



Popular Islamic Modaraba
An Islamic Financial Institution

**ANNUAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2020**

Managed By:

Popular Islamic Modaraba
Management Company (Private) Limited



Popular Islamic Modaraba

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TABLE OF CONTENTS

●	Vision Statement, Mission Statement, Statement of Ethics and Business Practices	-01-
●	Corporate Information	-02-
●	Chairman Review Report - English	-03-
●	Chairman Review Report - Urdu	-04-
●	Director's Report - English	-05-
●	Director's Report - Urdu	-10-
●	Statement of Compliance with the Code of Corporate Governance	-11-
●	Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	-18-
●	Auditors' Report to the Certificate Holders	-20-
●	Shariah Advisor's Report	-22-
●	Balance Sheet	-24-
●	Profit and Loss Account	-25-
●	Statement of Changes in Equity	-26-
●	Cash Flow Statement	-27-
●	Notes to the Financial Statement	-28-
●	Pattern of Share Holding	-48-
●	Categories of Certificate Holding	-49-
●	Notice of Annual Review Meeting	-50-
●	JamaPunji	-56-



Popular Islamic Modaraba

An Islamic Financial Institution

VISION STATEMENT

To be Modaraba of choice adhering to financing principles of Quran and Sunnah.

MISSION STATEMENT

To develop Popular Islamic Modaraba as a leading Financial Institution of the country offering all modes of Islamic Financing to the satisfaction of customers who aspire to realize the growth potential of Shariah Compliant Financing in Pakistan.

We focus on value creation for our stakeholders.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

We believe a complete Code of Ethics is a prerequisite for all Directors and Employers of **Popular Islamic Modaraba**. We Endeavour to have fully groomed employees committed to the philosophy behind the Code of Ethics to carry out honestly activities assigned to them. Our aim is to have highest standard of excellence for the product and the betterment for all those involved directly or indirectly with our Modaraba.



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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Imamuddin Shouqeen Mr. Shahbaz Ali Malik Mr. Khurram Abdullah Mr. Malik Junaid Emam Mr. Kamran Hussain Mughal Mr. Muhammad Riaz	- Chairman - Managing Director - Independent Director - Director - Director & Company Secretary - Chief Executive Officer
AUDIT COMMITTEE	Mr. Khurram Abdullah Mr. Shahbaz Ali Malik Mr. Malik Junaid Emam	- Chairman - Member - Member
HR COMMITTEE	Mr. Khurram Abdullah Mr. Malik Junaid Emam Saiyed Faiq Hussain	- Chairman - Member - Member
SHARIAH ADVISOR	Al-Hamd Shariah Advisory Services (Pvt.) Limited	
COMPANY SECRETARY	Mr. Kamran Hussain Mughal	
CHIEF FINANCIAL OFFICER	Mr. Ali Hasan Kalroo	
BANKERS	Albaraka Bank (Pakistan) Limited Meezan Bank Limited	
AUDITORS	Baker Tilly Mehmood Idress Qamar Chartered Accountant	
LEGAL ADVISOR	Mr. Malik Muhammad Ishaque M/s. Abbasi Associates	
MANAGEMENT COMPANY	Popular Islamic Modaraba Management Company (Pvt.) Ltd	
REGISTERED OFFICE	15th Floor, Hasrat Mohani Road, Off. I.I.Chundrigar Road, Karachi.	
SHARE REGISTRAR	Central Depository Company of Pakistan CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi	



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Chairman's Review Report

It is my privilege to write to you once more and I welcome this opportunity to share with you our 2020 performance and talk about how we are aligning internally and externally as a company to deliver a more valuable services of Popular Islamic Modaraba to its stakeholders. In spite of rapid spread of COVID-19 and lockdown in the country during 2020, by the grace of Allah, your Modaraba has had another successful year with increased in income by 37.86% from Rs. 25.066 million to Rs. 34.558 million compared to corresponding period of last year. The operating expenses decreased by 22.88% from Rs. 7.116 million to Rs. 5.487 million, depreciation expenses increased due to addition of Ijarah Assets. The Net profit increased by 14.54% from Rs. 4.839 million to Rs. 5.543 million. Due to pandemic of COVID-19 and lockdown of business, the Management of Modaraba has decided in the best interest of Certificate holders to waive the Management Fee in this year and approved the distribution of profit at Re. 0.4035 per certificate of Rs.10/- each i.e 4.035%, and wish more in future ahead.

For the past seven years, I have been entrusted with the responsibility to serve as Chairman of the Board, and during this period I have endeavoured to increase focus on performance of Modaraba. A performing, sustainable thought leader in its category endeavouring to serve our country, community and people, both clients and employees.

We also believe that the role of the Board is as important as the Management and each have their part to play in the leadership of the organization. The Board needs to be far –sighted in its role, while the Managements responsibility is to deliver prompt and oriented results. It is my privilege to share that the composition of current Board includes Directors with competencies in developing vision, leadership, dignity, innovation, risk assessment and effective governance framework.

I confirm that the Board of Directors of your Modaraba, received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The Board received appropriate and adequate various management reports for their discussion and decisions. Further, Board members openly and freely exchanged their views on different matters presented to the Board in their meetings.

The Board also carried out the annual review of its effectiveness and performance on a self-assessment basis. The assessment is based on the basic principles of fairness, integrity and accountability with prime focus to enhance the Modaraba performance. For the Financial year ended June 30, 2020, the overall performance of the Board has been satisfactory. Moreover, the Overall performance of the Modaraba is a manifestation of service to the stakeholders and society, and every Director has made a valuable contribution toward this end.

On behalf of the Board, it is a distinct pleasure for me to express my gratitude to you for the enduring trust and confidence reposed in us for many years.

Imamuddin Shouqeen
Chairman

September 18, 2020

بورڈ آف ڈائریکٹرز کی کارکردگی پر چیئرمین کی جائزہ رپورٹ

یہ میرے لئے اعزاز کی بات ہے میں ایک بار پھر آپ لوگوں سے مخاطب ہوں اور میں اس موقع کو خوش آمدید کرتے ہوئے آپ کو مضاربہ کی ۲۰۲۰ کی کارکردگی کے بارے میں بتانا چاہتا ہوں کہ ہم نے بطور کمپنی اندرونی اور بیرونی طور پر کس طرح سے اپنے آپ کو ہم آہنگ کیا تاکہ پاپولر اسلامک مضاربہ اپنے اسٹیک ہولڈرز کو بہتر سروس اور فائدہ دے سکے۔ تیزی سے پھیلتی ہوئی کرونا وائرس کی وبا اور ملک میں کاروباری بندش (لوک ڈاؤن) کے باوجود اللہ تعالیٰ کی مہربانی سے آپ کے مضاربہ کیلئے ایک اور کامیاب سال رہا۔ مضاربہ کا خالص منافع 14.54 فیصد اضافے کے ساتھ 5.543 ملین رہا جو کہ پچھلے سال 4.839 ملین تھا۔ منجمنٹ نے یہ فیصلہ کیا ہے کہ چونکہ موجودہ کووڈ-۱۹ کی وبا کی وجہ سے کاروباری سرگرمیاں معطل رہی ہیں لہذا سرٹیفکیٹ ہولڈرز کے فائدے کی خاطر منجمنٹ فیس ندی جائے اور 10 روپے والے سرٹیفکیٹ پر 0.4035 پیسے (4.035%) فی سرٹیفکیٹ کے حساب سے نقد منافع "قسمہ (Cash Dividend) ادا کیا جائے اور ہم مستقبل میں اس سے زیادہ کی امید کرتے ہیں۔

گزشتہ سات سالوں میں مجھے بطور چیئرمین خدمات سرانجام دینے کی ذمہ داری دے کر مجھ پر اعتماد کا اظہار کیا گیا ہے اور اس مدت میں میں نے کوشش کی کہ مضاربہ کی کارکردگی کو مزید بہتر بنایا جائے۔ اس حیثیت میں میں تسلسل سے سوچ بچار اور کوشش کرتا رہا کہ اپنے ملک، عوام، کسٹمر اور ملازمین کی بہتر خدمت کر سکوں۔ ہم اس بات پر بھی یقین رکھتے ہیں کہ بورڈ اتنا ہی اہم ہے جیسا کہ انتظامیہ اور ہر ایک ادارے کی قیادت میں اہم کردار ادا کرتا ہے۔ بورڈ کو اپنے کردار میں دو رائٹ لیش ہونا چاہیے، جبکہ انتظامیہ کی ذمہ داری نتائج دینا ہے۔ میرے لیے یہ اعزاز کی بات ہے کہ آپ کے علم میں لاؤں کہ موجودہ بورڈ میں وہ ڈائریکٹرز شامل ہیں جو ادارے میں بصیرت، قیادت، وقار، جدت، کاروباری خطرے کے تخمینہ اور موبو نظم و ضبط میں اضافہ کرنے کی اہلیت رکھتے ہیں۔

بورڈ کے اراکین کو بورڈ اور کمپنی کے اجلاسوں سے متعلق ایجنڈا اور دیگر متعلقہ دستاویزات تحریری طور پر اجلاسوں سے پہلے بھیجوائی جاتی رہی ہیں۔ اسکے علاوہ بورڈ کے اراکین کو مباحثوں اور فیصلوں کیلئے منجمنٹ کے متعلق مختلف رپورٹس بھی بروقت ارسال کی جاتی رہی ہیں۔ مزید، بورڈ کے اراکین مختلف معاملات پر آزادانہ طور پر اپنی رائے کا اظہار کرتے رہے ہیں۔ بورڈ اپنی کارکردگی اور نوکریوں کا سالانہ جائزہ لیتا ہے۔ اس تخمینہ کا بنیادی مقصد اور اصول غیر جانبداری، دیانت داری، اور احاطہ کرتے ہوئے مضاربہ کی کارکردگی کو بڑھانا ہے۔ ۳۰ جون ۲۰۲۰ کو اختتام پر سال میں، بورڈ کی مجموعی کارکردگی اطمینان بخش رہی۔ مزید برآں کہ مضاربہ کی مجموعی کارکردگی شرکاء کے مفاد اور سوسائٹی کیلئے خدمت کا مظہر ہے اور اس سلسلے میں ہر ڈائریکٹر نے اپنا قابل قدر حصہ ڈالا ہے۔

بورڈ کی جانب سے میرے لئے یہ خوشی کا مقام ہے کہ میں آپ سے پاپولر اسلامک مضاربہ پر اعتماد اور پھر وسر کرنے پر شکر یہ ادا کروں۔

ماہدین شوقین

چیئرمین

18 ستمبر 2020



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Directors' Report

The Board of Directors of the Popular Islamic Modaraba Management Company (Pvt.) Limited, the Management Company of Popular Islamic Modaraba (the Modaraba), is pleased to present the Directors' Report on the Modaraba together with Audited Financial Statements and Auditor's Report for the year ended June 30, 2020.

1. COVID-19 Effects and Measurers:

The rapid spread of the COVID-19 virus since February 2020 has brought Pakistan's economic activity to a near-halt. Most of the country has been placed under a partial lockdown. The Government of Sindh, keeping in view the arising alarming situation of the Covid-19, announced a temporary locked down in the entire province from March 23rd, 2020. Despite current challenging economic environment due to COVID 19 pandemic, being a Financial Institution, our operations continued at an optimum level to provide our services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Modaraba continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. The Modaraba continues to keep the health and safety of our employees as its top priority till today and will continue to adopt these safety measures till the pandemic is fully eradicated. Therefore, there is no financial and operational impact of the ongoing pandemic on the Modaraba's financial performance.

2. Financial Highlights:

The summarized financial results for the year ended June 30, 2020 are as under:

	2020	2019
	------(Rupees)-----	
Income	34,558,002	25,066,909
Operating expenses	(5,487,863)	(7,116,217)
Depreciation of property and equipment-Ijarah	(23,574,586)	(14,013,815)
Operating profit	5,495,553	3,936,877
Other income	933,037	1,447,273
Provision reversal for doubtful receivables	(772,282)	200,000
Profit before management fee	5,656,308	5,584,152
Management fee	-	(558,415)
Sales tax on management fee	-	(72,594)
Provision for worker's welfare fund	(113,126)	(99,063)
Profit before taxation	5,543,182	4,854,080
Taxation		
-Current	-	-
- Prior	-	(14,980)
Profit after taxation	5,543,182	4,839,100
Other comprehensive income	-	-
Total comprehensive income	5,543,182	4,839,100
Earnings per certificate - basic & diluted	0.55	0.48



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An Islamic Financial Institution

3. Review of Operations:

By the Grace of Almighty Allah, the performance of Popular Islamic Modaraba during the period under review continued to be strong in spite of economy slowdown, reduction in industry spreads, COVID-19 pandemic and stiff competition with Islamic Banks. The Modaraba's income increased by 37.86% from Rs. 25.066 million to Rs. 34.558 million compared to corresponding period of last year. The operating expenses decreased by 22.88% from Rs. 7.116 million to Rs. 5.487 million, depreciation expenses increased due to addition of Ijarah Assets.

The Modaraba's profit after tax increased by 14.54% from Rs. 4.839 million to Rs. 5.543 million compared to corresponding period of last year. This was achieved mainly due to increase in disbursements and some portfolio alignment. The Earning Per Certificate has been worked out at Re. 0.55 as compared to the EPC of corresponding period of last year that was Re. 0.48.

The Popular Islamic Modaraba manages and monitors risk exposure very prudently. The evaluation of borrowers' credit profile includes repayment capability, eCIB clearance, cash flow, experience etc., which are carried out at the time of approval of the facility and regular monitoring thereof.

4. Profit Distributions:

Due to pandemic of COVID-19 and lockdown of business. The Management of Modaraba has decided in the best interest of Certificate Holders to waive the Management Fee in this year and approved the distribution of profit at Re. 0.4035 per certificate of Rs.10/- each i.e 4.035%, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2020.

5. The Potential Impact of COVID-19:

As explained in Note No. 1.4 in the financial statements, the COVID-19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and Government across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the long-term impact on our business may be. The scale and duration of this pandemic remain uncertain but is expected to further impact our business. The main risk that result from the current uncertain situation regarding COVID-19 include asset quality and credit risk, liquidity management and operations. We have taken extraordinary measures to ensure that the Modaraba remains liquid and fully prepared to discharge all its obligations.

State Bank of Pakistan (SBP) has responded to the crises by cutting the policy rate by 600 basis points (approx.) to 7% from March 2020 to June 2020 and by introducing regulatory measures to maintain banking system soundness and sustain economic activity. On the other hand, Securities and Exchange Commission of Pakistan (SECP) vide circular 15 of 2020 dated 24th April, 2020 allow Modarabas to defer clients' payment of principal on finance obligation by one year and relaxing regulatory criteria for restructured / rescheduled finance for customers who require relief beyond the extension of principal repayment for one year.



Popular Islamic Modaraba

An Islamic Financial Institution

Modaraba is closely monitoring the situation and has invoked actions to ensure safety and security of Moddaraba staff and an uninterrupted service to our customers. The Senior Management of the Modaraba is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Robust Standard Operating Procedures (SOP) have been developed and implemented to ensure safety and security of the staff and uninterrupted services to the customers. The Modaraba continues to meet the expectations of all stakeholders as they would in a normal scenario.

6. Shari'ah Audit Report:

The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Muhammad Ibrahim Essa, CEO Alhamad Shariah Advisory Services (Private) Limited as and when required to ensure full compliance of Shari'ah Audit Mechanism developed in consultation with Registrar Modarabas. The Internal Sharia'ah Auditor also handles the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shari'ah Audit Report issued for the affairs of the Modaraba by the Shari'ah Advisor for the year ended June 30, 2020 is attached with the Annual Financial Statements which confirms that the Business of Modaraba is Shari'ah Compliant.

7. Compliance with the Code of Corporate Governance:

The Modaraba has been and remains committed to the conduct of its business in line with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Rule Book of the Pakistan Stock Exchange. As required by the Code of Corporate Governance, following is the statement of compliance with the Corporate and Financial Reporting Framework of the Code:

The Directors are pleased to confirm that:

- The financial statements prepared by the management of the Modaraba present its state of affairs fairly which includes 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 applied in preparation of financial statements, and accounting estimates used are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements, and any departures there from have been adequately disclosed.
- The system of internal control which is in place is sound in design, and has been effectively Implemented and monitored.
- The Modaraba is financially sound in design, and has been effectively implemented and monitored.



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- There is no significant doubt upon the Modaraba's ability to continue as a going concern, and that is why the Management is considering fresh injection of equity in the Modaraba.
- There are no outstanding statutory payments on account of taxes, duties, levies and charges as on June 30, 2020 except for those disclosed in the financial statements.
- During the year under review, Four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	Meetings Attended
Mr. Imamuddin Shouqeen	4
Mr. Shahbaz Ali Malik	4
Mr. Khurram Abdullah	4
Mr. Malik Juanid Emam	4
Mr. Kamran Husain Mughal	4
Mr. Muhammad Riaz	4

- The pattern of holding of certificates by the Certificate Holders is included in this annual report.
- The Directors, CEO, CFO/ Company Secretary and their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year.

8. Future outlook:

With the aim and strategy of growing with Shariah compliant businesses, we would keep exploring and opting high yield businesses. We trust that we would keep going as per our short and long term plans for the future and would endeavor to outperform our existing results with innovative approach that would result in better returns for the Certificate Holders. The current economic situation along with a very competitive environment for Islamic Financial Products has resulted a very challenging outlook for the Modaraba. The Management of your Modaraba is proactively studying available options which would best protect and preserve certificate holders' interest in the future. We are making all possible efforts to augment the system, and special emphasis is being placed on recoveries and careful risk assessment to safeguard any adverse impact in future. New products and services are being explored to enhance our business generating activities. We are fully geared to maintain this upward trend and Inshah Allah foresee to achieve better results and to regularly pay progressive rate of return to the certificate holders of the Modaraba in very near future.

For induction of quality customer base, it requires efficient services and competitive rates of profit. In order to compete with institutions offering Islamic base funding specially Islamic Commercial Banks, we need to offer highly competitive profit rates to keep good clientele.

9. Role of Certificate-Holders:

The Board aims to ensure that the Modaraba's Certificate Holders are kept informed about major developments affecting the Modaraba's state of affairs. To achieve this objective, information is



Popular Islamic Modaraba

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communicated to certificate holders through quarterly, half-yearly and annual financial reports, which are also being posted on website i.e [www. popularislamicmodaraba.com](http://www.popularislamicmodaraba.com)

10. External Auditors:

The existing auditors Messrs Baker Tilly Mehmood Idrees Qamar, Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, the Board has approved their appointment as external auditors of the Modaraba for financial year ending June 30, 2021 subject to the approval of Registrar Modaraba.

11. Compliance with the Code of Corporate Governance:

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 set out by the Securities and Exchange Commission of Pakistan, relevant for the year ended June 30, 2020 have been duly complied with, and exceptions if any have been disclosed in the Statement of Compliance with the Best Practices of Corporate Governance. A statement to this effect is annexed with this report

12. Statutory Reserves

As per requirement of Rule 2 of Part III of Prudential Regulation for Modaraba as issued by the Securities and Exchange Commission of Pakistan, the Modaraba has transferred 20% of net profit to its Statutory Reserves.

13. Acknowledgments:

The Modaraba is thankful to the invaluable guidance and support of the Registrar Modarabas, the Securities & Exchange Commission of Pakistan, Pakistan Stock Exchange, NBFBI and Modaraba Association of Pakistan and all Staff Members of the Modaraba during the year, and looks forward to receiving the same in future as well.

for and on behalf of the Board.

Muhammad Riaz
Chief Executive

Place: Karachi
Dated: September 18, 2020



Popular Islamic Modaraba

An Islamic Financial Institution

ڈائریکٹرز کی رپورٹ برائے سال 30 جون 2020

پاپولر اسلامک مضاربہ منجمنٹ کمپنی (پرائیوٹ) لمیٹڈ جو پاپولر اسلامک مضاربہ کی منجمنٹ کمپنی ہے اس کے بورڈ آف ڈائریکٹرز اپنے سر فیڈبک ہولڈرز کو بہ سرت ڈائریکٹرز کی رپورٹ مع مضاربہ کے آڈٹ شدہ گوشوارے برائے سال 30 جون 2020 پیش کرتے ہیں۔

۱۔ کووڈ-۱۹ (COVID-19) کے اثرات اور اقدامات:

فروری ۲۰۲۰ کے بعد کووڈ-۱۹ وائرس کے تیزی سے پھیلنا ڈکی وجہ سے پاکستان کی معاشی سرگرمیاں قفل کا شکار رہی ہیں، ملک کا بیشتر حصہ جزوی طور پر بند کر دیا گیا تھا۔ حکومت سندھ نے کووڈ-۱۹ سے پیدا ہونے والی خطرناک صورتحال کو مد نظر رکھتے ہوئے ۲۳ مارچ ۲۰۲۰ کو پورے سندھ میں عارضی طور پر لاک ڈاؤن کا اعلان کیا۔ کووڈ-۱۹ کی وبا کے باعث موجودہ چیلنجز معاشی ماحول کے باوجود فنانشل انسٹیٹیوٹ ہونے کے ناطے ہماری سروس جاری رہی ہیں۔ ملازمین کی حفاظت کو یقینی بنانے کیلئے تمام ضروری معیاری آپریشننگ طریقہ کار (انس اوپنی) کو نافذ کرنے کے بعد، مضاربہ نے اپنے آپریشنز جاری رکھے ہوئے ہیں اور اپنے کاروباری تسلسل کو یقینی بنانے کیلئے تمام ضروری اقدامات کئے ہیں۔ مضاربہ آج تک اپنے ملازمین کی صحت اور حفاظت کو اپنی اولین ترجیح کے طور پر برقرار رکھے ہوئے ہے اور کرمانا کی وبا کے عمل خاتمے تک ان حفاظتی اقدامات پر عملدرآمد کرتی رہے گی۔ لہذا کمپنی کی مالی کارکردگی پر موجودہ وبا کے کوئی مالی اور آپریشنل اثر نہیں ہیں۔

۲۔ نمایاں مالیاتی نتائج:

برائے جون 2020	برائے جون 2019	
34,558,002	25,066,909	آمدنی
(5,487,863)	(7,116,215)	آپریشننگ اخراجات
(23,574,586)	(14,013,815)	اجارہ اثاثوں کی فرسودگی کے اخراجات (ڈیپریسی ایشن)
5,495,553	3,936,877	آپریشننگ منافع
933,037	1,447,273	دیگر آمدنی
(772,282)	200,000	مشکوک وصولی کے خلاف فراہمی (پروویژن)
5,656,308	5,584,152	نفع قبل از منجمنٹ فیس
-	(558,415)	منجمنٹ فیس
-	(72,594)	منجمنٹ فیس پر سٹریٹجکس
(113,126)	(99,063)	ورکرز ویلفیئر فنڈ
5,543,182	4,854,080	نفع قبل از ٹیکس
-	(14,980)	ٹیکس
5,543,182	4,839,100	نفع بعد از ٹیکس
0.55	0.48	آمدنی فی سر فیڈبک



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۳۔ کاروبار کا جائزہ:

اللہ تعالیٰ کی مہربانی سے، زیر جائزہ مدت کے دوران معاشی ستروری، صنعتی پھیلاؤ میں کمی، اسلامی بینکوں کے ساتھ سخت مسابقت اور کووڈ-۱۹ کی تیزی سے پھیلنے والی وبا کے باوجود مضاربہ کی کارکردگی انتہائی شاندار رہی۔ اس مالی سال کے اختتام پر مضاربہ کی آمدنی 34,558 ملین روپے رہی۔ نفع قبل از منجمنت فیس 5,656 ملین روپے رہا جو کہ پچھلے سال 5,584 ملین روپے تھا۔ اس سال کا خالص منافع 5,543 ملین روپے رہا جبکہ پچھلے سال کا خالص منافع 4,839 ملین روپے تھا۔ انکی بنیادی ہدف سرمایہ کاری میں اضافہ اور پورٹ فولیو کی ہم آہنگی ہے۔ آپریٹنگ اخراجات میں کمی آئی جبکہ ڈیپریسی ایشن اخراجات میں اضافہ ہوا جسکی وجہ چارجہ میں زیادہ سرمایہ کاری ہے۔ فی سرٹیکلیٹ آمدنی 0.55 پیسے رہی، جو کہ پچھلے سال 0.48 تھی۔

پاپولر اسلامک مضاربہ کسی بھی کوائٹ کوفنانسنگ کی سہولت دینے سے پہلے اس کی کریڈٹ پر وفا کمل جس میں پیسہ اپس کرنے کی صلاحیت ہے، آئی بی کی کلیئر نیس، کیش فلو، اس کا کاروباری تجربہ وغیرہ دیکھا جاتا ہے اور ان سب چیزوں کی مسلسل نگرانی بھی کی جاتی ہے۔

۴۔ نقد منافع کی تقسیم (مقسمہ منافع):

بورڈ نے 18 ستمبر 2020 کو منعقد ہونے والے اجلاس میں فیصلہ کیا کہ موجودہ کووڈ-۱۹ کی وبا کی وجہ سے کاروباری سرگرمیاں معطل رہی ہیں لہذا سرٹیکلیٹ ہولڈرز کے فائدے کی خاطر منجمنت فیس نہ لی جائے اور 10 روپے والے سرٹیکلیٹ پر 0.4035 پیسے (4.035%) فی سرٹیکلیٹ کے حساب سے نقد منافع (Cash Dividend) کی منظوری دی ہے جو 30 جون 2020 کو ختم شدہ سال کے لئے زکوٰۃ اور محسولات کی کٹوتیوں (جہاں لاگو ہوئیں) سے مشروط ہے۔

۵۔ کووڈ-۱۹ (COVID-19) کے ممکنہ اثرات:

جیسا کہ مالیاتی دستاویزات کے نوٹ نمبر 1.4 میں بیان کیا گیا ہے کہ کووڈ-۱۹ کے پھیلاؤ کو کم کرنے کے اقدامات نے پاکستان کی معیشت کو نمایاں طور پر متاثر کیا ہے۔ دنیا بھر کے انتظامی اداروں اور حکومتوں نے اس کے اثرات کو کم کرنے کیلئے مالی اور معاشی اقدامات متعارف کرائے ہیں۔ معلوم اثرات کے علاوہ، معاشی غیر یقینی صورتحال معاشی سرگرمیوں میں رکاوٹ پیدا کرنے کا سبب بنی ہیں اور ہمارے کاروبار پر اسکے کیا طویل مدتی اثرات مرتب ہوں گے ابھی یہ معلوم نہیں۔ اس وبائی مرض کا دائرہ کار اور دورانیہ ابھی غیر یقینی ہے۔ البتہ اسکے ہمارے کاروبار پر مزید اثرات اثر انداز ہونے کی توقع ہے کہ کووڈ-۱۹ کے حوالے سے موجودہ غیر یقینی صورتحال کے نتیجے میں ہونے والے اہم خطرات میں ۱۱ ٹوں کا معیار اور کریڈٹ رسک، لیگویڈیٹی منجمنت اور آپریشن شامل ہیں۔ ہم نے اس بات کو یقینی بنانے کیلئے غیر معمولی اقدامات کئے ہیں تاکہ مضاربہ لیگویڈر ہے اور اپنی تمام ذمہ داریوں کو نبھانے کیلئے پوری طرح تیار رہے۔

اسٹیٹ بینک آف پاکستان (ایس بی پی) نے مارچ ۲۰۲۰ سے جون ۲۰۲۰ کے مہینوں میں پالیسی شرح میں ۶۰۰ بنیادی پوائنٹس کمی کرتے ہوئے ۷ فیصد کر دیا ہے۔ اور بنکاری نظام کو مستحکم رکھے اور معاشی سرگرمیوں کو برقرار رکھے کیلئے ریگولیٹری اقدامات متعارف کروائے ہیں دوسری طرف سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) نے بذریعہ سرکلر نمبر آف ۱۵ آف ۲۰۲۰ تاریخ ۲۳ اپریل ۲۰۲۰ مضاربوں کو ان کے کلائنٹس کی مالی ذمہ داریوں کے سلسلے میں پرنسپل کی اداگی کو ایک سال تک منور کرنے کی اجازت دی ہے اور جو صارفین ایک سال سے ذائد مدت کیلئے پرنسپل کی اداگی کیلئے توسیع دے گا رہے ان کیلئے تنظیم نو / ری شیڈول فنانس کے ریگولیٹری معیار میں نرمی کی ہے۔

پاپولر اسلامک مضاربہ اس صورت حال پر کڑی نظر رکھے ہوئے ہے اور اس نے مضاربہ کے عملیاتی حفاظت اور اپنے صارفین کی بلا قطل خدمات کو یقینی بنانے کیلئے ضروری اقدامات کئے ہیں۔ مضاربہ کی سنیئر انتظامیہ اس صورت حال کی مستقل نگرانی کر رہی ہے اور کسی بھی خدمات کے عمل کیلئے بروقت فیصلے کر رہی ہے۔ عملہ کی حفاظت اور بچاؤ اور صارفین کو بلا قطل خدمات کو یقینی بنانے کیلئے مشروطہ، معیاری آپریٹنگ طریقہ کار (ایس او پی) وضع کئے اور لاگو کئے ہیں۔ مضاربہ، ناٹل حالات کی طرح تمام اسٹیٹ ہولڈرز کی توقعات پر پورا اترتا رہے گا۔



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۶۔ شریعہ آڈٹ رپورٹ:

مضاربہ اپنے شریعہ لیڈ وائز رولنگی محمد ابراہیم عیسیٰ سربراہ اہم شریعہ ایڈوائسری سروس (پرائیویٹ) لمیٹڈ سے حسب ضرورت رہنمائی حاصل کرتا رہتا ہے۔ تا کہ مضاربہ کی مشاورت سے تشکیل کردہ شریعہ آڈٹ کے طریقہ کار پر عمل درآمد کو یقینی بنایا جاسکے۔ شریعہ پالیسیوں اور ضوابط پر عمل درآمد یقینی بنانے کیلئے اندرونی شریعہ آڈیٹر مضاربہ کے روزمرہ کے امور کی دیکھ بھال کرتا ہے۔ مضاربہ کے امور پر جاری کردہ شریعہ رپورٹ برائے سال 30 جون 2020 سالانہ مالیاتی گوشواروں کے ساتھ منسلک ہے جو کہ یہ بت کرتا ہے کہ مضاربہ کا کاروبار شریعہ کے مطابق ہے۔

۷۔ نظم و ضبط کے کوڈ پر عملدرآمد:

مضاربہ نظم و ضبط کے کوڈ پر عملدرآمد کرنے کے سلسلے میں مستقل طور پر جدوجہد کر رہا ہے اور پاکستان اسٹاک ایکسچینج کے قواعد پر عمل کر رہا ہے جیسا کہ نظم و ضبط کے کوڈ میں درکار ہے۔ مالیاتی رپورٹنگ فریم ورک کے سلسلے میں تفصیلات مندرجہ ذیل ہیں:

ڈائریکٹریہ تصدیق کرتے ہیں کہ:

- ☆ مالیاتی حسابات جو کہ مضاربہ کی انتظامیہ نے مرتب کیا ہے جس میں تمام معاملات صحیح طور پر پیش کئے گئے ہیں جس میں اس کے آپریشنز، نقد رقعات کے بہاؤ اور ایکویٹی میں تبدیلی کے نتائج شامل ہیں۔
- ☆ مضاربہ کے حسابات کیلئے کھاتوں کو درست طور پر مرتب کیا گیا ہے۔
- ☆ مالیاتی اسٹیٹمنٹ کی تیاری میں ہر جگہ حسابات کی پالیسی کو درست طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کئے گئے ہیں۔
- ☆ مالیاتی اسٹیٹمنٹ، پاکستان میں مضاربہ پر لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں۔
- ☆ اندرونی کنٹرول کا سسٹم بے حد مضبوط ہے اور موثر طور پر عملدرآمد کیا جا رہا ہے۔
- ☆ مضاربہ مالی طور پر بے حد مستحکم ہے اور موثر طور پر تمام پالیسیوں کا نفاذ اور نگرانی کی جاتی ہے۔
- ☆ مضاربہ کی موجودہ صلاحیت میں کام جاری رکھنے میں کسی رکاوٹ کا شہ نہیں ہے اور اس سلسلے میں کوئی قابل تفتیش بات نہیں۔
- ☆ بورڈ مضاربہ کی موجودہ صلاحیت میں کام جاری رکھنے سے مطمئن ہے اور اس وجہ سے بورڈ مزید ایکویٹی ڈالنے کے بارے میں سوچ رہا ہے۔
- ☆ 30 جون 2020 کی تاریخ پر میکسر، ڈیویڈنڈ، محصولات اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے، سوائے اس کے جس کو مالیاتی اسٹیٹمنٹ میں ظاہر کیا گیا ہے۔



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☆ اس سال کے دوران بورڈ آف ڈائریکٹرز کے 4 اجلاس منعقد ہوئے۔ ان میں ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس کی تعداد جن میں حاضر رہے
جناب امام الدین شوقین	4
جناب شہباز علی ملک	4
جناب خرم عبداللہ	4
جناب ملک جنید امام	4
جناب کامران حسین فضل	4
جناب محمد ریاض	4

☆ سرٹیفکیٹ ہولڈرز کے لئے سرٹیفکیٹ ہولڈنگ کا طرز اس سال اندر پورٹ کے ساتھ منسلک ہے۔

☆ اس سال کے دوران ڈائریکٹرز ہی ای او، سی ایف او، کینیڈی بیکریٹری، ان کے شریک حیات اور بچوں نے مضاربہ کے سرٹیفکیٹ میں کسی قسم کا لین دین نہیں کیا۔

۸۔ مستقبل کا محضر نامہ:

مضاربہ کی انتظامیہ ان تمام مسائل کو جو مضاربہ کے حصول کے سلسلے میں درپیش تھے، حل کرنے میں کامیاب رہا ہے۔

شریعت کے مطابق کاروبار کے ذریعے ترقی کرنے کے مقصد اور حکمت عملی کے ساتھ ہم اہلی پیداواری اور منافع بخش کاروبار کی تلاش اور جستجو کرتے رہے گے۔ ہم اس یقین کے ساتھ آگے بڑھتے رہیں گے کہ ہمارے قلیل العاد اور طویل المدت اہداف حاصل ہو جائیں۔ ہم جدید طرز کاروبار کے ساتھ جدوجہد میں مصروف رہیں گے تاکہ موجودہ کاروباری نتائج اور درجہ بندی کے مقابلے میں بہتر نتائج حاصل کر سکیں، جس کے ذریعے سرٹیفکیٹ ہولڈرز کو بہتر منافع پہنچا سکیں۔ موجودہ اقتصادی صورتحال اور اس کے ساتھ ساتھ اسلامی مالیاتی مصنوعات کا مسابقتی ماحول مضاربہ کے لئے ایک مشکل صورتحال پیدا کر رہا ہے۔ آپ کے مضاربہ کی انتظامیہ ان تمام دستیاب آپشن پر تحقیق کر رہی ہے جن سے مستقبل میں سرٹیفکیٹ ہولڈرز کے مفادات کا تحفظ کیا جاسکے۔ ہم مضاربہ کے نظام کو بہتر کرنے کے لئے ہر ممکن کوشش کر رہے ہیں، خصوصی طور پر وصولی اور مستقبل میں کسی بھی منفی اثر کی حفاظت اور خطرے کی تشخیص کیلئے انتظام کر رہے ہیں۔ کاروباری سرگرمیوں کو بڑھانے کیلئے نئی پروڈکٹس اور سروسز کو بھی تلاش کیا جا رہا ہے۔ اسکے علاوہ مزید ایکویٹی ڈالنے اور کسی دوسرے مضاربہ کے حصول کی بھی کوشش کی جا رہی ہے۔ انشاء اللہ ہم اس اضافہ کے رجحان کو برقرار رکھیں گے اور مستقبل میں اپنے سرٹیفکیٹ ہولڈرز کو باقاعدگی سے منافع بھی ادا کریں گے۔

معیاری کابینہ کے اطمینان کے لئے ضروری ہے کہ ہم بہترین خدمات اور مسابقتی منافع کی شرح برقرار رکھیں تاکہ بڑے اسلامی مالیاتی اداروں سے مسابقت ہو سکے، ہمیں اچھے کاغذات کو برقرار رکھنے کیلئے مسابقتی شرح منافع پیش کرنے کی ضرورت ہے۔

۹۔ سرٹیفکیٹ ہولڈرز کا کردار:

بورڈ کا مقصد مضاربہ کے سرٹیفکیٹ ہولڈرز کو مضاربہ کے معاملات، اہم پیش رفت اور امور سے باخبر رکھنا ہے۔ ان مقاصد کو حاصل کرنے کیلئے مضاربہ کی تمام معلومات سرٹیفکیٹ ہولڈرز کو مہیا، ششماہی اور سالانہ جنیادوں پر مضاربہ کی ویب سائٹ کے ذریعے فراہم کی جاتی ہے جو کہ www.popularislamicmodaraba.com ہے۔



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۱۰۔ بیرونی آؤٹرز:

حالہ آؤٹریٹ میسرز باکری تیلی محمود اور بس قمر چارٹرڈ اکاؤنٹنٹس نے مالی سال 30 جون 2021 کیلئے اپنی تقرری کیلئے دلچسپی ظاہر کی لہذا بورڈ آف ڈائریکٹرز نے رجسٹرار آف مضارکہینڈ اور مضارکہجات کی منظوری سے مشرور آؤٹریٹ مقرر کرنے کی منظوری دے دی ہے۔

۱۱۔ کارپوریٹ گورننس پر عمل درآمد:

مضارکہ نے اس سال کے دوران پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشن میں دیئے گئے کوڈ آف کارپوریٹ گورننس پر عمل طور پر عمل کیا ہے سوائے ان چند نکات کے جو اسٹینڈ آف کمپلائنس میں واضح کئے گئے ہیں۔

۱۲۔ قانونی زخائر:

مضارکہ کیلئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ پروڈینشل ریگولیشن کے حصہ ۳ کے رول ۲ کے مطابق مضارکہ نے اس سال ۲۰ فیصد اپنے خالص منافع سے قانونی زخائر میں منتقل کر دیا ہے

۱۳۔ اعتراف:

اس سال کے دوران مضارکہ مشکور ہے رجسٹرار مضارکہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج، این بی ایف آئی اینڈ مضارکہ ایسوسی ایشن آف پاکستان اور اپنے تمام ملازمین کی رہنمائی اور تعاون کا، اور مستقبل میں بھی اس کی امید رکھتا ہے۔

منجانب بورڈ

محمد یوسف

چیف ایگزیکٹو

۱۸ ستمبر ۲۰۲۰



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Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: POPULAR ISLAMIC MODARABA
Year ending: June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 6 (six) as per the following:
 - a. Male: 6 (six)
 - b. *Female: 0 (zero)

2. The composition of Board is as follows:

Category	Names
Other Non-Executive Directors	Mr. Imamuddin Shouqeen (Chairman) Mr. Shahbaz Ali Malik Mr. Malik Junaid Emam
*Independent Director	Mr. Khurram Abdullah
Executive Directors	Mr. Kamran Hussain Mughal Mr. Muhammad Riaz - Chief Executive Officer (deem to be Director)

* The election of Board of Directors will be due in October 2020, the Board is considering to induct Lady Director as Non-Executive Independent Director to meet the requirement of Reg. 6 and 7.

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 record of particulars of significant policies along with the dates on which they were approved or amended has been maintained;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board of Directors of the Management Company / Certificate Holders of the Modaraba as empowered by the relevant provisions of the Act and these Regulations;



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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 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 Modaraba will arrange Directors' Training Program (DTP) for Directors in due course of time to meet the requirement of Code of Corporate Governance. However, the following official have completed the DTP;

- **Mr. Adnan Ali – Head of Operations**

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and outsourcing 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. Khurram Abdullah (Chairman) Mr. Shahbaz Ali Malik (Member) Mr. Malik Junaid Emam (Member)
HR and Remuneration Committee	Mr. Khurram Abdullah (Chairman) Mr. Malik Junaid Emam (Member) Mr. Muhammad Riaz (Member)

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:
 - a) Audit Committee Quarterly
 - b) HR and Remuneration Committee Annually
15. The Board has outsourced the Internal Audit function to M/s. Haroon Zakaria & Company, Chartered Accountant who are 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 ICAP and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance



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with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP 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 the Regulations 3, 8, 27, 32, 33 and 36 of the Regulations have been complied with except the following:

S.#	Reg.#	Explanation
1	18	Directors Orientation: All the Directors are highly qualified and experienced; however, the Directors Training Program will be conducted for the Directors very soon.
2	22	Qualification of Chief Financial Officer: The CFO is in final semester of CA and would be completing his 7 years' experience as CFO of the company next year.
3	23 & 31	Head of Internal Auditor and Internal Audit Function The Modaraba has outsourced its Internal Audit Function to M/s. Haroon Zakaria & Co. Chartered Accountant and designated an existing employee who is commerce graduate having 7 years' experience with the Modaraba, as coordinator between firm providing internal audit services and the Board.

Mr. Imamuddin Shouqeen
Chairman

Dated: September 18, 2020



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Baker Tilly Mehmood Idrees Qamar
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**TO THE CERTIFICATE HOLDERS OF POPULAR ISLAMIC MODARABA
REVIEW REPORT ON 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 **Popular Islamic 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 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approvals of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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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 for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2020.

We draw attention to instances of non-compliances with the requirements of the Regulations as reflected in the para no. 18 to the Statement of Compliance with the Regulations.

M

Mehmood A. Razzak

Engagement Partner: Mehmood A. Razzak

Karachi.

Date: September 18, 2020



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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

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

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

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

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



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- b) in our opinion:
- i) the balance sheet and statement of profit or loss and other comprehensive income 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 except for the change as stated in note no. 2.2 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of Modaraba's affairs as at June 30, 2020 and of its profit, total comprehensive income, cash flows and changes in equity for the year then ended;
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Engagement Partner: Mehmood A. Razzak

Karachi.

Date: September 18, 2020



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ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
نَحْمَدُهُ وَنُصَلِّي عَلَى رَسُولِهِ الْكَرِيمِ

Annual Shari'ah Advisor's Report

For the year ended June 30, 2020

We have reviewed the affairs of Popular Islamic Modaraba managed by Popular Modaraba Management Company (Private) Limited for the Year ended June 30, 2020 in accordance with the requirements of the **Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas** and in our opinion:

REVIEW OF OPERATIONS:

Based on our review, the following were the major activities / developments in respect of Shariah that took place during this period:

BANK ACCOUNTS:

For investment and operational purposes, Modaraba is operating the Bank accounts maintained with Islamic Banks.

FRESH DISBURSEMENTS:

Modaraba has disbursed Financing Facilities to different clients. We confirm that, all Documentation, Contracts and Transaction Flows were in line with Shariah and duly communicated to the undersigned for Shariah Approval.

INVESTMENTS IN ISLAMIC MUTUAL FUNDS AND EQUITY SHARES:

Currently PIM is not dealing in Shariah Complaint Shares listed in Pakistan Stock Exchange (PSX), directly. The management is considering to invest in PSX in due course of time.

Therefore, as on June 30, 2019 the Modaraba did not hold Shares of any Listed / Unlisted Company or units of any Mutual Fund(s).

TAKAFUL:

During the period Modaraba took most welcomed step in respect of adopting

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ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

Takaful arrangement for security of the assets and insured its assets from Takaful Companies or Window Takaful of conventional Insurance Companies.

CHARITY:

Modaraba has received some Charity Amount on account of late payment which has been transferred into separate Charity Account, and donated to a Charitable Organization subsequent to the period.

OBSERVATIONS:

NIL

RECOMMENDATIONS:

NIL

CONCLUSION:

Generally, the Management of Popular Islamic Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit, therefore, we are of the view that the business operations of Popular Islamic Modaraba are Shariah Compliant up to the best of my knowledge.

Mufti Muhammad Ibrahim Essa

*For and on behalf of
Alhamd Shariah Advisory Services (Pvt.) Ltd*

Mufti Uzair Bilwani

*For and on behalf of
Alhamd Shariah Advisory Services (Pvt.) Ltd*

Dated: September 14, 2020





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BALANCE SHEET AS AT JUNE 30, 2020

ASSETS	Note	2020 Rupees	2019 Rupees
Non-Current Assets			
Property and equipment - owned	5	37,844	15,770
Property and equipment - Ijarah	6	48,812,639	21,159,909
Long term murabaha finance	7	1,449,310	2,898,621
Long term Investment-diminishing musharaka	8	44,454,026	41,321,200
		94,753,819	65,395,500
Current Assets			
Short term murabaha finance	7	22,703,821	24,266,866
Current portion of diminishing musharaka	8	5,009,086	13,637,381
Advances and other receivables	9	4,953,794	3,065,395
Cash and bank balances	10	4,536,119	14,205,853
		37,202,820	55,175,495
		131,956,639	120,570,995
EQUITY AND LIABILITIES			
Authorized Certificate Capital			
14,000,000 (2019: 14,000,000) modaraba certificates of Rs. 10 each		140,000,000	140,000,000
Certificate Holders' Equity			
Certificate capital	11	100,000,000	100,000,000
Statutory reserve	12	19,863,189	18,754,553
Accumulated losses		(31,739,259)	(32,693,805)
		88,123,930	86,060,748
LIABILITIES			
Non-Current Liabilities			
Security deposits against Ijarah		2,902,510	3,779,980
Deferred liability		1,023,222	779,293
		3,925,732	4,559,273
Current Liabilities			
Accrued and other liabilities	13	956,425	669,019
Current portion of security deposit against Ijarah		9,561,120	2,643,200
Provision for taxation		14,980	14,980
Unclaimed profit distribution		1,366,335	984,649
Loan from management company	14	28,000,000	25,000,000
Management fee payable		8,117	566,532
Sales tax on management fee		-	72,594
		39,906,977	29,950,974
Contingencies and Commitments			
	15	-	-
		131,956,639	120,570,995

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited (Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Director



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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Income	16	34,558,002	25,066,909
Operating expenses	17	(5,487,863)	(7,116,215)
Depreciation of property and equipment-Ijarah	6	(23,574,586)	(14,013,815)
		(29,062,449)	(21,130,030)
Other income	18	933,037	1,447,273
(Provision) / reversal for doubtful receivables	19	(772,282)	200,000
Profit before management fee		5,656,308	5,584,152
Management fee		-	(558,415)
Sales tax on management fee		-	(72,594)
Provision for worker's welfare fund		(113,126)	(99,063)
		(113,126)	(730,072)
Profit before taxation		5,543,182	4,854,080
Taxation			
- Current		-	-
- Prior		-	(14,980)
		-	(14,980)
Profit after taxation		5,543,182	4,839,100
Other comprehensive income		-	-
Total comprehensive income		5,543,182	4,839,100
Earnings per certificate - basic & diluted	21	0.55	0.48

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited (Management Company)

Chief Executive Officer

Chief Financial Off.

Director

Director



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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Certificate Capital	Statutory Reserves	Accumulated Losses	Total
----- Rupees -----				
Balance as at July 01, 2018	100,000,000	17,786,733	(36,565,085)	81,221,648
Total comprehensive income for the year	-	-	4,839,100	4,839,100
Transferred to statutory reserve at 20%	-	967,820	(967,820)	-
Balance as at June 30, 2019	100,000,000	18,754,553	(32,693,805)	86,060,748
Total comprehensive income for the year	-	-	5,543,182	5,543,182
Transferred to statutory reserve at 20%	-	1,108,636	(1,108,636)	-
Transaction with Certificate Holders				
Profit distribution for the year ended June 30, 2019 at Re. 0.348 (3.48%) per certificate	-	-	(3,480,000)	(3,480,000)
Balance as at June 30, 2020	100,000,000	9,863,189	(31,739,259)	88,123,930

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

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited (Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Director



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CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,543,182	4,854,080
Adjustments for non cash items:			
(Gain) on disposal of Investments		(275,584)	-
Depreciation of property and equipment-owned		8,751	4,905
Provision for worker's welfare fund		113,126	99,063
Provision for gratuity		243,929	779,293
Provision / (reversal) for doubtful receivables		772,282	(200,000)
(Gain) on transfer of ijarah		-	(500,000)
(Gain) on termination of ijarah		-	(347,451)
Depreciation of property and equipment-Ijarah		23,574,586	14,013,815
		<u>29,980,272</u>	<u>18,703,705</u>
Decrease in current assets			
Advances and other receivables		(1,836,336)	13,550,044
Increase / (decrease) in current liabilities			
Accrued and other liabilities		174,280	116,054
Management fee payable		(558,415)	(301,585)
Sales tax on management fee		(72,594)	18,079
Cash generated from operations		27,687,207	32,086,297
Taxes paid		(52,063)	(720,450)
Net investment in lease and hire purchase finances		-	-
Long term deposit		-	-
Net cash generated from operating activities		27,635,144	31,365,847
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property and equipment - owned		(30,825)	-
Additions in property and equipment - Ijarah		(53,792,500)	(4,959,400)
Disposal of property and equipment-Ijarah		2,565,184	12,026,529
Security deposit from ijarah		6,040,450	(9,871,950)
Investment in diminishing musharakah		5,771,053	(18,672,098)
Investment in Modaraba finance		-	800,000
Investment in Murabaha finance		2,240,074	(2,651,744)
Net cash (used in) investing activities		(37,206,564)	(23,328,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from management company		3,000,000	-
Dividend paid		(3,098,314)	-
Net cash (used in) financing activities		(98,314)	-
Net (decrease) / increase in cash and cash equivalents		(9,669,734)	8,037,184
Cash and cash equivalents at the beginning of the year		14,205,853	6,168,668
Cash and cash equivalents at the end of the year	10	4,536,119	14,205,853

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited (Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Director



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Popular Islamic Modaraba is a multipurpose, perpetual Modaraba formed under the Modaraba and Modaraba (floatation and control) Ordinance, 1980 and the rules framed there under and is managed by the Popular Islamic Modaraba Management Company (Private) Limited, a company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with Registrar of Modaraba Companies. The registered office of the modaraba is situated at, 15th Floor, Chapal Plaza, Hasrat Mohani Road, Off I.I.Chundrigar Road, Karachi. The Modaraba is listed on the Pakistan Stock Exchange.

1.2 The Modaraba is engaged in various Islamic modes of financing and business including Ijarah, Musharaka, Murabahah and Diminishing Musharakah. Trading in Shares in (PSX) are also under consideration.

1.3 In the year 2013-2014, Popular Islamic Modaraba Management Company (Private) Limited purchased the entire shareholding of Islamic Investment Bank Limited (Management Company) along with management and assets of the "First Islamic Modaraba" and the same has been confirmed by the Peshawar High Court vide its order dated March 11, 2013.

1.4 Disclosure of impact of COVID - 19 Pandemic on Financial Statements of Modaraba

A novel strain of coronavirus later named as SARS-COV-2 (COVID-19) that first surfaced in China in December, 2019 was classified as a pandemic by the World Health Organization (W.H.O.) on March 11, 2020. The pandemic rapidly spread all across the world has not only endangered human lives but has also adversely effected the local and international businesses and world economy. On March 21, 2020, the Government of the Sindh (GoS) announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Modaraba's operations were not affected as it fell under the exemption provided by the Government of Sindh to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Modaraba continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. According to management's assessment, as of the release date of these financial statements, there has been no specifically material quantifiable impact of Covid-19 on the Modaraba's financial condition or results of operations. Consequently, there is no major financial impact of COVID-19 on the carrying amount of assets and liabilities and item of income and expenses.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountant of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) or the directives issued by SECP prevail.



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2.2 New and amended standards and interpretations

Standards, amendments to approved accounting standards effective in current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning July 1, 2019:

IFRS 16, 'Leases': this standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain shortterm leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

However, there is no material impact on the financial statements of Modaraba of adopting IFRS 16 - Leases.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2019 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations.

Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Modaraba

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2019 and have not been early adopted by the Modaraba:

IAS 1 & 8 Definition of material	Effective date: January 1, 2020
IAS 1 Presentation of Financial Statements	Effective date: January 1, 2022

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Modaraba and therefore, have not been presented here.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under circumstances. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial estimates are as follows:

	Note
a) Useful life of depreciable assets/amortizable assets	4.4, 5 & 6
b) Income tax	4.3
c) Provision for non performing assets	19
d) Provision for gratuity	4.10



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4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting Convention

These financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

4.2 Accrual Basis of Accounting

These financial statements except cash flow information, have been prepared under the accrual basis of accounting.

4.3 Taxation

Current

The charge for taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any under the provisions of the Income Tax Ordinance, 2001. For items covered under final tax regime, provision is made according to the final tax rate provided in the Income Tax Ordinance, 2001. The income of Modaraba other than trading income is exempt from tax under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Provided that not less than 90% of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 or the rules made thereunder, as are distributed amongst the certificate holders.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

However, deferred tax is not accounted for as the management believes that the temporary differences will not reverse in the foreseeable future.

4.4 Fixed Assets - Tangible

Owned

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the straight line method where by the cost less estimated residual value, if any, of an asset is written off over its estimated useful life at the rates as mentioned in the Note 5.

Proportionate depreciation is charged on purchases and disposals during the year.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in other income.



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Assets leased out under Ijarah and depreciation

Ijarah (lease) 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 Ijarah (lease) period, which is considered to be the estimated useful life of the asset. In respect of additions of disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in income.

4.5 Financial Assets

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

Initial Measurement

The Modaraba classifies its financial assets in to following three categories:

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

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

i. Debt Instruments as 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 recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

ii. Equity Instruments as FVOCI

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

iii. Financial assets at FVTPL

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

iv. Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.



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v. *Impairment of Financial Assets*

The Modaraba recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Modaraba measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Modaraba considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Modaraba's historical experience and informed credit assessment and including forward-looking information.

The Modaraba assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Modaraba is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Modaraba individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Modaraba expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Modaraba's procedures for recovery of amounts due.

vi. *De-recognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

4.6 Financial Liabilities

Financial liabilities are classified as measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

4.7 Other Receivables

Other receivables are stated net of impairment loss. Impairment loss is recognized for doubtful receivables on the basis of prudential regulations for Modarabas issued by SECP or based on the estimates of the management under expected credit loss method, whichever is higher. Bad debts are written off when identified. Actual credit loss experience over past years is used to base the calculation of expected credit loss



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4.8 Advances

All advances in the form of murabaha and musharaka finances are stated net of provision for doubtful debts. Provision for doubtful debts is made on the basis of Prudential Regulations for Modarabas or based on the estimates of the management under expected credit loss method, whichever is higher.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks in current and deposit accounts.

4.10 Staff retirement benefits

Defined benefit plan - Gratuity scheme

The Modaraba operates defined benefit gratuity scheme for its eligible employees. Period expenses relating to gratuity scheme are charged to operating expenses under salaries, wages and other benefits.

Details of entitlement of a staff under this scheme is as follows:

- employees are entitled to defined benefit scheme after completing three years of service with the Modaraba.
- the amount of gratuity payable is equal to one month's last drawn gross salary for each completed year of eligible service with the Modaraba.

4.11 Revenue Recognition

Revenue is recognized on the following basis:-

- Ijarah rentals are recognized as income on a systematic basis over the Ijarah period without considering grace period, if any.
- Profit on finances under Musharaka / Modaraba/Murabaha arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Dividend income is recognized when the right to receive dividend is established.
- Return on deposits with bank is recognized on accrual basis.
- Income from fee and commission is recognized as and when performance obligation is satisfied.

4.12 Provisions

Provisions are recognized 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 estimate. Provision against Ijarah, rental receivables, murabaha finance and diminishing mushraka is maintained as per the requirements of prudential regulations for modarabas. Such provisions or reversals there of is charged to profit or loss and other comprehensive income.

4.13 Related Party Transactions

All transactions with related party, if any, are recorded at an arm's length basis.

4.14 Offsetting of Financial Assets and Financial Liabilities



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Financial assets and financial liabilities are set off and only the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amount and the Modaraba intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. PROPERTY AND EQUIPMENT - OWNED

	Furniture and fixture	Office Equipment	Computer Equipment	Total
----- Rupees -----				
As at June 30, 2018				
Cost	32,700	42,150	16,300	91,150
Accumulated depreciation	(12,025)	(42,150)	(16,300)	(70,475)
Net Book Value	20,675	-	-	20,675
Year ended June 30, 2019				
Opening net book value	20,675	-	-	20,675
Additions (at cost)	-	-	-	-
Depreciation charge for the year	(4,905)	-	-	(4,905)
Net Book Value	15,770	-	-	15,770
As at June 30, 2019				
Cost	32,700	42,150	16,300	91,150
Accumulated depreciation	(16,930)	(42,150)	(16,300)	(75,380)
Net Book Value	15,770	-	-	15,770
Year ended June 30, 2020				
Opening net book value	15,770	-	-	15,770
Additions (at cost)	-	30,825	-	30,825
Depreciation charge for the year	(4,905)	(3,846)	-	(8,751)
Net Book Value	10,865	26,979	-	37,844
As at June 30, 2020				
Cost	32,700	72,975	16,300	121,975
Accumulated depreciation	(21,835)	(45,996)	(16,300)	(84,131)
Net Book Value	10,865	26,979	-	37,844
Rate of depreciation	15%	33%		

6. PROPERTY AND EQUIPMENT - IJARAH

	Vehicles	Equipment	Total
----- Rupees -----			
As at June 30, 2018			
Cost	58,964,100	1,550,000	70,514,100
Accumulated depreciation	(25,010,458)	(4,110,240)	(29,120,698)



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Net Book Value		7,439,760	41,393,402
	33,953,642		
Year ended June 30, 2019			
Opening net book value	33,953,642	7,439,760	41,393,402
Additions (at cost)	4,959,400	-	4,959,400
Disposal			
Cost	(33,397,700)	-	(33,397,700)
Accumulated depreciation	22,218,622	-	22,218,622
	(11,179,078)	-	(11,179,078)
Depreciation charge for the year	(11,289,981)	(2,723,834)	(14,013,815)
Net Book Value	16,443,983	4,715,926	21,159,909
As at June 30, 2019			
Cost	30,525,800	11,550,000	42,075,800
Accumulated depreciation	(14,081,817)	(6,834,074)	(20,915,891)
Net Book Value	16,443,983	4,715,926	21,159,909
Year ended June 30, 2020			
Opening net book value	16,443,983	4,715,926	21,159,909
Additions (at cost)	38,792,500	15,000,000	53,792,500
Disposal			
Cost	(9,619,000)	-	(9,619,000)
Accumulated depreciation	7,053,816	-	7,053,816
	(2,565,184)	-	(2,565,184)
Depreciation charge for the year	(9,381,019)	(14,193,567)	(23,574,586)
Net Book Value	43,290,280	5,522,359	48,812,639
As at June 30, 2020			
Cost	59,699,300	26,550,000	86,249,300
Accumulated depreciation	(16,409,020)	(21,027,641)	(37,436,661)
Net Book Value	43,290,280	5,522,359	48,812,639
7. MURABAHA FINANCE - SECURED	Note	2020 Rupees	2019 Rupees
Considered good	7.1	22,722,731	27,165,487
Considered doubtful		2,202,682	-
		24,925,413	27,165,487
Provision against doubtful		(772,282)	-
Less: Current portion of murabaha finance		(22,703,821)	24,266,866
		1,449,310	2,898,621



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7.1 The profit rates on these murabaha arrangements ranges between 9.41% and 14.86% (2019: 9.41% and 14.86%). These investments are secured against charge over fixed assets, registered and equitable mortgage of properties, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case.

8. DIMINISHING MUSHARAKA	Note	2020 Rupees	2019 Rupees
Investment - diminishing musharaka	8.1	9,463,112	54,958,581
Less: Current portion of diminishing musharaka		(5,009,086)	13,637,381)
		<u>44,454,026</u>	<u>41,321,200</u>

8.1 The profit rates on these diminishing musharaka arrangements range between 9.36% and 16.6% (2019: 11.18% and 14.2%). Diminishing musharaka arrangements are secured by way of Modaraba's title over underlying assets and demand promissory notes.

9. ADVANCES AND OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
Advances		2,761,001	932,001
Profit / rental receivable		1,715,961	1,260,253
Other receivable		108,354	556,726
Advance tax		368,478	316,415
		<u>4,953,794</u>	<u>3,065,395</u>

10. CASH AND BANK BALANCES

Cash in hand		35,568	31,568
Cash at bank:			
- Deposit accounts	10.1	4,016,202	14,065,485
- Dividend account		381,685	-
- Balances with State Bank of Pakistan		102,664	108,800
		4,500,551	14,174,285
		<u>4,536,119</u>	<u>14,205,853</u>

10.1 Deposit accounts are Shariah compliant and rate of profit on deposit accounts ranges from 3.75% to 3.8% (2019: 2.7% to 5.0%) per annum.

11. CERTIFICATE CAPITAL	Note	2020 Rupees	2019 Rupees
2020 2019			
Number of Certificates			
<u>10,000,000</u> <u>10,000,000</u>		<u>100,000,000</u>	<u>100,000,000</u>
Modaraba certificates of Rs. 10 each fully paid-up in cash			

12. STATUTORY RESERVE



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Balance at beginning of the year		18,754,553	17,786,733
Transferred during the year from profit and loss account	12.1	1,108,636	967,820
		<u>19,863,189</u>	<u>18,754,553</u>
12.1	During the year, the Modaraba has transferred 20% of its profit after tax to statutory reserve as per the requirements of prudential regulations.		
13. ACCRUED AND OTHER LIABILITIES	Note	2020 Rupees	2019 Rupees
Accrued expenses		359,474	220,000
Withholding tax payable		6,915	6,515
Worker's welfare fund		458,083	344,957
Other liabilities		131,953	97,547
		<u>956,425</u>	<u>669,019</u>
14. LOAN FROM MANAGEMENT COMPANY	14.1	<u>28,000,000</u>	<u>25,000,000</u>
14.1	This represents interest free loan received from Management Company which was obtained to meet working capital requirements and the loan is repayable within 1 year .		
15. CONTINGENCIES AND COMMITMENTS			
There are no contingencies and commitments at the end of year.			
16. INCOME		2020 Rupees	2019 Rupees
Income on murabaha		2,925,930	2,963,893
Income on modaraba		-	255,000
Income on ijarah		24,942,796	15,676,576
Income on diminishing musharaka		6,689,276	6,171,440
		<u>34,558,002</u>	<u>25,066,909</u>
17. OPERATING EXPENSES	Note	2020 Rupees	2019 Rupees
Salaries, wages and other benefits	17.1	3,121,264	4,422,109
Auditors' remuneration	17.2	185,000	185,000
CDC charges / registrar services		448,441	311,349
Computer software charges		30,000	-
Postage and delivery		315	5,430
Printing and stationery			166,580
		123,413	
Fees and subscription		673,582	1,017,755
Legal and professional fee			320,400
		299,200	
Repair and maintenance		65,377	91,732
Travelling and conveyance		79,550	70,010



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Advertisement		45,500	20,600
Telecommunication		272,100	293,690
Entertainment		56,390	58,202
Bank charges			
		18,980	17,995
Depreciation of property and equipment-owned	5	8,751	4,905
Professional tax		60,000	130,457
		5,487,863	7,116,215

17.1 Remuneration of officers and other employees

	2020		2019	
	Officers	Other employees	Officers	Other employees
	----- Rupees -----			
Salaries and allowances				
Basic salary	985,444	727,626	926,880	635,150
Allowances	492,722	363,812	463,440	317,563
	1,478,166	1,091,438	1,390,320	952,713
Number of employees	2	3	2	3

17.2 Auditors' remuneration	Note	2020 Rupees	2019 Rupees
Audit fee		135,000	135,000
Out of pocket		10,000	10,000
Half year review		40,000	40,000
		185,000	185,000

18. OTHER INCOME

Profit on deposit accounts	18.1	520,632	534,822
Gain on transfer of Ijarah		-	500,000
Gain on early termination of Ijarah		-	347,451
Gain on early termination of Musharaka		275,584	-
Other income - processing fee		136,821	65,000
		933,037	1,447,273

18.1 These are earned under a Shariah permissible arrangement.



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		2020 Rupees	2019 Rupees
19. PROVISIONS FOR DOUBTFUL RECEIVABLES			
Opening balance		-	200,000
Provision / (reversal) for doubtful receivables	19.1	772,282	(200,000)
Closing balance		772,282	-

19.1 This represent provision recognized during the year on the basis of time based criteria of non-performing murabaha financing in accordance with prudential regulations for Modarabas.

20. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that not less than ninety percent of their profits for the year as reduced by the amount transferred to statutory (mandatory) reserves are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note no.29, no provision for taxation has been made in these financial statements.

		2020	2019
21. EARNINGS PER CERTIFICATE- BASIC & DILUTED			
Profit after taxation		5,543,182	4,839,100
Weighted average number of certificates		10,000,000	10,000,000
		0.55	0.48

22. RELATED PARTY TRANSACTIONS

The related parties comprise of associated undertakings, directors of the Modaraba Management Company. The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows:

Nature of transactions	Relationship with the Co.	2020 Rupees	2019 Rupees
Management fee- payment during the year	Management company	558,415	860,000
Balance as at the year end			
Loan payable to modaraba management company	Management company	28,000,000	25,000,000
Payable to modaraba management company	Management company	8,117	566,532

23. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

23.1 Financial risk management

The Modaraba's objective in managing risks is the creation and protection of Certificate holder's value. Risk is inherent in the Modaraba activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

- Credit risk
- Liquidity risk
- Market risk



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23.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The management understands that the Modaraba is not exposed to any major concentration of credit

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2020 is the carrying amount of the financial assets as set out below:

Business	2020	2019
	Rupees	Rupees
Murabaha finance	24,153,131	27,165,487
Diminishing musharaka	49,463,112	54,958,581
Advances and other receivables	4,953,794	3,065,395
Cash and bank balances	4,536,119	14,205,853
	83,106,156	99,395,316

Concentration of credit risk

Concentration is the relative sensitivity of the Modaraba's performance to development affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic, political and other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Modaraba's concentration of credit risk by industrial distribution are as follows:

Segment by class of business of Ijarah assets	2020		2019	
	Rupees	%	Rupees	%
Cargo, trading and distribution	36,400,000	42.20	6,899,000	16.40
Investment companies, firms & bank	4,816,000	5.58	7,786,000	18.50
Individual	28,808,300	33.40	13,265,800	31.53
Hotels and resorts	16,225,000	18.82	14,125,000	33.57
	86,249,300	100	42,075,800	100

Segment by class of business of Diminishing Musharaka and Murabaha

	2020		2019	
	Rupees	%	Rupees	%
Diminishing Musharaka				
Hotels and resorts	4,201,216	8.49	5,041,456	9.16
Investment companies, firms & bank	36,181,983	73.15	38,588,865	70.11
Individuals	9,079,913	18.36	11,406,443	20.73
	49,463,112	100	55,036,764	100

Murabaha

Manufacturers and Exporters	-40-	1,350,000	5.42	-	-
Spare parts manufacturers		12,676,880	50.86	14,875,000	54.76
Individual		10,898,533	43.72	12,290,487	45.24
		24,925,413	100	27,165,487	100



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23.2.1 Modaraba's operations are restricted to Pakistan only.

23.3 Credit quality

The credit quality of Modaraba's liquid funds can be assessed with reference to external credit ratings as follows:

	Rating Long Term	Rating Agency	2020 Rupees	2019 Rupees
Al-Baraka Bank Limited	A+	JCR - VIS	<u>4,016,202</u>	<u>14,065,485</u>

23.4 An analysis of the portfolio of the Modaraba that is classified as non-performing as per the requirements of the Prudential Regulations for Modarabas is as follows:

	As at June 30, 2020			
	Substandard	Doubtful	Loss	Total
	----- Rupees -----			
Murabaha Finance - Secured	-	-	2,202,682	2,202,682
	-	-	<u>2,202,682</u>	<u>2,202,682</u>

	As at June 30, 2019			
	Substandard	Doubtful	Loss	Total
	----- Rupees -----			
Murabaha Finance - Secured	-	-	2,202,682	2,202,682
	-	-	<u>2,202,682</u>	<u>2,202,682</u>

23.5 Liquidity risk

The Modaraba defines liquidity risk as the risk that funds will not be available to meet liabilities as they fall due.

A range of tools is used for the management of liquidity. These comprise commitment and under writings guidelines, key balance sheet ratios and medium-term funding requirements. Moreover, day-to-day monitoring of future cash flows takes place and suitable levels of liquid reserves are maintained by the business.

	2020			
	Upto one year	One year to five years	Over five years	Total
	----- Rupees -----			
Financial assets				
Murabaha finance	22,703,821	1,449,310	-	24,153,131
Diminishing musharaka	5,009,086	44,454,026	-	49,463,112
Advances and other receivables	4,585,316	-	-	4,585,316
Cash and bank balances	4,536,119	-	-	4,536,119
	<u>36,834,342</u>	<u>45,903,336</u>	-	<u>82,737,678</u>
Financial liabilities				
Deferred liability	-	1,023,222	-	1,023,222
Loan from management company	28,000,000	-	-	28,000,000
Accrued and other liabilities	956,425	-	-	956,425
Unclaimed profit distribution	-41-	1,366,335	-	1,366,335
Management fee payable		8,117	-	8,117
	<u>30,330,877</u>	<u>1,023,222</u>	-	<u>31,354,099</u>
On-balance sheet gap	6,503,465	44,880,114	-	51,383,579



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	2019			Total
	Upto one	One year	Over	
	year	to five	five years	
	Rupees	Rupees	Rupees	Rupees
Financial assets				
Murabaha finance	24,266,866	2,898,621	-	27,165,487
Diminishing musharaka	13,637,381	41,321,200	-	54,958,581
Advances and other receivables	2,748,980	-	-	2,748,980
Cash and bank balances	14,205,853	-	-	14,205,853
	54,859,080	44,219,821	-	99,078,901
Financial liabilities				
Dererred liabilities	-	779,293	-	779,293
Loan from management company	25,000,000	-	-	25,000,000
Accrued and other liabilities	669,019	-	-	669,019
Unclaimed profit distribution	984,649	-	-	984,649
Management fee payable	566,532	-	-	566,532
sales tax on management fee	72,594	-	-	72,594
	27,292,794	779,293	-	28,072,087
On-balance sheet gap	27,566,285	43,440,528	-	71,006,813

23.6 Market risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a 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 price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market segments, speculative activities, supply and demand of securities and liquidity in the market.

Risk management

The Modaraba's policy is to manage price risk through diversified and selection of securities and other financial instruments within specified limits set by relevant Committee. The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by State Bank of Pakistan and/or stock exchange at which is set as per the trading trend and volumes in the security.

Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.



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24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Modaraba is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different from their carrying amounts.

24.1 Fair value hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

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

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

24.2 Financial instruments by category	2020 Rupees	2019 Rupees
Amortised Cost		
Diminishing musharaka	49,463,112	54,958,581
Murabaha finance	24,153,131	27,165,487
Advances and other receivables	4,953,794	3,065,395
Cash and bank balances	4,536,119	14,205,853
	83,106,156	99,395,316
Financial liabilities		
Financial liabilities at amortised cost		
Deferred liability	1,023,222	779,293
Loan from management company	28,000,000	25,000,000
Accrued and other liabilities	956,425	669,019
Unclaimed profit distribution	1,366,335	984,649
Management fee payable	8,117	566,532
Sales tax on management fee	-	72,594
	31,354,099	28,072,087
	51,752,057	71,323,228

24.3 Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.



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25. YIELD/PROFIT RATE RISK EXPOSURE

The information about Modaraba's exposure to yield rate risk, based on contractual refinancing or maturity dates whichever is earlier, is as follows:

2020	Effective yield / Profit risk	Yield / Profit bearing maturity			Non Yield / Profit bearing maturity			Grand total
		within one year	After one year	sub total	within one year	After one year	sub total	
	%	----- Rupees -----						
Financial assets								
Murabaha Finance	9.41% - 14.86%	22,703,821	1,449,310	24,153,131	-	-	-	24,153,131
Diminishing Musharaka Finance	9.36% - 16.6%	5,009,086	44,454,026	49,463,112	-	-	-	49,463,112
Advances and other receivables		-	-	-	4,585,316	-	4,585,316	4,585,316
Cash and bank balances	3.75% - 3.8%	4,500,551	-	4,500,551	35,568	-	35,568	4,536,119
	(A)	<u>32,213,458</u>	<u>45,903,336</u>	<u>78,116,794</u>	<u>4,620,884</u>	<u>-</u>	<u>4,620,884</u>	<u>82,737,678</u>
Financial liabilities								
Loan from Management company		-	-	-	28,000,000	-	28,000,000	28,000,000
Deferred liability		-	-	-	-	1,023,222	1,023,222	1,023,222
Accrued and other liabilities		-	-	-	956,425	-	956,425	956,425
Unclaimed profit distribution		-	-	-	1,366,335	-	1,366,335	1,366,335
Management fee payable		-	-	-	8,117	-	8,117	8,117
	(B)	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,330,877</u>	<u>1,023,222</u>	<u>31,354,099</u>	<u>31,354,099</u>
Total yield / profit risk sensitivity gap	(A)-(B)	<u>32,213,458</u>	<u>45,903,336</u>	<u>78,116,794</u>	<u>(25,709,993)</u>	<u>(1,023,222)</u>	<u>(26,733,215)</u>	<u>51,383,579</u>

2019	Effective yield / Profit risk	Yield / Profit bearing maturity			Non Yield / Profit bearing maturity			Grand total
		within one year	After one year	sub total	within one year	After one year	sub total	
	%	----- Rupees -----						
Financial assets								
Murabaha Finance	9.41% - 14.86%	24,266,866	2,898,621	27,165,487	-	-	-	27,165,487
Diminishing musharaka finance	11.18% - 14.20%	13,637,381	41,321,200	54,958,581	-	-	-	54,958,581
Advances and other receivables		-	-	-	2,748,980	-	2,748,980	2,748,980
Cash and bank balances	2.7% - 5.0%	14,174,285	-	14,174,285	31,568	-	31,568	14,205,853
	(A)	<u>52,078,532</u>	<u>44,219,821</u>	<u>96,298,353</u>	<u>2,780,548</u>	<u>-</u>	<u>2,780,548</u>	<u>99,078,901</u>
Financial liabilities								
Loan from Management company		-	-	-	25,000,000	-	25,000,000	25,000,000
Deferred liability		-	-	-	-	779,293	779,293	779,293
Accrued and other liabilities		-	-	-	669,019	-	669,019	669,019
Unclaimed profit distribution		-	-	-	984,649	-	984,649	984,649
Management fee payable		-	-	-	566,532	-	566,532	566,532
Sales tax on management fee		-	-	-	72,594	-	72,594	72,594
	(B)	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,292,794</u>	<u>779,293</u>	<u>28,072,087</u>	<u>28,072,087</u>
Total yield / profit risk sensitivity gap	(A)-(B)	<u>52,078,532</u>	<u>44,219,821</u>	<u>96,298,353</u>	<u>(24,512,246)</u>	<u>(779,293)</u>	<u>(25,291,539)</u>	<u>71,006,813</u>

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve.☐



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26. INFORMATION ABOUT BUSINESS SEGMENTS

Description	June 30, 2020					
	Diminishing Musharaka	Ijarah	Murabaha	Modaraba	Others	Total
	----- Rupees -----					
Segment revenues	6,689,276	24,942,796	2,925,930	-	933,037	35,491,039
Segment Results						
Segment income	6,689,276	24,942,796	2,925,930	-	933,037	35,491,039
Operating expenses	(1,034,341)	(3,856,823)	(452,427)	-	(144,272)	(5,487,863)
Depreciation - Ijarah	-	(23,574,586)	-	-	-	(23,574,586)
Provision against Morabaha	-	-	-	-	(772,282)	(772,282)
Workers' welfare fund	-	-	-	-	(113,126)	(113,126)
Segment results	5,654,935	(2,488,613)	2,473,503	-	(96,644)	5,543,182
Other Information						
Capital expenditure	5,771,053	53,792,500	2,240,074	-	-	61,803,627
Depreciation	-	(23,574,586)	-	-	-	(23,574,586)
Assets and Liabilities						
Segment assets	49,463,112	48,812,639	24,153,131	-	4,953,794	127,382,676
Unallocated assets	-	-	-	-	4,573,963	4,573,963
Total segment assets	49,463,112	48,812,639	24,153,131	-	9,527,757	131,956,639
Segment liabilities						
Security deposits	-	12,463,630	-	-	-	12,463,630
Loan from management company	-	-	-	-	28,000,000	28,000,000
Unallocated liabilities	-	-	-	-	3,369,079	3,369,079
Total segment liabilities	-	12,463,630	-	-	31,369,079	43,832,709
Total net assets						88,123,930



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Description	June 30, 2019					
	Musharaka	Ijarah	Murabaha	Modaraba	Others	Total
	----- Rupees -----					
Segment revenues	6,171,440	15,676,576	2,963,893	255,000	1,447,273	26,514,182
Segment Results						
Segment income	6,171,440	15,676,576	2,963,893	255,000	1,447,273	26,514,182
Operating expenses	(1,656,370)	(4,207,480)	(795,487)	(68,440)	(388,438)	(7,116,215)
Depreciation - Ijarah	-	(14,013,815)	-	-	-	(14,013,815)
Reversal of provision	-	-	-	-	200,000	200,000
Workers' welfare fund	-	-	-	-	(99,063)	(99,063)
Management fees and sales tax	-	-	-	-	(631,009)	(631,009)
Taxation- Prior year	-	-	-	-	(14,980)	(14,980)
Segment results	4,515,070	(2,544,719)	2,168,405	186,560	513,784	4,839,100
Other Information						
Capital expenditure	18,672,098	4,959,400	2,651,744	-	-	26,283,242
Depreciation	-	(14,013,815)	-	-	-	(14,013,815)
Assets and Liabilities						
Segment assets	54,958,581	21,159,909	27,165,487	-	3,065,395	106,349,372
unallocated assets	-	-	-	-	14,221,623	14,221,623
Total segment assets	54,958,581	21,159,909	27,165,487	-	17,287,018	120,570,995
Segment liabilities						
Security deposits	-	6,423,180	-	-	-	6,423,180
Loan from management company	-	-	-	-	25,000,000	25,000,000
unallocated liabilities	-	-	-	-	3,087,067	3,087,067
Total segment liabilities	-	6,423,180	-	-	28,087,067	34,510,247
Total net assets						86,060,748



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27. OPERATING RISK

Operational Risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external; factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

28. NUMBER OF EMPLOYEES

Total number of employees end of the year

2020	2019
5	5

Average number of employees during the year

5	7
---	---

29. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.4035 per certificate (2019: Re.0.348 per certificate) for the year ended 30 June 2020, resulting in a total distribution of profit amounting to Rs. 4.035 million (2019: Rs. 3.480 million), in its meeting held on September 18, 2020 which is more than 90% of the net profit for the year ended 30 June, 2020, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending June 30, 2021.

30. CORRESPONDENCE FIGURES

Prior year's figures have been reclassified for the purpose of better presentation and comparison where considered necessary.

31. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors of the Management Company and authorized for issue on September 18, 2020.

32. GENERAL

The figures have been rounded off to the nearest rupees.

Chief Executive Officer

Chief Financial Officer

Director

Director



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PATTERN OF CERTIFICATE HOLDING REPORT AS OF JUNE 30, 2020

Number of Certificate	Certificate Holdings			Total Certificate Held
35	1	to	100	1,435
782	101	to	500	386,884
71	501	to	1000	70,250
55	1001	to	5000	151,815
21	5001	to	10000	175,400
15	10001	to	15000	199,871
7	15001	to	20000	125,700
6	20001	to	25000	142,311
2	25001	to	30000	56,000
4	35001	to	40000	142,340
2	45001	to	50000	95,500
1	65001	to	70000	65,660
2	70001	to	75000	141,700
1	95001	to	100000	100,000
1	110001	to	115000	111,500
1	115001	to	120000	118,333
1	120001	to	125000	124,000
4	775001	to	780000	3,113,252
2	1555001	to	1560000	3,113,050
1	1560001	to	1565000	1,564,999
1014				10,000,000



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CATEGORIES OF CERTIFICATE HOLDING REPORT AS OF JUNE 30, 2020

Categories of Certificateholders	Certificateholders	Certificate Held	Percentage
Directors and their spouse(s) and minor children			
MALIK JUNAID EMAM	1	1,556,625	15.57
IMAMUDDIN SHOUQEEN	1	1,556,425	15.56
SHAHBAZ ALI MALIK	1	778,313	7.78
NAWABZADA KAMRAN HUSSAIN MUGHAL	1	100	0.00
Associated Companies, undertakings and related parties			
POPULAR ISLAMIC MODARABA MANAGEMENT COMPANY (PVT.) LIMITED	1	1,564,999	15.65
Sponsors			
	3	2,334,939	23.35
Executives			
	0	-	-
Public Sector Companies and Corporations			
	1	16,700	0.17
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
	3	28,000	0.28
Mutual Funds			
NIL	0	-	-
General Public			
a. Local	990	1,964,799	19.65
Foreign Investors	0	-	-
Others			
	12	199,100	1.99
Totals	1014	10,000,000	100.00
Share holders holding 10% or more			
		Shares Held	Percentage
POPULAR ISLAMIC MODARABA MANAGEMENT COMPANY (PVT.) LIMITED		1,564,999	15.65
MALIK JUNAID EMAM		1,556,625	15.57
IMAMUDDIN SHOUQEEN		1,556,425	15.56



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NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that Sixth (7th) Annual Review Meeting of **Popular Islamic Modaraba** will be held on Friday, October 23, 2020 at 11:30 a.m. at the Registered Office of the Modaraba at 15th Floor, Chapal Plaza, Hasrat Mohani Road, Off. I.I.Chundrigar Road, Karachi for review the performance of the Modaraba for the year ended June 30, 2020.

By order of the Board

Kamran Hussain Mughal
(Company Secretary)

Karachi : October 01, 2020

Notes:

1. CLOSURE OF SHARE TRANSFER BOOKS:

The Modaraba Certificates Transfer Book will remain closed from October 16, 2020 to October 23, 2020 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. The transfers received in order at the office of the Share Registrar, M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi by the close of business hours on October 15, 2020 will be considered the eligibility to attend the Annual Review Meeting.

2. CORONA VIRUS (COVID-19) CONTINGENCY PLANNING FOR PARTICIPATION IN ANNUAL REVIEW MEETING (ARM):

In wake of the prevalent COVID-19 pandemic situation and in the light of the relevant guidelines issued by the Securities and Exchange Commission of Pakistan vide their Circular No. 5 of 2020 dated March 17, 2020. The Certificate Holders who are interested to attend the ARM through Video Conference, are hereby requested to get themselves registered with the Company Secretary office by providing the following detail at the earliest but not later than 48 hours before the time of ARM through email at info@popularislamicmodaraba.com. Certificate Holders are advised to mention Name, CNIC Number, Folio/CDC Account Number, Cell Number and email ID for identification. Upon receipt of the above information from the interested Certificate Holders, the Modaraba will send the login credentials at their email address on the date of ARM, Certificate Holders will be able to login and participate in the ARM proceedings through their smart phone/ computer devices.

For those Certificate Holders who wish to attend the ARM in person, their identity shall be required to be authenticated by either original valid CNIC or original valid Passport at the time of attending the Meeting.



Popular Islamic Modaraba

An Islamic Financial Institution

3. NOTIFY THE CHANGES IN ADDRESS:

The Certificate Holders are advised to notify to the Registrar of Popular Islamic Modaraba of any change in their addresses immediately. Further, any Certificates for transfer, etc, should be lodged with the Registrar of Popular Islamic Modaraba.

4. SUBMISSION OF COPIES OF CNIC (MANDATORY):

Pursuant to the Notification SRO.275(I)/2016 dated March 31, 2016 read with S.R.O.19(I)/2014 dated January 10, 2014 and SRO.831(I)/2012 dated July 5, 2012 of the Securities & Exchange Commission of Pakistan (SECP), Dividend Warrant(s) shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of certificate holders. Certificate holders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC or NTN in case of corporate entities (if not already provided) to the Modaraba's Share Registrar. In case of non-availability of a valid copy of the Certificates' CNIC in the records of the Modaraba, the Modaraba shall be constrained to withhold the Dividend Warrants, which will be released by the Share Registrar only upon submission of a valid copy of the CNIC in compliance with the aforesaid SECP directives.

5. WITHHOLDING TAX ON DIVIDEND:

Government of Pakistan through Finance Act, 2019, has made certain amendments in withholding tax provision by substituting the definition of "Filers" with "Active Taxpayer List" (ATL), whereby the company is required to collect tax on dividend under Section 150 of the Income Tax Ordinance, 2001 from the person not appearing in the ATL at the rates specified in the Ordinance as increased by 100%. These tax rates are as under:

a)	Rate of tax deduction for filers of income tax returns	15.00%
b)	Rate of tax deduction for non-filers of income tax returns	30.00%

Certificateholders who are filers, are advised to make sure that their names are entered into latest ATL provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as person not appearing in ATL and tax on their cash dividend will be deducted at the rate of 30% instead of 15%.

6. WITHHOLDING TAX ON DIVIDEND IN CASE OF JOINT ACCOUNT HOLDERS:

For certificate holders holding their certificates jointly as per the clarification issued by the FBR, withholding tax will be determined separately on "Filer / Non Filer" status of the principal certificate holder as well as the joint-holder(s) based on their certificate holding proportions. Therefore, all certificate holders who hold certificates jointly are requested to provided certificate holding proportions of principal certificate holder and join-holder(s) in respect of certificates held by them to our Share Registrar, in writing as follows:



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Folio No. / CDC Account No.	Total Certificates	Principal Certificate Holder		Joint Certificate Holder(s)	
		Name and CNIC No.	Certificate Holding Proportion (Number of Certificates)	Name and CNIC No.	Certificate Holding Proportion (Number of Certificates)

The required information must reach our Share Registrar before close of business on October 15, 2020, otherwise it will be assumed that the certificates are equally held by principal certificate holder and Joint holders(s).

7. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON MODARABA'S WEBSITE:

The audited financial statements of the Modaraba for the year ended June 30, 2020 have been made available on the Modaraba's website www.popularislamicmodaraba.com, in addition to annual and quarterly financial statements for the prior years.

8. PAYMENT OF DIVIDEND THROUGH ELECTRONIC MODE:

Under the provisions of Section 242 of the Companies Act 2017, it is mandatory for a listed Company to pay cash dividend to its Certificate Holders only through electronic mode directly into Bank account designated by the entitled Certificate Holders. Therefore, all the Certificate Holders of Popular Islamic Modaraba are hereby advised to provide dividend mandate of their respective Banks in the Dividend Mandate Form available on Modaraba's website. Certificate Holders maintaining Certificate holding under Central Depository System (CDS) are advised to submit their Bank account mandate information directly to the relevant participant / CDC Investor Account Service.

In the absence of Bank account details or in case of incomplete details, the Modaraba will be constrained to withhold the payment of cash dividend of those certificate holders who have not provided the same. For more information, you may contact our Share Registrar.



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اطلاع برائے سالانہ جائزہ اجلاس

بزرگیہ نوٹس مطلع کیا جاتا ہے کہ پاپولر اسلامک مضافہ کے سرٹیفکیٹ ہولڈرز کا سالانہ جائزہ اجلاس 30 جون 2020 کو ختم ہونے والے سال کے لیے مضافہ کے رجسٹرار آفس پندرہ منزل، چیٹیل پلازہ، حسرت موہانی روڈ، آئی، آئی، چندریگر روڈ، کراچی بروز جمعہ 23 اکتوبر 2020 بوقت صبح 11:30 بجے منعقد ہوگا۔

بحکم بورڈ

کامران حسین مغل
(کمپنی سیکریٹری)

01 اکتوبر 2020
کراچی۔

نوٹس:

۱۔ سرٹیفکیٹ ٹرانسفر کیس

مضافہ کا سرٹیفکیٹ ٹرانسفر رجسٹر مورخہ 11 اکتوبر 2020 سے 23 اکتوبر 2020 (شمول دونوں دن) تک بند رہیگا اور درج بالا دنوں میں کوئی منتقلی قبول نہیں ہوگی۔ سالانہ اجلاس میں شرکت کے سلسلے میں ہمارے شیئر رجسٹرار سی ڈی سی پاکستان، 99 بی، بلاک بی، مین شارٹ فیصل، کراچی کو مورخہ 11 اکتوبر 2020 کو دفتری اوقات ختم ہونے تک موصول ہونے والے ٹرانسفر بروقت اور سالانہ جائزہ اجلاس میں شرکت کے قابل تصور کیے جائیں گے۔

۲۔ کروا وائرس (کوویڈ-19) کی وبا کے تسلسل میں اجلاس میں شرکت کیلئے منصوبہ بندی

کروا وائرس کی وبائی صورتحال کے پیش نظر اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے متعلقہ ہدایات کیلئے جاری کردہ سرکلر نمبر 05 بحریہ 2020، تاریخ 17 مارچ 2020 کے مطابق جو سرٹیفکیٹ ہولڈرز مضافہ کے سالانہ جائزہ اجلاس میں واپس لوٹنے کے ذریعے شرکت کے خواہش مند ہیں ان سے درخواست کی جاتی ہے کہ وہ مندرجہ ذیل معلومات مضافہ کے کمپنی سیکریٹری آفس میں اجلاس سے کم از کم 28 گھنٹے پہلے بذریعہ ای میل info@popularislamicmodaraba.com رجسٹر کروائیں۔ سرٹیفکیٹ ہولڈرز کو ہدایت کی جاتی ہے کہ اپنا مکمل نام، قومی شناختی کارڈ نمبر، فونو/سی ڈی سی کاؤنٹ نمبر، موبائل نمبر اور ای میل واضح کریں۔ مضافہ اجلاس کا واپس لوٹنے کے ذریعہ ای میل اجلاس والے دن سرٹیفکیٹ ہولڈرز کو مہیا کر دے گا جس کے بعد سرٹیفکیٹ ہولڈرز اپنے موبائل یا کمپیوٹر کے ذریعے اجلاس میں شرکت کر سکیں گے۔

وہ سرٹیفکیٹ ہولڈرز جو بذات خود اجلاس میں شرکت کے خواہش مند ہیں وہ اپنا اصل قومی شناختی کارڈ یا اصل پاسپورٹ اپنے ہمراہ لے کر آئیں تاکہ ان کی تصدیق کی جاسکے۔



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۳۔ پے میں تبدیلی کی اطلاع:

سرٹیفکیٹ ہولڈرز کو بدانت کی جاتی ہے کہ اپنے پتے میں کسی بھی قسم کی تبدیلی کے بارے میں فوری طور پر مضاربہ کے شیئر رجسٹرار کو مطلع کریں تاکہ انہیں تمام خط و کتابت بروقت موصول ہوں۔ مزید، کسی سرٹیفکیٹ کی ملکیت کی تبدیلی کیلئے مضاربہ کے شیئر رجسٹرار سے رابطہ کریں۔

۴۔ قومی شناختی کارڈ/بھل گئی نمبر کی فراہمی (لازمی)

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او ۲۰۱۶/۱(۱) ۲۷۵ تاریخ ۳۱ مارچ ۲۰۱۶، ایس آر او ۲۰۱۳/۱(۱) ۱۹ تاریخ ۱۰ جنوری ۲۰۱۳، ایس آر او ۲۰۱۲/۱(۱) ۸۳۱ تاریخ ۵ جولائی ۲۰۱۲ کے مطابق ڈیویڈنڈ وارنٹ پر رجسٹرڈ سرٹیفکیٹ ہولڈرز کا قومی شناختی کارڈ ہونا لازمی ہے۔ سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ وہ اپنے قومی شناختی کارڈ کی کاپی اپنے فوئیو نمبر کے ساتھ جلد سے جلد کمپنی کے شیئر رجسٹرار کے پاس جمع کروادیں۔ قومی شناختی کارڈ کی کاپی جمع نہ کرنے کی صورت میں ڈیویڈنڈ وارنٹ روکے جاسکتے ہیں۔ کمپنیوں سے درخواست ہے کہ وہ اپنا NTN Certificate کمپنی کے شیئر رجسٹرار کے پاس جمع کروادیں۔

۵۔ منافع حتمہ پر وہ ہولڈنگ ٹیکس کی کوٹنی:

حکومت پاکستان نے فنانس ایکٹ ۲۰۱۹ کے ذریعے انکم ٹیکس آرڈیننس ۲۰۰۱ کی سیکشن ۱۵۰ میں کچھ ترمیمات کی ہیں جس کے ذریعے لیکینیٹرز کی جانب سے ادا کردہ منافع حتمہ کی رقم پر وہ ہولڈنگ ٹیکس کی کوٹنی کیلئے مختلف شرحیں تجویز کی گئیں ہیں۔ یہ شرحائے ٹیکس درج ذیل ہیں:

- (الف) انکم ٹیکس گوشوارے جمع کروانے والوں کیلئے - ۱۵ فیصد
- (ب) انکم ٹیکس گوشوارے نا جمع کروانے والوں کیلئے - ۳۰ فیصد

ایسے تمام سرٹیفکیٹ ہولڈرز جن کے نام ایکٹو ٹیکس ریٹرنسٹ (ایس ٹی ایل) میں نہیں ہیں (جو ایف بی آر کی ویب سائٹ پر موجود نہیں ہیں) باوجود اس کے وہ فائلرز ہوں۔ اس بات کو یقینی بنائیں کہ ان کے نام ایس ٹی ایل میں شامل ہوں۔ بصورت دیگر ان کے منافع حتمہ پر ٹیکس ۱۵ کے بجائے ۳۰ فیصد ہوگا۔

۶۔ جماعت ہولڈرز کی صورت میں منافع حتمہ پر وہ ہولڈنگ ٹیکس:

ان سرٹیفکیٹ ہولڈرز کیلئے جن کے سرٹیفکیٹس ایف بی آر کی جانب سے جاری کردہ وضاحت کے مطابق مشترکہ طور پر رکھے ہوئے ہیں ان کا وہ ہولڈنگ ٹیکس اصل سرٹیفکیٹ ہولڈرز کے فائلر/ان فائلر حیثیت پر ملجہ سے متعین کیا جائے گا۔ اس لئے تمام سرٹیفکیٹ ہولڈرز جو مشترکہ طور پر سرٹیفکیٹس رکھتے ہیں سے درخواست کی جاتی ہے کہ وہ ہمارے شیئر رجسٹرار کو تحریری طور پر ان کی جانب سے سرٹیفکیٹس رکھنے کے لحاظ سے اصل سرٹیفکیٹ ہولڈر اور جماعت ہولڈر (ز) کے سرٹیفکیٹ ہولڈنگ حصوں کو درج ذیل کے مطابق فراہم کر دیں:

فویو نمبر/ایس ڈی سی اکاؤنٹ نمبر	کل سرٹیفکیٹس	بنیادی سرٹیفکیٹ ہولڈر	جماعت سرٹیفکیٹ ہولڈر (ز)
		نام اور شناختی کارڈ نمبر	نام اور شناختی کارڈ نمبر
		سرٹیفکیٹ کا تناسب (تعداد)	سرٹیفکیٹ کا تناسب (تعداد)



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۷۔ سالانہ گوشواروں کی دستیابی:

پاپولر اسلامک مضاربہ کے سالانہ گوشوارے مضاربہ کی ویب سائٹ www.popularislamicmodaraba.com پر معائنے کیلئے دستیاب ہیں۔

۸۔ منافع منقسمہ کی برقیاتی طریقے سے ادائیگی (لازمی):

پہنیز ایکٹ ۲۰۱۷ کی شق نمبر ۳۳۲ کے مطابق لسٹڈ کمپنی کیلئے یہ لازمی قرار دیا گیا ہے کہ سرٹیفیکیٹ ہولڈر کو نقد منافع منقسمہ کی ادائیگی برقیاتی طریقے سے کرے۔ سالانہ پاپولر اسلامک مضاربہ کے تمام سرٹیفیکیٹ ہولڈر کو شوریہ دیا جاتا ہے کہ مضاربہ کی ویب سائٹ پر دستیاب ڈیویڈنڈ مینڈیٹ فارم میں اپنے متعلقہ بینک کو اختیار منافع منقسمہ (یعنی ڈیویڈنڈ مینڈیٹ) فراہم کرے۔ یہ سرٹیفیکیٹ ہولڈر جو سی ڈی ایس کے تحت سرٹیفیکیٹ ہولڈنگ برقرار رکھے ہوئے ہیں کو شوریہ دیا جاتا ہے کہ وہ اپنی بینک مینڈیٹ انفارمیشن براہ راست متعلقہ شریک/سی ڈی ایس انوسٹرا کاؤنٹ کو جمع کرا دیں۔

بینک اکاؤنٹ کی عدم دستیابی یا نامکمل معلومات کی صورت میں مضاربہ ایسے سرٹیفیکیٹ ہولڈرز کے منافع منقسمہ کی ادائیگی روک لی جائے گی۔ مزید معلومات کیلئے ہمارے شیئر رجسٹرار سے رابطہ کریں۔



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