

# ANNUAL REPORT 2016



**Trust Modaraba**

Managed By:

Al-Zāmin Modaraba Management (Pvt) Ltd



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## **Mission Statement**

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

## CORPORATE INFORMATION

### Modaraba Company

Al-Zamin Modaraba Management (Private) Limited

#### Board of Directors

Mr. Syed Manzoor Hussain Shah Kazmi	Chairman
Mr. Basheer Ahmed Chowdry	Chief Executive
Mr. Shaikh Arshad Farooq	Director
Mr. Mohammad Imranul Haque	Director
Mr. Sohail Ansar	Director
Dr. Namooos Baquar	Director
Mr. Syed shahnawaz A. Rizvi	Director

#### Management

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

#### Audit Committee

Mr. Syed shahnawaz A. Rizvi	Chairman
Mr. Shaikh Arshad Farooq	Member
Mr. Sohail Ansar	Member
Ms. Hamida Aqeel	Secretary Audit committee

#### Human Resource Committee

Mr. Shaikh Arshad Farooq	Chairman
Mr. Syed shahnawaz A. Rizvi	Member
Mr. Basheer Ahmed Chowdry	Member
Dr. Namooos Baquar	Member

#### Internal Auditors

Grant Thornton Anjum Rahman.  
Chartered Accountants

#### Auditors of the Modaraba

Deloitte Yousuf Adil  
Chartered Accountant

#### Bankers

Meezan Bank Limited  
Bank Alfalah Limited – Islamic Banking

#### Legal Advisors

Shakeel Ahmed Awan  
Advocate, Supreme Court of Pakistan  
S&B Durrani Law Associates  
Sameera Usto & Associates

#### Registered Office/Principal Place of Business

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

#### Regional Office

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

#### Gujranwala Office

51-A, Adjacent Standerd Chartered Bank, Trust Plaza G.T Road, Gujranwala  
Telephone: 055-3730308, 3730300 Fax: 055-3731108

#### Registrars

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



Trust Modaraba

## **NOTICE OF ANNUAL REVIEW MEETING**

Notice is hereby given that the Annual Review Meeting of Trust Modaraba to review the performance of the Modaraba for the year ended June 30<sup>th</sup>, 2016 will be held on Tuesday 25<sup>th</sup> October, 2016 at 10.00 am at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi.

The certificate transfer books of the Modaraba will remain closed from Monday 17<sup>th</sup> October, 2016 to Tuesday 25<sup>th</sup> October, 2016 (both days inclusive).

Hamida Aqeel  
Company Secretary

Karachi

September 27<sup>th</sup>, 2016.

## Directors' Report.

The Board of Directors of Al-Zamin Modaraba Management (Private) Limited presents the attached financial statements of Trust Modaraba for the year ending 30<sup>th</sup> June, 2016.

### Economy Review

Pakistan's economic performance continued to improve during the financial year 2016. GDP growth reached an eight years high of 4.7% in financial year, from 4 % in the year 2015. Healthy performance of the industry and service sector contributed to this growth. Agriculture, on the other hand declined by 0.2% due to significant losses to cotton crop. Average CPI inflation declined to 2.9% in the FY 2016 from 4.5 % in the previous fiscal year. FX reserves reached to US\$23 billion, resulting in a stable Rupee. YOY increase in remittances was 5.8% as compared to 17.3% last year. SBP cut the policy rate by 25 bps to an all time low of 5.75%. PSX 100 index ended the financial year at 37,783 points, rising by 15.1% compared to last financial year. The index recorded a low of 31,001 points as turmoil was witnessed due to declining commodity and oil prices and slow down of Chinese economy. However, there are still a few challenges being faced by the economy which will have consequential effects on the future. Investment rate continues to remain low and the non-CPEC FDI has lagged behind. Tax base needs to be broadened for which considerable efforts are required. Continuous decline in exports due to sluggish demand in export destinations is affecting the balance of payments. Sharp increase in non-oil imports is offsetting gains from decline in oil import payments. Any further slowdown in remittances will have material effect on the economy.

Looking forward, early completion of projects under the CPEC would help ease supply side impediments particularly energy problems in the coming years.

### Performance Review

During the year under review, your Modaraba has continued satisfactory performance and earned a profit of Rs. 14.478 million before management fee. Total revenue generated during the year is almost the same as compared to the last year. Liquidity generated through recovery and profitability was deployed efficiently towards diversified fresh business during the year by disbursing Rs.42 million towards Ijarah, Rs. 62 million towards Murabahah and Musharakah transactions. Rs. 18 million were invested towards diversification and Rs. 8 million in stock market operations.

Compared to the previous year, the profit of the year under review is lower by Rs 4.861 million. It is due to the fact that the profit of the previous year included an amount of Rs.5.216 million as reversal of provisions out of recoveries made from the defaulting clients of previous regime whereas no such benefit could be recorded during this year. In spite of continuous efforts made during the year under review, no significant amount was recovered from the defaulting clients due to the complicated and slow legal process. Nevertheless, concerted efforts for this purpose continue and significant recoveries are expected to materialize in the year 2016-17.

All operating indicators have shown a consistent performance. Balance sheet footing of your Modaraba stood at Rs.396.172 million and Certificate holder's equity increased to Rs.310.165 million from Rs.310.058 million. Administrative expenses were restricted to 10% compared to corresponding period last year

### Future Outlook

Your management is continuously devoting its best efforts for achieving better results by maximizing recoveries of the inherited portfolio, increasing business volumes and restricting operating costs. Efforts are being made to obtain a suitable credit rating of the Modaraba so that funding lines could be negotiated with the Islamic banks. Various options of increasing its equity are also being explored including induction of investors and issuance of right certificates. The future yields to the certificate holders can only be improved by increasing the business volumes and funding resources for which your management is making concerted efforts. We are confident that the Modaraba's financial position has all ingredients and potential to maintain a steady growth which is being realized in the best interests of the Certificate holders.



## Dividend distribution

The Board is pleased to announce that based on the profit earned by the Modaraba during the year ended 30th June 2016 a cash dividend of 3% i.e.0.30 per certificate had been declared. The book closure to determine the entitlements of dividend will be announced in due course.

### Compliance under Code of Corporate Governance

- The financial statements prepared by the management of Trust Modaraba present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements of Modaraba and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable to Modaraba, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices and corporate governance as detailed in the listing regulations.

## Board Meetings

Four meetings of the Board were held pertaining to Trust Modaraba, which were attended as follows:

		No. of Meetings Attended
Mr. Manzoor Hussain Shah Kazmi	Chairman	3
Mr. Bashir A. Chowdry	Chief Executive	4
Mr. Sohail Ansar	Director	Nil
Mr. Sheikh Arshad Farooq	Director	4
Dr. Namoos Baquar	Director	4
Syed. Shahnawaz A. Rizvi	Director	4
Mr. Mohammad Imran ul Haq	Director	Nil

Leave of absence was granted to the members Who could not attend the meetings due to their prior commitments.

## Audit Committee and Internal Control System

The Management of your Modaraba believes in good Corporate Governance, implemented through a well defined system of check and balances, The board of directors established a system of sound internal controls, which is effectively implemented at all levels within the Modaraba.

The Audit committee comprises of three members who are all non-executive directors including the Chairman of the committee.



## Auditors

The present auditors M/s. Deloitte Yousuf Adil Chartered Accountants have completed five years term of engagement with Trust Modaraba. As per suggestion of the Audit Committee, the Board has approved appointment of M/s Horwath Hussain Chaudhury & Co. Chartered Accountants as statutory auditors for the financial year ending 2017. The appointment is subject to the approval of the Registrar Modaraba.

## Patter of Certificate holding

Pattern of certificate holding as at 30th June, 2016 is attached. No trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

## Value of the Funds investment

The Modaraba operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Modaraba and employees to the fund @10% of the basic salary. Based on latest accounts of the fund, the value of its investments as at 30th June, 2016 works out to be Rs.3,786,717.

## Earning per Certificate

The earning per certificate of the Modaraba for the year ended 30th June, 2016 stood at Rs. 0.44 per certificate as compared to Rs. 0.58 per certificate for the previous year.

## “JAMAPUNJI” NOTIFICATION

In compliance of SRO No.924(i)/2015 of Securities & Exchange Commission of Pakistan, their “Jamapunji” notification has been incorporated in this report.

## Acknowledgements

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

For and on behalf of the Board of Directors



Basheer A. Chowdry

Chief Executive

Karachi.

September 27<sup>th</sup>, 2016.

**Key Operating & Financial Data for the Last Six Years**

(Rupees in Thousands)

	2016	2015	2014	2013	2012	2011
Paid-up capital	298,000	298,000	298,000	298,000	298,000	298,000
Reserves	12,165	12,058	8,683	6,514	(17,352)	(14,611)
Net equity	310,165	310,058	306,683	304,514	280,647	283,389
Morabaha financing	156,537	155,551	166,989	151,959	144,354	143,282
Fixed Assets	14,076	13,634	13,688	14,219	14,834	14,062
Assets given on lease	252,728	286,673	291,356	323,109	358,318	309,023
Total assets	396,172	411,442	418,229	428,517	400,546	377,213
<b>Income Statement</b>						
Income	84,420	90,718	103,039	101,966	84,029	73,690
Operating expenses	69,942	71,378	80,562	76,375	71,448	50,336
Profit/(Loss) before management fee	14,478	19,339	22,476	25,591	13,455	23,354
Profit/(Loss) after taxation	13,030	17,405	20,229	23,032	12,109	21,019
Earning/(Loss) per certificate	0.44	0.58	0.68	0.77	0.41	0.71

## Statement of Compliance with the Code of Corporate Governance (COCG 2012) [See Clause(XI)]

### For the year ended June 30, 2016

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

Al-Zamin Modaraba Management (Private) Limited (Modaraba Company) is not listed; however, Trust Modaraba (the Modaraba) is listed at Pakistan Stock Exchange. The Board of directors of the Modaraba Company is responsible for management of affairs of the Modaraba.

The Modaraba Company has applied the principles contained in the Code in the following manner:

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

Category	Names
Independent Director	Mr. Syed Shahnawaz A.Rzivi
Executive Director	Mr. Basheer Ahmed Chowdry
Non Executive Directors	Mr.Syed Manzoor Husain Shah Kazami Mr. Sohail Ansar Mr. Muhammad Imran-Ul-Haq Dr. Namoos Baquar Mr. Sheikh Mian Arshad Farooq

The independent director meets the criteria of independence as required under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Modaraba (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Modaraba Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being as a Broker of a stock exchange, has been declared as a defaulter by that stock exchange
4. No casual vacancy occurred on the board during the year.
5. The Modaraba 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 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. Three directors of the company have already obtained director's training certification from Pakistan Institute of Corporate Governance and four directors are exempted from the requirement by virtue of their experience as prescribed by the SECP in clause (xi) of CCG. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Auditor, including their remuneration and terms and conditions of appointment.
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 other executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of shareholding.
14. The Modaraba Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, of whom all are non- executive directors and the chairman of the committee is an 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 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 of four members, of whom three are non-executive directors and the chairman of the committee is also a non-executive director.

18. The Board has outsourced the internal audit function to M/s. Grant Thornton Anjum Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Basheer A. Chowdry  
CHIEF EXECUTIVE

Karachi.

September 27<sup>th</sup>, 2016.



## Report of Shariah Advisor

I have conducted Shariah Review of Trust Modaraba managed by Al-Zamin Modaraba Management (Private) Limited for the financial year ended 30<sup>th</sup> June, 2016 in accordance with the requirements of the Shariah Compliance and Shariah 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 Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
- ii. Following were the major developments that took place during the year:
  - a) Research and new product developments.  
Adopted new inducted Shariah Compliance and Shariah Audit Mechanism.
  - b) Followed Model Islamic Financing Agreements approved by Religious Board.
- iii. the agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
- 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 Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
- v. profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conform to the basis and principles of Shariah.
- vi. No earnings have been realized by any means prohibited by Shariah.

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

Signature

Stamp of Shariah Advisor.

Karachi

September 27<sup>th</sup>, 2016.

**Muhammad Zubair Usmani**  
Jamia Darul Uloom Karachi

## **REVIEW REPORT TO THE CERTIFICATE HOLDERS 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 Al-Zamin Modaraba Management (Private) Limited (the Board) for the year ended June 30, 2016 to comply with the respective Listing Regulations of Pakistan Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board. 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 provisions 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 Modaraba's personnel and review of various documents prepared by the Modaraba to comply with the Code.

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's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Code requires the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board 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 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 Modaraba's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended June 30, 2016.

**Deloitte Yousuf Adil**  
Chartered Accountants

**Engagement Partner:** Rana M Usman Khan  
Date: September 27<sup>th</sup>, 2016.  
Lahore



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Trust Modaraba (the Modaraba) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein after 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 Management Company's [Al-Zamin Modaraba Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management 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 account have been kept by the Modaraba Management 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 account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Modaraba and deposited in Central Zakat Fund established under section 7 of the Ordinance.

We draw attention to the matter stated in note 17.3.1 to these financial statements, the ultimate outcome of which cannot presently be determined and, hence, no loss that may result therefrom has been recorded in these financial statements. Our opinion is not qualified in respect of this matter.

**Deloitte Yousuf Adil**  
Chartered Accountants

**Engagement Partner:** Rana M Usman Khan  
Date: September 27<sup>th</sup>, 2016.  
Lahore



**BALANCE SHEET**

AS AT JUNE 30, 2016

	Note	2016 -----Rupees-----	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	5	11,920,526	827,212
Short term investments	6	11,741,863	5,945,191
Advances, deposits, prepayments and other receivables	7	22,307,460	45,965,063
Short term murabaha finances	8	38,086,090	50,726,084
Current portion of long term murabaha finances	9.3	76,842,699	73,519,602
Ijarah rental receivables	10	22,529,575	21,457,799
Short term musharakah finances	11	12,900,000	4,302,110
Current portion of long term diminishing musharakah finances	12	1,818,634	1,176,219
Accrued profit	13	2,641,431	2,165,534
Tax refunds due from Government	14	3,850,825	3,008,734
Stock in trade	15	2,796,592	6,663,708
<b>Total Current Assets</b>		<b>207,435,695</b>	<b>215,757,256</b>
<b>Assets classified as held for sale</b>		<b>-</b>	<b>2,100,000</b>
<b>Non-Current Assets</b>			
Long term murabaha finances	9	41,608,871	31,306,148
Long term diminishing musharakah finances	12	1,803,208	1,123,536
Long term deposits	16	1,788,640	1,780,740
Long term investments	17	8,848,649	6,314,040
Fixed assets	18	134,687,314	153,060,407
<b>Total Non-Current Assets</b>		<b>188,736,682</b>	<b>193,584,871</b>
<b>Total Assets</b>		<b>396,172,377</b>	<b>411,442,127</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current portion of customers' security deposits	19	24,438,310	22,031,755
Creditors, accrued and other liabilities	20	24,142,415	24,960,466
<b>Total Current Liabilities</b>		<b>48,580,725</b>	<b>46,992,221</b>
<b>Non-Current Liabilities</b>			
Deferred income on murabaha	20.1	5,769,711	4,848,493
Customers' security deposits	19	31,656,452	49,542,440
<b>Total Liabilities</b>		<b>86,006,888</b>	<b>101,383,154</b>
<b>NET ASSETS</b>		<b>310,165,489</b>	<b>310,058,973</b>
<b>REPRESENTED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Certificate capital	21	298,000,000	298,000,000
Reserves	22	12,165,489	12,058,973
		<b>310,165,489</b>	<b>310,058,973</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	23	<b>-</b>	<b>-</b>

The annexed notes from 1 to 42 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 -----Rupees-----	2015
Income from leasing (Ijarah) operations	24	<b>61,349,723</b>	63,682,224
Profit on murabaha finances	25	<b>12,513,248</b>	13,083,268
Profit on musharakah finances		<b>2,790,350</b>	1,685,388
Dividend income on equity investments		<b>454,189</b>	73,400
Profit on long term investments - available-for-sale		<b>743,816</b>	120,144
Profit on sale of short term investments - held-for-trading		<b>3,066,038</b>	707,352
Profit on sale of long term investments - available-for-sale		<b>10,601</b>	-
Trading income	26	<b>873,839</b>	1,358,207
Other income	27	<b>3,134,512</b>	4,899,847
		<b>84,936,316</b>	85,609,830
(Provision) / Reversal of provision against non performing finances and other receivables - net	28	<b>(75,867)</b>	5,216,468
Unrealized (loss) on revaluation of held-for-trading investments		<b>(439,953)</b>	(107,974)
		<b>84,420,496</b>	90,718,324
Depreciation on fixed assets given on lease/Ijarah	18.2	<b>41,126,532</b>	45,139,275
Administrative expenses	29	<b>28,815,929</b>	26,239,190
		<b>(69,942,461)</b>	(71,378,465)
		<b>14,478,035</b>	19,339,859
Modaraba management company's fee		<b>(1,447,804)</b>	(1,933,986)
Profit before taxation		<b>13,030,231</b>	17,405,873
Taxation	30	-	-
Profit after taxation		<b>13,030,231</b>	17,405,873
Earnings per certificate - basic and diluted	31	<b>0.44</b>	0.58

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees-----	
Profit for the year	13,030,231	17,405,873
<b>Other Comprehensive Income:</b>		
Net change in fair value of available-for-sale investments that will be classified to profit and loss account	(258,715)	869,953
Net change in fair value of available-for-sale investments reclassified to profit and loss account	-	-
	<b>(258,715)</b>	869,953
<b>Total comprehensive income for the year</b>	<b>12,771,516</b>	<b>18,275,826</b>

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR



## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
Note	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	33 <b>73,464,849</b>	30,008,966
Disbursement of Ijarah (lease financing) assets	<b>(59,207,170)</b>	(58,031,097)
Proceeds from transfer of Ijarah (leased financing) assets	<b>37,845,632</b>	29,497,250
Short term investments	<b>(5,796,672)</b>	(4,982,791)
Short term murabaha finances	<b>9,316,897</b>	11,164,860
Long term murabaha finances	<b>(10,302,723)</b>	5,490,010
Short term musharakah finances	<b>(9,240,305)</b>	11,726,899
Long term musharakah finances	<b>(679,672)</b>	561,796
Held for sale assets	<b>2,100,000</b>	(2,100,000)
Deferred income on murabaha	<b>921,218</b>	(3,572,721)
Lessee's security deposits:		
Received	<b>16,472,567</b>	15,440,670
Refund/Adjusted	<b>(31,952,000)</b>	(25,164,738)
Net lessee's security deposit	<b>(15,479,433)</b>	(9,724,068)
Stock in trade	<b>3,867,116</b>	4,392,463
Net cash from operating activities	<b>26,809,737</b>	14,431,567
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure owned assets	<b>(1,034,200)</b>	(926,917)
Proceeds from disposal of owned assets	<b>329,812</b>	-
Purchase of long term Investments	<b>(3,231,864)</b>	(438,540)
Sale proceeds of long term Investments	<b>438,540</b>	343,750
Long term deposits received during the period	<b>(7,900)</b>	(175,178)
Dividend received	<b>454,189</b>	73,400
Net cash used in investing activities	<b>(3,051,423)</b>	(1,123,485)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution paid	<b>(12,665,000)</b>	(14,900,000)
Net cash used in financing activities	<b>(12,665,000)</b>	(14,900,000)
Net increase / (decrease) in the cash and cash equivalents	<b>11,093,314</b>	(1,591,918)
Cash and cash equivalents at beginning of the year	<b>827,212</b>	2,419,130
Cash and cash equivalents at end of the year	<b>11,920,526</b>	827,212

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR


  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2016

	Certificate capital	Statutory reserve	Revenue reserves		Total Reserves	Total Equity
			Unrealized loss on revaluation of investments	Accumulated loss		
Balance as at June 30, 2014 (previously reported)	298,000,000	69,813,812	(1,928,891)	(59,201,774)	8,683,147	306,683,147
Adjustment of unrealised loss on revaluation of investment to accumulated loss (note 40)	-	-	1,058,938	(1,058,938)	-	-
Balance as at June 30, 2014 (restated)	298,000,000	69,813,812	(869,953)	(60,260,712)	8,683,147	306,683,147
Profit for the year	-	-	-	17,405,873	17,405,873	17,405,873
Other comprehensive income for the year	-	-	869,953	-	869,953	869,953
Total comprehensive income for the year	-	-	869,953	17,405,873	18,275,826	18,275,826
Transfer to statutory reserve at 20%	-	3,481,175	-	(3,481,175)	-	-
Transaction with certificate holders	-	-	-	-	-	-
Profit distribution for the year ended June 30, 2014 at Rs. 0.5 per certificate	-	-	-	(14,900,000)	(14,900,000)	(14,900,000)
Balance as at June 30, 2015	298,000,000	73,294,987	-	(61,236,014)	12,058,973	310,058,973
Profit for the year	-	-	-	13,030,231	13,030,231	13,030,231
Other comprehensive income for the year	-	-	(258,715)	-	(258,715)	(258,715)
Total comprehensive income for the year	-	-	(258,715)	13,030,231	12,771,516	12,771,516
Transfer to statutory reserve at 20%	-	2,606,047	-	(2,606,047)	-	-
Transaction with certificate holders	-	-	-	-	-	-
Profit distribution for the year ended June 30, 2015 at Rs. 0.425 per certificate	-	-	-	(12,665,000)	(12,665,000)	(12,665,000)
Balance as at June 30, 2016	298,000,000	75,901,034	(258,715)	(63,476,830)	12,165,489	310,165,489

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Trust Modaraba was formed in Pakistan under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and being managed by Al-Zamin Modaraba Management (Private) Limited (AZMML). The Modaraba is perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabahas, Musharakahs, Leasing (Ijarah), investment in marketable securities, trading and other permissible businesses. The Modaraba commenced its business operations from November 12, 1991. The principal place of business and registered office is located at 104-106, Kassam Court, BC-9, Block-5, Clifton, Karachi - 75600 while regional office is located at 301-302, 3rd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore. It is listed on the Pakistan Stock Exchange.

### 2 STATEMENT OF COMPLIANCE

- 2.1 These Financial Statements have been prepared in accordance with approved accounting standards as applicable in Pakistan (except for International Accounting Standard (IAS) 17 "Leases") and the requirements of the Companies Ordinance, 1984, Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Islamic Financial Accounting Standard 1 (IFAS-1) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the approved accounting standards differ with the requirement of Companies Ordinance, 1984, Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP), the requirements of latter take precedence.

The SECP has issued directive (Vide SRO 431 (IJ/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Ijara (Lease) transactions as defined by the said standard. The Modaraba is in compliance with the requirements of the aforesaid IFAS-2.

#### 2.2 Standards not complied in preparation of the financial statements by the Modaraba

SECP vide its circular No. 10 of 2004 dated February 13, 2004 has deferred, till further orders, the applicability of IAS 17 on Modarabas with effect from July 01, 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of the said IAS to the Modarabas.

#### 2.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015

## 2.4 **Standards, interpretations and amendments to published approved accounting standards those are not yet effective for the year ended June 30, 2016**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

<b>Standard or Interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
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	Effective date is deferred indefinitely. Earlier adoption is permitted.
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016
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 9 – Financial Instruments	
IFRS 14 – Regulatory Deferral Accounts	
IFRS 15 – Revenue from Contracts with Customers	
IFRS 16 – Leases	

## 3 **BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except certain financial instruments which are measured at fair value.



## **4 SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Critical accounting estimates and judgments**

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

In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

#### **4.1.1 Useful lives, pattern of flow of economic benefits and impairment**

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of the assets for possible impairments on an annual basis and any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment established. Assets are derecognized when disposed or when no future economic benefits are expected from its use or disposal.

#### **4.1.2 Provision against non performing financings**

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

### **4.2 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash at bank and other short-term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **4.3 Investments**

#### **4.3.1 Available-for-sale**

These are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value. For listed securities, fair value is determined on the basis of period end bid prices obtained from stock exchange quotations, while for unquoted securities, fair value is determined considering break up value of securities.

All purchases and sales of investments are recognized on the trade date which is the date when Modaraba commits to purchase or sell the investment. Cost of purchase includes transaction cost.

Changes in carrying value are recognized in equity until the investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial assets previously recognized in profit and loss account is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

#### **4.3.2 Held-for-trading**

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. These are initially measured at fair value and at subsequent reporting dates, these investments are re-measured at fair value. Realized and unrealized gains and losses arising from changes in fair value are included in profit and loss account for the year in which they arise.



The fair value of publicly traded securities is based on market prices quoted on the Pakistan Stock Exchange at the balance sheet date. The investment for which a quoted market price is not available, are measured at cost as it is not practical to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the Modaraba commits to purchase or sell the investment.

At each balance sheet date, the Modaraba reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense.

#### 4.4 **Murabaha**

Murabaha to the purchase ordered is sale transaction wherein the first party (the Modaraba) sells to the client / customer sharia compliant asset / goods for cost plus a pre-agreed profit. In principal on the basis of undertaking (promise-to-purchase) from the client (the purchase ordered), The Modaraba purchases the assets/goods subject of the Murabaha from third party and takes possession thereof, however, the Murabaha can appoint the client as its agent to purchase the assets/goods on behalf. Thereafter, its sells it to the client at cost plus the profit agreed upon in the promise. Murabaha financing is recorded at the invoiced amount and profit is recognized. Profit on that portion of sale revenue not due for payment is deferred and recognized as liability. Goods purchased by the Modaraba but remained unsold, if any with the Modaraba at balance sheet date constitute inventories.

#### 4.5 **Leases (Ijarahs)**

For lease Agreements executed before July 01, 2008, Modarabas are required to enter into lease contracts in accordance with the principles of Sharia and in the form approved by Modaraba's Religious Board. The principles of Sharia prohibit the Modaraba from undertaking any interest based transactions. The application of these principles has profound implications on the accounting treatment for leases which are divergent from the accounting treatment pronounced by IAS 17, which are explained as follows:

- (i) Although all the leases entered into by the Modaraba are fully paid out leases but, in accordance with the principles of Sharia substantial risks and rewards incidental to ownership of leased assets remain with the Modaraba as a lessor and are not transferred to the lessee, and
- (ii) The method of income recognition of finance lease prescribed by IAS-17 is interest based which is against the injunctions of Sharia.

In view of the above anomalies and in accordance with the injunctions of Sharia, the leased out asset is recorded in the Modaraba's accounts as operating lease.

#### 4.6 **Musharakah Financing**

In Diminishing Musharakah based Financing, the Modaraba enters into a Musharakah based on Shirkat-ul-milk for financing an agreed share of asset (e.g. house, land, plant or machinery, crops etc.) with its customers and enters into periodic profit payment agreement for the utilization of the Modaraba's Musharakah share by the customer.

#### 4.7 **Tangible fixed assets**

##### 4.7.1 **Operating fixed assets in own use and depreciation**

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income by applying the straight-line method at the rates given in note 18.3.

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

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

#### **4.7.2 Assets given to customers on lease and depreciation**

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

#### **4.7.3 Assets given to customers under Ijarah agreements**

Assets given to customers under Ijarah arrangements on or after July 01, 2008 are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under Ijarah arrangements are depreciated on straight line basis over the shorter of Ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately to the period of Ijarah.

#### **4.7.4 Impairment**

Services of independent valuers are used to value the assets. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss account.

#### **4.8 Non-current assets held for sale**

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Fixed assets once classified as held for sale are not depreciated.

#### **4.9 Trade debts**

Trade debts originated by the Modaraba are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

#### **4.10 Inventories**

Murabaha transaction are entered into on customer order basis, therefore, in normal circumstances there is no inventory. However, if any inventory remains unsold by the Modaraba at period end will be measured at lower of cost and net realizable value. Cost is determined on the first in first out basis.

#### **4.11 Ijarah assets for own use**

The Modaraba recognizes Ijarah payments under an Ijarah agreement as an expense in the profit and loss account on a straight line basis over the Ijarah term.

#### 4.12 Revenue recognition

##### 4.12.1 Murabaha profit

Profit on finances under Murabaha arrangements is recognized on a pro-rata basis taking into account the duration of placement of funds. Income on Murabaha executed on or after 1 July 2009 is accounted for on culmination of Murabaha transaction. However, profit not due for payment in the current year is deferred by accounting for unearned Murabaha income with corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognized as revenue on a time proportionate basis.

##### 4.12.2 Musharakah profit.

Profit on Diminishing Musharakah financings are recognized on accrual basis

##### 4.12.3 Lease rentals

The Modaraba records all lease transactions as operating leases. For Ijarah agreements executed on or after July 01, 2008 Ijarah rentals are recognized as income on accrual basis as and when the rental become due over the Ijarah period.

##### 4.12.4 Dividend income

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

##### 4.12.5 Capital gain or loss

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

#### 4.13 Taxation

##### Current:

Provision for current taxation is based on taxable income at current rates of taxation after taking into account applicable tax credit, rebates and exemption available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

##### Deferred:

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

Deferred tax is calculated based on the rates that have been enacted or substantively enacted up to the balance sheet date and are expected to apply to the period when the difference arises.

#### 4.14 Financial instruments

Financial instruments include long term deposits, trade debts, advances, deposits and other receivables, cash and bank balances, Murabaha finances, Ijarah rental receivables, investments, creditors, accrued and other liabilities.

Financial assets and liabilities are recognized at the time the Modaraba becomes a party to the contractual provisions of the instruments.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial asset. The Modaraba loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Modaraba surrenders those rights.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit and loss account currently.

Financial assets and liabilities are offset when the Modaraba has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

#### 4.15 Retirement and termination benefits

The Modaraba operates a defined contributory approved provident fund for all its employees. The Modaraba and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary of employees.

#### 4.16 Dividend

Dividend distribution to the Modaraba's certificate holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Modaraba Management Company.

#### 4.17 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year.

	Note	2016	2015
-----Rupees-----			
<b>5 CASH AND BANK BALANCES</b>			
Cash in hand		10,208	36,314
Balances with bank in:			
Current accounts		159,580	280,940
Saving accounts	5.1	11,750,738	509,958
		<b>11,910,318</b>	790,898
		<b>11,920,526</b>	827,212
5.1	These carry profit at the rate of 2.4% to 4% (2015: 4% to 5%) per annum.		
<b>6 SHORT TERM INVESTMENTS</b>			
Financial assets at fair value through profit and loss - Held-for-trading			
NIT Islamic Unit Fund - at cost		2,084,000	2,000,000
Meezan Islamic Fund - at cost		1,627,833	-
Shares of listed companies - at cost	6.1	8,008,015	4,159,223
Unrealized gain / (loss) on revaluation of held-for-trading investments	6.2	22,015	(214,032)
		<b>11,741,863</b>	5,945,191
		2016	2015
		Average cost	Average cost
		Market value	Market value
-----Rupees-----			
6.1	<b>Shares of listed companies</b>		
	<b>Byco Petroleum Pakistan Ltd.</b>	517,647	513,500
	25,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid		
	<b>DG Khan Cement Company Ltd</b>	-	-
	Nil (2015 : 500) ordinary shares of Rupees 10 each fully paid		
		66,244	71,386

	2016		2015	
	Average cost	Market value	Average cost	Market value
	-----Rupees-----			
<b>Engro Corporation Pakistan</b> 1,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	334,440	332,970	-	-
<b>Fauji Fertilizers Company Ltd.</b> 5,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	575,106	573,600	-	-
<b>Fauji Fertilizer Bin Qasim Ltd</b> 19,000 (2015 : 10,000) ordinary shares of Rupees 10 each fully paid	1,066,551	1,007,190	584,450	553,200
<b>GalaxoSmithKline Pakistan Ltd.</b> 2,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	436,996	414,220	-	-
<b>Honda Atlas Car Ltd.</b> Nil (2015 : 1,000) ordinary shares of Rupees 10 each fully paid	-	-	227,993	218,680
<b>K- Electric Ltd.</b> 15,000 (2015 : 10,000) ordinary shares of Rupees 10 each fully paid	125,754	120,900	89,037	84,200
<b>Mari Petroleum Company Ltd.</b> 2,000 (2015 : 5,000) ordinary shares of Rupees 10 each fully paid	1,835,495	1,816,440	2,352,917	2,343,000
<b>Mughal Iron and Steel Industries Ltd.</b> 1,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	75,542	67,190	-	-
<b>Pakistan Telecommunication Company Ltd</b> Nil (2015 : 25,000) ordinary shares of Rupees 10 each fully paid	-	-	720,736	512,500
<b>Pakistan Int'l Container Ltd.</b> 300 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	93,476	100,950	-	-
<b>Sui North Gas Pipeline Ltd.</b> 15,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	526,793	544,350	-	-
<b>The Searle Company Ltd.</b> 2,500 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	1,399,775	1,340,375	-	-

	2016		2015	
	Average cost	Market value	Average cost	Market value
-----Rupees-----				
<b>Treet Corporation Ltd.</b> 10,000 (2015 : 1,500) ordinary shares of Rupees 10 each fully paid	<b>595,064</b>	<b>494,300</b>	117,846	108,225
<b>Lucky Cement Ltd.</b> 500 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	<b>272,955</b>	<b>324,255</b>	-	-
<b>Lotte Chemical Pakistan Ltd.</b> 20,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid	<b>152,421</b>	<b>120,200</b>	-	-
	<b>8,008,015</b>	<b>7,770,440</b>	<b>4,159,223</b>	<b>3,891,191</b>

6.2 It also includes unrealized revaluation gain on NIT Islamic Unit Fund and Meezan Islamic Equity Fund of Rs. 84,804 and Rs.174,786 (2015: Rs. 54000 & Nil) respectively.

	Note	2016	2015
		-----Rupees-----	
<b>7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to employees against salary - considered good		<b>392,500</b>	139,000
Advance to employees - operational		-	132,029
Security deposits		<b>4,500</b>	4,500
Prepayments		<b>2,415,041</b>	1,589,808
Due from brokers against sale of shares		<b>70,769</b>	583,019
Advances to supplier		<b>3,382,000</b>	10,431,000
Trade receivables	7.1	<b>12,443,324</b>	18,505,321
Receivable from Trust Management Services (Pvt.) Ltd.		<b>1,489,036</b>	1,489,036
Provision for doubtful receivables		<b>(1,489,036)</b>	(1,489,036)
		-	-
Legal suits charges receivable	7.2	<b>3,087,595</b>	1,509,973
Provision for doubtful receivables		<b>(781,223)</b>	(833,723)
		<b>2,306,372</b>	676,250
Late payment charges receivable		<b>3,192,155</b>	3,192,155
Suspended income		<b>(3,192,155)</b>	(3,192,155)
		-	-
Sundry receivables		<b>1,791,408</b>	14,326,723
Provision for doubtful receivables		<b>(498,454)</b>	(422,587)
		<b>1,292,954</b>	13,904,136
		<b>22,307,460</b>	45,965,063

7.1 This represents amount receivable against the sale of stock in trade and includes an amount aggregating to Rs. 3,882,033 receivable from Eiman Cold Storage which is secured by Modaraba through execution of Memorandum of Deposit of Title Deed (MODTD) with the party.

	Note	2016	2015
		-----Rupees-----	
<b>7.2 Legal suits charges receivable</b>			
Opening balance		1,509,973	2,053,719
Addition during the year		1,577,622	-
Write off during the year		-	(543,746)
		<b>3,087,595</b>	<b>1,509,973</b>
<b>8 SHORT TERM MURABAHA FINANCES - secured</b>			
Considered good	8.1	20,084	14,232,084
Considered doubtful			
- Regular parties		800,000	-
- Parties under litigation	8.2	66,432,306	73,490,300
Recovery during the year		-	(7,830,000)
		<b>66,432,306</b>	<b>65,660,300</b>
Provision for classified receivables under Prudential Regulations for Modarabas	8.3	(29,166,300)	(29,166,300)
		<b>38,086,090</b>	<b>50,726,084</b>
8.1	The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation/pledge of stocks, shares of listed public limited companies, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.		
8.2	These include Rs. 66.43 million (2015: Rs.64.30 million) which is receivable from 7 (2015: 6) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 6 (2015: 5) cases for recovery of Rs.77.58 million (2015: Rs.69.256 million), while execution petitions for these cases are pending.		
<b>9 LONG TERM MURABAHA FINANCES - secured</b>			
Considered good		65,929,667	79,760,285
Considered doubtful	9.2	55,248,510	27,792,072
		<b>121,178,177</b>	<b>107,552,357</b>
Current portion grouped under current assets	9.3	(79,569,306)	(76,246,209)
		<b>41,608,871</b>	<b>31,306,148</b>
9.1	The Modaraba has sold goods under murabaha arrangements whereby payment is deferred along with specified profit margin. These finances are secured by way of hypothecation/pledge of stocks, shares of listed public limited companies, mortgage of properties, demand promissory notes, charge on assets and personal guarantees.		
<b>9.2 Considered doubtful-repurchase price</b>		<b>56,770,732</b>	28,236,796
Suspended income	9.2.1	(1,522,222)	(444,724)
		<b>55,248,510</b>	<b>27,792,072</b>
9.2.1	Suspended income		
Opening balance		444,724	-
Recovery during the year		(216,489)	-
Suspension made during the year		1,293,987	444,724
		<b>1,522,222</b>	<b>444,724</b>

9.2.2 This represents receivable from 1 (2015: 1) customer under murabaha finance which is under litigation. Legal proceedings against this customer is in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in this case for recovery of Rs. 50.035 million (2015: Rs. 50.035 million) out of which Rs. 15.5 million has been recovered.

	Note	2016 -----Rupees-----	2015
9.3	Current portion of long term murabaha finances		
	Installments overdue	<b>43,350,504</b>	38,523,777
	Installments receivable within next 12 months	<b>36,218,802</b>	37,722,432
		<b>79,569,306</b>	76,246,209
	Provision for classified receivables under Prudential Regulations for Modarabas	<b>(2,726,607)</b>	(2,726,607)
		<b>76,842,699</b>	73,519,602
9.3.1	Provision for classified receivables under Prudential Regulations		
	Opening balance	<b>2,726,607</b>	8,000,000
	Reversal due to recovery	-	(5,273,393)
		<b>2,726,607</b>	2,726,607
9.3.2	Provision is adjusted for any amount of liquid assets realizable without recourse to a court of law and the forced sale value of mortgaged/pledged securities as valued by professional valuers.		
10	<b>IJARAH RENTAL RECEIVABLES - secured</b>		
	Considered good	<b>4,243,379</b>	4,229,656
	Considered doubtful		
	- Regular parties	<b>4,383,306</b>	3,335,359
	- Parties under litigation	<b>36,107,112</b>	36,282,800
	Suspended ijarah income - considered doubtful	<b>(18,810,061)</b>	(18,995,855)
	Provision for doubtful Ijarah rental receivables	<b>(3,394,161)</b>	(3,394,161)
		<b>22,529,575</b>	21,457,799
10.1	It includes receivable from a customer amounting to Rs. 7.250 million (2015: Rs. 7.250 million) against which the Modaraba has a claim due from a financial institution in respect of pro-rata share of the sale proceed of jointly attached two properties sold by the said financial institution under the Court orders.		
10.2	Suspended ijarah income - considered doubtful		
	Opening balance	<b>18,995,855</b>	18,685,997
	Recovery during the year	<b>(717,697)</b>	(37,367)
	Suspension made during the year	<b>531,903</b>	347,225
		<b>18,810,061</b>	18,995,855
10.3	Provision for doubtful Ijarah rental receivables:		
	Opening balance	<b>3,394,161</b>	3,337,236
	Charge for the year	-	56,925
		<b>3,394,161</b>	3,394,161
11	<b>SHORT TERM MUSHARAKAH FINANCES- secured</b>		
	Considered good	<b>12,900,000</b>	2,086,700
	Considered doubtful	-	2,215,410
		<b>12,900,000</b>	4,302,110



## 12 LONG TERM DIMINISHING MUSHARAKAH FINANCES

These are secured against land of Musharakah's participant and is considered good by the management of the Modaraba

	Note	2016 -----Rupees-----	2015
<b>13 ACCRUED PROFIT</b>			
Profit receivable on long term investment		2,319,646	1,575,830
Profit receivable on diminishing musharakah finances		321,785	1,509,866
Suspended income		-	(983,174)
		321,785	526,692
Profit receivable on murabaha finances		3,766,433	3,829,445
Suspended income	13.1	(3,766,433)	(3,766,433)
		-	63,012
		2,641,431	2,165,534
<b>13.1</b>	Suspended income account against Murabaha profit receivable is as follows:		
	Opening balance	3,766,433	4,361,329
	Recovery during the year	-	(594,896)
		3,766,433	3,766,433
<b>14</b>	This represents income tax deducted at source against utility bills and advance tax on purchase of vehicles.		
<b>15 STOCK IN TRADE</b>			
Peddy Rice		2,580,550	5,108,800
Agro Services(pesticides)		216,042	854,908
Others		-	700,000
	14.1	2,796,592	6,663,708
<b>15.1</b>	This represents goods purchased for trading purposes under other permissible businesses as mentioned in Note 1.		
<b>16 LONG TERM DEPOSITS</b>			
Central Depository Company of Pakistan Ltd.		154,862	154,862
Against rented property		750,000	750,000
Leased deposit money		508,000	321,000
Others		375,778	554,878
		1,788,640	1,780,740
<b>17 LONG TERM INVESTMENTS</b>			
Available for sale			
Equity securities - listed	17.1	3,231,864	438,540
Sukuk certificates	17.2	5,875,500	5,875,500
Total investment at cost		9,107,364	6,314,040
Unrealized (loss) on revaluation of investments		(258,715)	-
Net investments at fair value		8,848,649	6,314,040

	2016		2015	
	Average cost	Market value	Average cost	Market value
-----Rupees-----				
<b>17.1 Shares of Listed Companies</b>				
<b>Fauji Cement Company Ltd.</b>	<b>952,145</b>	<b>895,000</b>	-	-
25,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid				
<b>Pakistan Telecommunication Company Ltd.</b>	<b>1,076,565</b>	<b>976,950</b>	-	-
6,500 (2015 : Nil) ordinary shares of Rupees 10 each fully paid				
<b>Sui Southern Gas Pipelines Ltd.</b>	<b>1,203,154</b>	<b>1,101,199</b>	-	-
40,000 (2015 : Nil) ordinary shares of Rupees 10 each fully paid				
<b>Mari Petroleum Company Ltd.</b>	-	-	438,540	438,540
Nil (2015 : 43,854) ordinary shares of Rupees 10 each fully paid				
	<b>3,231,864</b>	<b>2,973,149</b>	<b>438,540</b>	<b>438,540</b>

17.2 During the year through resolution by circulation passed by the sukuk holders dated June 27, 2016, the Modaraba entered into a second rescheduling / restructuring agreement since December 07, 2015 for redemption of its investment in 2,000 (2015: 2,000) BRR Guardian Modaraba sukuku having face value of Rs. 10 million. These sukuku were non-performing since September 2014, as a result of rescheduling, Modaraba has received Rs. 5.2 million in July 2016, out of which Rs. 3.0 million pertained to principal redemption and Rs. 2.2 million represents profit accrued which was previously suspended.

	Note	2016	2015
		-----Rupees-----	
<b>18 FIXED ASSETS</b>			
Operating fixed assets in own use - Intangible	18.1	-	-
Operating fixed assets given on lease (ijarah) - tangible	18.2	<b>120,610,544</b>	139,426,280
Operating fixed assets in own use - tangible	18.3	<b>14,076,770</b>	13,634,127
		<b>134,687,314</b>	153,060,407
<b>18.1 Computer softwares</b>			
<b>Cost</b>			
Opening balance		<b>1,050,000</b>	1,050,000
Additions during the year		-	-
Closing balance		<b>1,050,000</b>	1,050,000
<b>Amortization</b>			
Opening balance		<b>1,050,000</b>	655,834
Amortization for the year		-	394,166
Closing balance		<b>1,050,000</b>	1,050,000
Carrying value		-	-

18.1.1 Amortization is charged on straight line basis at the rate of 33.33% per annum, starting from the month the asset is available for use.



18.3 Operating fixed assets in own use - tangible

PARTICULARS	BALANCE AS AT JULY 01, 2015				FOR THE YEAR			BALANCE AS AT JUNE 30, 2016			Rate (%)
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value		
	----- Rupees -----										
<b>OWNED</b>											
Land (18.3.1)	11,106,200	-	11,106,200	-	-	-	11,106,200	-	11,106,200	-	-
Furniture & fixtures	1,642,776	972,408	670,368	-	-	131,964	1,642,776	1,104,372	538,404	10	10
Office equipments	2,429,480	1,507,465	922,015	855,200	49,000	235,697	3,235,680	1,701,512	1,534,168	10	10
					(41,650)						
Vehicles	1,990,641	1,526,209	464,432	179,000	1,378,090	131,995	791,551	280,114	511,437	20	20
Lease hold improvements	700,000	700,000	-	-	(1,378,090)	-	700,000	700,000	-	20	20
Books	16,423	16,423	-	-	-	-	16,423	16,423	-	20	20
Electrical equipments	934,517	463,405	471,112	-	-	84,551	934,517	547,956	386,561	10	10
	18,820,037	5,185,910	13,634,127	1,034,200	1,427,090	584,207	18,427,147	4,350,377	14,076,770		
					(1,419,740)						

PARTICULARS	BALANCE AS AT JULY 01, 2014				FOR THE YEAR			BALANCE AS AT JUNE 30, 2015			Rate (%)
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value		
	----- Rupees -----										
<b>OWNED</b>											
Land (18.3.1)	11,106,200	-	11,106,200	-	-	-	11,106,200	-	11,106,200	-	10
Furniture & fixtures	1,442,405	847,408	594,997	200,371	-	125,000	1,642,776	972,408	670,368	10	10
Office equipments	2,180,280	1,286,385	893,895	249,200	-	221,080	2,429,480	1,507,465	922,015	20	20
Vehicles	1,513,295	1,453,798	59,497	477,346	-	72,411	1,990,641	1,526,209	464,432	20	20
Lease hold improvements	700,000	615,558	84,442	-	-	84,442	700,000	700,000	-	20	20
Books	16,423	16,423	-	-	-	-	16,423	16,423	-	20	20
Electrical equipments	934,517	378,852	555,665	-	-	84,553	934,517	463,405	471,112	10	10
	17,893,120	4,598,424	13,294,696	926,917	-	587,486	18,820,037	5,185,910	13,634,127		

18.3.1 It includes a piece of land measuring 10 Kanals, costing Rs. 10,728,400 situated at Mauza Amer Sidhu, Lahore Cantt acquired through settlement of certain Murabaha facilities. The subject land is presently in the possession of Defence Housing Authority, Lahore (DHA). The Modaraba has filed legal suit for possession of land in the Civil Court. The management and legal counsel of the Modaraba are confident that Modaraba has valid claim against DHA because title and sale deed is in name of Modaraba and accordingly no loss has been charged against such land.

## 18.4 Disposal of operating fixed assets

## 18.4.1 Disposal of fixed assets given on lease (Ijarah)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particular of Buyer
Suzuki Mehran VX, 6 units	3,475,000	2,780,000	695,000	695,000	-	Term of lease agreement	G.T. Road Gujranwala.
Toyota Hi Lux 2011	2,784,000	1,873,584	910,416	1,032,160	121,744	Term of lease agreement	Mohala Noor Village Bani Gala Islamabad
Toyota Corolla GLI	1,414,000	636,302	777,698	777,698	-	Term of lease agreement	Street Arrayan Wali, Nalkay wala chowk Gujranwala
Suzuki Ravi.	567,000	396,900	170,100	170,100	-	Term of lease agreement	Dogran wala Warrach, Gujranwala.
Toyota Corolla GLI	1,604,000	1,042,600	561,400	561,400	-	Term of lease agreement	House No. CB-137, Gujranwala Cantt.
Toyota Corolla GLI	1,604,000	1,122,800	481,200	481,200	-	Term of lease agreement	60-K Commercial area, DHA Phase 1, Lahore
Toyota Corolla XLI	1,495,000	897,000	598,000	598,000	-	Term of lease agreement	New Galla Mhadi, Kamoki Gujranwala
Toyota Corolla GLI	1,624,500	1,137,150	487,350	487,350	-	Term of lease agreement	Main Boulevard, Gulberg-3, Lahore
Suzuki Mehran VXR	612,000	367,200	244,800	244,800	-	Term of lease agreement	Bank Road Ferozwala, Gujranwala
Honda Civic	2,159,000	1,511,300	647,700	647,700	-	Term of lease agreement	Swiss Centre Model Town, Lahore
Toyota Corolla XLI	1,555,000	1,166,250	388,750	388,750	-	Term of lease agreement	Mahy Chattha, Kamoki Gujranwala.
Land Rover Discovery	4,600,000	2,625,000	1,975,000	1,975,000	-	Term of lease agreement	44-A Tipu Block, New Garden Town Lahore
Master Forland Super M-330	1,275,000	1,083,750	191,250	191,250	-	Term of lease agreement	2-Hunza Block, Main Boulevard Allama Iqbal Town, Lahore
Suzuki KIA	760,000	532,000	228,000	228,000	-	Term of lease agreement	Ch. Shafaqat Ali & Co. Trust Plaza G.T. Road Gujranwala
Toyota Corolla GLI	1,400,000	910,000	490,000	490,000	-	Term of lease agreement	Phalia Road Mandi Bahaudin
Suzuki Bolan	674,000	471,800	202,200	202,200	-	Term of lease agreement	Madan Chakk, Ali Pur Chattha Wazirabad, Gujranwala.
Toyota Corolla GLI	1,690,000	1,195,000	495,000	495,000	-	Term of lease agreement	Chakk Purana Mandiala Tega, Gujranwala.
Toyota Corolla GLI 1.6 AT	1,844,500	739,334	1,105,166	1,256,823	151,657	Term of lease agreement	H.No.37/1, St.189, Mohalla Alif Park, Baghbanpura, Lahore
Toyota Corolla GLI 2-units	3,380,000	2,112,500	1,267,500	1,267,500	-	Term of lease agreement	60-K Commercial area, DHA Phase 1, Lahore
Suzuki Mehran	630,000	441,000	189,000	189,000	-	Term of lease agreement	Saroki Cheema, Wazirabad Gujranwala
Suzuki Ravi.	622,000	404,300	217,700	217,700	-	Term of lease agreement	Al-Hanif Market, Wazirabad Gujranwala
Suzuki Bolan	674,000	445,604	228,396	236,820	8,424	Term of lease agreement	Askari General Insurance, Al-Azhar Plaza, G.T. Road Gujranwala
Suzuki Mehran	600,000	420,000	180,000	180,000	-	Term of lease agreement	Kassoki, Tehsil & District Hafizabad
Toyota Hiace 2-Units	7,050,000	4,582,500	2,467,500	2,467,500	-	Term of lease agreement	Mohalla Bagh Wala, Daska.
Toyota Corolla GLI & Fortuner	6,891,500	5,857,775	1,033,725	1,033,725	-	Term of lease agreement	G.T. Road Gujranwala.
Honda Civic VTI 2-Units	4,888,000	4,154,800	733,200	733,200	-	Term of lease agreement	G.T. Road Gujranwala.
FAW XPV	799,000	419,472	379,528	379,528	-	Term of lease agreement	Vani Kay Tarrar, Tehsil & District Hafizabad
FAW Carrier	689,000	419,400	279,600	311,585	31,985	Term of lease agreement	70-B Model Town Gujranwala
Toyota Hiluxx VIGO	3,552,000	703,000	2,849,000	3,361,426	512,426	Term of lease agreement	Jamke Cheema, Tehsil & District Sialkot
Toyota Corolla XLI	1,580,500	715,220	865,280	857,131	11,851	Term of lease agreement	Pumma Bath, Tehsil Wazirabad, Gujranwala
Hino Truck & Master Foland 2-Units	4,500,000	3,000,000	1,500,000	1,500,000	-	Term of lease agreement	50-H Trust Plaza G.T. Road Gujranwala
Toyota HIASE	2,500,000	388,892	2,111,108	2,176,861	65,753	Term of lease agreement	4-C, Farooq Heights, 36th Commercial Street Tauheed commercial Area DHA Karachi
UNIQUE 70 2015	43,499	22,834	20,665	22,207	1,542	Term of lease agreement	Quarter No.2 Block-251 Near Railway Station Railway colony Khi Barrack Karachi.
2 Ge4nerator Sets	2,700,000	1,800,000	900,000	900,000	-	Term of lease agreement	Room No. 1,2,3, First Floor, Block-4, Hockey Club Liaquat Barrack Karachi.
Globe Power Diesel Generator	1,525,000	179,858	1,345,142	1,388,038	43,896	Term of lease agreement	43-H/A, Block-6 PECHS Karachi.
Twisting Ring Avnish Unit.	4,800,000	2,000,000	2,800,000	2,800,000	-	Term of lease agreement	Gala Buttar Service Station ferozwala bridge Gujranwala.
2 Twisting Machine	2,980,000	1,000,000	1,980,000	1,980,000	-	Term of lease agreement	Commissiner road Opp. UBL Bank, Gujranwala.
Embroidry Machines	8,640,000	5,000,000	3,640,000	3,640,000	-	Term of lease agreement	More Emanabad G.T. Road Gujranwala.
2 Twisting Machine	2,980,000	1,700,000	1,280,000	1,280,000	-	Term of lease agreement	Commissiner road Opp. UBL Bank, Gujranwala.
	93,151,499	56,255,125	36,896,374	37,845,632	949,258		
Disposal of fixed assets in own Use							
Laptop	49,000	41,650	7,350	7,350	-	Sale to employee	C-60, B Street, Phase V, DHA Karachi
Honda City	1,378,090	1,378,090	-	322,462	322,462	Sale to employee	83 -A Sabzazaar Lahore
Total	1,427,090	1,419,740	7,350	329,812	322,462		

	Note	2016	2015
		-----Rupees-----	
<b>19 CUSTOMERS' SECURITY DEPOSITS</b>			
Opening balance		<b>71,574,195</b>	81,298,263
Received during the year		<b>16,472,567</b>	15,440,670
Adjusted during the year	19.1	<b>(31,952,000)</b>	(25,164,738)
Closing balance		<b>56,094,762</b>	71,574,195
Current portion shown as current liabilities		<b>(24,438,310)</b>	(22,031,755)
		<b>31,656,452</b>	49,542,440
19.1	These represent the customers' deposits to secure the lease finances given to customers.		
<b>20 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		<b>13,659</b>	95,570
Management fee payable		<b>1,447,804</b>	1,933,986
Deferred income on murabaha	20.1	<b>9,529,717</b>	9,971,677
Security deposit		<b>40,000</b>	40,000
Unclaimed dividends		<b>12,241,820</b>	11,798,787
Other liabilities		<b>869,415</b>	1,120,446
		<b>24,142,415</b>	24,960,466
<b>20.1 Deferred income on murabaha</b>			
Opening balance		<b>14,820,170</b>	14,926,048
Addition for the year		<b>16,865,089</b>	13,226,176
Recognized during the year		<b>(16,385,831)</b>	(13,332,054)
		<b>15,299,428</b>	14,820,170
Long term portion shown as non-current liabilities		<b>(5,769,711)</b>	(4,848,493)
		<b>9,529,717</b>	9,971,677
<b>21 CERTIFICATE CAPITAL</b>			
<b>Authorized Capital</b>			
50,000,000 (2015: 50,000,000) Modaraba Certificates of Rs.10/- each		<b>500,000,000</b>	500,000,000
<b>Issued, subscribed and paid-up capital</b>			
15,000,000 (2015: 15,000,000) Modaraba Certificates of Rs.10/- each fully paid-up in cash		<b>150,000,000</b>	150,000,000
12,300,000 (2015: 12,300,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates		<b>123,000,000</b>	123,000,000
2,500,000 (2015: 2,500,000) Modaraba Certificates of Rs.10/- each issued as fully paid as a result of take over		<b>25,000,000</b>	25,000,000
	21.1	<b>298,000,000</b>	298,000,000
21.1	Al-Zamin Modaraba Management (Private) Limited holds 5,261,388 (2015: 5,261,388) Modaraba certificates as required by the SECP vide Order No. SC/M/RW/Trust/2009-43.		

		2016	2015
	Note	-----Rupees-----	
<b>22</b>	<b>RESERVES</b>		
	Statutory reserve	75,901,034	73,468,978
	Revenue reserves:		
	Unrealized loss on revaluation of investments	(258,715)	(1,058,938)
	Accumulated loss	(63,476,830)	(60,351,067)
		<b>(63,735,545)</b>	<b>(61,410,005)</b>
		<b>12,165,489</b>	<b>12,058,973</b>
22.1	This represents profit 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 profits till such time that reserves equals to 100% of the paid up capital. Thereafter, a sum not less than 5% of its after tax profits.		
<b>23</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	There were no contingencies outstanding as at June 30, 2016. Commitments in respect of unavailed murabaha facilities as on balance sheet date were Rs. Nil (2015: Rs. Nil), while commitments in respect of ijarah facilities are as follows:		
	<b>Ijarah commitments</b>		
	The Modaraba has entered into ijarah arrangements for vehicles. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.		
	Future Ijarah payments due under these arrangements at year end are as follows:		
	Within one year	1,157,684	979,338
	After one year but not more than five years	1,749,429	687,785
		<b>2,907,113</b>	<b>1,667,123</b>
	Disbursement of ijarah to be made	<b>9,012,000</b>	-
<b>24</b>	<b>INCOME FROM LEASING (IJARAH) OPERATIONS</b>		
	Income from leasing and Ijarah operations	61,163,929	63,992,081
	Income suspended during the year	(531,903)	(347,225)
	Receipts against suspended income	717,697	37,368
		<b>61,349,723</b>	<b>63,682,224</b>
<b>25</b>	<b>PROFIT ON MURABAHA FINANCES</b>		
	Profit on Murabaha finance	13,083,268	13,527,992
	Income suspended during the year	(1,293,987)	(444,724)
	Receipts against suspended income	216,489	-
		<b>12,513,248</b>	<b>13,083,268</b>
<b>26</b>	<b>TRADING INCOME</b>		
	Sales	23,937,358	18,730,240
	Cost of sales	(23,063,519)	(17,372,033)
		<b>873,839</b>	<b>1,358,207</b>



27 **OTHER INCOME**

	Note	2016 -----Rupees-----	2015
Gain on disposal of fixed assets		1,271,720	574,219
Gain on settlement of loan recovery claim		-	3,000,000
Miscellaneous income	27.1	1,862,792	1,325,628
		<b>3,134,512</b>	<b>4,899,847</b>

27.1 This includes an amount of Rs.420,000 (2015: Rs. 304,000) pertaining to documentation fee.

28 **(PROVISION) / REVERSAL OF PROVISION AGAINST NON PERFORMING MURABAHA FINANCES AND OTHER RECEIVABLES - NET**

Long term Murabaha finances		-	5,273,393
Ijarah rental receivables		-	(56,925)
Other receivables		(75,867)	-
		<b>(75,867)</b>	<b>5,216,468</b>

29 **ADMINISTRATIVE EXPENSES**

Salaries, allowances and other benefits	29.1	11,143,678	9,575,355
Legal and professional charges		41,500	218,330
Fees and subscription		3,166,866	2,244,169
Electricity, gas and water		875,477	899,427
Telephone, postage and courier		751,418	721,151
Advertisement		187,767	75,563
Printing and stationery		584,766	522,027
Traveling and conveyance		230,945	293,762
Entertainment		480,957	474,869
Insurance		3,981,677	3,345,052
Vehicle running		2,067,192	1,963,320
Auditors' remuneration	29.2	350,000	350,000
Repairs and maintenance		2,860,546	2,704,560
Registrar's services		138,962	114,380
Depreciation on own assets	18.3	584,207	587,486
Amortization on own assets		-	394,166
Bank charges and commission		96,528	145,838
Charity	29.3	48,437	54,133
Lease rental expense - vehicle		1,025,700	1,395,179
Miscellaneous		199,306	160,423
		<b>28,815,929</b>	<b>26,239,190</b>



29.1 This comprises salaries and allowances paid to executives as per the following details:

	2016		
	Executives	Others	Total
	-----Rupees-----		
Basic salary	3,261,344	3,322,620	6,583,964
House rent	1,304,538	1,329,048	2,633,586
Utilities	326,134	332,214	658,348
Retirement benefits	758,570	509,210	1,267,780
	<u>5,650,586</u>	<u>5,493,092</u>	<u>11,143,678</u>
Number of persons	3		

	2015		
	Executives	Others	Total
	-----Rupees-----		
Basic salary	2,986,140	2,880,110	5,866,250
House rent	1,194,456	1,152,044	2,346,500
Utilities	298,614	288,011	586,625
Retirement benefits	298,614	477,366	775,980
	<u>4,777,824</u>	<u>4,797,531</u>	<u>9,575,355</u>
Number of persons	3		

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

29.2 <b>Auditors' remuneration</b>	2016	2015
	-----Rupees-----	
Annual audit fee	250,000	250,000
Half yearly review	50,000	50,000
Out of pocket expenses	50,000	50,000
	<u>350,000</u>	<u>350,000</u>

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

### 30 **TAXATION**

No provision with respect to current and deferred taxation has been made in these financial statements on the premise that under the Income Tax Ordinance, 2001 the income of non-trading Modarabas is exempt from income tax provided that they distribute ninety percent cash profit to certificate holders out of current year's total profit after appropriating statutory reserves.

31 <b>EARNINGS PER CERTIFICATE - BASIC &amp; DILUTED</b>		2016	2015
Profit for the year	Rupees	13,030,231	17,405,873
Weighted average number of certificates	Number	29,800,000	29,800,000
Earnings per certificate	Rupees	<u>0.44</u>	<u>0.58</u>

31.1 There is no dilutive effect on the basic earnings per certificate of the modaraba.

	Notes	2016 -----Rupees-----	2015 -----Rupees-----
<b>32 RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS</b>			
Future minimum lease rentals receivable on the basis of lease agreements executed up to 30 June are as follows:			
Receivable not later than one year		48,798,102	51,917,795
Receivable later than one year but not later than 5 years		38,902,178	50,872,408
		87,700,280	102,790,203
<b>33 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		13,030,231	17,405,873
Adjustment for:			
Depreciation			
Ijarah (lease financing)		41,126,532	45,139,275
In own use		584,207	587,486
Amortization		-	394,166
Charges / (Reversal) against non performing finances -net		75,867	(5,216,468)
Gain on disposal of fixed assets		(1,271,720)	(574,219)
Dividend income		(454,189)	(73,400)
Movement in working capital	33.1	20,373,921	(27,653,747)
		73,464,849	30,008,966
<b>33.1 Movement in working capital</b>			
<b>(Increase) / decrease in current assets</b>			
Advances, deposits, prepayments and other receivables		23,581,736	(31,000,520)
Accrued Profit		(475,897)	1,598,569
Tax refunds due from government		(842,091)	(822,326)
Ijarah rental receivables		(1,071,776)	(562,870)
Increase / (decrease) in current liabilities:			
Creditors, accrued and other liabilities		(818,051)	3,133,400
		20,373,921	(27,653,747)

## MATURITIES OF ASSETS AND LIABILITIES

	2016			
	Total	Up to one year	Over one to five years	Over five years
	..... Rupees .....			
<b>Assets:</b>				
Cash and bank balances	11,920,526	11,920,526	-	-
Short term investments	11,741,863	11,741,863	-	-
Advances, deposits, prepayments and other receivables	22,307,460	22,307,460	-	-
Short term murabaha finances	38,086,090	38,086,090	-	-
Current portion of long term murabaha finances	76,842,699	76,842,699	-	-
Ijarah rental receivables	22,529,575	22,529,575	-	-
Diminishing musharakah finances	16,521,842	14,718,634	1,803,208	-
Accrued profit	2,641,431	2,641,431	-	-
Tax refunds due from Government	3,850,825	3,850,825	-	-
Stock in trade	2,796,592	2,796,592	-	-
Long term murabaha finances	41,608,871	-	41,608,871	-
Long term deposits	1,788,640	117,100	1,671,540	-
Long term investments	8,848,649	3,636,687	5,211,962	-
Assets given on Ijarah	120,610,544	31,609,666	89,000,878	-
Assets in own use	14,076,770	22,344	2,685,799	11,368,627
	<u>396,172,377</u>	<u>242,821,492</u>	<u>141,982,258</u>	<u>11,368,627</u>
<b>Liabilities:</b>				
Current portion of long term liabilities	24,438,310	24,438,310	-	-
Creditors, accrued and other liabilities	29,912,126	24,142,415	5,769,711	-
Customers' security deposits	31,656,452	-	31,656,452	-
	<u>86,006,888</u>	<u>48,580,725</u>	<u>37,426,163</u>	<u>-</u>
<b>Net Balance</b>	<u>310,165,489</u>	<u>194,240,767</u>	<u>104,556,095</u>	<u>11,368,627</u>
Certificate holders' equity	<u>310,165,489</u>			
	2015			
<b>Assets:</b>				
Cash and bank balances	827,212	827,212	-	-
Short term investments	5,945,191	5,945,191	-	-
Advances, deposits, prepayments and other receivables	45,965,063	45,965,063	-	-
Short term murabaha finances	50,726,084	50,726,084	-	-
Current portion of long term murabaha finances	73,519,602	73,519,602	-	-
Ijarah rental receivables	21,457,799	21,457,799	-	-
Diminishing musharakah finances	6,601,865	5,478,329	1,123,536	-
Accrued profit	2,165,534	2,165,534	-	-
Tax refunds due from Government	3,008,734	3,008,734	-	-
Stock in trade	6,663,708	6,663,708	-	-
Assets classified as held for sale	2,100,000	2,100,000	-	-
Long term murabaha finances	31,306,148	-	31,306,148	-
Long term deposits	1,780,740	560,500	1,220,240	-
Long term investments	6,314,040	5,875,500	438,540	-
Assets given on Ijarah	139,426,280	57,663,785	81,762,495	-
Assets in own use	13,634,127	747,610	2,156,577	10,729,940
	<u>411,442,127</u>	<u>282,704,651</u>	<u>118,007,536</u>	<u>10,729,940</u>
<b>Liabilities:</b>				
Current portion of long term liabilities	22,031,755	22,031,755	-	-
Creditors, accrued and other liabilities	29,808,959	24,960,466	4,848,493	-
Customers' security deposits	49,542,440	-	49,542,440	-
	<u>101,383,154</u>	<u>46,992,221</u>	<u>54,390,933</u>	<u>-</u>
<b>Net Balance</b>	<u>310,058,973</u>	<u>235,712,430</u>	<u>63,616,603</u>	<u>10,729,940</u>
Certificate holders' equity	<u>310,058,973</u>			

## 35 FINANCIAL RISK MANAGEMENT

### 35.1 Financial risk factors

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

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

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Modaraba is not exposed to currency risk arising from currency exposure as Modaraba is not involved in foreign currency transactions.

##### (ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is exposed to equity price risk as modaraba hold available for sale and held for trading investments.

		2016	2015
Reporting date all index points		37,784	34,399
	Changes in KSE all Index	Effects on Profit Before Tax	Effects on Equity
		-----Rupees-----	
Available-for-sale investments			
	+10%	-	297,315
	-10%	-	(297,315)
	+10%	-	-
	+10%	-	-
Held-for-trading investments			
	+10%	777,044	-
	-10%	(777,044)	-
	+10%	594,519	-
	-10%	(594,519)	-

##### (iii) Profit rate risk

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

The Modaraba has no significant long-term interest-bearing assets. The Modaraba's mark up/profit rate risk arises from long term Murabaha financing, short term Murabaha financing, short term musharika financing, investments and ijarah.

**2016**                      **2015**  
-----Rupees-----

At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:

**Fixed rate instruments**

**Financial assets:**

Short term murabaha finances	38,086,090	50,726,084
Long term murabaha finances	118,451,570	104,825,750
Ijarah rental receivables	22,529,575	21,457,799
Diminishing musharakah finances	16,521,842	6,601,865

**Floating rate instruments**

**Financial assets:**

Bank balances - deposit accounts	11,750,738	509,958
Long term investments - available-for-sale	5,875,500	5,875,000

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

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 at the balance sheet date would not affect profit or loss of the Modaraba.

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

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 108,391 lower / higher (2015: Rupees 98,711 ). This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) **Credit risk**

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

	<b>2016</b>	<b>2015</b>
	-----Rupees-----	
Bank balances	<b>11,920,526</b>	827,212
Short term murabaha finances	<b>38,086,090</b>	50,726,084
Ijarah rental receivables	<b>22,529,575</b>	21,457,799
Short term diminishing musharakah finances	<b>16,521,842</b>	6,601,865
Accrued profit	<b>2,641,431</b>	2,165,534
Murabaha finances	<b>118,451,570</b>	104,825,750
Long term deposits	<b>1,788,640</b>	1,780,740
Long term Investments	<b>5,875,500</b>	5,875,500
	<b>217,815,174</b>	194,260,484

Geographically all credit exposure is concentrated in Pakistan.

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

	2016	2015
	-----Rupees-----	
Textile Spinning	2,242,450	7,821,552
Textile Composite	19,902,743	19,597,493
Fuel and Energy	10,000,000	3,835,364
Engineering	10,848,360	3,431,036
Transport and communication	1,180,525	275,200
Chemical & Pharmaceuticals	1,523,750	2,839,838
Steel	2,317,807	-
Vanaspatic and Allied Industries	22,071,588	18,117,427
Food and Allied	34,293,239	35,138,316
Educational Institutions	27,712,746	18,410,054
Miscellaneous	115,615,220	125,372,865
Books and publications	3,500,000	3,500,000
	<b>251,208,428</b>	<b>238,339,145</b>

The age of murabaha, musharika and lease / ijarah rental receivables and related impairment loss at the balance sheet date was:

Aging of murabaha, musharika and lease / ijarah rental receivables

Not past due	96,763,190	84,728,303
Past due 0 - 180 days	14,682,172	16,212,604
Past due 181 - 365 days	5,940,940	5,961,439
1 - 2 years	4,189,352	1,530,124
More than 2 years	129,632,774	129,906,675
	<b>251,208,428</b>	<b>238,339,145</b>

Aging of impaired murabaha and lease / ijarah rental receivables

Not past due	-	-
Past due 0 - 180 days	39,617	-
Past due 181 - 365 days	121,313	37,368
1 - 2 years	25,894	-
More than 2 years	54,031,618	54,193,020
	<b>54,097,129</b>	<b>54,230,388</b>

Collaterals held against Murabaha financing and Ijarah assets

	2016				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid-collaterals	
	-----Rupees-----				
Long term murabaha finances	118,451,570	487,075,476	-	-	(368,623,906)
Short term murabaha finances	38,086,090	136,641,728	-	-	(98,555,638)
Ijarah / leased assets	120,610,544	15,795,000	-	-	104,815,544
Musharakah finances	16,521,842	110,315,000	-	-	(93,793,158)

2015				
Gross exposure	Collaterals			Net exposure
	Mortgage	Hypothecation	Liquid-collaterals	

----- Rupees -----

Long term murabaha finances	104,825,750	351,194,828	-	-	(246,369,078)
Short term murabaha finances	50,726,084	157,774,364	-	193,909,000	(300,957,280)
Ijarah / leased assets	139,426,280	52,301,308	-	-	87,124,972
Musharakah finances	6,601,865	37,230,000	-	-	(30,628,135)

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

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

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

Banks	Rating			2016	2015
	Short term	Long term	Agency	-----Rupees-----	
Bank Alfalah Limited	A1+	AA	PACRA	12,873	387
The Bank of Punjab	A1+	AA-	PACRA	108,254	151,918
Meezan Bank Limited	A1+	AA	JCR-VIS	11,766,405	607,129
State Bank of Pakistan				22,786	21,813
Silk Bank Limited	A-2	A-	JCR-VIS	-	9,651
				<b>11,910,318</b>	<b>790,898</b>
<b>Available for Sale Securities</b>					
Mari Petroleum Company Ltd redeemable preference shares		N/A		-	438,540
Fauji Cement Company Ltd.		N/A		895,000	-
Pakistan Telecommunication Company Ltd.		N/A		976,950	-
Sui Southern Gas Pipeline Ltd		N/A		1,101,199	-
B.R.R Guardian Modaraba - Sukkuks				5,875,500	5,875,000

	Rating		2016	2015
	Short term	Long term	-----Rupees-----	
<b>Held for Trading</b>				
Byco Petroleum Pakistan Ltd.		N/A	513,500	-
DG Khan Cement Company Ltd		N/A	-	71,386
Engro Corporation Pakistan		N/A	332,970	-
Fauji Fertilizers Company Ltd.		N/A	573,600	-
Fauji Fertilizer Bin Qasim Ltd		N/A	1,007,190	553,200
GalaxoSmithKline Pakistan Ltd.		N/A	414,220	-
Honda Atlas Car Ltd.		N/A	-	218,680
K- Electric Ltd.		N/A	120,900	84,200
Mari Petroleum Company Ltd.		N/A	1,816,440	2,343,000
Mughal Iron and Steel Industries Ltd.		N/A	67,190	-
Pakistan Telecommunication Company Ltd.		N/A	-	512,500
Pakistan Int'l Container Ltd.		N/A	100,950	-
Sui North Gas Pipeline Ltd.		N/A	544,350	-
The Searle Company Ltd.		N/A	1,340,375	-
Treet Corporation Ltd.		N/A	494,300	108,225
Lucky Cement Ltd.		N/A	324,255	-
Lotte Chemical Pakistan Ltd.		N/A	120,200	-
National Investment Trust Ltd.		N/A	2,168,804	2,054,000
Meezan Islamic Fund		N/A	1,802,619	-
			<b>9,939,244</b>	<b>5,945,191</b>

Further the Modaraba's exposure to credit risk and impairment losses related to Investments, Murabaha financing, Ijarah financing, and other receivables is disclosed in Note 6,9,10,11 and 12 respectively.

Due to the Modaraba and its other related entity's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counter parties on their obligations to the Modaraba. Accordingly, the credit risk is moderate.

#### (c) Liquidity risk

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

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

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



	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- (Rupees) -----					
<b>June 30, 2016</b>					
Customers' security deposits	56,094,762	56,094,762	24,438,310	31,656,452	-
Creditors, accrued and other liabilities	29,912,126	29,912,126	24,142,415	5,769,711	-
	<b>86,006,888</b>	<b>86,006,888</b>	<b>48,580,725</b>	<b>37,426,163</b>	-
<b>June 30, 2015</b>					
Customers' security deposits	71,574,195	71,574,195	22,031,755	49,542,440	-
Creditors, accrued and other liabilities	29,808,959	29,808,959	24,960,466	4,848,493	-
	<b>101,383,154</b>	<b>101,383,154</b>	<b>46,992,221</b>	<b>54,390,933</b>	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2016. The rates of mark up have been disclosed in respective notes to the financial statements.

### 35.2 Fair values of financial assets and liabilities

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

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

The basis for determining fair values is as follows:

#### Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

#### Fair value hierarchy

The table below analysis financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
----- (Rupees) -----			
<b>30 June 2016</b>			
Financial assets:			
Short term investments	11,741,863	-	-
Long term Investments	2,973,149	-	5,875,500
Total financial assets	<b>14,715,012</b>	-	<b>5,875,500</b>
Financial liabilities	-	-	-
	-	-	-

	Level 1	Level 2	Level 3
	------(Rupees)-----		
<b>30 June 2015</b>			
Financial assets:			
Short term investments	5,945,191	-	-
Long term Investments	-	-	6,314,040
Total financial assets	<u>5,945,191</u>	<u>-</u>	<u>6,314,040</u>
Financial liabilities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

### 35.3 Financial instruments by categories

	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
	------(Rupees)-----				
As at June 30, 2016					
Assets as per balance sheet					
Cash and bank balances	<b>11,920,526</b>	-	-	-	<b>11,920,526</b>
Short term investments	-	-	-	<b>11,741,863</b>	<b>11,741,863</b>
Advances, deposits and other receivables	<b>19,892,419</b>	-	-	-	<b>19,892,419</b>
Short term murabaha finances	<b>38,086,090</b>	-	-	-	<b>38,086,090</b>
Short term musharkah finances	<b>12,900,000</b>	-	-	-	<b>12,900,000</b>
Musharakah finances	<b>3,621,842</b>	-	-	-	<b>3,621,842</b>
Ijarah rental receivables	<b>22,529,575</b>	-	-	-	<b>22,529,575</b>
Accrued profit	<b>2,641,431</b>	-	-	-	<b>2,641,431</b>
Tax refunds due from Government	<b>3,850,825</b>	-	-	-	<b>3,850,825</b>
Murabaha finances	<b>118,451,570</b>	-	-	-	<b>118,451,570</b>
Long term deposits	<b>1,788,640</b>	-	-	-	<b>1,788,640</b>
Long term Investments	-	<b>8,848,649</b>	-	-	<b>8,848,649</b>
	<u><b>235,682,918</b></u>	<u><b>8,848,649</b></u>	<u>-</u>	<u><b>11,741,863</b></u>	<u><b>256,273,430</b></u>
				<b>Financial liabilities at amortized cost</b>	
				(Rupees)	
Liabilities as per balance sheet					
Customers' security deposits					<b>56,094,762</b>
Creditors, accrued and other liabilities					<b>29,912,126</b>
					<u><b>86,006,888</b></u>

	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
As at June 30, 2015					
Assets as per balance sheet					
Cash and bank balances	827,212	-	-	-	827,212
Short term investments	-	-	-	5,945,191	5,945,191
Advances, deposits and other receivables	33,944,255	-	-	-	33,944,255
Short term murabaha finances	50,726,084	-	-	-	50,726,084
Short term murabaha finances	4,302,110	-	-	-	4,302,110
Diminishing musharakah finances	2,299,755	-	-	-	2,299,755
Ijarah rental receivables	21,457,799	-	-	-	21,457,799
Accrued profit	2,165,534	-	-	-	2,165,534
Tax refunds due from government	3,008,734	-	-	-	3,008,734
Long term murabaha finances	104,825,750	-	-	-	104,825,750
Long term deposits	1,780,740	-	-	-	1,780,740
Long term Investments	-	6,314,040	-	-	6,314,040
	<u>225,337,973</u>	<u>6,314,040</u>	<u>-</u>	<u>5,945,191</u>	<u>237,597,204</u>
				<u>Financial liabilities at amortized cost (Rupees)</u>	
Liabilities as per balance sheet					
Customers' security deposits					71,574,195
Creditors, accrued and other liabilities					29,808,959
					<u>101,383,154</u>

#### 35.4 Capital risk management

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue as a going concern in order to provide return for certificate holders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize certificate holders value. The Modaraba manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Modaraba may adjust dividend payments to the shareholders, return on capital to certificate holders or issue new shares.

There were no changes to the Modaraba's approach to capital management during the year and the modaraba is not subject to externally imposed capital requirement.

### 36 RELATED PARTY TRANSACTIONS

Related parties of the Modaraba include the Modaraba management company [Al-Zamin Modaraba Management (Private) Limited], directors of Al-Zamin Modaraba Management (Private) Limited, employees provident fund and key management personnel. As per agreement, transactions with related parties are given below:

Nature of Relationship	Nature of Transaction	2016	2015
		-----Rupees-----	
Modaraba Management Company	Management fee	1,447,804	1,933,986
	Dividend paid	2,236,090	2,630,694
Employees' Provident Fund	Contributions paid	574,000	518,880
Muhammad Aslam Motiwala	Dividend paid	6,947,900	8,250,000

### 37 NUMBER OF EMPLOYEES

	-----Number-----	
Average number of employees during the year	20	20
Number of employees as at June 30	21	21

### 38 CORRESPONDING FIGURES

Corresponding figures have been rearranged and restated for better presentation wherever necessary. Significant reclassification made are as follows:

From	To	Reason	Amount (Rupees)
Fixed assets	Advances, deposits, prepayments and other receivables	For better presentation	10,431,000

### 39 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on September 27<sup>th</sup>, 2016, have approved dividend for the year ended June 30, 2016 @ 3% ( 2015: 4.25% )

### 40 UNREALISED LOSS ON REVALUATION OF INVESTMENT

This revaluation loss pertains to investments that had been disposed off until June 30, 2014 but the same was not transferred/routed through profit and loss. On identification of error, this is being transferred to accumulated loss. This adjustment has no impact on balance sheet, profit and loss account, statement of comprehensive income and earning per certificate of the Modaraba for the year ended June 30, 2016 and June 30, 2015.

### 41 DATE OF AUTHORIZATION

These financial statements were approved for issue by the Board of Directors of the Management company in their meeting held on September 27, 2016,.

### 42 GENERAL

Figures have been rounded off to nearest rupee unless otherwise provided.

## Pattern Of Certificate Holding

As On 30 June 2016

Number of Certificate Holders	Certificate Holding		Total Certificate	Percentage Held
	From	To		
585	1	100	27,978	0.09
920	101	500	266,272	0.89
635	501	1000	554,635	1.86
298	1001	5000	716,413	2.40
56	5001	10000	426,306	1.43
16	10001	15000	198,095	0.66
11	15001	20000	195,958	0.66
5	20001	25000	113,907	0.38
4	25001	30000	111,004	0.37
1	30001	35000	32,000	0.11
4	35001	40000	154,000	0.52
1	45001	50000	45,174	0.15
1	50001	55000	52,000	0.17
2	60001	65000	127,000	0.43
1	65001	70000	67,740	0.23
1	70001	75000	75,000	0.25
1	75001	80000	78,382	0.26
1	95001	100000	99,500	0.33
1	100001	105000	102,322	0.34
1	105001	110000	110,000	0.37
1	115001	120000	118,100	0.40
1	180001	185000	181,230	0.61
1	290001	295000	291,200	0.98
1	340001	345000	344,500	1.16
1	395001	400000	395,500	1.33
1	455001	460000	455,500	1.53
1	950001	955000	953,000	3.20
1	1185001	1190000	1,187,000	3.98
1	1255001	1260000	1,258,896	4.22
1	5260001	5265000	5,261,388	17.66
1	15795001	15800000	15,800,000	53.02
2556			29,800,000	100.00



Trust Modaraba

**CATEGORIES OF CERTIFICATEHOLDERS**

AS AT JUNE 2016

Categories of Certificateholders	Number of Certificate Holders	Total Certificates Held	Percentage
Associated companies, undertakings and related parties			
Al-Zamin Modaraba Management (Private) Limited	1	5,261,388	17.66
Investment Corporation of Pakistan	1	11,500	0.04
Directors, CEO & their spouse and minor children			
Executives	-	-	-
Public sector companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	19	2,530,636	8.49
Joint Stock Companies	24	104,923	0.35
Individuals	2,503	21,805,053	73.17
Others	8	86,500	0.29
<b>Total</b>	<b>2,556</b>	<b>29,800,000</b>	<b>100.00</b>

Certificateholders holding ten percent or more certificate in the Modaraba

Al-Zamin Modaraba Management (Pvt.) LTD.	1	5,261,388	17.66
Mohammad Aslam Motiwala	1	16,987,000	57.00

  
 CHIEF EXECUTIVE

  
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