

FIRST PAK MODARABA

**Half Yearly Report
December 31, 2019**

Managed by:

Awwal Modaraba Management Limited

FIRST PAK MODARABA

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Audit Committee

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

Human Resource and Remuneration Committee

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

Company Secretary

Ms. Iqra Sajjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

Crowe Hussain Chaudhury & Co, Chartered Accountants

Bankers

Habib Bank Limited
Summit Bank

Certificate Registrar

F.D. Registrar Services (SMC-Pvt) Limited.
Office No: 1705, 17th Floor, Saima Tower-A,
I.I.Chundrigar Road, Karachi-74000
Phone: 021-32271905-6 Fax: 021- 32621233

Legal Advisor

Ahmed & Qazi
S & B Durrani Law Associates

Shariah Advisor

Al-Hamd Shariah Advisory Services (Pvt) Limited

Registered Office & Head Office

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

Lahore Branch Office

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

Islamabad Branch Office

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

Directors' Report

For the six months period ended 31 December 2019

On behalf of the Board of Directors of Awwal Modaraba Management Limited, the management company of First Pak Modaraba, we are pleased to present the Directors' Report together with unaudited financial results of First Pak Modaraba, for the half year ended 31 December 2019.

Change of Management Company

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

Economy

The first six months of FY2020 saw stability in interest rates as the State Bank of Pakistan (SBP) kept the Policy Rate unchanged since July 2019. SBP noted several positive developments including a massive reduction in current account deficit, exchange rate stability, and expected slowdown in inflation to targeted levels. The economy still faces several challenges as inflationary pressures during the last two years have substantially increased working capital requirements for companies in an environment of high interest rates. This is exacerbated by slowdown in demand and geo-political tensions creating uncertainty.

At the same time, many positive developments have taken place. On December 02, 2019 Moody's upgraded Pakistan's outlook from 'Negative' to 'Stable' and re-affirmed the B3 rating. Moreover, the Asian Development Bank also approved a USD 1.3 billion loan to support the domestic economy. Pakistan's status on FATF is relatively secure for now; however, a continuous fulfilment of FATF targets is a must in order to avoid any negative action. Monetary policy easing is expected during second half of 2020 in line with slowdown in future inflation. The Government is focusing on CPEC Phase II. While the first phase emphasized energy and roads, the second phase will focus on industrialization, agriculture, and socioeconomic development, with a particular emphasis on special economic zones. Global economic outlook is also favourable for next year which can help boost exports even though stress is still evident. Overall the next six months are expected to remain tight as the economy undergoes the stabilization phase.

Financial Performance

During the six months under review, gross revenue was recorded at PKR 6.04 million inclusive of return on deposit of PKR 1.10 Million, compared to PKR 7.15 million in corresponding period last year. Admin and operating expenses for the period amounted to PKR 5.16 million. The Modaraba posted profit before management fee expense and tax of PKR 0.88 million during Jul - Dec 2019 compared to the profit before management fee expense and tax of PKR 1.21 million in the corresponding period of last year.

Acknowledgement

The Board would like to acknowledge and appreciate Securities and Exchange Commission of Pakistan and Registrar Modaraba for their continuous guidance and support. Also, would like to avail this opportunity to thank its customers and investors for placing their trust in the Modaraba.

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Chief Executive

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Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To The Certificate holders of FIRST PAK MODARABA

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **First Pak Modaraba** ("the Modaraba"), as at December 31, 2019 and the related condensed interim profit and loss account and other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). The Modaraba Management Company is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at and for the half year ended December 31, 2019 is not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

The financial statements of the Modaraba for the year and period ended June 30, 2019 and December 31, 2018 were audited and reviewed respectively by another firm of Chartered Accountants, whose report dated October 25, 2019 and February 22, 2019 expressed an unqualified opinion and conclusion on such statements.

The engagement partner on the Review resulting in this independent auditor's report is Najeeb Moochhala.

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Crowe Hussain Chaudhury & Co.
Chartered Accountants

Place: Karachi

Date:

ڈائریکٹر رپورٹ

برائے ششماہی اختتام پذیر 31 دسمبر 2019

فرسٹ پاک مضاربہ کمپنی، انتظامی کمپنی برائے اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم انتہائی مسرت کے ساتھ ڈائریکٹر رپورٹ اور اس کے ساتھ فرسٹ پاک مضاربہ کے غیر آڈٹ شدہ مالیاتی نتائج برائے ششماہی اختتام پذیر 31 دسمبر 2019 پیش کرتے ہیں۔

انتظامی کمپنی کی تبدیلی

رجسٹرار مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) نے، خط نمبر SC/M/PROD/KASB/2019/36 بتاریخ 31 جنوری 2020 کے تحت بذریعہ حکم نامہ نمبر SC/M/RW/KASB/2020-35 اول مضاربہ مینجمنٹ لمیٹڈ (AMML) کو 3 فروری 2020 سے فرسٹ پاک مضاربہ کی انتظامی کمپنی مقرر کیا ہے۔ نتیجتاً AMML نے اسی تاریخ سے فرسٹ پاک مضاربہ کا انتظامی کنٹرول حاصل کر لیا ہے۔ اس سے پہلے مضاربہ کا انتظام وانصرام ایڈمنسٹریٹر کی جانب سے کیا جا رہا تھا جن کا رجسٹرار مضاربہ نے SECP کے حکم نامہ بتاریخ 3 اپریل 2019 کے تقرر کیا تھا۔

معیشت

مالی سال 2020 کی پہلی ششماہی میں منافع کے تناسب میں استحکام دیکھا گیا ہے جیسا کہ اسٹیٹ بینک پاکستان نے جولائی 2019 سے پالیسی ریٹ میں تبدیلی نہ کرنے کا فیصلہ کیا ہے۔ اسٹیٹ بینک پاکستان کی جانب سے متعدد مثبت پہلوؤں پر غور لائے گئے ہیں جس میں حالیہ اکاؤنٹ خسارے میں قابل دید کمی کرنا، ایکسچینج ریٹ میں استحکام اور اہدائی درجوں تک مہنگائی میں کمی لانے کی توقعات وغیرہ شامل ہیں۔ معیشت کو ابھی بھی متعدد چیلنجز کا سامنا ہے جیسا کہ پچھلے دو سالوں سے مہنگائی کے سبب معیشت پر دباؤ برقرار ہے، نتیجتاً انتہا درجے کے منافع کے تناسب کی وجہ سے کاروباری سرمایہ کاری کی ضرورت میں اضافہ ہو گیا ہے۔ طلب میں کمی واقع ہونے اور جغرافیائی سیاسیات میں تناؤ سی کیفیت کے سبب، معیشت غیر یقینی صورتحال سے اب بھی دوچار ہے۔

اسی اثناء میں، متعدد مثبت ترقیاں عمل میں آئی ہیں۔ مورخہ 2 دسمبر 2019 کو موڈیز نے پاکستان کے مستقبل کو منفی سے مستحکم قرار دیا ہے اور دوبارہ B-3 ریٹنگ پر فائز کیا ہے۔ مزید برآں، ایشیائی ترقیاتی بینک نے بھی ملکی معیشت کو سہارا دینے کیلئے 1.3 بلین امریکی ڈالر کے قرض کی منظوری دی ہے۔ FATF پر پاکستان کی حیثیت میں بھی بہتری آئی ہے؛ تاہم FATF کے اہداف کی مسلسل بجا آوری کسی بھی منفی رد عمل سے بچنے کیلئے اب بھی لازم و ملزوم ہے۔ سال 2020 کی دوسری ششماہی کے دوران مانیٹری پالیسی میں نرمی متوقع ہے جس سے مستقبل میں مہنگائی میں کمی واقع ہونے کا امکان ہے۔ حکومت سی پیک کے فیئر اپرائز پر اپنی توجہ مرکوز کیے ہوئے ہے جبکہ پہلے فیئر میں توانائی اور سڑکوں پر زور دیا گیا، دوسرے فیئر میں مخصوص معاشی زون پر خصوصی توجہ کے ساتھ ساتھ صنعت، زراعت اور سماجی اقتصاد پر بھی زور دیا جائے گا۔ اگلے سال عالمی معاشی پیش بینی بھی مثبت ہے جو کہ برآمدات کے اضافہ میں مددگار ثابت ہوگی۔ مختصراً آئندہ چھ ماہ مزید سخت رہنے کا امکان ہے جیسا کہ معاشی صورتحال استحکام کے مراحل سے گزر رہی ہے۔

مالیاتی کارکردگی

زیر جائزہ ششماہی کے دوران، 1.10 بلین پاکستانی روپے ڈیپازٹ میں واپسی کو شامل کرتے ہوئے منجملہ آمدن 6.04 بلین روپے پاکستانی ریکارڈ کیا گیا جبکہ گذشتہ سال مماثل دورانیہ میں 7.15 بلین پاکستانی روپے تھا۔ انتظامی اور عملیاتی اخراجات برائے دورانیہ ہذا 5.16 بلین پاکستانی روپے حساب لگائے گئے ہیں۔ مضاربہ نے انتظامیہ کے سامنے فیس اور ٹیکس کے اخراجات برائے دورانیہ جولائی تا دسمبر 2019 مبلغ 0.88 بلین پاکستانی روپے پیش کیے ہیں جبکہ اس کے مقابلے گذشتہ سال مماثل دورانیہ میں یہ اخراجات 1.21 بلین روپے پاکستانی تھے۔

تسلیمات

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان اور رجسٹرار مضاربہ کی جانب سے ان کی مسلسل رہنمائی اور حمایت کو سراہتے ہیں اور انہیں تسلیم کرتے ہیں۔ اس کے علاوہ ہم مضاربہ کے صارفین اور سرمایہ کاروں کی جانب سے مضاربہ پر بھروسہ کرنے پر ان کا شکریہ ادا کرتے ہیں۔

ڈائریکٹر

چیف ایگزیکٹو

فروری 26، 2020

کراچی

**FIRST PAK MODARABA
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

		(Un-Audited) December 31, 2019	(Audited) June 30, 2019
ASSETS	Note	----- Rupees -----	
Current Assets			
Cash and bank balances	6	31,919,363	19,004,878
Investments	7	57,890	39,710
Current portion of diminishing musharaka	8	14,312,329	17,899,169
Morabaha finance	9	-	-
Ijarah rentals receivable	10	118,367	118,367
Advances, deposits, prepayments and other receivables	11	1,321,851	1,137,857
Tax refundable - considered good		4,929,854	4,929,854
		<u>52,659,654</u>	<u>43,129,835</u>
Non - Current Assets			
Property and equipment - Ijarah	12	5,899,535	9,461,157
Property and equipment - owned	13	221,303	266,579
Long term portion of diminishing musharaka	8	13,586,386	19,688,501
Long term advance		55,165	93,835
		<u>19,762,389</u>	<u>29,510,072</u>
TOTAL ASSETS		<u>72,422,043</u>	<u>72,639,907</u>
LIABILITIES			
Current Liabilities			
Accrued and other liabilities		1,243,099	1,919,151
Unclaimed profit distribution		5,463,869	5,463,869
Provision for taxation		696,876	696,876
Current portion of deposits		1,630,000	445,000
		<u>9,033,844</u>	<u>8,524,896</u>
Non-Current Liabilities			
Long term deposits		1,186,500	2,794,000
TOTAL LIABILITIES		<u>10,220,344</u>	<u>11,318,896</u>
NET ASSETS		<u>62,201,699</u>	<u>61,321,011</u>
REPRESENTED BY			
Deficit on revaluation of investments classified as "FVTOCI"		(4,875,000)	(4,875,000)
Certificate holders' equity			
Certificate Capital		125,400,000	125,400,000
Statutory reserve		26,323,818	26,147,680
Accumulated loss		(84,647,119)	(85,351,669)
		<u>67,076,699</u>	<u>66,196,011</u>
		<u>62,201,699</u>	<u>61,321,011</u>
Contingencies and commitments	14		

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

-sd-
Chief Financial Officer

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Chief Executive Officer

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Director

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Director

**FIRST PAK MODARABA
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

Note	Half Year Ended		Quarter Ended	
	December 31,	December 31,	December 31,	December 31,
	2019	2018	2019	2018
	----- Rupees -----		----- Rupees -----	
INCOME				
Return on PLS accounts	1,100,972	379,344	690,933	194,642
Income on diminishing musharaka	2,437,422	2,507,495	1,189,640	1,370,527
Ijarah rentals	1,857,773	3,327,399	844,710	1,475,433
Other income	625,842	985,944	405,943	383,903
	6,022,009	7,200,182	3,131,226	3,424,505
Unrealised gain/(loss) on investments at fair value through profit or loss	18,180	(44,851)	18,150	(7,764)
	6,040,189	7,155,331	3,149,376	3,416,741
EXPENDITURE				
Administrative expenses	(3,800,884)	(3,191,924)	(1,961,079)	(1,881,085)
Depreciation on Ijarah assets	(1,341,003)	(2,591,628)	(618,939)	(1,228,314)
Workers welfare fund	(17,614)	(24,215)	(11,164)	(5,425)
	(5,159,501)	(5,807,767)	(2,591,182)	(3,114,824)
Profit for the period	880,688	1,347,564	558,194	301,917
Modaraba Company's Management Fee	15 -	(121,075)	-	(27,126)
Provision for sales tax on management fee	-	(15,740)	-	(3,527)
Profit before taxation	880,688	1,210,749	558,194	271,264
Provision for taxation	16 -	-	-	-
Profit after taxation	880,688	1,210,749	558,194	271,264
Other Comprehensive income	-	-	-	-
Total income for the period	880,688	1,210,749	558,194	271,264
Earnings per certificate	0.07	0.10	0.04	0.05

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

-sd-
Chief Financial Officer

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Chief Executive Officer

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Director

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Director

FIRST PAK MODARABA
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half Year Ended	
	December 31, 2019	December 31, 2018
	-----Rupees-----	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	880,688	1,210,749
Adjustments for non-cash changes and other items:		
-Unrealised gain/(loss) on remeasurement of 'held for trading investments	(18,180)	44,851
-Dividend income	(1,500)	-
-Depreciation on ijarah assets	1,341,003	2,591,628
-Depreciation-own ed	45,276	40,444
	1,366,599	2,676,923
	2,247,287	3,887,672
Cash flows before movements in working capital		
Decrease / (increase) in operating assets		
-Diminishing Musharika	9,688,955	(11,086,964)
-Ijarah rentals receiv able	-	43,385
-Adv ances, prepay ments and other receiv ables	(145,324)	(520,003)
	9,543,631	(11,563,582)
Increase / (decrease) in operating liabilities		
-Long term Ijarah deposits	(422,500)	(1,780,000)
-Accrued and other liabilities	(676,052)	83,261
	(1,098,552)	(1,696,739)
Cash generated from / (used in) operations	10,692,366	(9,372,649)
-Income tax paid / adjustment	-	(34,365)
Net cash generated from / (used in) operating activities	10,692,366	(9,407,014)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,500	-
Investments encashed / (made) -net	-	1,109,199
Purchase of own assets	-	220
Sale /(Purchase) of Ijarah assets	2,220,619	5,195,000
Net cash (used in) investing activities	2,222,119	6,304,419
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	-	(1,088,624)
Net cash used in financing activities	-	(1,088,624)
Net (decrease) in cash and cash equivalents (A +B +C)	12,914,485	(4,191,219)
Cash and cash equivalents at July 01	19,004,878	15,590,972
Cash and cash equivalents at December 31	31,919,363	11,399,753

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

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Chief Financial Officer	Chief Executive Officer	Director	Director

FIRST PAK MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Reserves			Total
	Certificate capital	Statutory reserve*	Accumulated loss	
	----- Rupees -----			
Balance as at July 1, 2018 (Audited)	125,400,000	26,044,844	(88,882,415)	62,562,429
Profit for the period ended December 31, 2018	-	-	1,210,749	1,210,749
Final dividend Re.0.14 per certificate for the year ended June 30, 2018	-	-	(1,755,600)	(1,755,600)
Transfer to statutory reserve	-	242,150	(242,150)	-
Balance as at December 31, 2018 (Unaudited)	125,400,000	26,286,994	(89,669,416)	62,017,578
Balance as at July 1, 2019 (Audited)	125,400,000	26,147,680	(85,351,669)	66,196,011
Profit for the period ended December 31, 2019	-	-	880,688	880,688
Transfer to statutory reserve	-	176,138	(176,138)	-
Balance as at December 31, 2019 (Unaudited)	125,400,000	26,323,818	(84,647,119)	67,076,699

* Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP.

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

-sd-
Chief Financial Officer

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Chief Executive Officer

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Director

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Director

FIRST PAK MODARABA
CONDENSED NOTES TO INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** First Pak Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and was managed by Royal Management Services (Pvt) Limited (RMSL). In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited took over the management and administrative control of First Prudential Modaraba effective from November 13, 2014.
- 1.2** The Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated April 03, 2019 appointed Mr. Khawaja Waheed Raza as Administrator of the Modaraba to take over and manage the affair of the Modaraba in place of KIPL (Management Company). As per terms of the order, all the powers and duties of the Modaraba Management Company as well as those of its Board of Directors assumed by the Administrator. The term of the Administrator, for holding the modaraba office, was initially for the period of six months which was gradually enhanced till February 03, 2020 as directed by the SECP.
- 1.3** The Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated January 31, 2020 appointed Awwal Modaraba Management Limited (AMML) to take over and manage the affair of the Modaraba. AMML has taken over the management and administrative control of First Prudential Modaraba effective from February 03, 2020,
- 1.4** The principal office of First Pak Modaraba was situated at 16-C, Khayaban-e-Bukhari, Bukhari Commercial Area, Phase VI, DHA, Karachi. It has been relocated to Office # B, 5th Floor, Lakson Square Building 1, Sarwar Shaheed Road, Karachi, with effect from August 5, 2019. The Modaraba is listed on Pakistan Stock Exchange. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in Musharakah, morabaha and investment in securities.
- 1.5** These financial statements are presented in Pak rupees, which is the Modaraba's functional and presentation currency.

2 STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities & Exchange Commission of Pakistan (SECP). In case where requirements differ, the requirements of Modaraba Companies and Modaraba (Floatation & Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issues by SECP prevail.
- 2.2** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended June 30, 2019. The figures for the half year ended December 31, 2019 have been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.
- 2.3** This condensed interim financial statements comprises of the condensed interim balance sheet as at December 31, 2019 and the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and the notes forming part thereof for the half year ended December 31, 2019 which have been subjected to a review but not audited.

- 2.4** The comparative condensed balance sheet, presented in this condensed interim financial statements, as at June 30, 2019 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2019 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year ended December 31, 2018 have been extracted from the condensed interim financial statements for the half year ended December 31, 2018 which were subjected to a review but not audited.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial statements are the same as those applied in preparing the financial statements of the Modaraba for the year ended June 30 2019

4 SIGNIFICANT ACCOUNTING ESTIMATES , JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of the condensed interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Modaraba as at and for the year ended June 30, 2019.

5 BASIS OF PREPARATION

These condensed interim financial statements have been prepared under the historical cost convention, except for certain investments which have been measured at fair value.

6 CASH AND BANK BALANCES	Note	(Un-Audited)	(Audited)
		December 31, 2019	June 30, 2019
		-----Rupees-----	
Cash in hand		2,970	5,400
Cash at banks			
Current accounts		<u>1,804,828</u>	1,804,828
Saving accounts	6.1	<u>30,112,615</u>	17,194,650
		<u>31,917,443</u>	18,999,478
		<u><u>31,919,363</u></u>	<u><u>19,004,878</u></u>

6.1 Effective mark-up rate in respect of PLS accounts ranges from 4.00% to 11.50% (June 2019: 4.00% to 10.25%) per annum.

7 INVESTMENTS	Note	(Un-Audited)	(Audited)
		December 31, 2019	June 30, 2019
		-----Rupees-----	
Fair value through other comprehensive income (FVTOCI)	7.1	-	-
Fair value through profit or loss (FVTPL)	7.2	<u>57,890</u>	39,710
		<u><u>57,890</u></u>	<u><u>39,710</u></u>

7.1 Fair value through other comprehensive income (FVTOCI)

Fully paid ordinary shares of Rs 10 each.

(Un-Audited) December 31, 2019	(Audited) June 30, 2019	Number of Shares	Name of company	Note	(Un-Audited)	(Audited)
					December 31, 2019	June 30, 2019
					-----Rupees-----	
			Prudential Securities Limited			
		487,500	Cost		<u>4,875,000</u>	4,875,000
			Permanent Diminution	7.1.1	<u><u>(4,875,000)</u></u>	<u><u>(4,875,000)</u></u>
					<u><u>-</u></u>	<u><u>-</u></u>

7.1.1 The operations of Prudential Securities Limited remained suspended that indicates a significant and prolonged decline in the fair value of this investment below carrying value resulting in an objective evidence of impairment. Therefore, the investment has been considered as fully impaired.

7.2 Fair value through profit or loss (FVTPL)

Unless stated otherwise, the holdings are in the fully paid ordinary shares / certificates / units of Rs 10/- each.

(Un-Audited) December 31, 2019	(Audited) June 30, 2019	Name of Company	(Un-Audited) December 31, 2019	(Audited) June 30, 2019
Number of Certificates / Shares			-----Rupees-----	
1,000	1,000	Steel International Steels Ltd	57,890	39,710
		Suspended / Delisted Company		
120,000	120,000	Prudential Investment Bank Limited	-	-
279,749	279,749	Pakistan Industrial & Commercial Leasing Limited	-	-
			57,890	39,710

8 DIMINISHING MUSHARIKA

Diminishing Musharika	8.1	27,898,715	37,587,670
Current portion of diminishing musharika		(14,312,329)	(17,899,169)
		13,586,386	19,688,501

8.1 These finance carry profit rate ranged from 13.00% to 19.00% per annum and are payable on monthly basis over a period from 3 to 4 years.

	Note	(Un-Audited) December 31, 2019	(Audited) June 30, 2019
		-----Rupees-----	
9 MORABAHA FINANCE			
Morabaha finance - Unsecured	9.1	15,319,705	15,319,705
Provision for doubtful morabaha finance		(15,319,705)	(15,319,705)
		-	-

9.1 This include amount of Morabaha finance receivable from five different parties outstanding since many years. As per term of agreement, the profit against these finance ranged from 16.5% to 20%, however, based on the guidelines of prudential regulation for Modaraba, the principal and profit against these finances have been fully provided and suspended accordingly.

	Note	(Un-Audited) December 31, 2019	(Audited) June 30, 2019
		-----Rupees-----	
10 IJARAH RENTALS RECEIVABLE			
Considered good		118,367	118,367
Considered doubtful		119,542	119,542
		237,909	237,909
Provision for doubtful receivables		(119,542)	(119,542)
		118,367	118,367

	(Un-Audited) December 31, 2019	(Audited) June 30, 2019
11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Considered good		
Profit Receivable on Diminishing Musharakah	189,970	189,970
Advance income tax	426,693	338,882
Advance to staff	103,090	157,090
Prepayments	253,592	343,515
Profit receivable on bank deposits	293,006	67,900
Others	55,500	40,500
	1,321,851	1,137,857
Considered doubtful		
Amount due from PSL	11,476,377	11,476,377
Amount due from PCML	999,832	999,832
Amount due from Royal Management Services(Pvt) Ltd	886,442	886,442
Profit receivable on Morabaha finance	4,028,913	4,028,913
	17,391,564	17,391,564
	18,713,415	18,529,421
Less: Provision for doubtful receivables	(17,391,564)	(17,391,564)
	1,321,851	1,137,857
12 PROPERTY AND EQUIPMENT -IJARAH		
Net Book value	5,899,535	9,461,157
Details of addition / (disposal) during the period		
Addition	-	-
Deletion	-	10,480,000
13 PROPERTY AND EQUIPMENT - OWN		
Net Book value	221,303	266,579
Details of addition / (disposal) during the period		
Addition	-	300,000
Deletion	-	519,517

Note

-----Rupees-----

14 CONTINGENCIES AND COMMITMENTS

Some of the modarabas in the sector have received letter from Assistant Commissioner, Sindh Revenue Board (SRB), whereby it came to their notice that these Modarabas are engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding. The modarabas who have received the said letter, collectively decided that under the supervision of NBF1 & Modaraba Association Pakistan, a petition against the same be filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rental/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. Being similar in nature of business it was expected that the same type of letter shall be received by First Pak Modaraba. Therefore, management has taken cautious approach and become a party in collective effort undertaken by the other modarabas.

15 MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance 1980, up to a maximum of 10% per annum of the net profit before tax. However, with the appointment of the Administrator and removal of management company effective April 3, 2019, no management fee is charged for the period.

16 PROVISION FOR TAXATION

The income of the Modaraba is exempt from tax provided that not less than 90% of total profits in the year as reduced by the amount transferred to statutory reserve, required under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, are distributed amongst the certificate holders. Since section 113 of the Income Tax Ordinance, 2001 is not applicable on the Modaraba, no provision for taxation has been made in these financial statements.

17 RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise the ex-modaraba management company [KASB Invest (Private) Limited], modarabas under common management (KASB Modaraba & First Prudential Modaraba) First Pak Modaraba staff provident fund, directors and key management personnel. Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Significant transactions with related parties are as follows: -

Relationship with the Company	Nature of Transactions	(Un-Audited)	(Audited)
		December 31, 2019	June 30, 2019
		-----Rupees-----	
Expense for the period			
Ex-Modaraba Management Company	Management fee	-	121,075
Modarabas under common management	Sharing of common expense	951,757	703,947
Provident Fund	Contribution made	44,628	34,482
Administrator	Salaries & other benefits	180,000	-
Payments made during the period			
Ex-Modaraba Management Company	Management fee	-	221,312
Modarabas under common management	Sharing of common expense	1,386,956	
Provident Fund	Contribution made	44,628	34,482
Administrator	Salaries & other benefits	260,000	-

Relationship with the Company	Nature of Transactions	(Un-Audited)	(Audited)
		December 31, 2019	June 30, 2019
		-----Rupees-----	
Balance as at the end of period			
Payable to Ex-Modaraba Management Company		<u>29,491</u>	<u>29,491</u>
Payable to Modarabas under common management		<u>88,391</u>	<u>523,590</u>
Administrator	Salaries & other benefits	<u>-</u>	<u>80,000</u>

18 DATE OF AUTHORIZATION OF ISSUE

These condensed interim financial statements has been authorized for issue on 26th Feb 2020 by the Board of Awwal Modaraba Management Limited.

19 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of appropriate presentation. There have been no significant reclassification in these financial statements.

20 GENERAL

Figures have been rounded off to the nearest Rupee.

For Awwal Modraba Management Limited
(Management Company)

-sd-

-sd-

-sd-

-sd-

Chief Financial Officer

Chief Executive Officer

Director

Director

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