certificate for the year ended June 30,2015.

The Certificate Transfer Books of the Modaraba will remain closed from October 23, 2015 to October 29, 2015 (both days inclusive) to determine the names of certificate holders entitled to receive the Cash Dividend and to attend the Annual review meeting.

Transfer received in order at the shares registrar office of the Modaraba M/s. C & K Management Associated (Pvt.) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530, before the close of business hours on October 22,2015, will be treated in time.

Dated: October 02, 2015

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.