

FIRST PAK MODARABA

**ANNUAL REPORT
FOR THE YEAR ENDED
30-Jun-2020**

Vision Statement

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

Mission Statement

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

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

THK Associates (Private) Limited.
1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi
UAN: +92 (021) 111-000-322, Fax: +92 (021)34168271

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

FIRST PAK MODARABA

Chairman's Review

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

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

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

Awwal Modaraba Management Limited took over the management rights of First Pak Modaraba on February 03, 2020 from the Administrator appointed by Securities & Exchange Commission of Pakistan (SECP) with the intent to revive the modaraba. AMML is working towards finalizing a business model for this purpose which is delayed due to the slowdown in business activity arising from impact of Covid-19. In the meantime, focus is on recoveries and conserving cash and strengthening the operational controls of the modaraba with support from our parent company, Pak Brunei Investment Company Ltd. To this effect, the cash position of the modaraba has improved from PKR 19 million at end of FY2019 to PKR 42.27 million at end of FY2020 with net portfolio standing at PKR 21.23 million. The profitability position of the Modaraba was maintained in FY2020 at PKR 1.84 million (FY2019: PKR 0.51 million) with slight improvement due to lower operational expenses. We will keep the shareholders informed on progress of business plan for the modaraba.

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

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

sd
Khalid Aziz Mirza
Chairman

Dated: 24 September 2020

DIRECTORS' REPORT

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

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

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

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

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

Operating Results

	30 June, 2020 (Rupees '000')	30 June, 2019 (Rupees '000')
Balance Sheet		
Issued Certificate Capital	125,400	125,400
Total Equity	63,165	61,321
Cash and Bank	42,267	19,004
Investment in Musharika Finance	21,170	37,587
Profit & Loss		
Revenue	10,910	13,379
Operating expenses	8,978	11,998
Profit before Management Fee & Taxation	1,937	1,381
Net Profit for the year	1,844	514
Profit per Certificate-basic and diluted	0.15	0.04

Financial snapshot

During the period under review, overall revenues were recorded at PKR 10.91 million inclusive of return on deposit of PKR 4.42 million, compared to PKR 13.37 million in corresponding period last year. Admin and operating expenses for the period amounted to PKR 8.97 million. The Modaraba posted profit before management fee expense and tax of PKR 1.93 million compared to the profit before management fee expense and tax of PKR 1.38 million of last year.

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

Profit Distribution

The Board in its meeting held on 24 September 2020 has approved cash dividend of Re. 0.11 (1.1%) per certificate of Rs.10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2020.

To comply with Prudential Regulations for Modarabas, the Board of Directors has transferred Rs 0.37 million to statutory reserve. As per the Prudential Regulations for Modarabas, the Modaraba is required to transfer not less than 20% and not more than 50% of the Modaraba's after tax profit to statutory reserve till such time that the reserve equals 100% of the paid-up capital. Subsequently, a sum not less than 5% of the after tax profit is to be transferred to such reserve.

Governance & Shariah Compliance

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

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

Corporate and Financial Reporting Framework

The Board of Directors is pleased to report that:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of Financial Statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no significant material departure from the best practices of corporate governance, as detailed in the Corporate Governance Regulations- 2019.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2020 except as disclosed in the financial statements.
- During the year, two meetings of the Board of Directors and two meetings were called by the ex-Administrator (appointed by the SECP) were held.

Attendance by each director was as follows:

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

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

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

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

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

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

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

- The pattern of holding of Certificates by the Certificate-holders is included in this annual report

- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The Modaraba operates a provident fund for its permanent employees, value of which as at 30 June 2020 is Rs.3.15 million.

The Board of Directors

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

Male: 5

Female: 1

The composition of Board is as follows:

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

Directors' Remuneration

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

Auditors

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

Shari'ah Advisor's Report

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

Acknowledgments

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

On behalf of the Board

_____sd_____
Karim Hatim
Chief Executive Officer
Date: 24 September, 2020

_____sd_____
Abdul Jaleel Shaikh
Director

FIRST PAK Modaraba
 Summary of key operating and financial data of the Modaraba for last 6 years
 Year ended June 30, 2020

.....Rupees in millions.....

Year	2020	2019	2018	2017	2016	2015
Paid-up Capital	125.400	125.400	125.400	125.400	125.400	125.400
Statutory Reserve	26.517	26.148	26.045	25.602	25.068	25.028
Certificate Holders Equity	68.041	66.196	62.562	62.481	59.811	60.738
Current liabilities	9.622	8.525	1.911	5.964	6.007	5.955
Non-current Assets	11.232	29.510	34.968	26.968	12.873	5.585
Current Assets	61.755	4.130	40.509	43.092	54.559	61.108
Profit / (Loss) after Taxation	1.845	0.514	2.213	2.671	0.201	1.557
Earning / (Loss) per Certificate (Rs)	0.15	0.04	0.18	0.21	0.02	0.12
Dividend (%)	1.10%	Nil	1.40%	1.7%	Nil	0.9%
Break-up-value (Rs.)	5.43	5.28	4.99	4.98	4.77	4.84
ROA (%)	2.53%	0.71%	2.93%	3.81%	0.30%	2.33%
ROE (%)	2.71%	0.78%	3.54%	4.27%	0.34%	2.56%



بسم الله الرحمن الرحيم
نحمده ونصلي على رسوله الكريم

Annual Shari'ah Advisor's Report

For the year ended June 30, 2020

We have conducted the *Shari'ah* review of First Pak Modaraba for the financial year ended on June 30, 2020 in accordance with the requirements of the ***Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas*** and in our opinion:

- I. All Bank accounts of the Modaraba are maintained with Islamic Banks or Islamic windows of commercial Banks. No fresh Bank accounts are opened during the year.
- II. During the financial year 2019-20, the Modaraba has not disbursed any financing facilities.
- III. All fixed assets of the Modaraba whether own, ijarah or against any other financing facility are covered under takaful only
- IV. Charity account was reviewed and found in line with the direction of rules and regulations.

Observations:

NIL

Recommendations:

NIL

Conclusion:

By the grace of Almighty ALLAH, after introduction of *Shari'ah* Compliance and *Shari'ah* Audit Mechanism for Modarabas by Securities & Exchange Commission of Pakistan (SECP), through Circular No. 8 of 2012, the Management of First Pak Modaraba has effectively shown its sincerity to comply with Shariah Rulings in



its true spirit, therefore, the business operations of First Pak Modaraba are *Shari'ah* compliant up to the best of our knowledge.

May Allah bless First Pak Modaraba with the best Tawfeeq to accomplish His cherished tasks, all good deeds are from Allah and weaknesses are from our side that needs to be forgiven.



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: August 20, 2020



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بسم الله الرحمن الرحيم
نحمده ونصلي على رسوله الكريم

Annual Shari'ah Advisor's Report

For the year ended June 30, 2020

We have conducted the *Shari'ah* review of First Pak Modaraba for the financial year ended on June 30, 2020 in accordance with the requirements of the ***Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas*** and in our opinion:

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NIL

Recommendations:

NIL

Conclusion:

By the grace of Almighty ALLAH, after introduction of *Shari'ah* Compliance and *Shari'ah* Audit Mechanism for Modarabas by Securities & Exchange Commission of Pakistan (SECP), through Circular No. 8 of 2012, the Management of First Pak Modaraba has effectively shown its sincerity to comply with Shariah Rulings in



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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: August 20, 2020



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

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

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

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

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

- a. Male: 5
- b. Female: 1

2. The composition of Board is as follows:

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

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

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

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

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

sd

Khalid Aziz Mirza
Chairman

Dated: 24 September 2020

**Independent Auditor's Review Report
To the Certificate Holders of First Pak Modaraba**

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by Board of Directors of Awwal Modaraba Management Limited, the Modaraba Management company of First Pak 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 Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions 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 approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance 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.

sd

**Crowe Hussain Chaudhury & Co.
Chartered Accountants
Karachi.**

INDEPENDENT AUDITORS' REPORT
TO THE CERTIFICATE HOLDERS OF FIRST PAK MODARABA
REPORT ON AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

(b) in our opinion:

(i) the statement of financial position and statement profit or loss account 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;

(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 statement of financial position, statement of profit or loss account and other comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2020 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other matter

The financial statements of the Modaraba for the year ended June 30, 2019 were audited by another firm of Chartered Accountants, whose report dated October 25, 2019 expressed an unqualified opinion on such financial statements.

Crowe Hussain Chaudhury & Co.
Chartered Accountants
Imran Shaikh

Place: Karachi

FIRST PAK MODARABA
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2 0 2 0 ----- Rupees -----	2 0 1 9
ASSETS			
Current Assets			
Cash and bank balances	6	42,267,091	19,004,878
Investments	7	51,650	39,710
Current portion of diminishing musharakah	13	14,006,962	17,899,169
Morabaha finance	8	-	-
Ijarah rentals receivable	9	60,387	118,367
Advances, deposits, prepayments and other receivables	10	1,168,075	1,137,857
Tax refundable - considered good		4,201,277	4,929,854
		<u>61,755,442</u>	<u>43,129,835</u>
Non - Current Assets			
Property and equipment -Ijarah	11	3,884,771	9,461,157
Property and equipment - owned	12	166,315	266,579
Diminishing Musharakah	13	7,164,608	19,688,501
Long term advances	14	16,495	93,835
		<u>11,232,189</u>	<u>29,510,072</u>
		<u>72,987,631</u>	<u>72,639,907</u>
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Accrued and other liabilities	15	2,121,548	1,919,151
Unclaimed profit distribution		5,463,869	5,463,869
Provision for taxation		-	696,876
Current portion of ijarah deposits	16	2,036,500	445,000
		<u>9,621,917</u>	<u>8,524,896</u>
Non-Current Liabilities			
Long term ijarah deposits	16	200,000	2,794,000
		<u>9,821,917</u>	<u>11,318,896</u>
TOTAL LIABILITIES			
NET ASSETS			
		<u>63,165,714</u>	<u>61,321,011</u>
REPRESENTED BY			
Authorized certificate capital			
15,000,000 (2019:15,000,000) modaraba certificates of Rs.10/- each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up certificate capital			
12,540,000 modaraba certificates of rupees 10/- each	17	125,400,000	125,400,000
Statutory reserve		26,516,621	26,147,680
Accumulated loss		(83,875,907)	(85,351,669)
		68,040,714	66,196,011
Deficit on revaluation of investments	7.1	(4,875,000)	(4,875,000)
		<u>63,165,714</u>	<u>61,321,011</u>
Contingencies and commitments	18		

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modarba Management Company)

-sd-	-sd-	-sd-	-sd-
Chief Financial Officer	Chief Executive Officer	Director	Director

**FIRST PAK MODARABA
STATEMENT OF PROFIT OR LOSS ACCOUNT AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	----- Rupees -----	
INCOME		
Return on PLS accounts	2,628,456	647,050
Income on Diminishing Musharakah	4,429,110	5,620,602
Gain on sale of investments	-	61,215
Dividend income	1,498	22,000
Ijarah rentals	3,073,095	6,085,736
Other income	766,676	1,009,322
	10,898,835	13,445,925
Unrealised gain / (loss) on remeasurement of fair value through profit or loss investments	11,940	(66,441)
	10,910,775	13,379,484
EXPENDITURE		
Administrative expenses	(6,582,078)	(7,127,309)
Depreciation on Ijarah assets	(2,357,526)	(4,846,756)
Workers welfare fund	(33,621)	(24,221)
	(8,973,225)	(11,998,286)
Profit for the year	1,937,550	1,381,198
Modaraba Company's Management fee	-	(150,566)
Provision for sales tax on Management fee	-	(19,574)
Profit before taxation	1,937,550	1,211,058
Provision for taxation		
- Current	-	(696,876)
- Prior	(92,847)	-
Profit after taxation	1,844,703	514,182
Other Comprehensive income	-	-
Total comprehensive income for the year	1,844,703	514,182
Earnings per certificate - Basic and diluted	0.15	0.04

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modarba Management Company)

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

**FIRST PAK MODARABA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

	2 0 2 0	2 0 1 9
	----- Rupees -----	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,937,550	1,211,058
Adjustments for non-cash changes and other items:		
-Unrealised gain/(loss) on remeasurement of held for trading investments	-	(61,215)
-Dividend income	(1,498)	(22,000)
-Gain on disposal-ijarah assets	(274,475)	(301,062)
-Un-realised loss on remeasurement of fair value through profit or loss investments	(11,940)	66,441
-Depreciation on ijarah assets	2,357,526	4,846,756
-Impairment on owned assets	-	519,517
-Depreciation on owned assets	-	80,495
-Amortization on intangible assets	100,264	33,421
	2,169,876	5,162,352
Cash flows before movements in working capital	4,107,426	6,373,410
Decrease / (Increase) in operating assets		
-Diminishing Musharakah	16,416,100	(5,981,647)
-Ijarah rentals receivable	57,980	61,136
-Advances, prepayments and other receivables	175,308	(539,923)
	16,649,388	(6,460,434)
Increase / (Decrease) in operating liabilities		
-Long term ijarah deposits	(1,002,500)	(2,950,000)
-Accrued and other liabilities	202,397	7,950
	(800,103)	(2,942,050)
Cash generated from / (used in) operations	19,956,711	(3,029,074)
-Income tax paid / adjustment	(189,331)	(64,897)
Net cash generated / (used in) from operating activities	19,767,380	(3,093,971)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
-Dividend received	1,498	22,000
-Investments - net	-	1,225,848
-Purchase of own assets	-	(300,000)
-Sale proceeds from Ijarah assets	3,493,335	6,666,062
Net cash generated from investing activities	3,494,833	7,613,910
C. CASH FLOWS FROM FINANCING ACTIVITIES		
-Profit distribution	-	(1,106,033)
Net cash used in financing activities	-	(1,106,033)
Net increase in cash and cash equivalents (A+B+C)	23,262,213	3,413,906
Cash and cash equivalents at July 01, 2019	19,004,878	15,590,972
Cash and cash equivalents at June 30, 2020	42,267,091	19,004,878

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modarba Management Company)

-sd-	-sd-	-sd-	-sd-
Chief Financial Officer	Chief Executive Officer	Director	Director

**FIRST PAK MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020**

	Reserve		Revenue	Total
	Capital			
	Certificate Capital	Statutory reserve	Accumulated loss	
----- Rupees -----				
Balance at June 30, 2018	125,400,000	26,044,844	(88,882,415)	62,562,429
Adjustment on initial application of IFRS 9 - (Note 4.1.2.1)	-	-	4,875,000	4,875,000
Total comprehensive income for the year June 30, 2019	-	-	514,182	514,182
Final dividend @Re.0.14 per certificate for the year ended June 30, 2018			(1,755,600)	(1,755,600)
Transfer to statutory reserve	-	102,836	(102,836)	-
Balance at June 30, 2019	125,400,000	26,147,680	(85,351,669)	66,196,011
Total comprehensive income for the year June 30, 2020	-	-	1,844,703	1,844,703
Transfer to statutory reserve	-	368,941	(368,941)	-
Balance at June 30, 2020	125,400,000	26,516,621	(83,875,907)	68,040,714

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

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modarba Management Company)

<u>-sd-</u>	<u>-sd-</u>	<u>-sd-</u>	<u>-sd-</u>
Chief Financial Officer	Chief Executive Officer	Director	Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

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 (Private) Limited. In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited (KIPL) had taken over the management and administrative control of the Modaraba effective from November 13, 2014.

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

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

The registered office of First Pak Modaraba is situated at 6th floor, Horizon Vista, Plot No. 10 Commercial, Block No. 4, Scheme No.5, Clifton, Karachi. 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.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

Wherever the requirements of the applicable Modaraba laws, the Modaraba Regulations differ with the requirement of IFRSs, the requirement of collectively the applicable Modaraba laws, the Modaraba Regulations and IFAS shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as stated otherwise in these financial statements.

2.3 Presentation and functional currency

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

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

3.1 New or amendments / interpretations to existing standards, interpretation and forthcoming requirements

IFRS 16, 'Leases' (effective from annual reporting periods beginning on or after January 1, 2019) - IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On the adoption of IFRS 16 as at July 1, 2019, the Modaraba has decided to apply the recognition under IFRS 16.

3.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2019 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations and are therefore not presented here.

3.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Modaraba

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
-IFRS 3 'Definition of a business' Amendment to IFRS 3	January 01, 2020
-IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 01, 2020
-IFRS 16 'Relief for Lessees in Accounting for Rent Concessions'	June 1, 2020
-IAS 37 'Amendments Onerous Contracts-Cost Of Fulfilling a Contract'.	January 01, 2020
-IAS 16 'Proceed Before Intended Use'.	January 01, 2020
-Various Amendments to References to the conceptual framework in the IFRS standard	January 1, 2020

3.4 Standards, amendments and interpretations to the published standards that are not yet notified by the (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
-IFRS 14 Regulatory Deferral accounts	January 01, 2018
-IFRS 17 Insurance Contracts	January 01, 2022

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

(i) Ijarah and depreciation

Ijarah assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to income applying the straight line method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of lease.

(ii) In own use and depreciation

Operating assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

Profit or loss on disposal of assets is recognized as income or expense.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income statement as and when incurred.

4.2 Financial Instruments

Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

- Fair Value Through Other Comprehensive Income (FVTOCI);
- Fair Value Through Profit or Loss (FVTPL); and
- measured at Amortised Cost.

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

Subsequent measurement

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

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

Financial assets at Amortised Cost

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

Debt investments at FVTOCI

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

Equity investments at FVTOCI

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

(Deficit) / Surplus on re-measurement of FVTOCI investment is presented separately from equity as '(Deficit) / Surplus on revaluation of investments' been shown in order to comply with the amended "Prudential Regulations for Modarabas" issued by SECP vide SC/M/PRDD/PRs Circular no. 259 of 2017 on December 11, 2017.

Derecognition of Financial Assets

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

Non-derivative financial assets

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

4.3 Regular way contracts

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

4.4 Impairment**4.4.1 Financial assets**

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

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

4.4.2 Non-financial assets

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

Offsetting of financial assets and financial liabilities

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

Financial liabilities

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

4.5 Ijarah rentals receivable, ijarah, morabaha and diminishing musharakah finances

Receivables considered doubtful are provided for in accordance with the requirement of the Prudential Regulations for Modarabas. Specific provision is also made for receivables considered doubtful.

4.6 Staff retirement benefits

Defined contribution plan

The Modaraba operates a funded contribution provident fund for all employees. Equal monthly contributions are made both by the Modaraba and the employees to the fund at the rate of 8.33% of basic salary.

4.7 Provisions

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

4.8 Capital work-in-progress

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

4.9 Revenue recognition

4.9.1 Ijarah rentals

Income from ijarah is recognized as and when lease rentals become due on a systematic basis over the lease and ijarah period.

4.9.2 Hire purchase transactions

For hire purchase transactions, the unearned finance income is deferred and taken to income over the period of hire purchase, applying the annuity method to produce a constant rate of return on the net investment.

4.9.3 Morabaha, musharakah and diminishing musharakah transactions

Profit from musharakah, diminishing musharakah transactions is recognized on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from morabaha finance is accounted for on culmination of morabaha transaction. However, the profit on that portion of morabaha finance not due for payment is deferred by accounting for "Deferred Morabaha Income" with a corresponding credit to "Unearned Morabaha Income" which is recorded as a liability. The same is then recognized on a time proportion basis.

4.9.4 Dividend income

Dividend is recognized as income when the right of receipt is established.

4.9.5 Markup income

Mark-up / return on deposits / investments is recognized on accrual basis using the effective interest rate method.

4.10 Taxation

Current

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

The income of non-trading Modaraba is exempt from tax provided that not less than 90% of its total profits in the year as reduced by the amount transferred to statutory reserve are distributed amongst the certificate holders.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate 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.

4.11 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Foreign currency transactions are converted into Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income currently.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.13 Profit distribution

Profit distribution to the Modaraba's Certificate Holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Board of Modaraba Company.

5 IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

The outbreak of COVID-19 and lockdown situations has impacted the overall business activities in the country. The (SECP) issued Circular No.15 dated April 24, 2020 to facilitate the lending Modarabas in rescheduling of financing facilities extended to the customers. As per para 1 of the circular, upon specific request of the customer, modaraba may defer the repayment of principal loan/ facility amount by one year and profit shall continued to be paid as per agreed terms and conditions.

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

Impact of COVID - 19 on the Financial Statements		30-Jun-20
Particulars		---Rupees---
	Decrease in Cash and Bank (Due to deferment of Principal Instalment)	(212,692)
	Increase in Carrying amount of financing (Due to deferment of Principal Instalment)	212,692
	Increase in Markup/ Profit (Due to deferment of Principal Instalment)	1,998

		2 0 2 0	2 0 1 9
		----- Rupees -----	
6 CASH AND BANK BALANCES	Note		
Cash in hand		2,320	5,400
Cash at banks-			
current accounts		1,804,828	1,804,828
saving accounts	6.1	40,459,943	17,194,650
		42,264,771	18,999,478
		42,267,091	19,004,878

- 6.1** Rate of return in respect of PLS accounts ranges from 5.90% to 12.00% (June 2019: 4.00% to 10.25%) per annum.

7 INVESTMENTS	Note	2020 ----- Rupees -----	2019 -----
Fair Value Through Other Comprehensive Income (FVTOCI)	7.1	-	-
Fair Value Through Profit or Loss (FVTPL)	7.2	51,650	39,710
		51,650	39,710

7.1 Fair Value Through Other Comprehensive Income (FVTOCI)

Fully paid ordinary shares of Rs 10 each.

2020	2019	Name of company		
Number of Shares				
Unquoted securities				
		Prudential Securities Limited		
487,500	487,500	Cost	4,875,000	4,875,000
		Less: Loss on re-measurement	(4,875,000)	(4,875,000)
		7.1.1	-	-

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.

2020	2019	Name of Company	Note	2020 ----- Rupees -----	2019 -----
Number of Certificates / Shares					
Engineering					
1,000	1,000	International Steel Limited		51,650	39,710
Suspended / Delisted Company					
120,000	120,000	Prudential Investment Bank Ltd		-	-
		Pakistan Industrial & Commercial			
279,749	279,749	Leasing Limited		-	-
				51,650	39,710

8 MORABAHA FINANCE

Morabaha finance - Unsecured	8.1	15,319,705	15,319,705
Less: Provision for doubtful morabaha finance		(15,319,705)	(15,319,705)
		-	-

8.1 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	2 0 2 0 ----- Rupees -----	2 0 1 9
9 IJARAH RENTALS RECEIVABLE			
Considered good		60,387	118,367
Considered doubtful		119,542	119,542
		179,929	237,909
Less: Provision for doubtful receivables		(119,542)	(119,542)
		60,387	118,367
9.1 Future minimum ijarah rentals receivable			
Within one year		1,927,574	5,286,515
After one year but not more than five years		208,150	2,451,438
		2,135,724	7,737,953
10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Profit Receivable on Diminishing Musharakah		108,477	189,970
Advance income tax		528,213	338,882
Deposits		55,500	37,500
Advance to staff - current portion - Secured	10.1	77,340	157,090
Prepayments		204,710	343,515
Profit receivable on bank deposits		193,835	67,900
Others		-	3,000
		1,168,075	1,137,857
Considered doubtful			
Amount due from PSL	10.2	11,476,377	11,476,377
Amount due from PCML	10.3	999,832	999,832
Amount due from Royal Management Services (Private) Limited	10.4	886,442	886,442
Profit receivable on Morabaha finance	8.1	4,028,913	4,028,913
		17,391,564	17,391,564
		18,559,639	18,529,421
Less: Provision for doubtful receivables		(17,391,564)	(17,391,564)
		1,168,075	1,137,857

10.1 The balances are secured against Provident Fund (PF) balances of employees.

10.2 This represents amount receivable from Prudential Securities Limited (PSL) on account of advance for purchase of securities amounting to Rs. 1.0 million (2019: 1.0 million) and other receivable of Rs. 10.476 million (2019: 10.476). Since the operations are being suspended and keeping in view the remote chance of recovery, provision against the full amount has been recorded.

10.3 This represents Rs. 999,832 (2019: Rs. 999,832) receivable from Pearl Capital Management Limited (PCML). The operations of PCML has been suspended by PSX. A claim was lodged with the PSX for the recovery of the said amount which was rejected on the grounds of having been filed after the lapse of the last date for the submission of claims as notified by PSX. Hence, provision has been made against the total amount of claim.

10.4 This represents Rs. 886,442 (2019: Rs. 886,442) receivable from Royal Management Services (Private) Limited in respect of various expenses paid on their behalf. KASB Invest (Private) Limited took over the management of Modaraba on November 11, 2014 from Royal Management Services (Private) Limited. Provision has been made against the total amount of receivable as the chances of the recovery is remote.

11 PROPERTY AND EQUIPMENT - IJARAH

		Cost			Depreciation			Carrying value at June 30, 2020	Rate %
2020		As at July 1, 2019	Additions/ (Disposals)	As at June 30, 2020	Accumulated at July 1, 2019	For the year	Accumulated at June 30, 2020		
-----Rupees-----									
Vehicle	11.1	15,344,000	(6,525,000)	8,819,000	5,882,843	2,357,526 (3,306,140)	4,934,229	3,884,771	25-33.33
		15,344,000	(6,525,000)	8,819,000	9,392,843	2,357,526	8,444,229	3,884,771	
		Cost			Depreciation			Carrying value at June 30, 2019	Rate %
2019		As at July 1, 2018	Additions/ (Disposals)	As at June 30, 2019	Accumulated at July 1, 2018	For the year	Accumulated at June 30, 2019		
-----Rupees-----									
Plant and machinery		4,680,000	(4,680,000)	-	2,541,500	968,500 (3,510,000)	3,510,000	-	33.33
Vehicle	11.1	21,144,000	(5,800,000)	15,344,000	2,609,587	3,878,256 (605,000)	5,882,843	9,461,157	25-33.33
		25,824,000	(10,480,000)	15,344,000	5,151,087	4,846,756	9,392,843	9,461,157	

11.1 This represent asset financed under ijarah arrangement to one defaulted client. The case is under litigation with Banking Court.

12 PROPERTY AND EQUIPMENT - OWNED

		2020	2019
		-----Rupees-----	
Tangible assets	12.1	-	-
Intangible assets	12.2	166,315	266,579
		<u>166,315</u>	<u>266,579</u>

12.1 Tangible assets

	2020								
	Cost			Depreciation			Impairment *	Carrying value at June 30, 2020	Rate %
	As at July 1, 2019	Additions/ (Disposals)	As at June 30, 2020	Accumulated at July 1, 2019	For the year (on disposals)	Accumulated at June 30, 2020			
-----Rupees-----									
Office equipment	387,329	-	387,329	387,329	-	387,329	-	-	33.33
Furniture and fixtures	572,197	-	572,197	572,197	-	572,197	-	-	10
	959,526	-	959,526	959,526	-	959,526	-	-	
	2019								
	Cost			Depreciation			Impairment	Carrying value at June 30, 2019	Rate %
	As at July 1, 2018	Additions/ (Disposals)	As at June 30, 2019	Accumulated at July 1, 2018	For the year / (on disposals)	Accumulated at June 30, 2019			
-----Rupees-----									
Office equipment	387,329	-	387,329	314,163	26,239	340,402	46,927	-	33.33
Furniture and fixtures	572,197	-	572,197	45,351	54,256	99,607	472,590	-	10
	959,526	-	959,526	359,514	80,495	440,009	519,517	-	

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

12.2 Intangible assets

	2020								
	Cost			Accumulated Amortization			Book value		Rate of amortization %
	As at 01 July 2019	Additions/ Deletions	As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 30 June 2020		
-----Rupees-----									
Computer software	300,000	-	300,000	33,421	100,264	133,685	166,315	33.33	
	2019								
	Cost			Accumulated Amortization			Book value		Rate of amortization %
	As at 01 July 2018	Additions/ Deletions	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019		
-----Rupees-----									
Computer software	-	300,000	300,000	-	33,421	33,421	266,579	30.33	

	Note	2020 ----- Rupees -----	2019
13 DIMINISHING MUSHARIKA			
Considered good	13.1	21,171,570	37,587,670
Less: Current Portion of Diminishing Musharakah		(14,006,962)	(17,899,169)
		7,164,608	19,688,501
13.1 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.			
14 LONG TERM ADVANCES			
Advance to staff	14.1	16,495	93,835
		16,495	93,835
14.1 The balances are secured against Provident Fund (PF) balances of employees.			
15 ACCRUED AND OTHER LIABILITIES			
Workers welfare fund	15.1	190,666	157,045
Management fee		29,491	29,491
Auditors' remuneration		170,798	185,002
Shariah Advisor fee payable		200,006	100,002
Charity fund payable		196,046	101,865
Takaful		544,592	468,101
Other payables		789,949	877,645
		2,121,548	1,919,151
15.1 The Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 on June 4, 2015. As per the said Act the applicability of Sindh Worker's Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher.			
16 LONG TERM DEPOSITS			
Ijarah security deposits		2,236,500	3,239,000
Less: current maturity		(2,036,500)	(445,000)
		200,000	2,794,000
17 CERTIFICATE CAPITAL			
2020	2019	2020	2019
Number of Certificates		----- Rupees -----	
15,000,000	15,000,000	150,000,000	150,000,000
Authorised			
Modaraba certificates of Rs.10/- each			
10,000,000	10,000,000	100,000,000	100,000,000
Issued, subscribed and paid-up			
Modaraba certificates of Rs.10/- each fully paid in cash			
2,540,000	2,540,000	25,400,000	25,400,000
Modaraba certificates of Rs.10/- each			
12,540,000	12,540,000	125,400,000	125,400,000

As at June 30, 2020, the Royal Management Services (Private) Limited and KASB Invest (Private) Limited (the Ex- Management Companies) held 1,254,000 (2019: 1,254,000) and 146,500 (2019: Nil) certificates respectively of Rs. 10 each.

18 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 NBF & 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.

19 OTHER INCOME	Note	2 0 2 0	2 0 1 9
		----- Rupees -----	
Gain on disposal of vehicle - Ijarah		274,475	301,062
Termination charges on diminishing musharaka		-	154,725
Termination charges on Ijarah		69,775	122,321
Miscellaneous income		422,426	431,214
		<u>766,676</u>	<u>1,009,322</u>
20 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	20.1	1,737,076	1,572,119
Transaction cost on investment		-	13,637
Fees and subscription		1,089,805	862,590
Rent rates & taxes		380,808	175,410
Telephone and postage		64,359	89,115
Legal and professional		476,500	548,280
Registrar services		163,750	267,430
Auditors' remuneration	20.2	269,446	262,272
Travelling and conveyance		12,594	13,500
Printing and stationery		123,266	238,945
Repairs and maintenance		220,636	52,830
Stamp papers		-	34,000
Entertainment		14,232	34,067
Depreciation-owned assets		-	80,495
Amortization-intangibles		100,264	33,421
Impairment loss on office equipment and furniture & fixtures		-	519,517
Insurance		122,519	197,684
Bank charges		42,913	60,703
Advertisement in newspaper		73,750	240,250
Electricity expenses		67,581	138,925
Share in common expenses		1,611,680	1,657,869
Miscellaneous		10,899	34,250
		<u>6,582,078</u>	<u>7,127,309</u>

20.1 The aggregate amounts incurred during the year for remuneration including all benefits to officers and other employees of the Modaraba are given below:

Remuneration of officers and other employees

	2020			2019		
	Officers	Other employees	Total	Officers	Other employees	Total
	-----Rupees-----			-----Rupees-----		
Remuneration	-	1,500,732	1,500,732	-	1,258,070	1,258,070
Provident fund	-	89,256	89,256	-	77,419	77,419
Medical expenses	-	107,088	107,088	-	85,630	85,630
Other	-	40,000	40,000	-	151,000	151,000
	-	1,737,076	1,737,076	-	1,572,119	1,572,119
No. of persons	-	4	4	-	4	4

20.1.1 The total number of employees as at June 30, 2020 are 4 (2019: 4) and the average number of employees during the year equates to 4 (2019: 4)

20.2 Auditors' remuneration	Note	2020	2019
		----- Rupees -----	
Statutory audit fee		175,000	175,000
Half year review fee		15,000	15,000
Review of code of corporate governance		10,000	10,000
CDC certification		15,000	15,000
Out of pocket expenses		54,446	47,272
		269,446	262,272

21 MODARABA MANAGEMENT COMPANY FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management remuneration at the rate of 10% of annual profit is payable to the management company. However the management has not charged such fee for the year.

22 PROVISION FOR TAXATION

The income of the Modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance 2001.

23 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit for the year (Rupees)	1,844,703	514,182
Weighted average number of ordinary certificates	12,540,000	12,540,000
Earnings per certificate (Rupees per certificate)	0.15	0.04

24 RELATED PARTY TRANSACTIONS

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

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

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

Name of the Company / Individual	Relationship with the Company	Nature of Transactions	2020	2019
			----- Rupees -----	----- Rupees -----
Expense for the Period				
KASB Invest (Pvt) Limited	Modaraba Management Company	Management fee	-	150,566
KASB Modaraba	Modaraba under common management	Sharing of common expenses	1,181,978	1,250,343
First Prudential Modaraba	Modaraba under common management	Sharing of common expenses	429,702	407,526
First Pak Modaraba - Provident fund trust	Provident Fund	Contribution made	89,256	77,419
Jubilee Life Insurance Co. Ltd	Other related party	Takaful Premium	159,949	145,952
Mr. Khawaja Waheed Raza	Administrator (Note 1)	Salaries & Other benefits	154,500	80,000
Payments made during the period				
KASB Invest (Pvt) Limited	Modaraba Management Company	Management fee	-	342,387
KASB Modaraba	Modaraba under common management	Sharing of common expenses	1,312,278	834,054
First Prudential Modaraba	Modaraba under common management	Sharing of common expenses	427,183	300,225
First Pak Modaraba - Provident fund trust	Provident Fund	Contribution made	89,256	77,419
Jubilee Life Insurance Co. Ltd	Other related party	Takaful Premium	159,949	145,952
Mr. Khawaja Waheed Raza	Administrator (Note 1)		234,500	-
Balance as at the year end				
KASB Invest (Pvt) Limited	Modaraba Management Company	Management fee	29,491	29,491
KASB Modaraba	Modaraba under common management	Sharing of common expenses	285,989	416,289
First Prudential Modaraba	Modaraba under common management	Sharing of common expenses	109,820	107,301
Mr. Khawaja Waheed Raza	Administrator (Note 1)	Salaries & Other benefits	-	80,000

25 FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2020 ----- Amount in Rupees		
	At Amortised Cost	FVTPL	Other financial liabilities
FINANCIAL ASSETS			
Cash and cash equivalent	42,267,091	-	-
Investments	-	51,650	-
Long term advances	16,495	-	-
Diminishing Musharakah	21,171,570	-	-
Ijarah rentals receivable	60,387	-	-
Morabaha finance	-	-	-
Advances, prepayments and other receivables	435,152	-	-
Total Financial Assets	63,950,695	51,650	-
FINANCIAL LIABILITIES			
Accrued and other liabilities	-	-	1,705,345
Total Financial Liabilities	-	-	1,705,345
	----- As at June 30, 2019 ----- Amount in Rupees		
	At Amortised Cost	FVTPL	Other financial liabilities
FINANCIAL ASSETS			
Cash and cash equivalent	19,004,878	-	-
Investments	-	39,710	-
Long term advances	93,835	-	-
Diminishing Musharakah	37,587,670	-	-
Ijarah rentals receivable	118,367	-	-
Morabaha finance	-	-	-
Advances, prepayments and other receivables	455,460	-	-
Total Financial Assets	57,260,210	39,710	-
FINANCIAL LIABILITIES			
Accrued and other liabilities	-	-	1,630,750
Total Financial Liabilities	-	-	1,630,750

25.1 Financial risk management

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit rate risk and price risk), credit risk and liquidity risk. The Administrator of the management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Modaraba's financial performance.

The Modaraba's principal financial liabilities comprise only accrued and other liabilities. The Modaraba's principal financial assets comprises of ijarah rentals receivable, diminishing musharakah & morabaha finances, advance, prepayments and other receivables and cash and bank balances that arrive directly from its operations. The Modaraba also holds FVTPL, FVTOCI and amortised costs as its investments.

25.2 Liquidity risk management

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Modaraba holds total current assets of Rs. 62.55 million against its current liability of Rs.10.32 million which lead to total surplus of Rs.52.23 million.

The table below shows an analyses of Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. However, Modaraba has surplus funds to pay off its liabilities. The amounts in the table are the contractual undiscounted cash flows.

	Total	Upto three months	More than three months	More than one year
	----- Rupees -----			
2020				
Accrued and other liabilities	1,705,345	1,705,345	-	-
	1,705,345	1,705,345	-	-
2019				
Accrued and other liabilities	1,630,750	1,630,750	-	-
	1,630,750	1,630,750	-	-

25.3 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 controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (Diminishing Musharakah & Morabaha finances and ijarah rental receivables), deposits with bank and financial institutions.

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers.

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

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

	2020	2019
	-----Rupees-----	
Diminishing Musharakah	21,171,570	37,587,670
Advances, deposits, prepayments and other receivables	435,152	455,460
Balances with banks and financial institutions	42,267,091	19,004,878
	63,873,813	57,048,008

The analysis below summarizes the quality rating of the major Banks in which the Modaraba deals

Bank balances	Short Term	Long Term		
Habib Bank Limited	A-1+	AAA	40,956,098	17,808,410
Summit Bank Limited	-	-	1,284,923	11,678,169
Faysal Bank Limited	A-1+	AA	8,746	8,249

Past due but not impaired financings are those for which contractual profit or principal payments are past due, but the Modaraba believes that impairment is not appropriate on the basis of the level of security/collateral available to the Modaraba.

An analysis of the financial assets that are individually impaired as per the accounting policy is as under:

	As at June 30, 2020				
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	119,542	119,542
Morabaha finance	-	-	-	15,319,705	15,319,705
	As at June 30, 2019				
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	119,542	119,542
Morabaha finance	-	-	-	15,319,705	15,319,705

Total impairment against these assets as at June 30, 2020 is Rs.15,439,247/- (June 2019:15,439,247/-)

25.3.1 Concentration of Credit Risk

Ijarah Assets

	2020		2019	
	Rupees	%	Rupees	%
Others	3,884,771	100.00	9,461,157	100.00
	3,884,771	100.00	9,461,157	100.00

For Diminishing Musharika Finance

	2020		2019	
	Rupees	%	Rupees	%
Corporate	11,591,485	54.75	20,158,815	53.63
Individuals	9,580,085	45.25	17,428,855	46.37
	21,171,570	100.00	37,587,670	100.00

25.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Administrator. The Modaraba is exposed to profit risk.

25.4.1 Sensitivity Analysis

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

	Impact on profit	
	2020	2019
Changes in basis point(Rupees).....	
+100	70,576	62,677
-100	(70,576)	(62,677)

25.4.2 Equity Price Risk

The Modaraba's Equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Modaraba manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Modaraba's senior management on a regular basis and then management company reviews and approves all equity investment decision.

The carrying amount of investments in equity securities carried at fair value as shown in note 7 is as follows:

+10%	5,165	3,971
-10%	(5,165)	(3,971)

25.4.3 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the profit rate exposure arises from short term deposits with banks, ijarah finance, diminishing musharaka and musharaka and morabaha finance. At the balance sheet date the profit rate risk profile of the Modaraba's profit bearing financial instruments is:

		June 30, 2020						
Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit risk	
----- Rupees -----								
Cash and bank balances	4.0% - 10.25%	42,267,091	40,459,943	-	-	-	1,807,148	
Investments		51,650	-	-	-	-	51,650	
Diminishing musharaka	13.0% - 19.0 %	21,171,570	5,223,254	1,685,407	7,098,301	7,164,608	-	
Ijarah rentals receivable		60,387	-	-	-	-	60,387	
Advances and other receivables		1,184,570	-	-	-	-	1,184,570	
Total financial assets as at June 30, 2020		64,735,268	45,683,197	1,685,407	7,098,301	7,164,608	3,103,755	
Accrued and other liabilities		2,121,548	-	-	-	-	2,121,548	
Total financial liabilities as at June 30, 2020		2,121,548	-	-	-	-	2,121,548	
Total yield / profit risk sensitivity gap			45,683,197	1,685,407	7,098,301	7,164,608	-	
Cumulative yield / profit risk sensitivity gap			45,683,197	47,368,604	54,466,905	61,631,513	61,631,513	

		June 30, 2019						
Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit risk	
----- Rupees -----								
Cash and bank balances	3.9% - 5.07%	19,004,878	17,194,650	-	-	-	1,810,228	
Investments		39,710	-	-	-	-	39,710	
Diminishing musharaka	12.5% - 17.0 %	37,587,670	1,836,666	4,902,396	11,155,355	19,693,253	-	
Ijarah rentals receivable		118,367	-	-	-	-	118,367	
Advances and other receivables		352,886	-	-	-	-	352,886	
Total financial assets as at June 30, 2018		57,103,511	19,031,316	4,902,396	11,155,355	19,693,253	2,321,191	
Accrued and other liabilities		1,911,201	-	-	-	-	1,911,201	
Total financial liabilities as at June 30, 2018		1,911,201	-	-	-	-	1,911,201	
Total yield / profit risk sensitivity gap			19,031,316	4,902,396	11,155,355	19,693,253	-	
Cumulative yield / profit risk sensitivity gap			19,031,316	23,933,712	35,089,067	54,782,320	54,782,320	

25.4.4 Currency Risk

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

25.5 Fair Value of Financial Instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction. Carrying values of financial assets and financial liabilities approximate their fair values.

25.5.1 Fair Value Hierarchy

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

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

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

Level 3: Inputs for the assets or liability that are not based.

	As at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Quoted Companies	51,650	-	-	51,650
	51,650	-	-	51,650
	As at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Quoted Companies	39,710	-	-	39,710
	39,710	-	-	39,710

26 CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. As at balance sheet date Modaraba do not have any exposure in short term and long term borrowing and it has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further Modaraba has positive current ratio of 6.06:1 which is assessed as not overstated (2019: 5.06:1).

The Modaraba is continuously endeavoring for invest in risk free business with maximizing returns in order to improve the position of its accumulated reserves, however, due to risky economic and market conditions, the Modaraba is following conservative approach and it is not actively making any major investments or financing of its allowed business.

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. Modaraba focus towards the equity based financing and therefore consistent with the previous years. Currently, the Modaraba is not exposed to any external borrowings.

27 SEGMENT INFORMATION

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief decision-maker. The Board of Directors of the Management Company has been identified as the chief decision-makers, who is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the Board of Directors of the Management Company for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

28 PROFIT DISTRIBUTION

The Board of Directors have proposed dividend for the year ended June 30, 2020 of Rs.0.11 per certificate (2019: Nil) amounting to Rs. 1,379,400 (2019:Nil) at their meeting held on September 24, 2020. The financial statements for the year ended June 30, 2020 do not include the effect of the above which will be accounted for in the period in which it is declared.

29 DATE OF AUTHORIZATION OF ISSUE

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

30 CORRESPONDING FIGURES

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

31 GENERAL

Figures have been rounded off to the nearest Rupee.

For Awwal Modaraba Management Limited
(Modarba Management Company)

<u>-sd-</u>	<u>-sd-</u>	<u>-sd-</u>	<u>-sd-</u>
Chief Financial Officer	Chief Executive Officer	Director	Director

FIRST PAK Modaraba
PATTERN OF CERTIFICATE HOLDING - FORM "34"
CERTIFICATE OLDERS STATISTICS AS AT JUNE 30, 2020

Number of Certificate Holders	Certificate Holding			Certificate Held
	From	-	To	
882	1	-	100	44,135
1323	101	-	500	281,946
1109	501	-	1000	735,436
574	1001	-	5000	1,298,956
105	5001	-	10000	800,870
46	10001	-	15000	575,055
20	15001	-	20000	365,919
8	20001	-	25000	163,160
13	25001	-	30000	349,450
10	30001	-	35000	328,408
3	35001	-	40000	113,058
3	40001	-	45000	128,954
9	45001	-	50000	435,619
3	50001	-	55000	159,500
1	60001	-	65000	62,700
1	65001	-	70000	65,835
3	85001	-	90000	268,003
1	90001	-	95000	95,000
1	100001	-	105000	101,500
3	105001	-	110000	324,725
1	110001	-	115000	111,860
1	115001	-	120000	119,500
2	125001	-	130000	251,202
3	145001	-	150000	446,290
1	160001	-	165000	160,500
1	185001	-	190000	190,000
2	245001	-	250000	500,000
1	285001	-	290000	290,000
1	290001	-	295000	295,000
1	305001	-	310000	306,500
2	335001	-	340000	674,919
1	370001	-	375000	373,500
1	865001	-	870000	868,500
1	1250001	-	1255000	1,254,000
4137				12,540,000

**FIRST PAK MODARABA
PATTERN OF CERTIFICATE HOLDING - FORM "34"
SHAREHOLDERS STATISTICS AS AT JUNE 30, 2020**

S. No.	Categories of Certificate holders	Number of Certificate holders	Certificate Held	Percentage
1	Individuals	4,105	11,009,051	87.79
3	Modarba Management Co.	2	1,400,500	11.17
4	Joint Stock Companies	25	15,598	0.12
5	Financial Institute	1	1,526	0.01
7	Insurance Companies	2	110,075	0.88
8	NIT / ICP	1	3,500	0.03
9	Modarbas	1	100	0.00
		4,137	12,540,350	100.00

Certificate holders holding Ten percent or more Certificates

Paid up Capital 12,540,000

	Certificate Held	Percentage
Royal Management Services (Pvt) Ltd	1,254,000	10.00

First Pak Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 21st Annual Review Meeting of the certificate holders of First Pak Modaraba will be held on Tuesday, 27 October, 2020 at 4:15 pm at the Registered Office of Awwal Modaraba Management Limited situated at Horizon Vista, Commercial 10, Block No. 4, Scheme No. 5, Clifton, Karachi, to review the performance of the Modaraba for the year ended 30 June 2020.

Special Business:

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

On behalf of the Board

Iqra Sajjad
Company Secretary
Awwal Modaraba Management Limited
Managers of First Pak Modaraba

06 October 2020
Karachi

Notes:

1. The certificate transfer books shall remain closed from Tuesday, 13 October 2020 to Tuesday, 27 October 2020 (both days inclusive). Transfers received in order at the office of the Share Registrars of First Pak Modaraba i.e. THK Associates (Private) Limited at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400 (Telephone No: 021-111-000-322, Fax No: 021-35655595) before the close of business hours on Monday, 12 October 2020 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
2. The certificate holders are advised to notify change in their address, if any, to THK Associates (Private) Limited.
3. **For Attending the Meeting:**
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate identity by showing original CNIC or original passport at the time of attending the Meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. In terms of SECP SRO 634(I)/2014, the Annual Report for the year ended 30 June 2020 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.

As per the directives issued by the SECP vide SRO 787(I)/2014 dated 08 September 2014, companies are allowed to circulate Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at the website of Modaraba) and return it to THK Associates (Private) Limited.

5. **Revised Treatment of Withholding Tax:**

Dividend income is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2020, effective 01 July 2020, withholding of tax on dividend based on 'Active' and 'Non-Active' status of certificate holders shall be @ 15% and 30% respectively where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (<http://www.fbr.gov.pk/>) and 'Non-Active' means a person whose name is not being appeared on the Active Taxpayers list.

Furthermore, according to clarification provided by the FBR; in case a Folio/CDS Account is jointly held, each joint-holder is to be treated separately as Active or Non-Active. In terms of the said clarification, tax of each joint-holder has been deducted on the gross dividend amount determined by bifurcating the certificate holding of each joint-holder on equal proportions, except where certificate holding proportion of joint-holder(s) is pre-defined as per the records of our Share Registrars and thus tax rates are applied in line with respective proportions. Those certificate holders who are holding Folio/CDS jointly are requested to notify (in writing) any change in their certificate holding proportions to our Share Registrars (in case of physical certificate holding) or their Participants/CDC Investor Account Services so that their revised certificate holding proportions are considered by the Modaraba in all present and prospective dividend payouts, if any.

6. **Exemption from Deduction of Zakat / Income Tax:**

Members who are seeking exemption from deduction of zakat and/or are eligible for deduction of tax at a reduced rate, are requested to submit a valid declaration for non-deduction of zakat and/or a valid tax exemption certificate or necessary documentary evidence, as the case may be.

7. **Payment of Dividend through Electronic Mode (Mandatory):**

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. Therefore, all the certificate holders of First Pak Modaraba are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on the website of Modaraba. Certificate holders maintaining holding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant / CDC Investor Account Service. In the absence of bank account details or in case of incomplete details, Modaraba will be constrained to withhold the payment of cash dividend of those certificate holders who have not provided the same. For more information, contact THK Associates (Private) Limited.

8. **Unclaimed Dividends and physical Modaraba Certificates:**

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

If undelivered please return to:

FIRST PAK MODARABA

**Office # B, 5th Floor, Lakson Square Building No: 1,
Sarwar Shaheed Road, Karachi.**

Phone ; 021-35630621, 35630623, 35630625, 353630626

www.firstpakmodaraba.com