



KASB Modaraba
An Islamic Financial Institution



Annual Report 2020

صاف اور شفاف آمدنی،
سچا سکون ہے...

Vision Statement

To contribute towards the development of Islamic Financial Products which are commensurate with modern commercial concepts

Mission Statement

Our mission is to create and maintain a progressive position in the Modaraba sector in Pakistan and endeavor to promote interest-free economy in the country. This will be achieved through quality services using innovative Sharia compliant products, financial discipline and good corporate governance with high levels of professional and ethical standards being maintained at all times.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Khalid Aziz Mirza	Chairman	Independent Director
Mr. Shahid Ghaffar		Independent Director
Ms. Ayesha Aziz		Non-Executive Director
Mr. Abdul Jaleel Shaikh		Non-Executive Director
Mr. Ahmed Ateeq		Non-Executive Director
Mr. Karim Hatim		Chief Executive Officer

Audit Committee

Mr. Shahid Ghaffar	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Jaleel Shaikh	Member
Mr. Ahmed Ateeq	Member

Human Resource and Remuneration Committee

Mr. Khalid Aziz Mirza	Chairman
Ms. Ayesha Aziz	Member
Mr. Karim Hatim	Member

Company Secretary

Ms. Iqra Sajjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

RSM Avais Hyder Liaquat Nauman, Chartered Accountants

Bankers

Habib Bank Limited
Soneri Bank
Summit Bank

Certificate Registrar

C&K Management Associates (Pvt.) Limited
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi – 75530
Phone: 021-35687839 & 021-35685930

Legal Advisor

Ahmed & Qazi
S & B Durrani Law Associates

Shariah Advisor

Al-Hilal Shariah Advisors (Private) Limited

Registered Office & Head Office

Office No:- B, 5th Floor, Lakson Square
Building No: 1, Sarwar Shaheed Road,
Karachi
Phone : 021- 35630621,021-35630623

Lahore Branch Office

Office No. 318 3rd Floor,
Lahore Stock Exchange Building,
19 Khayaban-e-Awan-e-Iqbal, Lahore
Phone : 042-36311001-02

Islamabad Branch Office

Basement, 90-91,
Razia Sharif Plaza ,Jinnah Avenue,
Blue Area, F-7, Islamabad.
Phone: 051-2344422-24

KASB MODARABA

Chairman's Review

I am pleased to present my review as Chairman of the Board of Directors of Awwal Modaraba Management Limited, the management company of KASB Modaraba.

Country's economy was showing some early signs of stabilization before the outbreak of COVID-19. However, the pandemic significantly affected business activity. Manufacturing and retail sectors took a massive hit; growth of credit to private sector fell from 17% year-on-year in March 2019 to 6% in March 2020 and KSE-100 index plummeted from around 43,000 points at the start of the year to 27,000 points in March 2020.

In response to the crisis, the Government of Pakistan took swift action to halt local spread of the virus, while introducing an economic stimulus packages to support activity in worst affected segments and allocating resources to tackle the health emergency. The State Bank of Pakistan (SBP) has similarly responded with measures including lowering Policy Rate, giving relief to borrowers on loan repayments in view of liquidity constraints, introducing subsidized refinance facilities for specific sectors / purposes to provide growth stimulus and control unemployment. Pakistan also received cumulative financial assistance of \$3.3 billion from bilateral and multilateral sources, out of which roughly \$2.6 billion has been disbursed. Moreover, Paris Club also deferred Pakistan's outstanding liabilities worth \$1.8 billion for up to one year. These measures helped the country bolster its foreign exchange reserves, stabilizing the exchange rate.

Awwal Modaraba Management Limited took over the management rights of KASB Modaraba on February 03, 2020 from the Administrator appointed by Securities & Exchange Commission of Pakistan (SECP) with the intent to revive the modaraba. AMML is working towards finalizing a business model for this purpose which is delayed due to the slowdown in business activity arising from impact of Covid-19. In the meantime, focus is on recoveries and conserving cash and strengthening the operational controls of the modaraba with support from our parent company, Pak Brunei Investment Company Ltd. In order to recognize the infected portfolio, provisions of PKR 74 million were booked during the year leading to loss of PKR 102.92 million in FY2020 (FY2019: loss of PKR 34.24 million) despite reduction in operational expenses. With emphasis on recoveries, the cash position of the modaraba has improved from PKR 51.15 million at end of FY2019 to PKR 71.87 million at end of FY2020 with net portfolio standing at PKR 22.16 million. We will keep the shareholders informed on progress of business plan for the modaraba.

The Board of Directors of the management company comprises of six members, including two Independent Non-Executive Directors and one female Director. The Board performs its statutory duties and fulfils its responsibilities by ensuring that the Modaraba has a capable leadership and an effective executive management team. The board, on quarterly basis, undertakes an overall review of business risks to ensure that Management maintains a sound system of risk identification, risk management and related systemic internal controls to safeguard assets, resources, reputation and interest of the Company and its certificate-holders.

On behalf of the Board, I take this opportunity to thank all our customers, investors, regulators and other stakeholders for placing their trust in the Modaraba.

sd
Khalid Aziz Mirza
Chairman

Dated: 24 September 2020

DIRECTORS' REPORT

The Board of Directors of Awwal Modaraba Management Limited, the management company of KASB Modaraba, is pleased to present the Directors' Report together with Audited Financial Statements of KASB Modaraba for the year ended 30 June 2020.

The country faced multiple challenges during FY2020. During the first half of the fiscal year, inflation remained on a higher side despite a tight monetary policy. This, coupled with a depreciating currency and subdued performance of manufacturing sector, kept economic growth in check. On the other hand, second half of the year was marked by the COVID-19 outbreak, which quickly eroded the small gains achieved through government's stabilization policies and severely impacted the business environment.

State Bank of Pakistan (SBP) has taken several timely measures to support liquidity and credit conditions and safeguard financial stability. These include easing of Policy Rate from 13.25% p.a. in July 2019 to 7% p.a., one year deferment for loan repayments to affected industries, targeted subsidized refinance lines through banks to support industries in revival, avoid default and support salary payments to employees to control rising unemployment as cash flows of businesses contract. The SECP followed with a similar package to provide relief to borrowers facing difficulties caused by the country-wide shut down.

Our government and regulators are jointly making efforts to contain the impact and revive the economy via different measures including easing of monetary policy, industry packages, subsidized financing lines, and health support / aid for the masses. Pakistan has also received support from multilateral agencies and friendly countries for balance of payment support, institutional development as well as for containment of pandemic. At the same time, Pakistan remains committed to the reforms related to fiscal consolidation strategy, energy sector, governance, and remaining AML/CFT deficiencies.

During this period, we focused mainly on the recovery of outstanding /defaulted amounts to generate more cash for new business. Further, we are maintaining close contact with our clients to assess the impact of COVID-19 outbreak on their business operations and have provided deferment for principal repayments where required.

Operating Results

	30 June, 2020 (Rupees '000')	30 June, 2019 (Rupees '000')
Balance Sheet		
Issued Certificate Capital	480,665	480,665
Total Equity	138,017	240,708
Cash and Bank	71,872	51,147
Investment in Musharika Finance	7,453	45,008
Investment in Murabaha Finance	-	83,796
Profit & Loss		
Revenue	8,739	27,163
Operating expenses	30,883	45,228
Provisions for doubtful receivables	81,157	16,175
Net (Loss) for the year	(102,920)	(34,240)
Loss per Certificate-basic and diluted	(2.14)	(0.71)

Financial snapshot

During the period under review, overall revenues were recorded at PKR 8.73 million inclusive of return on deposit of PKR 4.65 million, compared to PKR 27.16 million in corresponding period last year. Admin and operating expenses for the period amounted to PKR 30.88 million. The Modaraba posted loss of PKR 102.90 million compared to the loss of PKR 34.24 million of last year.

We are pursuing various initiatives for revival of the Modaraba, subject to regulatory approvals and business dynamics, and will keep our certificate holders informed as they materialize.

Governance & Shariah Compliance

The Board of Directors is committed to ensure compliance with various requirements of the Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan (SECP). The Modaraba is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019, relevant for the year ended 30 June 2020.

Shariah Advisor is involved from the outset to ensure that prospective clients' business and proposed transaction structure are in line with Shariah principles. Strong emphasis is placed on good governance and implementation of all policies in spirit.

Corporate and Financial Reporting Framework

The Board of Directors is pleased to report that:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of Financial Statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no significant material departure from the best practices of corporate governance, as detailed in the Corporate Governance Regulations- 2019.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2020 except as disclosed in the financial statements.
- During the year, two meetings of the Board of Directors and two meetings were called by the ex-Administrator (appointed by the SECP) were held.

Attendance by each director was as follows:

Name	No. of Meetings Attended
Mr. Khalid Aziz Mirza	2
Mr. Shahid Ghaffar	2
Ms. Ayesha Aziz	2
Mr. Abdul Jaleel Shaikh	2
Mr. Ahmed Ateeq	2
Mr. Karim Hatim (CEO)	2

Attendance by the ex-Administrator (appointed by the SECP) was as follows:

Name	No. of Meetings Attended
Mr. Khawaja Waheed Raza	2

Leave of absence was granted to the director who could not attend the meeting.

The Board has formed an Audit Committee in compliance with the requirement of the Code of Corporate Governance Regulations. The Committee comprises of four members. The head of the Audit Committee is an independent Director. The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the internal Audit Department. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors.

- During the year under review, two meetings of Audit Committee were held. Attendance by each member was as follows:

Name	No. of Meetings Attended
Mr. Shahid Ghaffar	2
Mr. Khalid Aziz Mirza	2
Mr. Abdul Jaleel Shaikh	2
Mr. Ahmed Ateeq	2

- The pattern of holding of Certificates by the Certificate-holders is included in this annual report
- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The value of unfunded gratuity scheme for its permanent employees as at 30 June 2020 is Rs.3.77 million.

The Board of Directors

- The total number of directors are 6 including CEO as per the following :-

Male: 5
Female: 1

The composition of Board is as follows:

Category	Names
i) Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
ii) Other Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Aziz Shaikh Mr. Ahmed Ateeq
iii) Executive Director	Mr. Karim Hatim (Chief Executive Officer)

Directors' Remuneration

The remuneration of a Director for attending meetings of the Board or any Committee of the Board is determined under the Director's Compensation Policy adopted by Awwal Modaraba Management Limited. Under the said policy, independent director is entitled to receive the prescribed fee as determined by the Board of Directors only for attending the Board Meeting. Further, the nominee directors/Chief Executive Officer/any other director in whole time remunerated service with the Company are not entitled to any payment for attending meetings of the Board or any Committee of the Board. However, all the directors are entitled to be paid all traveling, hotel & other expenses incurred by them in attending and returning meetings of the Board or any Committee of the Board and General Meetings of the Company in connection with the business of the Company.

Auditors

On the recommendation of the Audit Committee, the Board has approved the appointment of M/s. Grant Thornton Anjum Rehman, Chartered Accountants, as statutory auditors of the Modaraba for the year ending June 30, 2021, subject to the approval of the Registrar Modaraba Companies and Modarabas.

Shari'ah Advisor's Report

The Modaraba continues to seek guidance from the Shari'ah Advisor, M/s Al-Hilal Shariah Advisor as and when required to ensure full compliance to Shari'ah Audit mechanism developed in consultation with Registrar Modaraba. The internal audit department has also been trained to handle the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shari'ah Advisor Report issued for the affairs of the Modaraba for the year ended 30 June 2020 is attached in the Annual Financial Statements.

Acknowledgments

The Board of Directors would like to acknowledge and appreciate SECP and Registrar Modaraba for their continuous guidance and support. Also, we would like to avail this opportunity to thank our customers and investors for placing their trust in the Modaraba.

On behalf of the Board

_____sd_____
Karim Hatim
Chief Executive Officer

_____sd_____
Abdul Jaleel Shaikh
Director

Date: September 24, 2020

ڈائریکٹر رپورٹ

اول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو کے اے ایس بی (KASB) مضاربہ کی منجمنٹ کمپنی ہے کے اے ایس بی (KASB) مضاربہ کے آڈٹ شدہ مالی نتائج برائے اختتام مالیاتی سال 30 جون 2020 کے ڈائریکٹرز رپورٹ پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔

مالی سال 2020 کے دوران ملک کو متعدد چیلنجز کا سامنا کرنا پڑا۔ مالی سالی کی پہلی ششماہی کے دوران، سخت مالیاتی پالیسی کے باوجود افراط زر میں اضافہ رہا۔ اس کے ساتھ ساتھ کرنسی کی قدر میں کمی اور مینوفیکچرنگ کے شعبے میں دباؤ نے معاشی نمو کو روک رکھا ہے۔ دوسری طرف، سال کے دوسرے نصف حصے میں Covid-19 پھیل گیا، جس نے حکومت کی استحکام کی پالیسیوں کے ذریعے حاصل ہونے والے محدود فوائد کو تیزی سے ختم کر دیا اور کاروباری ماحول کو بری طرح متاثر کیا۔

اسٹیٹ بینک آف پاکستان (SBP) نے رقت / لیکویڈیٹی اور کریڈٹ شرائط کی تائید اور مالی استحکام کی حفاظت کے لئے کئی بروقت اقدامات کئے ہیں۔ ان میں جولائی 2019 میں 13.25 فیصد سے 7 فیصد تک پالیسی کی شرح میں نرمی شامل ہے۔ متاثرہ صنعتوں کو قرضوں کی ادائیگی کے لئے ایک سال کی التواء، بحالی میں صنعتوں کی حمایت کے لئے بینکوں کے ذریعہ سبسڈی والے ری فنانس لائنوں (دوبارہ قرضہ دینا / سرمایہ کاری کرنا) کو ٹارگٹ بنایا جائے اور ملازمین کو تنخواہوں کی ادائیگی کی حمایت کریں تاکہ کاروباری معاہدے کے نقد بہاؤ کی وجہ سے بڑھتی ہوئی بے روزگاری کو کنٹرول کیا جاسکے۔ SECP نے اسی طرح کے پیکج کے ساتھ عمل کیا تاکہ ملک گیر بندش کی وجہ سے مشکلات کا سامنا کرنے والے قرض دہندگان کو ریلیف مل سکے۔

ہماری حکومت اور ریگولیٹرز مشترکہ طور پر مالیاتی پالیسی میں نرمی، صنعت پیکجز، سبسڈی والے مالی اعانت کی لائنوں اور عوام کے لئے صحت کی امداد سمیت مختلف اقدامات کے ذریعے معیشت کو متاثر کرنے اور اس کی بحالی کے لئے مشترکہ طور پر کوششیں کر رہے ہیں۔ پاکستان کو متعدد ایجنسیوں اور دوست ممالک کی جانب سے ادائیگی میں توازن، ادارہ جاتی ترقی اور وبائی مرض کی روک تھام کے لئے بھی حمایت حاصل ہے۔ ایک ہی وقت میں پاکستان مالی استحکام کی حکمت عملی، توانائی کے شعبے، حکمرانی اور بقیہ AML/CFT کی کمیوں سے متعلق اصلاحات پر پابند ہے۔

اس مدت کے دوران، ہم خاص طور پر بقایا / ڈیفالٹ رقوم کی بازیابی پر توجہ مرکوز کرتے ہیں تاکہ نئے کاروبار کے لئے زیادہ نقد رقم پیدا کی جاسکے۔ مزید برآں ہم اپنے گاہکوں کے ساتھ ان کے کاروباری کاموں پر Covid-19

پھیلنے کے اثرات کا جائزہ لینے کے لئے قریبی رابطہ برقرار رکھے ہوئے ہیں اور جہاں ضرورت ہو تو پرنسپل ادا نیگیوں کو موخر کر دیا ہے۔

آپریٹنگ نتائج:

30 جون 2019	30 جون 2020	
(روپے '000)	(روپے '000)	
		آمدنی اور خرچ کا گوشوارہ (بیلنس شیٹ)
480,665	480,665	سرٹیفیکیٹ جاری کیا کام چلانے کے لئے
240,708	138,017	کل حصہ
51,147	71,872	کیش اور بینک
45,008	7,453	مشارک فنانس میں سرمایہ کاری
83,796		مرباہ فنانس میں سرمایہ کاری
		نفع اور نقصان
27,163	8,739	آمدنی
45,228	30,883	آپریٹنگ اخراجات
16,175	81,157	مشکوک وصولی کے لئے فراہمی
(34,240)	(102,920)	سال کے لئے خالص (نقصان)
(0.71)	(2.14)	ہر سرٹیفیکیٹ میں بنیادی نقصان اور کمزوری

مالی جائزہ:

زیر جائزہ مدت کے دوران، مجموعی طور پر محصولات 8.73 ملین روپے ریکارڈ کی گئی جس میں 4.65 ملین کا بینک ڈیپازٹ پر منافع شامل ہے جبکہ گذشتہ سال اسی عرصے میں 27.16 ملین روپے تھے۔ انتظامی اور عملیاتی اخراجات برائے دورانیہ ہذا 30.88 ملین حساب لگائے گئے ہیں۔ پچھلے سال کے 34.24 ملین کے نقصان کے مقابلے میں مضاربہ نے 102.90 ملین کا نقصان پہنچا تھا۔

ہم مضاربہ کی ازسرنو بہتری کے لئے مختلف اقدامات کر رہے ہیں جس کے لئے ہم ریگولیٹری منظوری اور کاروباری حرکیات کے تابع ہیں اور جس کے لئے ہم مضاربہ سرٹیفیکیٹ رکھنے والوں کو باخبر رکھیں گے کہ وہ ہمہ وقت تیار

ہیں۔

گورننس اور شرعی تعمیل:

بورڈ آف ڈائریکٹر پاکستان اسٹاک ایکسچینج اور سیکورٹیز اور ایکسچینج کمیشن آف پاکستان (SECP) کی مختلف ضروریات کی تعمیل کو یقینی بنانے کے لئے پر عزم ہیں۔ مضاربہ 30 جون 2020 کو ختم ہونے والے سال کے لئے متعلقہ Listed کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی ضروریات کے پابند ہیں۔ شرعی ایڈوائز شروع سے ہی اس بات کو یقینی بنائے گا کہ کاروبار اور مجوزہ ٹرانزیکشن ڈھانچہ شریعت کے اصولوں کے مطابق ہو۔ اچھی حکمرانی اور تمام پالیسیوں کو عملی طور پر نافذ کرنے پر زور دیا جاتا ہے۔

کارپوریٹ اور مالی رپورٹنگ کا ڈھانچہ/سہارا:

بورڈ آف ڈائریکٹر یہ اطلاع دیتے ہوئے خوش ہیں کہ:

☆ مضاربہ کی منجمنٹ کے ذریعے تیارہ کردہ مالی اسٹیٹمنٹ، اس کے امور کی منصفانہ حیثیت، اس کی کاروائیوں، نقد بہاؤ اور حصہ میں بدلاؤ کا نتیجہ پیش کرتے ہیں۔

☆ مضاربہ کے حساب کتاب کے کھاتے باقاعدہ برقرار رکھے گئے ہیں۔

☆ مناسب اکاؤنٹنگ پالیسیاں مالی اسٹیٹمنٹ کی تیاری میں لاگو ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہے۔

☆ مالی اسٹیٹمنٹ کی تیاری کے سلسلے میں بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں مضاربہ پر لاگو ہیں پر عمل کیا گیا ہے۔

☆ اندرونی کنٹرول کا نظام مستحکم ہے اور مؤثر انداز میں نافذ اور اس کی نگرانی کی جا رہی ہے۔

☆ مضاربہ کی جاری کی حیثیت سے روانی کی اہلیت پر کوئی شکوک و شبہات موجود نہیں ہیں۔

☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی خاص مادی روانگی نہیں ہوئی ہے، جیسا کہ کارپوریٹ گورننس ریگولیشنز 2019 میں تفصیل سے بتایا گیا ہے۔

☆ ٹیکس، ڈیوٹی، محصول اور محصولات کے معاوضے کے حساب سے 30 جون 2020ء تک کوئی قانونی ادائیگی واجب نہیں ہے، سوائے اس کے کہ مالی اسٹیٹمنٹ میں انکشاف کیا گیا ہو۔

☆ ایک سال کے دوران، بورڈ آف ڈائریکٹرز کی دو ملاقاتیں اور سابق ایڈمنسٹریٹر (SECP) کے ذریعے مقرر کردہ) کے ذریعے بلائے گئے دو اجلاس منعقد ہوئے۔

ہرڈائریکٹر کی حاضری کچھ یوں تھی:-

نام	اجلاسوں کی تعداد
جناب خالد عزیز مرزا	2
جناب شاہد غفار	2
محترمہ عائشہ عزیز	2
جناب عبدالجلیل شیخ	2
جناب احمد عتیق	2
جناب کریم حاتم (CEO)	2

سابق ایڈمنسٹریٹر (SECP کے ذریعہ مقرر کردہ) کی حاضری مندرجہ ذیل تھی:-

نام	اجلاسوں کی تعداد
جناب خواجہ وحید رضا	2

ڈائریکٹر کو غیر حاضری کی بناء پر چھٹی دے دی گئی جو اجلاس میں شریک نہیں ہو سکے۔

بورڈ نے کارپوریٹ گورننس ضابطوں کے ضابطہ اخلاق کی تعمیل کے لئے آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی میں چار ممبران شامل ہیں۔ آڈٹ کمیٹی کے سربراہ خود مختار/ آزاد ڈائریکٹر ہیں۔ کمیٹی وقتاً فوقتاً مالی اسٹیٹمنٹ کا جائزہ لیتی ہے اور مالی پالیسیوں اور طریقوں کی وافر مقدار کی جانچ کرتی ہے تاکہ یہ یقینی بنایا جاسکے کہ داخلی کنٹرول کا ایک مؤثر اور مضبوط نظام موجود ہے۔ کمیٹی داخلی آڈٹ کے ذریعہ جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ آڈٹ کمیٹی بیرونی آڈیٹرز کی تقرری کے لئے بورڈ آف ڈائریکٹرز کو سفارش کرنے کی بھی ذمہ داری عائد کرتی ہے۔

☆ زیر جائزہ سال کے دوران آڈٹ کمیٹی کے دو اجلاس ہوئے۔ ہر ممبر کی حاضری مندرجہ ذیل تھی:-

نام	اجلاسوں کی تعداد
جناب شاہد غفار	2
جناب خالد عزیز مرزا	2
جناب عبدالجلیل شیخ	2
جناب احمد عتیق	2

☆ سرٹیفیکیٹ ہولڈرز اور ان کے زیر ملکیت سرٹیفیکیٹ کا زانچہ اس سالانہ رپورٹ میں شامل ہے۔

☆ زیر غور سال کے دوران ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری، ان کے شریک حیات اور نابالغ بچوں

نے مضاربہ کے سرٹیفیکیٹ میں کوئی لین دین نہیں کیا۔

☆ 30 جون 2020ء میں مستقل ملازمین کے لئے غیر منقولہ گریجویٹ اسکیم کی مالیت 3.77 ملین روپے ہے۔

بورڈ آف ڈائریکٹرز:

ڈائریکٹرز کی کل تعداد 6 ہیں جن میں CEO بھی شامل ہیں جو کہ درج ذیل ہیں:-

مرد 5

عورت 1

بورڈ کی تشکیل مندرجہ ذیل ہے:-

عہدہ	نام
(۱) آزاد/خود مختار ڈائریکٹر	جناب خالد عزیز مرزا
(۲) دوسرے نان ایگزیکٹو ڈائریکٹرز	جناب شاہد غفار مس عائشہ عزیز جناب عبدالعزیز شیخ جناب احمد عتیق
(۳) ایگزیکٹو ڈائریکٹر	جناب کریم حاتم (چیف ایگزیکٹو آفیسر)

ڈائریکٹرز کی معاوضہ پالیسی:

بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کرنے کے لئے ایک ڈائریکٹر کا معاوضہ اول مضاربہ پنچمنٹ لمیٹڈ کے ذریعہ اختیار کردہ ڈائریکٹرز معاوضہ پالیسی کے تحت طے کیا جاتا ہے۔ مذکورہ پالیسی کے تحت، آزاد/خود مختار ڈائریکٹر صرف بورڈ میٹنگ میں شرکت کے لئے بورڈ آف ڈائریکٹرز کے ذریعے طے شدہ فیس وصول کرنے کا حقدار ہے۔ مزید یہ کہ نامزد ڈائریکٹرز/چیف ایگزیکٹو آفیسر/کوئی دوسرا ڈائریکٹر جو کمپنی کے ساتھ کل وقتی معاوضے میں خدمت کرتے ہیں، بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے کسی بھی ادائیگی کا حقدار نہیں ہے۔ تاہم، تمام ڈائریکٹرز کو بورڈ کی کسی کمیٹی اور کمپنی کی جنرل میٹنگوں میں شرکت اور واپسی کے اجلاس میں شرکت اور کمپنی کے کاروبار سے متعلق ہونے والے اجلاسوں میں شرکت اور واپسی میں ان کے ذریعے ہونے والے تمام سفر، ہوٹل اور دیگر اخراجات ادا کرنے کا حق ہے۔

آڈیٹرز:

آڈٹ کمپنی کی سفارش پر بورڈ نے گرانٹ تھورنٹن انجمن چارٹرڈ اکاؤنٹینٹ کی تقرری کی منظوری برائے سال 2021 دے دی ہے۔ جو مضاربہ کمپنیوں کے رجسٹرڈ مضاربہ کی منظوری سے مشروط ہیں۔

شریعت مشیر کی رپورٹ:

مضار بہ رجسٹرار، مضار بہ کے مشورے سے تیار کردہ شریعت آڈٹ میکانزم کی مکمل تعمیل کو یقینی بنانے کی ضرورت کے مطابق، شریعت کے مشیر، میسرز الہلال شرعی مشیر سے رہنمائی حاصل کرنا جاری رکھے ہوئے ہیں۔ محکمہ داخلہ آڈٹ کو یہ بھی تربیت دی گئی ہے کہ وہ مضار بہ کے روزمرہ کے امور کو حل کریں جو شرعی پالیسیوں اور اصولوں پر مکمل عمل پیرا ہیں۔ 30 جون 2020 کو ختم ہوئے سال کے لئے مضار بہ کے امور کے لئے جاری کردہ شرعی مشیر رپورٹ سالانہ مالیاتی اسٹیٹمنٹ میں منسلک ہے۔

اعترافات:

بورڈ آف ڈائریکٹر SECP اور رجسٹرار مضار بہ کی مستقل رہنمائی اور مدد کے لئے ان کا اعتراف اور تعریف کرنا چاہیں گے۔ نیز ہم اس موقع سے فائدہ اٹھانا چاہتے ہیں کہ وہ مضار بہ پر اعتماد کرنے پر اپنے صارفین اور سرمایہ کاروں کا شکریہ ادا کریں۔

بورڈ کی جانب سے

عبدالجلیل شیخ
ڈائریکٹر

کریم حاتم
چیف ایگزیکٹو آفیسر

تاریخ: 24 ستمبر، 2020

KASB Modaraba**KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE**

	2020	2019	2018	2017	2016	2015
	-----Rupees in Thousand-----					
Total assets	154,407	270,584	375,598	599,707	901,245	982,728
Musharaka Finance	-	3,100	11,300	12,900	14,100	45,490
Murabaha Finance	-	83,796	125,580	150,045	267,365	312,873
Modaraba Finance	-	-	112	50,960	53,746	22,739
Diminishing Musharaka	18,578	41,908	95,184	153,209	316,083	354,488
Ijarah Assets	3,580	9,097	20,265	32,493	52,765	34,525
Equity	138,400	240,708	274,947	391,456	389,033	385,234
Currents Assets	141,820	236,436	277,741	488,336	591,031	680,456
Current Liabilities	12,237	23,005	79,115	137,637	295,207	345,046
Income	9,640	35,248	58,118	110,830	166,063	195,187
Taxation	-	-	-	-	-	-
Profit/ (Loss) after Tax	(102,921)	(34,240)	(114,209)	4,570	8,244	11,115
Dividend (Rs.)	-	-	-	0.07	0.08	0.11
EPS (Rs.)	(2.14)	(0.71)	(2.38)	0.10	0.17	0.23

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

All praise is due to ALLAH, the Cherisher of the World
Peace and Blessings be upon the Prophet of ALLAH, on his family and all his companions, and
on those who follow him with Iman till the day of Aakhirah

SHARIAH ADVISOR'S REPORT 2020

Alhamdulillah, we have conducted the Shariah audit and review of KASB Modaraba managed by Awwal Modaraba Management Company. 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 our opinion;

- I. The systems, procedures and policies adopted by the KASB Modabara during the period were found in line with guidelines issued by SECP.
- II. The agreement(s) entered into by the KASB Modaraba are approved by religious board of SECP and the financing agreements have been executed on these formats and it has been tried to meet all the related conditions.

Any payment received over and above due payments due to delay:

- I. KASB Modaraba has collected and credited to charity account Rs. 1,214,078/- during the period whereas it has already paid **NIL** in lieu of charity during the period under review. The charity amount still payable is Rs. 1,214,078/-.

Emphasis of Matter:

The portfolios and transactions of KASB Modaraba were analyzed for the period under consideration and the matters observed by the Shariah Audit team are as follows

- I. KASB Modaraba was holding 42,400 shares of Service Fabric Company Limited. (SERF) as of 30th June 2020. The company became non-compliant as of financial statements of June 2017 and thereof three (3) months are provided for divestments of shares. KASB Modaraba is hereby instructed by the Shariah Advisor to immediately divest the said shares.

Observations:

- I. The client base of Modaraba has decreased as compared to previous few years.
- II. The transactions are being carried out efficiently with the customers.
- III. The Shariah Non-Compliant income earned from additional rentals and bounced cheques by Modaraba has been properly credited to the charity account, however, the complete amount has not been disbursed to the charitable organizations during the period. The management has assured to disburse the remaining charity amount as soon as possible in the next fiscal year.

Recommendations:


- I. The Modaraba should continue its policy of expanding Islamic financing and in this regard continue its focus on employees' training and development relating to Islamic financing products and services offered by Modaraba with specific focus on front staff.
- II. The Modaraba should focus on further increasing its Asset base through direct financing to businesses and individuals through the use of approved Shariah compliant modes and efforts.

Conclusion:


Based on the extensive reviews and tests of sample cases for each class of transaction, related documentation, processes, profit distribution mechanism for the depositors and management's representation made in regard, in our opinion, the affairs, activities and transactions, performed by the Modaraba during the year comply with rules and principles of Islamic Shariah in light of guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Security Exchange Commission of Pakistan (SECP).

And Allah Ta'ala knows better and perfect.

For on Behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisor (Pvt) Limited.



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

**Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2019
Year ending June 30, 2020**

This statement is being presented to comply with Listed Companies (Code of Corporate Governance) Regulations, 2019. Regardless of the fact that Awwal Modaraba Management Limited ('AMML' or 'the company'), the Management Company of KASB Modaraba, is an unlisted public limited company, the Board of Directors of the Management Company is pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

During the year, the Registrar Modarabas, Securities & Exchange Commission of Pakistan (SECP), vide Order No: SC/M/RW/KASB/2020-35 under letter No: SC/M/PROD/KASB/2019/36 dated January 31, 2020, appointed Awwal Modaraba Management Limited (AMML) as the Management Company of KASB Modaraba with effect from February 3, 2020. Accordingly, AMML has taken the management control of KASB Modaraba with the same date. The Modaraba was previously managed by the Administrator, appointed vide order dated April 03, 2019 issued by the Registrar Modarabas.

AMML has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are six (6) as per the following,-

- a) Male 5
- b) Female 1

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Ahmed Ateeq
Executive Directors	Mr. Karim Hatim (Chief Executive Officer)
Female Director	Ms. Ayesha Aziz

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. The 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.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019.

7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board meets the criteria of requirement of Directors' Training program.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Shahid Ghaffar (Chairman) Mr. Khalid Aziz Mirza Mr. Abdul Jaleel Shaikh Mr. Ahmed Ateeq
HR and Remuneration Committee	Mr. Khalid Aziz Mirza (Chairman) Ms. Ayesha Aziz Mr. Karim Hatim

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committee were as per following,-

<u>S. No.</u>	<u>Name of the Committee</u>	<u>Frequency of the meetings held during the year</u>
1.	Audit Committee	Quarterly
2.	HR and Remuneration Committee	Yearly

15. The Board has outsourced the internal audit function to the internal audit department of the parent company (Pak Brunei Investment Company Limited) who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

sd

Khalid Aziz Mirza
Chairman

Dated: 24 September 2020

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road
Karachi, 75530 - Pakistan

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Independent Auditor's Review Report to the Certificate Holders of KASB Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019


We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Awwal Modaraba Management Limited, the Modaraba Management Company of KASB Modaraba (the Modaraba) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2020.

 Chartered Accountants
Karachi.
Dated:

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **KASB MODARABA (the Modaraba)** as at June 30, 2020 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) In our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;

- ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- 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 other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2020 and of the loss and comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980)

We draw attention to Note 1 of the financial statements in which it is mentioned that the registrar (Modarabas) with the approval of Securities & Exchange Commission of Pakistan, vide order dated January 31, 2020 appointed Awwal Modaraba Management Limited (AMML) to take over and manage the affairs of the Modaraba which was under the management and administrative control of the administrator till February 03, 2020. AMML has taken over the management and administrative control of KASB Modaraba effective from February 03, 2020. Our opinion is not qualified in respect of this matter.

RCA Chartered Accountants
Karachi.
Dated:

Engagement Partner: Adnan Zaman

**KASB MODARABA
BALANCE SHEET
AS AT 30 JUNE 2020**

Note **2020** 2019
------(Rupees)-----

ASSETS

Current assets

Cash and bank balances	7	71,872,499	51,147,044
Short term investment	8	5,680,702	6,350,180
Short term modaraba finance	9	-	-
Short term musharaka finance	10	-	3,100,000
Murabaha finance	11	-	83,796,155
Current portion of long term diminishing musharaka finance	12	11,123,671	22,862,832
Receivable against sale of agricultural produce	13	-	7,651,449
Ijarah rentals receivable	14	-	52,003
Advances, prepayments and other receivables	15	6,059,869	14,393,609
Property acquired in satisfaction of financing facility	16	47,082,936	47,082,936
		141,819,677	236,436,209

Non-current assets

Long-term diminishing musharaka finance	12	7,453,970	19,045,539
Long term advances	17	8,333	304,682
Ijarah assets	18	3,579,900	9,097,408
Fixed assets	19	1,545,071	5,699,672
		12,587,274	34,147,301

TOTAL ASSETS

154,406,951 270,583,511

LIABILITIES

Current liabilities

Redeemable capital	20	1,315,000	1,315,000
Term finance	21	-	12,566,727
Current portion of long term security deposits	22	3,579,900	100,000
Creditors, accrued and other liabilities	23	4,508,253	6,189,690
Unclaimed profit distribution		2,834,156	2,834,156
		12,237,309	23,005,572

Non-current liabilities

Long term security deposits	22	-	3,479,900
Deferred liabilities - staff gratuity	24	3,770,020	3,389,955
		3,770,020	6,869,855

TOTAL LIABILITIES

16,007,329 29,875,427

NET ASSETS

138,399,622 240,708,083

REPRESENTED BY

CAPITAL AND RESERVES

Certificate capital			
Authorized			
50,000,000 (June 30, 2019: 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	25	480,664,800	480,664,800
Discount on issuance of certificates		(98,960,400)	(98,960,400)
Statutory reserve		83,505,138	83,505,138
Accumulated losses		(326,809,916)	(224,501,455)

CONTINGENCIES AND COMMITMENTS

	26	-	-
		138,399,622	240,708,083

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive

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Director

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Director

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Chief Financial Officer

**KASB MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020	2019
		------(Rupees)-----	
Income from:			
- Diminishing musharaka finance		3,289,442	9,306,313
- Murabaha finance		90,010	2,536,957
- Ijarah finance	27	-	3,727,571
- Sale of shares		-	1,168,678
- Dividend on shares		111,630	1,449,456
		3,491,082	18,188,976
Financial charges	28	(433,121)	(3,796,177)
Direct Cost:			
- Depreciation on assets under ijarah arrangements	18.1	(1,379,382)	(5,687,264)
		(1,812,503)	(9,483,441)
		1,678,579	8,705,535
Other income	29	5,917,680	2,625,528
Unrealized gain/(loss) on investment - at fair value through profit or loss		(669,479)	6,350,180
Reversal of provision against doubtful receivable		900,000	8,083,944
Provision/Suspension against potential losses -Modaraba-Murabaha & Others		(70,268,617)	(16,384,294)
Impairment of ijarah asset		(4,138,125)	
Impairment of accrued license fee		-	(7,874,930)
Provision for doubtful receivable against sale of agriculture produce		(7,651,449)	-
Administrative and operating expenses	30	(28,689,456)	(35,745,504)
Loss before taxation		(102,920,867)	(34,239,540)
Taxation	33	-	-
Net loss for the year		(102,920,867)	(34,239,540)
Loss per certificate - basic and diluted	34	(2.14)	(0.71)

The annexed notes 1 to 40 form an integral part of these financial statements.

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_____ Chief Executive	_____ Director	_____ Director	_____ Chief Financial Officer

**KASB MODARABA
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	2020	2019
	------(Rupees)-----	
Net loss for the year	(102,920,867)	(34,239,540)
Other comprehensive income		
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gain on defined benefit plans	25 612,406	464,816
Total comprehensive loss for the year	<u>(102,308,461)</u>	<u>(33,774,724)</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive

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Director

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Director

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Chief Financial Officer

**KASB MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

	2020	2019
Note	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(102,920,867)	(34,239,540)
Adjustments for non-cash charges and other items:		
Gain on disposal of Ijarah assets	-	(58,620)
Impairment of accrued license fee	-	7,874,930
Depreciation - owned assets	19.1 869,815	2,884,750
Depreciation - Ijarah assets	18.1 1,379,382	5,687,264
Amortisation - intangible assets	19.2 69,137	277,500
Impairment - Ijarah assets	18.1 4,138,125	
Impairment of unamortized cost of own assets	19.1 3,215,650	6,526,015
Realised gain on disposal of investment at FVTPL	-	(1,168,678)
Unrealised (gain)/loss on changes in fair value of FVTPL investments	669,479	(6,350,180)
Provision/Suspension against potential losses -Modaraba-Murabaha & Others	70,268,617	16,384,294
Provision for doubtful receivable against sale of agriculture produce	13 7,651,449	-
Provision for gratuity	24.6 1,076,197	640,882
	(13,583,017)	(1,541,383)
Decrease / (increase) in assets		
Modaraba finance	-	112,000
Musharaka finance	3,100,000	8,200,000
Murabaha finance	13,527,538	31,784,021
Diminishing musharaka finance	23,330,731	46,891,294
Ijarah rentals receivable	52,003	85,156
Advances, prepayments and other receivables	8,630,090	(1,316,069)
Long-term deposits	-	685,300
	48,640,362	86,441,702
Decrease in liabilities		
Security deposits	-	(2,510,674)
Deferred murabaha income	-	(337,397)
Creditors, accrued and other liabilities	(1,681,437)	(6,909,019)
	(1,681,437)	(9,757,090)
Staff gratuity paid	24.5 (83,726)	(755,684)
	(83,726)	(755,684)
Net cash generated from operating activities	33,292,181	74,387,544
CASH FLOW FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of fixed assets	-	7,209
Sales proceeds from disposal of Ijarah assets	-	5,539,294
Proceeds from sale of investment at FVTPL	-	1,168,678
Net cash generated from investing activities	-	6,715,181
CASH FLOW FROM FINANCING ACTIVITIES		
Term Financing repaid	(12,566,727)	(25,133,451)
Certificate of musharaka repaid	-	(35,770,000)
Net cash used in financing activities	(12,566,727)	(60,903,451)
Net increase in cash and cash equivalents	20,725,455	20,199,275
Cash and cash equivalents at the beginning of the year	51,147,044	30,947,769
Cash and cash equivalents at the end of the year	71,872,499	51,147,044

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive

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Director

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Director

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Chief Financial Officer

**KASB MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Certificate capital	Discount on Issuance of certificates	Statutory reserve	Accumulated losses	Total
	----- (Rupees) -----				
Balance as at 30 June 2018	480,664,800	(98,960,400)	83,505,138	(190,261,914)	274,947,624
Net loss for the year	-	-	-	(34,239,540)	(34,239,540)
Balance as at 30 June 2019	480,664,800	(98,960,400)	83,505,138	(224,501,454)	240,708,084
Net loss for the year	-	-	-	(102,920,867)	(102,920,867)
Other comprehensive income	-	-	-	612,406	612,406
Balance as at 30 June 2020	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>83,505,138</u>	<u>(326,809,916)</u>	<u>138,399,622</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive

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Director

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Director

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Chief Financial Officer

**KASB MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and was managed by KASB Invest (Private) Limited (the Management Company) - KIPL, a company incorporated in Pakistan.

The Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated April 03, 2019 appointed Mr.Khawaja Waheed Raza as Administrator of the Modaraba to take over and manage the affair of the Modaraba in place of KIPL (Management Company). As per terms of the order, all the powers and duties of the Modaraba Management Company as well as those of its Board of Directors assumed by the Administrator. The term of the Administrator, for holding the modaraba office, was initially for the period of six months which was gradually enhanced till February 03, 2020 as directed by the SECP.

The Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated January 31, 2020 appointed Awwal Modaraba Management Limited (AMML) to take over and manage the affair of the Modaraba. AMML has taken over the management and administrative control of KASB Modaraba effective from February 03, 2020.

The registered office of KASB Modaraba is situated at 6th floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5, Clifton, Karachi. The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharaka financing, murabaha financing, modaraba financing, diminishing musharaka and investing in sukuk bonds, mutual funds and listed securities. The Modaraba is listed on the Pakistan Stock Exchange.

1.1 Impact of COVID – 19 on the Financial Statements

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The lockdown has also caused disruptions in Modaraba's operating activities. The Securities And Exchange Commission Of Pakistan (SECP) issued Circular No.28 dated September 10, 2020 to facilitate the lending Modarabas in rescheduling of financing facilities extended to the customers. As per para 1 of the circular, upon specific request of the customer, modaraba may defer the repayment of principal loan/ facility amount by one year and profit shall continue be paid as per agreed terms and conditions. Due to this, Modaraba has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements except for the following:

Four customers under (Diminishing Musharaka Finance) have availed the relaxation as per above referred circular of the SECP, implication thereof on the financial statements for the year ended June 30, 2020 is summarized hereunder:

Particulars		Rupees
Decrease in Cash and Bank	(Due to deferment of Principal Instalment)	559,603
Increase in Carrying amount of financing	(Due to deferment of Principal Instalment)	559,603
Increase in Markup/ Profit	(Due to deferment of Principal Instalment)	8,817

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act 2017;
- Provisions and directions issued under the Companies Act 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas ; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

Wherever provisions and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and IFAS differ from IFRS Standards, the provision and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and the Modaraba Rules, 1981, Prudential Regulations for Modaraba and IFAS have been followed.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis, except for investment at FVTPL carried at fair value and certain staff retirement benefits that are carried at present value of defined benefit obligation.

3.1 Functional and presentation currency

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are included in the following notes:

- i) Classification of financial instruments (note 6.3).
- ii) Provision for non-performing finances and other impairment (note 6.5)
- iii) Provision for non-performing finance arrangements (note 6.7)
- iv) Provision for taxation (note 6.9 and 32).
- v) Accounting for staff retirement benefits (note 6.12 and 24)
- vi) Determination and measurement of useful life and residual value of fixed assets and ijarah assets (note 6.1, 18 and 19)

5. INITIAL APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE EXISTING STANDARDS

5.1 New standards, amendments to the existing accounting and reporting standards and interpretations effective during the year

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17: Leases. As the distinction between operating and finance lease is eliminated, it has resulted in leases being recognised on the statement of financial position except for short-term and low-value leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are

However, the application of IFRS 16 does not have any material impact on the Modaraba's books of account.

There are certain other amendments to accounting and reporting standards and interpretations that became applicable during the year but are considered not to be relevant or did not have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

5.2 New standards, amendments to the accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and it contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Modaraba shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Modaraba.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term regulatory deferral account balance has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Modarabas financial statements.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above improvements to standards are not likely to have material / significant impact on Modaraba's financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Fixed Assets - Tangible

6.1.1 Owned assets

Assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month

Repairs and maintenance are charged to income as and when incurred.

6.1.2 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of fixed assets / ijarah assets as and when the assets are available for intended use.

6.1.3 Ijarah assets

Ijarah assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged on monthly basis from the date of commencement of lease. While no depreciation is charged in the month of maturity / termination.

6.1.4 Gain or loss on disposal

Gains / losses on disposal of fixed assets / ijarah assets are charged to the profit and loss account currently.

6.1.5 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 20.3 to these financial statements after taking into account residual value, if any. The residual values, useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. These assets are not amortised as they are expected to have an indefinite life and are marketable.

Gain and loss on disposal of intangible assets, if any, are taken to the profit and loss account.

6.2 Cash and cash equivalents

These comprise cash in hand and balances with banks in current and deposit accounts.

6.3 Financial Instruments

Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred.

Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprises investments, loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes diminishing musharakah finance, ijarah rentals, morabaha receivable, modaraba finance, long term loans, accruals, prepayments, advances and other receivables and cash and cash equivalent. The Modaraba derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

6.4 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

6.5 Impairment

6.5.1 Financial assets

The Modaraba recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost, except in the case of calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modaraba prevails.

The Modaraba measures loss allowances at an amount equal to lifetime ECLs, except for other securities and bank balances which are measured at 12 months expected credit losses. Since these assets are short term in nature, therefore, no credit loss is expected on these balances.

6.5.2 Non-financial assets

The carrying amounts of the Modaraba's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Financial assets classified under Islamic Financial Accounting Standards

In case of assets classified under Islamic Financial Accounting Standards, the assets shall be reviewed and provided for according to the time based criteria mentioned in the Prudential Regulations for Modarabas.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Modaraba has a legally enforceable right to offset and the Modaraba intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the accounting and reporting standards as applicable in Pakistan.

Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Modaraba derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

6.6 Inventories held-for-sale

Inventories held-for-sale are valued principally at the lower of cost determined on the weighted average basis and net realizable value. Cost comprises invoice value and other cost incurred in bringing the inventories to their present location and condition.

Net realizable value comprises of the estimated selling price in the ordinary course of business less costs which are necessarily incurred in order to make the sale.

6.7 Ijarah rentals , murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance

Ijarah rentals receivables, murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance receivables are stated net of provisions and suspense income. Provision is recognised for non performing receivables in accordance with Prudential Regulations for Modaraba. Receivables that becomes irrecoverable are written off.

6.8 Earnings per certificate

The Modaraba presents basic and diluted earnings / loss per certificate for its certificate holders. Basic earnings / loss per certificate is calculated by dividing the profit or loss attributable to the certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year.

6.9 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. Under clause 100 of Part - I of the Second Schedule to the Income Tax Ordinance, 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90 percent of their profits are distributed to the certificate holders.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

6.10 Creditors, accrued and other liabilities

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

6.11 Provisions

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

6.12 Staff retirement benefits

Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Annual provision is made on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit or loss in subsequent periods.

6.13 Revenue recognition

6.13.1 Ijarah

Income on Ijarah is recognised on an accrual basis. In case of ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the ijarah term.

6.13.2 Musharaka Finance

Profit on Musharaka arrangements is recognised on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of the transaction after determination of the actual rate.

6.13.3 Murabaha Finance

The Modaraba follows the finance method in recognising income on murabaha finance. Under this method the unearned income i.e. the excess of aggregate murabaha installments over the cost of the asset under murabaha facility is deferred and then amortised over the term of the murabaha, so as to produce a constant rate of return on murabaha finance. Documentation charges, front-end fee and other murabaha income are recognised as income on a receipt basis.

6.13.4 Modaraba Finance

Profit on modaraba finance is recognised on the basis of pre-agreed profit / loss sharing ratio where as actual gain / loss on transaction is computed upon termination / completion of transaction.

6.13.5 Diminishing Musharaka

Profit on diminishing musharaka is recognised as and when profits become due on a systematic basis over the term of diminishing musharaka period.

6.13.6 Non-performing financing arrangements

Unrealised income in respect of non-performing financing arrangements is held in suspense account, where necessary, in accordance with the requirements of Prudential Regulations for Modarabas issued by the SECP.

6.13.7 Dividend Income

Dividend income is recognised when the Modaraba's right to receive the dividend is established.

Note 2020 2019
------(Rupees)-----

7. CASH AND BANK BALANCES

Cash at bank in :			
- current accounts		2,844,003	22,377,003
- saving accounts	7.1	68,930,313	28,686,987
		71,774,316	51,063,990
Cash in hand		98,183	83,054
		71,872,49	51,147,044

7.1 Effective profit rates on these accounts range between 4.00% and 11.00% (2019: 4.0% and 10.25%).

8. INVESTMENTS

Fair value through profit or loss (FVTPL) - quoted securities	8.1	5,680,702	6,350,180
---	-----	-----------	-----------

8.1. Quoted securities

	Number of shares		2020		2019
	2020	2019	------(Rupees)-----		

Automobile Parts & Accessories					
16,468	16,468	Thal Limited	5,351,112		5,995,340
200	200	Indus Motor Company Ltd	198,998		240,784
Textile & Weaving					
42,400	42,400	Service Fabrics Limited	130,592		114,056
59,068	59,068		5,680,70		6,350,180
			5,680,70		6,350,180

9. MODARABA FINANCE

Modaraba Finance	37,791,201	37,791,201
Less: provision for non-performing Modaraba arrangements	(37,791,201)	(37,791,201)
	-	-

The Modaraba had provided funds under modaraba arrangements on profit and loss sharing basis to various entities outstanding since long. Based on the guidelines of the Prudential Regulations for Modarabas, receivables against these finances have been fully provided.

Note 2020 2019
------(Rupees)-----

10. MUSHARAKA FINANCE

Musharaka finance - considered good	-	3,100,000
- considered doubtful	14,702,297	15,602,297
	14,702,297	18,702,297
Less: provision for non-performing musharaka arrangement	(14,702,297)	(15,602,297)
	<u>-</u>	<u>3,100,000</u>

10.1 This represents waiver given to a client under settlement agreement dated December 24, 2016.

10.2 Movement of provision

Opening balance	15,602,297	15,602,297
(Reversal)/ Provision during the year	(900,000)	-
	<u>14,702,297</u>	<u>15,602,297</u>

11. MURABAHA FINANCE

Murabaha finance - considered good	-	83,796,155
- considered doubtful	158,951,515	88,682,898
	158,951,515	172,479,053
Less: provision for non-performing murabaha arrangements	(158,951,515)	(88,682,898)
	<u>-</u>	<u>83,796,155</u>

11.1 Movement of provision

Opening balance	88,682,898	85,126,172
Provision during the year	70,268,617	3,556,726
	<u>158,951,515</u>	<u>88,682,898</u>

The Modaraba had provided funds under morabaha arrangements on profit and loss sharing basis to various entities outstanding since long. Based on the guidelines of the Prudential Regulations for Modarabas, receivables against these finances have been fully provided.

12. DIMINISHING MUSHARKA FINANCE

Diminishing musharaka finance - considered good	21,596,527	48,935,462
Diminishing musharaka finance - doubtful	6,384,294	6,384,294
Unearned Income	(3,018,886)	(7,027,091)
	24,961,935	48,292,665
Less: provision for non-performing diminishing musharaka	(6,384,294)	(6,384,294)
	<u>18,577,641</u>	<u>41,908,371</u>
Diminishing musharaka due after one year	(7,453,970)	(19,045,539)
Current portion of diminishing musharaka	<u>11,123,671</u>	<u>22,862,832</u>

12.1 The profit rates on these diminishing musharaka arrangements range between 10.00% and 19.00% (2019: 9.51% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

13. Receivable against sale of agriculture produce

During financial year 2016 KASB Modaraba (KASBM) & First Prudential Modaraba (FPRM) entered into a joint project for crushing of banola seed and sale of oil cake (Khal) in the market. M/s Pakistan Phutti International Limited (PPIL) was engaged as seller & service provider responsible for sale of agriculture produce. Subsequently, natural cyclical shortage in productivity of cotton crop affected the availability of the banola seed and therefore the project was prudently discontinued by the management to safeguard the interest of the Modaraba. As per settlement agreement dated April 27, 2016, with PPIL advance for purchase of banola seed was converted into ijarah finance (secured) leaving a balance of Rs. 18.20 million receivable against sale of agriculture produce. Receivable amount is secured against Registered Mortgage on Property of service provider. After continuous default of payment the management of Modaraba has filed recovery suits in the Banking Courts which is pending adjudication. The management and the legal counsel are optimistic on favourable outcome of the case. The details of receivables are as under:

Description	KASBM	FPRM	Total
Initial Investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of Agriculture Produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of agriculture produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: converted to Ijarah Financing	(19,311,320)	(40,000,000)	(59,311,320)
Less Consultancy Charges	(194,950)	(305,050)	(500,000)
	18,200,140	27,811,518	46,011,658
Provision for doubtful receivable against sale of agriculture produce	13.1 (18,200,140)	(27,811,518)	(46,011,658)
	-	-	-

13.1 Movement of provision

	2020	2019
	------(Rupees)-----	
Opening balance	10,548,691	10,548,691
Provision during the year	7,651,449	-
	<u>18,200,140</u>	<u>10,548,691</u>

14. IJARAH RENTALS RECEIVABLE

Considered good	-	52,003
Considered doubtful	23,890,164	23,890,164
	23,890,164	23,942,167
Less: Provision for doubtful receivables	(23,890,164)	(23,890,164)
	-	52,003

15. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees & executives			
-Executives - unsecured	15.1	40,000	40,000
-Employees - unsecured	15.1	293,848	669,936
Advances to suppliers		-	535,400
Prepayments		338,964	5,527,653
Short term security deposits		271,300	380,000
Accrued profit	15.2	434,400	185,946
Advance tax		2,782,763	2,210,138
Others		1,898,595	4,844,536
		6,059,869	<u>14,393,609</u>

15.1 This represents short term portion of non mark-up bearing advances to executives and employees of the Modaraba, for domestic purposes.

	Note	2020 ------(Rupees)-----	2019
15.2 ACCRUED PROFIT			
Accrued profit on bank deposits		434,400	185,946
Accrued license fee on property acquired in satisfaction of financing facility (Note:16)		7,874,930	7,874,930
Less: Impairment loss on accrued license fee		(7,874,930)	(7,874,930)
		-	-
		<u>434,400</u>	<u>185,946</u>
16. PROPERTY ACQUIRED IN SATISFACTION OF FINANCING FACILITY			
This represents real state property at SITE Karachi acquired by the Modaraba in satisfaction of murabaha finance facility. The assessed market value of the said property is Rs. 61.7 million. As per settlement agreement, the borrower has an option to buy back the property within 3 years period. The period (3 years) of buy back option under the settlement agreement with the borrower is expired during the year. The Modaraba has filed recovery suit against the borrower for outstanding balance of morabaha financing and further prayed to the Honorable Court for the peaceful vacant possession of the property already acquired in satisfaction of financing facility.			
17 LONG TERM ADVANCES			
Unsecured and interest free			
to executive - considered good		-	160,000
to employees - considered good		8,333	854,618
		<u>8,333</u>	<u>1,014,618</u>
Due within one year shown under current assets		-	(709,936)
		<u>8,333</u>	<u>304,682</u>
18. IJARAH ASSETS			
Plant and machinery	18.1	<u>3,579,900</u>	<u>9,097,408</u>

18.1 The following is a statement of ijarah assets:

	2020								Rate of depreciation %
	Cost		Accumulated Depreciation		Impairment		Book value		
	As at 01 July 2019	Additions/ (Deletions)	As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	Charge for the year	As at 30 June 2020	
	------(Rupees)-----								
Equipment	57,600	-	57,600	57,600	-	57,600	-	-	
Plant and machinery	33,791,219	-	33,791,219	24,693,811	1,379,382	26,073,193	4,138,125	3,579,900	14 - 33
	<u>33,848,819</u>	<u>-</u>	<u>33,848,819</u>	<u>24,751,411</u>	<u>1,379,382</u>	<u>26,130,793</u>	<u>4,138,125</u>	<u>3,579,900</u>	
	2019								Rate of depreciation %
	Cost		Accumulated Depreciation		Impairment		Book value		
	As at 01 July 2018	Additions/ (Deletions)	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	Charge for the year	As at 30 June 2019	
	------(Rupees)-----								
Equipment	57,600	-	57,600	57,600	-	57,600	-	-	
Plant and machinery	33,791,219	-	33,791,219	21,935,044	2,758,767	24,693,811	-	9,097,408	14 - 33
Motor vehicles	12,452,500	-	-	4,043,329	2,928,496	-	-	-	20 - 50
	<u>46,301,319</u>	<u>(12,452,500)</u>	<u>33,848,819</u>	<u>26,035,973</u>	<u>5,687,263</u>	<u>24,751,411</u>	<u>-</u>	<u>9,097,408</u>	
		<u>(12,452,500)</u>			<u>(6,971,825)</u>				
					<u>(6,971,825)</u>				

	Note	2020	2019
		(Rupees)	
19. FIXED ASSETS - OWNED			
Tangible assets	19.1	1,545,071	5,630,535
Intangible assets	19.2	-	69,137
		<u>1,545,071</u>	<u>5,699,672</u>

19.1 Tangible Assets

	2020									
	Cost		Accumulated Depreciation			Impairment *		Book value		Rate of depreciation %
	As at 01 July 2019	Additions/ (Deletions)	As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	
(Rupees)										
Owned										
Furniture and fixtures	15,438,438	-	15,438,438	8,485,572	203,208	8,688,779	6,526,015		223,644	10
Office equipment	551,202	-	551,202	355,342	102,515	457,857			93,345	20
Electrical equipment	5,938,878	-	5,938,878	4,294,945	131,539	4,426,484		859,496	652,898	20
Plant & Machinery	3,227,600	-	3,227,600	726,258	145,188	871,446		2,356,154	-	20
Motor vehicles	1,984,180	-	1,984,180	1,661,865	140,062	1,801,927			182,253	20
Computers and accessories	3,606,305	-	3,606,305	3,066,071	147,303	3,213,374			392,931	30
	<u>30,746,603</u>	<u>-</u>	<u>30,746,603</u>	<u>18,590,053</u>	<u>869,815</u>	<u>19,459,867</u>	<u>6,526,015</u>	<u>3,215,650</u>	<u>1,545,071</u>	

	2019									
	Cost		Accumulated Depreciation			Impairment *		Book value		Rate of depreciation %
	As at 01 July 2018	Additions/ (Deletions)	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	
(Rupees)										
Owned										
Furniture and fixtures	15,438,438	-	15,438,438	7,006,961	1,478,611	8,485,572		6,526,015	426,851	10
Office equipment	551,202	-	551,202	341,217	14,125	355,342			195,860	20
Electrical equipment	5,938,878	-	5,938,878	3,704,413	590,532	4,294,945			1,919,550	20
Plant & Machinery	3,227,600	-	3,227,600	435,674	290,584	726,258			2,225,725	20
Motor vehicles	1,984,180	-	1,984,180	1,325,715	336,150	1,661,865			322,315	20
Computers and accessories	3,678,397	-	3,606,305	2,956,205	174,749	3,066,071			540,234	30
	<u>30,818,695</u>	<u>(72,092)</u>	<u>30,746,603</u>	<u>15,770,185</u>	<u>2,884,751</u>	<u>18,590,053</u>		<u>6,526,015</u>	<u>5,630,535</u>	
		<u>(72,092)</u>			<u>(64,883)</u>					

* The modaraba has recorded impairment on assets which have nil value in use.

19.2 Intangible assets

	2020								
	Cost		Accumulated Amortization			Book value			
	As at 01 July 2019	Additions/ Deletions	As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 30 June 2020		
(Rupees)							Rate of amortization %		
Computer software	2,795,000	-	2,795,000	2,725,863	69,137	2,795,000		-	30 - 33

	2019								
	Cost		Accumulated Amortization			Book value			
	As at 01 July 2018	Additions/ Deletions	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019		
(Rupees)							Rate of amortization %		
Computer software	2,795,000	-	2,795,000	2,448,363	277,500	2,725,863		69,137	30 - 33

	Note	2020	2019
		------(Rupees)-----	
20. REDEEMABLE CAPITAL- PARTICIPATORY AND UNSECURED			
Certificates of Musharaka	20.1	<u>1,315,000</u>	<u>1,315,000</u>
20.1	This represents matured and unclaimed amount against certificate of musharaka.		
21. TERM FINANCE			
Due within one year	21.1	<u>-</u>	<u>12,566,727</u>
21.1	The Modaraba had availed finance facility under Risk Participation Agreement from JS Bank Limited (Bank). As per terms of the agreement, bank participates in the facilities extended by the modaraba to various customers under musharaka and ijarah arrangement to the aggregate amount of Rs. 100 million. The facility was repayable in thirty six monthly instalments with markup at one month KIBOR plus 3.65% per annum. As per interim arrangement facility was secured by way of hypothecation ranking charge on all present and future assets of the modaraba and lien on the bank account maintained with JS Bank Ltd. Subsequently, charge was upgraded to a first exclusive charge over the specific leased/ musharaka assets. With the repayment of last monthly installment in December 2019, the facility stands fully settled.		
22. SECURITY DEPOSITS			
Ijarah deposits		3,579,900	3,579,900
Less: adjustable after one year		-	(3,479,900)
Current portion of security deposits		<u>3,579,900</u>	<u>100,000</u>
22.1	This represent sums received under ijarah lease arrangements, adjustable at the expiry of the lease period.		
23. CREDITORS, ACCRUED AND OTHER LIABILITIES			
WWF Payable		919,240	919,240
Sundry creditors		850,311	1,789,311
Accrued expenses		700,954	1,546,426
Accrued financial charges		-	235,910
Charity payable		1,214,078	743,907
Insurance premium received in advance		281,005	525,818
Advance rentals		-	5,931
Other liabilities		542,665	423,147
		<u>4,508,253</u>	<u>6,189,690</u>

24 STAFF RETIREMENT BENEFIT SCHEME

24.1 Staff Gratuity Scheme

As disclosed in note 6.12, the Modaraba operates an unapproved, unfunded gratuity scheme for its permanent employees. The latest actuarial valuation was carried out by actuaries as at 30 June 2020, using the Projected Unit Credit Method. The benefits under the gratuity scheme are payable on cessation of service as under:

Number of years of eligible service completed Amount of gratuity payable

Less than 3 years	Nil
Equal to 3 years	0.6 times of last drawn basic salary for each year of service
Equal to 4 years	0.8 times of last drawn basic salary for each year of service
Greater than or equal to 5 years	1 times last drawn basic salary for each year of service

24.2 Principal actuarial assumptions used:

The following significant assumptions have been used for the valuation of this scheme:

24.3 Significant Actuarial Assumptions

Financial Assumptions

- Valuation discount rate	9.25%	14.25%
- Expected rate of increase in salaries	5.00%	9.25%

Demographic Assumptions

Mortality rates (for death in service)	SLIC(2001-05) Low	SLIC(2001-05) High
Rates of employee turnover	2020	2019
	-----	-----
	(Rupees)	

24.4 Statement of Financial Position

Present value of defined benefit obligation	3,770,020	3,389,955
---	-----------	-----------

24.5 Movement in the defined benefit liability

Balance accrued as at the beginning of the year	3,389,955	3,509,176
Periodic benefit cost for the year ended	1,076,197	1,101,279
Benefits paid during the year	(83,726)	(755,684)
Amount of remeasurements losses recognised in Other Comprehensive Income during the year	(612,406)	(464,816)
Balance accrued as at the end of the year	<u>3,770,020</u>	<u>3,389,955</u>

	2020	2019
	------(Rupees)-----	
24.6 Defined Benefit Cost for the Year		
Cost recognised in Profit and Loss Account for the year		
Current service cost	605,059	819,459
Interest Cost on defined benefit obligation	471,138	281,820
	<u>1,076,197</u>	<u>1,101,279</u>
Re-measurements recognised in Other Comprehensive Income during the year		
Actuarial gain on obligation	(612,406)	(464,816)
Total defined benefit cost recognised in Profit & Loss Account and Other Comprehensive Income	<u>463,791</u>	<u>636,463</u>
24.7 Remeasurements recognised in Other Comprehensive Income / (expense) during the year		
Actuarial gain on obligation		
Gain due to change in financial assumptions	241,354	283,937
Gain due to change in experience adjustments	-	180,879
- Due to actual salary increase	348,727	-
- Due to other reasons	22,325	-
	<u>371,052</u>	-
Total actuarial gain on obligation	<u>612,406</u>	<u>464,816</u>
24.8 Maturity profile of the defined benefit obligation		
Distribution of timing of benefit payments	885,011	1,189,088
within the next 12 months (next annual reporting period)	697,876	324,970
between 2 and 5 years	63,041	1,278,987
between 5 and 10 years	<u>13,028,823</u>	<u>11,248,493</u>
Beyond 10 years	<u>14,674,751</u>	<u>14,041,538</u>
24.9 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability		
Discount Rate +1%	3,407,579	3,228,435
Discount Rate -1%	4,207,632	3,574,796
Long Term Salary Increases +1%	4,224,017	3,589,709
Long Term Salary Increases -1%	3,387,649	3,212,049
Withdrawals Rates +10%	3,770,020	3,389,955
Withdrawals Rates -10%	3,770,020	3,389,955
1 Year Mortality age set back	3,770,020	3,389,955
1 Year Mortality age set forward	<u>3,770,020</u>	<u>3,389,955</u>
	<u>30,306,957</u>	<u>27,164,809</u>

24.10 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 1,076,197/- during the year ending 30 June 2020.

25. Authorised certificate capital 2020
------(Rupees)-----
2019

2020	2019		2020	2019
Number of certificates				
50,000,000	<u>50,000,000</u>	Modaraba Certificates of Rs. 10/- each	500,000,000	<u>500,000,000</u>
Issued, subscribed and paid-up capital				
24,958,400	24,958,400	Modaraba Certificates of Rs. 10/- each fully paid in cash	249,584,000	249,584,000
3,316,000	3,316,000	Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates	33,160,000	33,160,000
19,792,080	19,792,080	Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800	197,920,800
48,066,480	<u>48,066,480</u>		480,664,800	<u>480,664,800</u>

25.1 As at 30 June 2020, the Ex-Management Company held 23,930,973 (2019: 23,930,973) certificates .

26 CONTINGENCIES AND COMMITMENTS

26.1 Some of the modarabas in the sector have received letter from Assistant Commissioner, Sindh Revenue Board (SRB), whereby it came to their notice that these Modarabas are engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding. The modarabas who have received the said letter, collectively decided that under the supervision of NBFi & Modaraba Association Pakistan, a petition against the same be filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rental/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. Being similar in nature of business it was expected that the same type of letter shall be received by KASB Modaraba. Therefore, management has taken cautious approach and become a party in collective effort undertaken by the other modarabas.

27. INCOME FROM IJARAH FINANCE

Ijarah Rentals		
Plant and machinery	-	209,295
Motor vehicle	-	3,459,656
Gain on disposal of ijarah assets	-	58,620
	-	<u>3,727,571</u>

28. FINANCIAL CHARGES

Profit on Certificates of Musharaka	-	472,463
Bank charges	22,591	43,947
Profit on Term Finance Facility	410,531	3,279,767
	433,121	<u>3,796,177</u>

29. OTHER INCOME

Documentation income	-	43,000
Insurance income	731,326	1,415,869
Bank deposits	4,648,576	1,163,842
Others	537,778	2,817
	5,917,680	<u>2,625,528</u>

30. ADMINISTRATIVE AND OPERATING EXPENSES	Note	2020	2019
		----- (Rupees) -----	
Salaries and benefits	30.1	10,098,448	9,236,933
Utilities		731,527	655,865
Insurance		4,468,615	2,665,686
Postage		93,537	47,199
Repairs and maintenance		845,722	301,616
Entertainment		162,250	207,669
Printing and stationery		140,719	144,060
Travelling and conveyance		220,782	251,390
Fee and subscriptions		1,397,547	4,494,290
Auditors' remuneration	30.2	429,000	429,000
Legal and professional charges		2,902,658	3,202,310
Depreciation - owned assets		869,815	2,884,750
Impairment loss on own assets		3,215,650	6,526,015
Amortization		69,137	277,500
Advertisements		-	20,908
Rent, rate and taxes		1,722,607	2,738,867
Generator expenses		-	85,721
Newspapers and periodicals		69,448	206,790
CIB charges		9,245	6,000
Verysis charges		45,499	178,096
Security services		751,393	882,094
Training and seminar		10,000	15,000
Others		435,858	287,744
		28,689,456	35,745,504

30.1 REMUNERATION TO OFFICERS AND OTHER EMPLOYEES

	2020		2019	
	Officers	Other Employees	Officers	Other Employees
	----- (Rupees) -----			
Managerial remuneration	2,971,654	1,463,012	1,670,138	2,730,393
Medical allowance	400,744	465,462	299,240	500,411
House rent allowance	1,202,239	1,396,375	717,890	1,501,250
Utility allowance	400,751	465,452	299,240	500,411
Employee benefits	581,147	523,587	358,000	295,000
EOBI contribution	9,360	68,665	1,950	23,010
Bonus	20,000	130,000	50,000	290,000
	5,585,895	4,512,553	3,396,458	5,840,475
Number of persons	5	13	5	13

30.1.1 The total number of employees as at June 30 2020 are 18. (2019: 17) and the average number of employees during the year equates to 18 (2019: 18).

	2020	2019
	----- (Rupees) -----	
30.2 Auditors' Remuneration		
Annual audit fee	325,000	325,000
Review of interim financial statements	95,000	95,000
Out of pocket expenses	9,000	9,000
	429,000	429,000

31. MODARABA MANAGEMENT COMPANY FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management remuneration at the rate of 10% of annual profits is payable to the Management Company. However no management fee is charged due to loss for the year.

32. PROVISION FOR WORKERS' WELFARE FUND

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

33. TAXATION

The income of the Modaraba is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are

No provision for current and deferred taxation has been made in these financial statements in accordance with the accounting policy of the Modaraba as disclosed in note 6.9 to the financial statements.

34. LOSS PER CERTIFICATE - BASIC AND DILUTED

Loss for the year (Rupees)	<u>(102,920,867)</u>	<u>(34,239,540)</u>
Weighted average number of certificates (Number)	<u>48,066,480</u>	<u>48,066,480</u>
Loss per certificate -basic and diluted	<u>(2.14)</u>	<u>-0.71</u>

35. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2020 -----			
	----- (Rupees) -----			
	At Amortised Cost	FVTPL	FVTOCI	Other financial liabilities
FINANCIAL ASSETS				
Cash and bank balances	71,872,499	-	-	-
Short term investments	-	5,680,702	-	-
Short term modaraba finance	-	-	-	-
Short term musharaka finance	-	-	-	-
Receivable against sale of agricultural produce	-	-	-	-
Ijarah rentals receivable	-	-	-	-
Advances, prepayments and other receivables	2,938,143	-	-	-
Murabaha finance	-	-	-	-
Diminishing musharaka finance	18,577,641	-	-	-
Long term advances	8,333	-	-	-
Long-term deposits	-	-	-	-
	<u>93,396,616</u>	<u>5,680,702</u>	<u>-</u>	<u>-</u>
FINANCIAL LIABILITIES				
Redeemable capital	-	-	-	1,315,000
Long term finance	-	-	-	-
Creditors, accrued and other liabilities	-	-	-	<u>3,294,175</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,609,175</u>
----- As at June 30, 2019 -----				
----- (Rupees) -----				
	At Amortised Cost	FVTPL	FVTOCI	Other financial liabilities
Cash and bank balances	51,147,044	-	-	-
Short term investments	-	6,350,180	-	-
Short term modaraba finance	-	-	-	-
Short term musharaka finance	3,100,000	-	-	-
Receivable against sale of agricultural produce	7,651,449	-	-	-
Ijarah rentals receivable	52,003	-	-	-
Advances, prepayments and other receivables	6,120,418	-	-	-
Murabaha finance	83,796,155	-	-	-
Diminishing musharaka finance	41,908,371	-	-	-
Long term advances	304,682	-	-	-
Long-term deposits	-	-	-	-
	<u>194,080,123</u>	<u>6,350,180</u>	<u>-</u>	<u>-</u>
FINANCIAL LIABILITIES				
Redeemable capital	-	-	-	1,315,000
Long term finance	-	-	-	12,566,727
Creditors, accrued and other liabilities	-	-	-	<u>5,439,852</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,321,579</u>

35.1 FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations mainly through equity, borrowing and deposits. The Modaraba utilises funds in ijarah financing, modaraba financing, musharaka financing, diminishing musharaka and murabaha financing. These activities are exposed to a variety of financial risks that are market risk, credit risk and liquidity risk.

The Board of Directors of the Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

35.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk namely currency risk, profit rate risk and price risk.

35.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba, at present is not exposed to currency risk as all transactions are carried out in Pak

35.2.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

35.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

35.2.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

Yield / profit rate sensitivity position for, on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

		2020					
	Effective yield / profit rate %	Total	Upto one month	Over one month to 3 months	Over 3 months to one year	Over one year to 5 years	Not exposed to yield/ profit risk
Assets							
Cash and bank balances	4.00%-11.00%	71,872,499	68,930,313	-	-	-	2,942,186
Investments		5,680,702	-	-	-	-	5,680,702
Murabaha finance	-	-	-	-	-	-	-
Modaraba Finance	-	-	-	-	-	-	-
Musharaka finance	-	-	-	-	-	-	-
Diminishing musharaka finance	9.51%-19%	18,577,641	3,246,230	1,631,676	6,245,765	7,453,970	-
Receivable against sale of agricultural	-	-	-	-	-	-	-
Ijarah rentals receivable	-	-	-	-	-	-	-
Advances, prepayments and other reci	-	2,503,743	-	-	-	-	2,503,743
Accrued profit	-	434,400	-	-	-	-	434,400
Total		99,068,985	72,176,543	1,631,676	6,245,765	7,453,970	11,561,031
Liabilities							
Certificate of musharaka	-	1,315,000	-	-	-	-	1,315,000
Creditors, accrued and other liabilities	-	4,508,253	-	-	-	-	4,508,253
Long term finance	-	-	-	-	-	-	-
Total		5,823,253	-	-	-	-	5,823,253
Total yield / profit risk sensitivity gap			72,176,543	1,631,676	6,245,765	7,453,970	
Cumulative yield / profit risk sensitivity gap			72,176,543	73,808,219	80,053,984	87,507,954	87,507,954

		2019					
	Effective yield / profit rate %	Total	Upto one month	Over one month to 3 months	Over 3 months to one year	Over one year to 5 years	Not exposed to yield/ profit risk
Assets							
Cash and bank balances	4.00% - 10.25%	51,147,044	28,686,987	-	-	-	22,460,057
Investments		6,350,180	-	-	-	-	6,350,180
Murabaha finance	0.37%-20%	83,796,155	80,595,784	-	3,200,371	-	-
Modaraba Finance	-	-	-	-	-	-	-
Musharaka finance	-	3,100,000	-	-	-	-	3,100,000
Diminishing musharaka finance	9.51%-21%	41,908,371	3,543,404	4,956,418	14,363,010	19,045,539	-
Receivable against sale of agricultural	-	7,651,449	-	-	-	-	7,651,449
Ijarah rentals receivable	-	52,003	-	-	-	-	52,003
Advances, prepayments and other reci	-	6,239,154	-	-	-	-	6,239,154
Accrued profit	-	185,946	-	-	-	-	185,946
Long-term Deposit	-	-	-	-	-	-	-
Total		200,430,302	112,826,175	4,956,418	17,563,381	19,045,539	46,038,789
Liabilities							
Certificate of musharaka	-	1,315,000	1,315,000	-	-	-	-
Creditors, accrued and other liabilities	-	10,879,704	5,439,852	-	-	-	5,439,852
Long term finance	15.37%	12,566,727	2,094,454	6,283,362	4,188,911	-	-
Total		24,761,431	8,849,306	6,283,362	4,188,911	-	5,439,852
Total yield / profit risk sensitivity gap			103,976,869	(1,326,944)	13,374,470	19,045,539	
Cumulative yield / profit risk sensitivity gap			103,976,869	102,649,925	116,024,395	135,069,934	135,069,934

Sensitivity analysis for financial instruments

The sensitivity of the net income for the year is the effect of the assumed changes in profit rates on the floating rate financial instruments held at the year end. The following table demonstrates the sensitivity of the Modaraba's income for the year to a reasonably possible change in profit rates, with all other variables held constant.

	Impact on profit or loss	
	2020	2019
	------(Rupees)-----	
Changes in basis point		
+100	875,080	1,350,699
-100	(875,080)	(1,350,699)

In practice, the actual results may differ from the sensitivity analysis shown above.

35.2.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The carrying amount of investments in equity securities carried at fair value as shown in note 8 is as follows:

+5%	284,035	317,509
-5%	(284,035)	(317,509)

35.3 Credit risk

35.3.1 Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to credit risk in respect of net investment in finance lease, musharaka, murabaha, modaraba, diminishing musharaka and ijarah rental receivables.

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

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

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

The Modaraba's maximum exposure to credit risk related to financial instruments at June 30, 2020 and June 30, 2019 is the carrying amounts of following financial assets

Diminishing Musharakah	18,577,641	41,908,371
Advances, deposits, prepayments and other receivables	2,938,143	6,120,418
Balances with banks and financial institutions	71,774,316	51,063,990
Short term modaraba finance	-	-
Short term musharaka finance	-	3,100,000
Murabaha finance	-	83,796,155
	<u>93,290,100</u>	<u>185,988,935</u>

35.3.2 The analysis below summarises the credit quality of the Modaraba's financial assets:

Bank balances	Short Term	Long Term	2020	2019
			------(Rupees)-----	
MEEZAN BANK LIMITED	A-1+	AA+	2,131	2,131
HBL ISLAMIC BANK	A-1+	AAA	2,085,717	1,784,427
ALBARAKA BANK (PAKISTAN) LTD	A1	A	1,095,919	1,106,293
SUMMIT BANK	-	-	2,713,527	2,554,778
SONERI BANK LIMITED	A1+	AA-	65,087,332	25,304,045
DUBAI ISLAMIC BANK	A-1	AA	1,185	938
BANK ISLAMI PAKISTAN	A-1	A+	692,850	692,850
BANK ALFALAH LIMITED	A-1+	AA+	87	87
JS BANK LIMITED	A-1+	AA-	85,420	19,618,440
			<u>71,764,168</u>	<u>51,063,989</u>

35.3.3 An analysis of the age of significant financial assets that are past due but not required to be impaired by applicable laws are as under:

	2020		2019	
	Total outstanding	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Ijarah rentals receivable	-	1 - 90 Days	52,003	1 - 90 Days
Murabaha Finance	-	1 - 90 Days	1,400,000	1 - 90 Days
Diminishing Musharaka Finance	-	1 - 90 Days	-	1 - 90 Days
Modaraba Finance	-	1 - 90 Days	-	1 - 90 Days

35.3.4 An analysis of the financial assets that are individually impaired as per the requirements of the Prudential Regulations for Modarabas are as under:

	OAEM	2020			Total
		Substandard	Doubtful	Loss	
-----Rupees-----					
Ijarah rentals receivable	-	-	-	-	-
Murabaha Finance	-	-	-	-	-
Musharaka Finance	-	-	-	-	-
Modaraba	-	-	-	-	-
Diminishing Musharaka Finance	-	-	-	-	-
Receivable against sale of agriculture produce	-	-	-	18,200,140	18,200,140
-----Rupees-----					
	OAEM	2019			Total
		Substandard	Doubtful	Loss	
-----Rupees-----					
Ijarah rentals receivable	-	-	-	23,890,164	23,890,164
Murabaha Finance	-	-	53,284,030	44,327,865	97,611,895
Musharaka Finance	-	-	4,000,000	11,602,297	15,602,297
Modaraba	-	-	-	37,791,201	37,791,201
Diminishing Musharaka Finance	576,493	219,605	150,420	5,653,245	6,599,763
Receivable against sale of agriculture produce	-	-	18,200,140	-	18,200,140

35.3.5 Ijarah Assets

	2020		2019	
	(Rupees)	%	(Rupees)	%
Fuel and energy	100,000	2.79	100,000	1.10%
Others	3,479,900	97.21	8,997,408	98.90%
	<u>3,579,900</u>	<u>100.00</u>	<u>9,097,408</u>	<u>100.00%</u>

35.3.6 Finance arrangements

	2020	2019
	----- (Rupees) -----	
Murabaha finance	-	83,796,155
Musharaka finance	-	3,100,000
Diminishing Musharaka finance	18,577,641	41,908,371
Modaraba finance	-	-
	<u>18,577,641</u>	<u>128,804,526</u>

35.4 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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 stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2020			
	Total	Upto three months	More than three months and upto one year	
			More than one year	
----- Rupees -----				
Liabilities				
Redeemable capital	1,315,000	1,315,000	-	-
Security deposits	3,579,900	3,579,900	-	-
Creditors, accrued and other liabilities	4,508,253	4,508,253	-	-
Unclaimed profit distribution	2,834,156	2,834,156	-	-
Deferred liabilities - staff gratuity	3,770,020	-	-	3,770,020
Total liabilities	<u>16,007,329</u>	<u>12,237,309</u>	<u>-</u>	<u>3,770,020</u>
			2019	
	Total	Upto three months	More than three months and upto one year	
			More than one year	
----- Rupees -----				
Liabilities				
Redeemable capital	1,315,000	1,315,000	-	-
Security deposits	3,579,900	100,000	-	3,479,900
Creditors, accrued and other liabilities	6,189,690	6,189,690	-	-
Unclaimed profit distribution	2,834,156	2,834,156	-	-
Long-term finance	12,566,724	6,283,362	6,283,362	-
Deferred liabilities - staff gratuity	3,389,955	-	-	3,389,955
Total liabilities	<u>29,875,425</u>	<u>16,722,208</u>	<u>6,283,362</u>	<u>6,869,855</u>

35.5 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

36. CAPITAL RISK MANAGEMENT

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

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

	2020	2019
	------(Rupees)-----	
Total borrowings and deposits	1,315,000	13,881,727
Cash and bank balances	<u>(71,872,499)</u>	<u>(51,147,044)</u>
Net debt	<u>(70,557,499)</u>	<u>(37,265,317)</u>
Total equity	<u>138,399,622</u>	<u>240,708,083</u>
Total capital	<u><u>67,842,124</u></u>	<u><u>203,442,766</u></u>
Gearing ratio	-104.0%	-18.3%

37. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Modaraba comprise of the Management Company (Awwal Modaraba Management Limited) and its Holding Company, Ex-modaraba Management Company [KASB Invest (Pvt.) Ltd.] to the extent of their control, Ex-Administrator to the extent of his control, modaraba under common management (First Prudential Modaraba, First Pak Modaraba and Awwal Modaraba), directors of Management Company, key management personnel and associated undertakings.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Modaraba considers its Chief Financial Officer and business heads to be its key management personnel. There are no transactions with key management personnel other than their term of employment/entitlement. Details of certificate holding, if any, of Holding Company, Management Company, Directors, Key Management Personnel and their family members are disclosed in pattern of certificate holding included in the annual report of the Modaraba.

Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Transactions and balances with related parties during the year other than those disclosed elsewhere in the financial statements are as follows:-

37.1 Balances and Transactions with related parties

Relationship with Modaraba	Nature of Transactions	June 30, 2020	June 30, 2019
		----- (Rupees) -----	
Balances with related parties			
Ex-Modaraba management Company [KASB Invest (Pvt.) Ltd.]	Issue of certificates at discount	98,946,390	98,946,390
Modaraba under common management			
First Prudential Modaraba	Receivable against reimbursement of expenses	1,170,594	1,959,999
First Pak Modaraba	Receivable against reimbursement of expenses	285,989	647,314
Other related parties			
Ex-Administrator (Ref: Note # 1)	Salaries & Other benefits	-	240,000
Silk Bank Limited (Associated Undertaking)	Bank Account	896	896
Expense/(Income) for the period			
Modaraba under common management			
First Prudential Modaraba	Reimbursement of expenses	(5,865,591)	(5,524,475)
First Pak Modaraba	Reimbursement of expenses	(623,984)	(1,657,869)
Ex-Administrator (Ref: Note # 1)	Salaries & Other benefits	639,310	240,000
Jubilee Life Insurance Company Ltd (Associated Undertaking)	Takaful premium	614,884	393,457
Payments/(Receipts) made during the period			
Modaraba under common management			
First Prudential Modaraba	Reimbursement of expenses	(6,654,996)	(3,557,524)
First Pak Modaraba	Reimbursement of expenses	(985,309)	(1,134,279)
Jubilee Life Insurance Company Ltd (Associated Undertaking)	Takaful premium	614,884	393,457
Ex-Administrator (Ref: Note # 1)	Salaries & Other benefits	879,310	-

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. However, no significant rearrangements or reclassification have been made in these financial statements during the current year.

39. GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee.

40. DATE OF AUTHORISATION

These financial statements has been authorized for issue on September 24, 2020 by the Board of Directors of Awwal Modaraba Management Limited.

sd	sd	sd	sd
_____ Chief Executive	_____ Director	_____ Director	_____ Chief Financial Officer

PATTERN OF CERTIFICATE HOLDING-FORM-34

SHAREHOLDERS STATISTICS- AS AT JUNE 30, 2020

NO. OF C-HOLD	CERTIFICATES HOLDING		TOTAL CERTIFICATES
	FROM	TO	HOLD
415	1	- 100	15,996
278	101	- 500	77,164
159	501	- 1000	130,962
188	1001	- 5000	439,848
45	5001	- 10000	337,721
14	10001	- 15000	177,469
17	15001	- 20000	289,275
10	20001	- 25000	228,561
7	25001	- 30000	202,345
2	30001	- 35000	62,200
7	35001	- 40000	255,500
2	40001	- 45000	81,800
2	60001	- 65000	123,877
1	70001	- 75000	72,000
3	85001	- 90000	263,500
2	95001	- 100000	200,000
1	100001	- 105000	101,000
1	105001	- 110000	110,000
1	110001	- 115000	113,100
2	115001	- 120000	236,963
1	120001	- 125000	122,823
1	125001	- 130000	127,500
6	140001	- 145000	864,378
1	165001	- 170000	166,320
1	175001	- 180000	176,000
1	220001	- 225000	225,000
2	245001	- 250000	494,500
9	285001	- 290000	2,596,122
1	300001	- 305000	304,389
1	315001	- 320000	319,702
1	390001	- 395000	392,245
1	490001	- 495000	493,500
1	495001	- 500000	500,000
1	795001	- 800000	795,980
1	855001	- 860000	858,500
1	995001	- 1000000	1,000,000
1	1375001	- 1380000	1,375,733
1	1590001	- 1595000	1,591,000
1	10445001	- 10450000	10,446,767
1	21695001	- 21700000	21,696,740
1191	Total		48,066,480

**PATTERN OF CERTIFICATE HOLDING
FORM "34"
CERTIFICATEHOLDERS STATISTICS
AS AT JUNE 30, 2020**

S/R NO.	CATAGORIES OF CERTIFICATE HOLDERS	NUMBER OF CERTIFICATE HOLDERS	TOTAL	PERCENTAGE %
1	INDIVIDUALS	1146	11,674,758	24.29
2	INVESTMENT COMPANIES	2	1,200	0.00
3	INSURANCE COMPANIES	3	796,380	1.66
4	JOINT STOCK COMPANIES	16	1,182,786	2.46
5	FINANCIAL INSTITUTIONS	11	10,472,584	21.79
6	LEASING COMPANIES	1	1,246	0.00
7	MODARABA COMPANIES	3	36	0.00
8	OTHERS	2	101,300	0.21
9	MODARABA MANAGEMENT COMPANIES	2	23,072,473	48.00
10	MUTUAL FUND	1	392,245	0.82
11	INVESTMENT ADVISORY	1	2,000	0.00
12	HOLDING COMPANY	1	304,389	0.63
13	EMPLOYEES PENSION FUND	1	62,877	0.13
14	EMPLOYEES BENEVOLENT FUND	1	2,206	0.00
		1191	48,066,480	100.00

ASSOCITED COMPANIES

KASB INVEST (PRIVATE) LIMITED	23,930,973	49.79
KASB CORPORATION	304,389	0.63
	24,235,362	50.42

Banks,Development Financial Institutions, Non-Banking Finance Institutions
Insurance Companies, Modaraba and Mutual Funds

11,870,428 **24.69**

KASB Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 29th Annual Review Meeting of the certificate holders of KASB Modaraba will be held on Tuesday, 27 October, 2020 at 3:45 pm at the Registered Office of Awwal Modaraba Management Limited situated at Horizon Vista, Commercial 10, Block No. 4, Scheme No. 5, Clifton, Karachi, to review the performance of the Modaraba for the year ended 30 June 2020.

Special Business:

To obtain consent of certificate holders for transmission of the annual audited accounts of Modaraba through CD/DVD/USB instead of transmitting the said accounts in hard copies, in light of provisions of SRO 470(I)/2016 issued by the Securities and Exchange Commission of Pakistan (SECP).

On behalf of the Board

Iqra Sajjad
Company Secretary
Awwal Modaraba Management Limited
Managers of KASB Modaraba

06 October 2020
Karachi

Notes:

1. The certificate transfer books shall remain closed from Tuesday, 13 October 2020 to Tuesday, 27 October 2020 (both days inclusive). Transfers received in order at the office of the Share Registrars of KASB Modaraba i.e. C & K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi (Phone: 35687839-35685930) before the close of business hours on Monday, 12 October 2020 will be treated as in time to attend the Annual Review Meeting.
2. The certificate holders are advised to notify change in their address, if any, to C & K Management Associates (Private) Limited.
3. **For Attending the Meeting:**
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate identity by showing original CNIC or original passport at the time of attending the Meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. In terms of SRO 634(I)/2014 issued by the SECP, the Annual Report for the year ended 30 June 2020 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.

As per the directives issued by the SECP vide SRO 787(I)/2014 dated 08 September 2014, companies are allowed to circulate Audited Financial Statements along with Notice of Annual Review Meeting to their

certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at the website of Modaraba) and return it to C & K Management Associates (Private) Limited.

5. Unclaimed Dividends and Physical Modaraba Certificates:

Certificate holders, who for any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact C & K Management Associates (Private) Limited to enquire about their unclaimed dividend and / or pending Modaraba certificates.



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If undelivered please return to
KASB Modaraba

Registered Office: Office # B, 5th Floor Lakson Square Building # 1,
Sarwar Shaheed Road, Karachi.