

FIRST PRUDENTIAL MODARABA

ANNUAL REPORT

JUNE 30, 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 PRUDENTIAL 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

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

Legal Advisor

Ahmed & Qazi
S & B Durrani Law Associates

Shariah Advisor

Al-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 PRUDENTIAL 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 Prudential 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 Prudential Modaraba on February 03, 2020 from the Administrator appointed by Securities & Exchange Commission of Pakistan (SECP) with the intent to revive the modaraba. AMML is working towards finalizing a business model for this purpose which is delayed due to the slowdown in business activity arising from impact of Covid-19. In the meantime, focus is on recoveries and conserving cash and strengthening the operational controls of the modaraba with support from our parent company, Pak Brunei Investment Company Ltd. In order to recognize the infected portfolio, provisions of PKR 20.26 million were booked during the year. Due to marginal profitability levels, this led to loss of PKR 5.40 million in FY2020 (FY2019: profit of PKR 2.32 million) despite reduction in operational expenses. With emphasis on recoveries, the cash position of the modaraba has improved from PKR 96.88 million at end of FY2019 to PKR 248.18 million at end of FY2020 with net portfolio standing at PKR 129.56 million including outstanding musharaka facilities and ijarah assets. 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 Prudential Modaraba, is pleased to present the Directors' Report together with Audited Financial Statements of First Prudential 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. 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')
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Balance Sheet

Issued Certificate Capital	872,177	872,177
Total Equity	418,153	423,555
Cash and Bank	248,180	96,877
Investment in Musharika Finance	112,068	207,092

Profit & Loss

Revenue	69,357	70,534
Provisions & Impairment	19,743	601
Operating expenses	53,319	65,434
Profit/ (Loss) before Management Fee & Taxation	(3,705)	4,499
Net Profit/ (Loss) for the year	(5,402)	2,322
Profit/ (Loss) per Certificate-basic and diluted	(0.06)	0.03

Financial snapshot

During the period under review, overall revenues were recorded at PKR 69.35 million inclusive of return on deposit of PKR 15.29 million, compared to PKR 70.53 million in corresponding period last year. Admin and operating expenses for the period amounted to PKR 53.32 million. The Modaraba posted loss of PKR 5.40 million compared to the profit before management fee expense and tax of PKR 4.49 million of last year.

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

Governance & Shariah Compliance

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

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

Corporate and Financial Reporting Framework

The Board of Directors is pleased to report that:

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

Attendance by each director was as follows:

Name	No. of Meetings Attended
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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 appointment of M/s BDO Ebrahim & Co, Chartered Accountants for the financial year ending 30 June 2021, subject to the approval of Registrar of 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

Karim Hatim
Chief Executive Officer
Date: 24 September, 2020

Abdul Jaleel Shaikh
Director

FIRST PRUDENTIAL Modaraba

Summery 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	872.177	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	151.747	151.747	151.283	151.283	148.247	144.084
Certificate Holders Equity	420.571	425.973	423.065	452.159	452.391	450.946
Certificate	87.217	87.217	87.217	87.217	87.217	87.217
Current liabilities	58.866	51.769	52.951	51.522	50.115	54.842
Non-current Assets	132.438	234.746	279.404	241.372	154.096	140.436
Current Assets	344.901	258.657	215.299	273.587	357.991	371.534
Profit / (Loss) before Taxation	(3.705)	3.900	(19.564)	15.179	20.816	27.166
Taxation	(1.697)	(1.578)	-	-	-	-
Earning / (Loss) per Certificate (Rs)	(0.06)	0.03	(0.22)	0.17	0.24	0.31



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

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 Prudential 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.
- II. During the financial year 2019-20, the Modaraba has disbursed number of financing facilities to its clients. We confirm that these transactions are in accordance with Shariah.
- 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.
- V. The entire equity investment of the Modaraba is *Shari'ah* Compliant, however, HUBCO has been excluded recently from the KMI All Share Islamic Index recomposed on 20 July 2020. The management is advised to dispose of the shares of HUBCO.

Observations:

NIL

Recommendations:

NIL





ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

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 Prudential Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit, therefore, the business operations of First Prudential Modaraba are *Shari'ah* compliant up to the best of our knowledge.

May Allah bless First Prudential 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 22, 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 Prudential 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 Prudential Modaraba with effect from February 3, 2020. Accordingly, AMML has taken the management control of First Prudential 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 Prudential 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 Prudential 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.

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

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

We have audited the annexed statement of financial position of FIRST PRUDENTIAL 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 PRUDENTIAL MODARABA
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

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	Note	-----Rupees-----	
ASSETS			
Current Assets			
Cash and bank balances	6	248,179,611	96,876,829
Investments	7	4,451,565	4,732,117
Musharaka, morabaha and other finance	8	-	-
Current portion Diminishing musharaka	9	57,937,244	92,520,170
Ijarah rentals receivable	10	58,331	1,519,667
Receivable against sale of agriculture produce	11	-	11,692,131
Advances, deposits, prepayments & other receivables	12	19,860,408	38,401,796
Asset acquired in satisfaction of financing facility	13	2,375,000	-
Tax refundable - considered good		12,039,284	12,913,879
		344,901,443	258,656,589
Non - Current Assets			
Long term investments	14	10,347,133	10,347,133
Long term portion of diminishing musharaka	9	54,131,699	114,572,927
Long term advances	15	12,176	149,618
Long term deposits	16	235,500	127,500
Intangible assets	17	-	-
Property and equipment - own use	18	4,017,908	4,724,200
Property, plant and equipment - ijarah	19	17,493,911	59,424,712
Investment property	20	46,200,000	45,400,000
		132,438,327	234,746,090
TOTAL ASSETS		477,339,770	493,402,679
LIABILITIES			
Current Liabilities			
Current portion of Ijarah deposits	21	13,536,984	4,929,153
Accrued and other liabilities	22	12,627,949	14,419,881
Provision for taxation		1,858,981	1,577,836
Unclaimed profit distribution		30,842,228	30,842,228
Total Current Liabilities		58,866,142	51,769,098
Non - Current Liabilities			
Long term portion of ijarah deposits	21	320,000	18,077,831
TOTAL LIABILITIES		59,186,142	69,846,929
NET ASSETS		418,153,628	423,555,750

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

2020 2019
Note -----Rupees-----

REPRESENTED BY

Authorized certificate capital

87,217,660 (2019: 87,217,660) modaraba certificates of
Rs.10/- each

872,176,600	872,176,600
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Issued, subscribed and paid-up certificate capital

87,217,660 (2019: 87,217,660) modaraba certificates of
Rs.10/- each

24	872,176,600 151,747,338 (603,352,728) 420,571,210	872,176,600 151,747,338 (597,950,606) 425,973,332
----	--	---

Statutory reserves

Accumulated losses

Deficit on revaluation of investments classified as 'fair
value through OCI investments'

23	(2,417,582) 420,571,210 418,153,628	(2,417,582) 425,973,332 423,555,750
----	--	---

Contingencies and commitments

25

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

<u>-sd-</u> Chief Financial Officer	<u>-sd-</u> Chief Executive Officer	<u>-sd-</u> Director	<u>-sd-</u> Director
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FIRST PRUDENTIAL MODARABA
STATEMENT OF PROFIT OR LOSS ACCOUNT AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

		2 0 2 0	2 0 1 9
	<i>Note</i>	<i>-----Rupees-----</i>	
INCOME			
Ijarah rentals earned	26	21,821,297	30,749,489
Return on deposits with bank		15,297,175	2,780,511
Income on morabaha		-	1,454,797
Income on diminishing musharaka		24,045,101	29,116,192
Capital gain on sale of investments		-	250,625
Dividend income		952,396	282,333
Rental income from investment property		3,006,289	2,711,814
Other income	27	4,234,924	3,189,227
		69,357,182	70,534,988
Unrealised loss on investments - FVTPL	7.2	(280,553)	(1,051,612)
Provision for doubtful receivable on agriculture produce sale	11	(11,692,131)	-
Impairment on ijarah assets	19	(8,570,512)	-
Unrealized gain on investment properties	20	800,000	-
Reversal against doubtful receivables - net	28	-	450,527
		49,613,986	69,933,903
EXPENDITURE			
Depreciation on ijarah assets	19	(21,306,114)	(32,773,336)
Administrative expenses	29	(31,892,724)	(32,540,151)
Bank and other charges		(120,431)	(121,240)
		(53,319,269)	(65,434,727)
(Loss) / Profit for the year		(3,705,283)	4,499,176
Modaraba company's management fee	30	-	(461,301)
Sales tax on management fee		-	(59,969)
Provision for Workers' Welfare Fund	22.1	-	(77,998)
(Loss) / Profit before taxation		(3,705,283)	3,899,908
Provision for taxation			
- Current	31	(1,858,981)	(1,577,836)
- Prior		162,142	
(Loss) / Profit after taxation		(5,402,122)	2,322,072
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss account			
Reclassification on sale of 'available for sale' investment		-	(586,045)
Total comprehensive (loss) / income for the year		(5,402,122)	1,736,027
(Loss) / Earning per certificate	32	(0.06)	0.03

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

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

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

	2 0 2 0	2 0 1 9
<i>Note</i>	-----Rupees-----	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(3,705,283)	3,899,908
Adjustments for non-cash changes and other items:		
Dividend income	(952,396)	(282,333)
Unrealised loss on investments - FVTPL	280,553	1,051,612
Provision for doubtful receivable on agriculture produce sale	11,692,131	-
Impairment on ijarah assets	8,570,512	-
Gain on remeasurement of investment property	(800,000)	-
Gain on disposal - ijarah assets	(351,419)	(278,674)
Depreciation - own use assets	706,292	1,312,633
Depreciation on ijarah assets	21,306,114	32,773,336
Write-off of owned assets	-	2,102,716
	40,451,787	36,679,290
Cash flows before movements in working capital	36,746,504	39,001,362
(Increase) / decrease in operating assets		
Diminishing musharaka	95,024,154	11,380,057
Ijarah rentals receivable	1,461,336	(1,240,491)
Advances, prepayments and other receivables	21,594,512	(10,967,786)
Asset acquired in satisfaction of financing facility	(2,375,000)	-
Musharaka, morabaha and other finance	-	18,115,890
	115,705,002	17,287,670
(Decrease) / increase in operating liabilities		
Ijarah deposits	(9,150,000)	(4,280,000)
Accrued and other liabilities	(1,510,787)	633,534
	(10,660,787)	(3,646,466)
	141,790,719	52,642,566
Income tax paid	(3,845,926)	(574,137)
Net cash generated from operating activities	137,944,793	52,068,429
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	952,396	282,333
Investments - net	-	8,180,112
Proceeds from disposal - ijarah assets	12,405,594	9,118,690
Purchase of ijarah assets	-	(17,800,000)
Net cash generated from investing activities	13,357,989	(218,865)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	-	(11,983)
Net cash used in financing activities	-	(11,983)
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	151,302,782	51,837,581
Cash and cash equivalents at the beginning of the year	96,876,829	45,039,248
Cash and cash equivalents at the end of the year	248,179,611	96,876,829

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

-sd-
Chief Financial Officer

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

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

	Reserves			Total
	Capital		Revenue	
	Certificate capital	Statutory reserve	Accumulated losses	
	----- Rupees -----			
Balance as at June 30, 2018	872,176,600	151,282,924	(600,394,309)	423,065,215
Total comprehensive income				
Profit for the year ended June 30, 2019	-	-	2,322,072	2,322,072
Other comprehensive income	-	-	586,045	586,045
Total comprehensive income	-	-	2,908,117	2,908,117
Transfer to statutory reserve	-	464,414	(464,414)	-
Balance at June 30, 2019	872,176,600	151,747,338	(597,950,606)	425,973,332
Total comprehensive income				
Loss for the year ended June 30, 2020	-	-	(5,402,122)	(5,402,122)
Other comprehensive income for the year ended June 30, 2020	-	-	-	-
Total comprehensive income for the year	-	-	(5,402,122)	(5,402,122)
Transfer to statutory reserve	-	-	-	-
Balance at June 30, 2020	872,176,600	151,747,338	(603,352,728)	420,571,210

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

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

-sd-
Chief Financial Officer

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

First Prudential 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 Prudential Capital Management Limited (PCML). 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 First Prudential 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.

Later this year, the Registrar (Modarabas), with the approval of the SECP, vide order dated January 31, 2020 appointed Awwal Modaraba Management Limited (AMML) to take over and manage the affair of the Modaraba. AMML has taken over the management and administrative control of First Prudential Modaraba effective from February 03, 2020.

The registered office of First Prudential Modaraba is situated at 6th floor, Horizon Vista, Plot No. Commercial 10, 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.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for;

- certain investments carried at fair value;
- investment property which have been measured at fair value;
- certain loan and receivables - measured at amortized cost.

2.3 Critical accounting estimates and judgments

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

- i) Classification of financial instruments (note 4.5)
- ii) Provision for doubtful recovery against receivables (Note 4.7)
- iii) Provision for impairment (note 4.7)
- iv) Provision for taxation (note 4.13 and 31)
- v) Determination and measurement of useful life and residual value of fixed assets, intangible assets and ijarah assets (note 18 and 19).
- vi) Contingencies (note 25)

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

3.1 Standards, amendments and interpretations to the published standards that are relevant to the Modaraba and adopted in the current year

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-IASB '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 01, 2020

3.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (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 in accordance with the rates specified in note 18 to these financial statements. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

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

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

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

4.2 Capital work-in-progress

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

4.3 Investment property

Investment property, which are held for rentals and capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, it is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

4.4 Intangibles

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of the item can be measured reliably. Amortization is charged to income using the straight line method in accordance with the rates specified in note 17 to these financial statements. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortization is charged from the month the asset is available for use while in the case of assets disposed off, it is charged till the month preceding the month of disposal.

Indefinite life

The useful life of an intangible asset that is not being amortized is reviewed at the end of each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

4.5 Financial Instruments

Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

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

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in 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 recognized in income statement. Other net gains and losses are recognized 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 recognized 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 recognized 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 derecognized 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 recognized on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprise musharakah, morabaha and ijarah rental receivable that are financial assets with fixed or determinable payments that are not quoted in active markets and includes investments, diminishing musharakah finance, long term advances, deposits, accruals, prepayments, advances and other receivables and cash and cash equivalent. The Modaraba derecognizes 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.

4.6 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 recognized at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

4.7 Impairment**4.7.1 Financial assets**

The Modaraba recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized 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.

4.7.2 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

4.7.3 Financial assets classified under Islamic Financial Accounting Standards

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

4.7.4 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 realize 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.

4.7.5 Financial liabilities

Financial liabilities are initially recognized 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 derecognizes 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 amortized cost using effective interest rate method.

4.8 Ijarah rentals receivable, morabaha and musharaka and diminishing musharaka finances

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

4.9 Staff retirement benefits

Defined contribution plan

The Modaraba operates a defined contribution provident fund for all employees who opt for deductions. Equal monthly contributions are made both by the Modaraba and the employees to the fund at the rate of 10% of basic salary.

4.10 Accrued and other liabilities

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

4.11 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.

4.12 Revenue recognition

4.12.1 Ijarah rentals

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

Documentation charges, front end fees and other ijarah related income are taken to profit and loss account, when they are realized, included in other income.

4.12.2 Morabaha and musharaka transactions

Profit from musharaka 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.

4.12.3 Diminishing musharaka

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

4.12.4 Rental Income

Rental Income arising from investment properties is accounted for on accrual basis.

4.12.5 Dividend income

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

4.12.6 Return on finance

Return on finance is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4.12.7 Other income

Other income is recognized on accrual basis.

4.12.8 Income from Shariah non-compliant avenues

Income from Shariah non-compliant avenues is not recognized in the profit and loss account and is classified as charity payable.

4.12.9 Mark-up income

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

4.13 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 taxation under clause 100 of Part 1 of the Second schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of the total profits in the year as reduced by the amount transferred in 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.

However, the modaraba has not recognized any amount in respect of deferred tax in these financial statements as the Modaraba intends to avail the tax exemption in future years by distributing at least 90% of its profits to certificate holders.

4.14 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.

4.15 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).

4.16 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 distributions are approved by the Board of the Modaraba Company.

4.17 Earning per certificate

The Modaraba presents basic and diluted earnings per certificate data for its certificate holders. Basic earning per certificate is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates.

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 be paid as per agreed terms and conditions.

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

Particulars		---Rupees---	
Decrease in Cash and Bank (Due to deferment of Principal Instalment)		2,305,525	
Increase in Carrying amount of financing (Due to deferment of Principal Instalment)		2,305,525	
Increase in Markup/ Profit (Due to deferment of Principal Instalment)		23,406	
		2 0 2 0	2 0 1 9
	<i>Note</i>	-----Rupees-----	
6 CASH AND BANK BALANCES			
Cash in hand		10,000	3,810
Cash at banks			
Current accounts		13,449,457	13,449,457
Saving accounts	6.1	234,720,154	83,423,562
		248,169,611	96,873,019
		248,179,611	96,876,829

6.1 Effective mark-up rate in respect of saving accounts ranges from 2.00% to 11.50% (2019: 2.00% to 10.25%) per annum.

7	INVESTMENTS	Note	2020 -----Rupees-----	2019
	Amortized cost			
	Receivable against TDR - considered doubtful	7.1	-	-
	Fair value through profit or loss investments			
	Quoted securities	7.2	4,451,565	4,732,117
			4,451,565	4,732,117

- 7.1** Modaraba had entered into an agreement dated December 06, 2012, with the Invest Capital Investment Bank Limited (ICIBL) for settlement of the Term Deposit Receipt of Rs.10 million. As per the terms, the entire mark-up/profit/penalties accrued till date of settlement agreement were waived off by the Modaraba. The balance was receivable in 60 equal monthly instalments of Rs. 166,667 beginning from December 10, 2012 at Nil profit. Rescheduled amount was as follows:

Term Deposit Receipt as at December 06, 2012		10,000,000	10,000,000
Less: Amortization charge		(2,000,000)	(2,000,000)
Less: Received in earlier period		(3,219,433)	(3,219,433)
Total receivable		4,780,567	4,780,567
Provision against doubtful recoveries	7.1.1	(4,780,567)	(4,780,567)
		-	-

- 7.1.1** During the course of due diligence conducted as of November 30, 2014 and on the basis of correspondence provided by ICIBL it was revealed that the Modaraba had entered into an arrangement of Portfolio Management Services with ICIBL and a limited liability company was incorporated for this purpose in 2010, under which ICIBL incurred an expenditure of Rs. 5.78 million on account of bidding for Pakistan Stock Exchange (PSX) then Karachi Stock Exchange Limited (KSE) membership as authorized by previous Board of Directors of the Modaraba Management Company in their meeting held on April 25, 2010. The Modaraba filed an application to SECP for relaxation of Regulation 7(7) of the Prudential Regulations for Modarabas for investing in an unlisted entity which was rejected. This resulted in forfeiture of amount paid for bidding for purchase of membership card by KSE. These facts were not on record nor reflected in the books of accounts of the Modaraba in subsequent years before incorporated in financial statements for the year ended June 30, 2014.

7.2 Quoted securities

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

2020 Number of Certificates / Shares / Units	2019	Name of investee company / fund	2020 -----Rupees-----	2019
		Personal goods		
525	525	Nishat Mills Limited *	40,955	49,004
		Electricity		
54,367	54,367	The Hub Power Company Ltd	3,941,608	4,281,401
		Multiutilities (gas and water)		
1,495	1,495	Sui Northern Gas Pipeline Ltd	81,627	103,887
		Engineering		
7,500	7,500	International Steel Ltd	387,375	297,825

2020	2019		2020	2019
<i>Number of Certificates /</i>			<i>-----Rupees-----</i>	
<i>Shares / Units</i>		<i>Suspended / Delisted Companies</i>		
348	348	Hussain Industries Ltd * 7.3	-	-
1,670,720	1,670,720	Prudential Stock Fund *	-	-
360,000	360,000	Zeal-Pak 7.3	-	-
		Cement Factory		
2,094,955	2,094,955		4,451,565	4,732,117

These shares are not in the name of the Modaraba: Nishat Mills Limited 25 (2019: 25) shares (Second Prudential Modaraba), Sui Northern Gas Pipeline Limited 254 (2019: 254) shares and Hussain Industries Limited 348 (2019: 348) shares (Third Prudential Modaraba).

7.3 This represents non-shariah compliant investments.

8 MUSHARAKA, MORABAHA AND OTHER FINANCE

Musharaka and morabaha finance

- considered good		-	-
- considered doubtful	8.1	352,230,694	352,230,694
Less: Provision against doubtful amounts		(352,230,694)	(352,230,694)
		-	-

Other finance - unsecured

- considered good		-	-
- considered doubtful		11,002,281	11,002,281
		11,002,281	11,002,281
Less: Provision against doubtful amounts	8.2	(11,002,281)	(11,002,281)
		-	-

8.1 Musharaka and morabaha finance

	Note	Considered good		Considered doubtful		Total	
		2020	2019	2020	2019	2020	2019
<i>-----Rupees-----</i>							
Unsecured							
Musharaka finance							
Principal		-	-	97,432,201	97,432,201	97,432,201	97,432,201
Profit		-	-	43,678,105	43,678,105	43,678,105	43,678,105
Subtotal		-	-	141,110,306	141,110,306	141,110,306	141,110,306
Secured							
Morabaha finance							
Principal		-	-	91,917,950	91,917,950	91,917,950	91,917,950
Profit		-	-	119,202,438	119,202,438	119,202,438	119,202,438
Subtotal	8.1.1	-	-	211,120,388	211,120,388	211,120,388	211,120,388
Less: Provision against doubtful receivables	8.1.2	-	-	(352,230,694)	(352,230,694)	(352,230,694)	(352,230,694)
		-	-	-	-	-	-

8.1.1 This include amount of Musharaka and Morabaha finance receivable from various parties, outstanding since many years. As per terms of the agreements, the profit against these finances ranged from 14% to 21%. These finances were secured against equitable mortgage of immovable properties and charge on vehicles, machineries, other assets and personal guarantee of sponsor directors. However, based on the guidelines of Prudential Regulations for Modarabas, principal and profit receivable against these finances have been fully provided and suspended accordingly.

8.1.2 Movement of provision for doubtful receivables

	Principal	2020 Profit	Total	Principal	2019 Profit	Total
	-----Rupees-----					
Opening balance	189,350,151	162,880,543	352,230,694	189,800,678	162,880,543	352,681,221
(Reversal) of provision during the	-	-	-	(450,527)	-	(450,527)
Closing balance	189,350,151	162,880,543	352,230,694	189,350,151	162,880,543	352,230,694

8.2

The finance was provided to Invest Capital Investment Bank Limited (ICIBL) against certain ijarah assets under a funded risk participation agreement. It carried return at the rate 17.16% per annum.

9 DIMINISHING MUSHARAKA

	Note	2 0 2 0 -----Rupees-----	2 0 1 9
Principal	9.1	110,637,956	205,919,769
Profit		1,430,987	1,173,328
		112,068,943	207,093,097
Less: long term portion		(54,131,699)	(114,572,927)
		57,937,244	92,520,170

9.1 These carry profit rate ranging from 13.00% to 19.00% (2019: 10.00% to 19.00%) per annum and are repayable on monthly basis over a maximum period of three years.

10 IJARAH RENTALS RECEIVABLE

Considered good	58,331	1,519,667
Considered doubtful	49,083,826	49,083,826
	49,142,157	50,603,493
Less: Provision for doubtful receivables	(49,083,826)	(49,083,826)
	58,331	1,519,667

10.1 Future minimum ijarah rentals receivable

Within one year	4,691,164	47,137,237
After one year but not more than five years	579,730	12,884,724
	5,270,894	60,021,961

11 RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE - SECURED

Considered doubtful	11.1	11,692,131	11,692,131
Less: Provision for doubtful receivables		(11,692,131)	-
		-	11,692,131

11.1 During financial year 2016 KASB Modaraba (KASBM) & First Prudential Modaraba (FPrM) entered into a joint project for crushing of banola seed and sale of oil cake (Khal) in the market. M/s Pakistan Phutti International Limited (PPIL) was engaged as seller & service provider responsible for sale of agriculture produce. Subsequently, natural cyclical shortage in productivity of cotton crop affected the availability of the banola seed and therefore the project was prudently discontinued by the management to safeguard the interest of the Modaraba. As per settlement agreement dated April 27, 2016, with PPIL advance for purchase of banola seed was converted into ijarah finance (secured) leaving a balance of Rs. 27.81 million receivable against sale of agriculture produce. Receivable amount is secured against Registered Mortgage on Property of service provider. After continuous default of payment the management of Modaraba has filed recovery suits in the Banking Courts which is pending adjudication. The management and the legal counsel are optimistic on favorable outcome of the case. However, on prudence basis the management has fully provided the outstanding balance. The details of receivables are as under :-

	KASBM	FPrM	Total
	-----Rupees-----		
Initial investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of agriculture produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of agriculture produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: Converted to Ijarah financing	(19,311,320)	(40,000,000)	(59,311,320)
Less: Consultancy charges	(194,950)	(305,050)	(500,000)
	18,200,140	27,811,518	46,011,658
Provision for doubtful receivable against sale of agriculture produce	(18,200,140)	(27,811,518)	(46,011,658)
	<u>-</u>	<u>-</u>	<u>-</u>

11.2 Movement of provision

Opening balance	16,119,387	16,119,387
Provision during the year	11,692,131	-
	<u>27,811,518</u>	<u>16,119,387</u>

12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Note	Considered good		Considered doubtful		Total	
	2020	2019	2020	2019	2020	2019
	-----Rupees-----					
Advance						
Income tax 12.1	6,642,188	4,493,101	-	-	6,642,188	4,493,101
To staff - Secured 12.2 & 12.2.1	175,002	392,227	1,814,000	1,814,000	1,989,002	2,206,227
Against purchase of assets	11,201,500	30,807,000	-	-	11,201,500	30,807,000
Deposits	-	-	-	-	-	-
Prepayments	495,729	1,261,255	-	-	495,729	1,261,255
Other receivables from						
Brokers on account						
- of sale of shares 12.3	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares 12.4	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank 12.5	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks	1,153,265	343,091	-	-	1,153,265	343,091
Others	192,724	1,105,122	13,466,235	13,466,235	13,658,959	14,571,357
Sub total	19,860,408	38,401,796	109,573,414	109,573,414	129,433,822	147,975,210
Provision for doubtful receivables	-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
	<u>19,860,408</u>	<u>38,401,796</u>	<u>-</u>	<u>-</u>	<u>19,860,408</u>	<u>38,401,796</u>

12.1 This includes an amount of Rs. 1,673,957 forcefully withdrawn from bank by the Taxation Authorities on 14th March, 2016 against which the Modaraba has filed an application for refund due to the fact that the amount was wrongly withdrawn on the ground that original return filed for the year 2009 was erroneous. The withdrawal was based on the original return filed whereas the revised return filed and order passed by the Addl Commissioner IR in favor of the Modaraba has been ignored. The management is confident that the amount will be recovered from the Authority.

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

12.2.1 The doubtful amount of Rs.1.8 million was paid to an ex-managing director of the Modaraba without prior approval of the board of directors of previous management company for the purchase of a motor vehicle. The Modaraba has initiated Legal proceedings for the recovery of said amount from the ex-managing director.

- 12.3** The doubtful amount includes claim of Rs.64.62 million receivable from a defaulted stock broker – Investec Securities Limited. The said broker, through its various correspondences with the Modaraba has offered / transferred shares and certificates of following entities on various dates which are not acknowledged by the Modaraba. Owing to the weak financial position of the entities and significance of the amount of claim, the than management of the Modaraba had not accepted the shares / certificates as satisfaction of claim and same is not recorded in the books of accounts. Detail of shares / certificates offered / transferred is as under:

Name of entities	No. of Shares / Certificates
Zeal-Pak Cement Factory Limited	10,400,000
Usman Textile Mills Limited	700,000
First Investec Modaraba	500,000
Investec Securities Limited	200,000

- 12.4** This amount includes Rs. 17.89 million paid as advance for purchase of securities to Prudential Securities Limited (PSL). Remaining amount of Rs. 0.54 million is blocked in CDC-sub account of the said broker against various shares as under:

Name of companies	No. of Shares
Al-Ghazi Tractors Limited	500
Javed Omer Vohra & Company Limited	1,000
Pakistan Petroleum Limited	2,100

Operations of PSL has been ceased by PSX and the Modaraba has filed a claim with the PSX for the whole amount. However on confirmed existence of event of default, the provision was made accordingly.

- 12.5** This represents an unauthorized amount debited to Modaraba's account by a scheduled commercial bank on behalf of a party considered to be a group company. The Modaraba filed a suit with a banking court for recovery under the Financial Institutions (Recovery of Finances) Ordinance, XLVI of 2001 which was decreed against the Modaraba only due to the reason that it was time-barred. Management filed an appeal in the Sindh High Court against the judgment of the Banking Court. The Sindh High Court has set aside the decree of the Banking Court with the directions that the Banking Court, in the first instance, shall decide the application for leave to defend moved by the Bank. The case is under process with the Banking Court.

13 ASSET ACQUIRED IN SATISFACTION OF FINANCING FACILITY

This represents market value of the vehicle acquired by the Modaraba against settlement of Diminishing Musharaka facility extended to a client who was in default. The vehicle is surrendered by Mr. Adnan Zaman to settle the dues in the capacity of guarantor of such finance facility. Mr. Adnan Zaman is the partner of the audit firm RSM Avasi Hyder Liaquat Nauman, Chartered Accountants. The said firm were the auditors of KASB Modaraba.

14 LONG TERM INVESTMENTS

Unquoted securities

2020	2019		2020	2019
Number of Shares of Rs. 10 each		Note	-----Rupees-----	
1,107,244	1,107,244	Prudential Securities Limited		
		Cost	4,173,707	4,173,707
		Less: Impairment	(4,173,707)	(4,173,707)
			-	-
191,700	191,700	Prudential Discount and		
		Guarantee House	1,041,815	1,041,815
		Limited		
		Less: Impairment	(1,041,815)	(1,041,815)
			-	-

				2020	2019
			Note	-----Rupees-----	
843,975	843,975	LSE Financial Services Ltd			
		Cost	14.1.2	12,764,715	12,764,715
		Less: Fair value adjustment		(2,417,582)	(2,417,582)
				10,347,133	10,347,133
2,142,919	2,142,919			10,347,133	10,347,133

14.1.1 Due to adverse financial conditions of the investee Company, investments have been fully impaired.

14.1.2 This represents shares acquired against the surrender of Pakistan Stock Exchange (PSX) formerly Lahore Stock Exchange (LSE) membership card. Under the current circumstances the active market is not available for such shares, therefore the net asset based valuation has been considered as the closest estimate of the fair value of the shares. The Modaraba has recognized a fair value adjustment based on audited financial statements of the investee company for the year ended June 30, 2017, the breakup value of which is Rs. 12.26 per share.

15 LONG TERM ADVANCES

			2020	2019
		Note	-----Rupees-----	
-Secured and interest free				
To executives - considered good	12.2		37,560	151,200
To employees - considered good			149,618	390,645
			187,178	541,845
Due within one year shown under current assets			(175,002)	(392,227)
			12,176	149,618

16 LONG TERM DEPOSITS

Margin deposit	16.1	3,000,000	3,000,000
Other deposits		235,500	127,500
		3,235,500	3,127,500
Less: Provision against doubtful amounts	16.2	(3,000,000)	(3,000,000)
		235,500	127,500

16.1 This margin deposit was held with a defaulted broker, Prudential Securities Limited, whose operations have been ceased by PSX and the Modaraba has filed a claim with the PSX for the amount.

16.2 On confirmed existence of event of default, the provision was made accordingly.

17 INTANGIBLE ASSETS

PSX - Trading Right Entitlement Certificate (TREC)	17.1	5,344,352	5,344,352
Impairment of TREC	17.1.2	(5,344,352)	(5,344,352)
		-	-

17.1 LSE membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance receivable against a defaulted party.

Pursuant to demutualization of LSE, the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the membership card had been surrendered to LSE against the following;

(a) 843,975 ordinary shares of face value of Rs. 10 each of LSE; and

(b) Trading Right Entitlement Certificate (TREC).

The Institute of Chartered Accountants of Pakistan in its opinion dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

Out of total shares issued to the modaraba by LSE, the Modaraba had received 40% equity shares i.e. 337,590 shares in its CDC account. The remaining 60% shares had been transferred to CDC sub-account in the Modaraba's name under LSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Modaraba.

LSE had determined the fair value of shares on the basis of the fair valuation of the underlying assets and liabilities of LSE in accordance with the requirement of the Demutualization Act. The breakup value of share of Rs. 11.17 per share, based on latest available financial information for the quarter ended June 30, 2014, is considered as the closest estimates of the fair value of the shares. Further, the board of directors of LSE in the meeting held on July 22, 2013 had determined the Notional Value of the TREC as Rs. 4 millions.

Therefore, based on the above estimates of fair values of LSE shares (Rs. 9.554 million) and TREC (Rs. 4 million), the Modaraba had allocated its carrying value of the membership card in the ratio of 0.71 to shares and 0.29 to TREC after deducting the value of broker room based on its fair value determined through valuation carried out by independent valuer. The allocation is as follows:

	Note	Rupees
Membership card and a room as at July 01, 2012		22,326,567
Less: Broker's room at fair value		<u>4,217,500</u>
Amount attributable to LSE shares and TREC	17.1.1	<u>18,109,067</u>
17.1.1 Allocation made on the said ratio:		
Trading Right Entitlement Certificate (TREC)		5,344,352
Ordinary shares		<u>12,764,715</u>
		<u>18,109,067</u>
17.1.2		
As per section 16 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, every TREC holder was required to register itself as a broker within two years of the date of demutualization i.e. by August 26, 2014, failure to which would've resulted in the lapse of the TREC. The impairment has been recorded as the modaraba did not register itself as a broker before the expiry of the said date.		

PROPERTY AND EQUIPMENT - OWN USE

PROPERTY AND EQUIPMENT - OWN USE												
Note	Cost			Depreciation			Impairment			Carrying value at June 30, 2020	Rate	
	at July 01, 2019	Additions/ (Disposals)	at June 30, 2020	at July 01, 2019	For the year / (on disposals)	Accumulated at June 30, 2020	at July 01, 2019	Charge for the year	at June 30, 2020			
	Rupees											
Office premises	3,100,000	-	3,100,000	193,750	155,000	348,750	-	-	-	2,751,250	5	
Office equipment	870,071	-	870,071	870,071	-	870,071	-	-	-	-	33	
Furniture and fixture	18.1	4,258,636	-	4,258,636	2,155,902	18	2,155,920	2,102,716	-	2,102,716	-	20
Computer equipment		865,588	-	865,588	864,545	1,043	865,588	-	-	-	-	33
Motor vehicles		3,784,654	-	3,784,654	1,967,765	550,231	2,517,996	-	-	-	1,266,658	20
		12,878,949	-	12,878,949	6,052,033	706,292	6,758,325	2,102,716	-	2,102,716	4,017,908	
- For comparative period												
Note	Cost			Depreciation			Impairment			Carrying value at June 30, 2019	Rate	
	at July 01, 2018	Additions/ (Disposals)	at June 30, 2019	at July 01, 2018	For the year / (on disposals)	Accumulated at June 30, 2019	at July 01, 2018	Charge for the year	at June 30, 2019			
	Rupees											
Office premises		3,100,000	-	3,100,000	38,750	155,000	193,750	-	-	-	2,906,250	5
Office equipment		870,071	-	870,071	869,662	409	870,071	-	-	-	-	33
Furniture and fixture	18.1	4,258,636	-	4,258,636	1,560,965	594,937	2,155,902	-	2,102,716	2,102,716	18	20
Computer equipment		865,588	-	865,588	853,393	11,152	864,545	-	-	-	1,043	33
Motor vehicles		3,784,654	-	3,784,654	1,416,630	551,135	1,967,765	-	-	-	1,816,889	20
		12,878,949	-	12,878,949	4,739,400	1,312,633	6,052,033	-	-	-	4,724,200	

This represents write-off of unamortized cost incurred on renovation of previous office premises booked under furniture & fixture, no more in use.

19 PROPERTY, PLANT AND EQUIPMENT - IJARAH

Cost			Depreciation			Impairment / Adjustment			Carrying value at Jun 30, 2020	Useful Life
at July 1, 2019	Additions/ (Disposals)	at June 30, 2020	Accumulated at July 1, 2019	For the year / (on disposals)	Accumulated at June 30, 2020	Accumulated at July 1, 2019	Adjustment for the year	Accumulated at June 30, 2020		
-----Rupees-----										
75,679,295	-	75,679,295	45,465,668	7,663,956	53,129,624	197,500	8,570,512	8,768,012	13,781,659	36 to 60 months
	-			-						
801,000	-	801,000	512,150	-	512,150	288,850	-	288,850	-	24 to 60 months
	-			-						
122,235,000	-	69,435,000	75,683,938	13,642,158	48,580,271	17,142,477	-	17,142,477	3,712,252	24 to 60 months
	(52,800,000)			(40,745,825)			-			
198,715,295	-	145,915,295	121,661,756	21,306,114	102,222,045	17,628,827	-	26,199,339	17,493,911	
	(52,800,000)			(40,745,825)			-			

- For comparative period

Cost			Depreciation			Impairment / Adjustment			Carrying value at Jun 30, 2019	Useful Life
at July 1, 2018	Additions/ (Disposals)	at June 30, 2019	Accumulated at July 1, 2018	For the year / (on disposals)	Accumulated at June 30, 2019	Accumulated at July 1, 2018	Adjustment for the year	Accumulated at June 30, 2019		
-----Rupees-----										
75,679,295	-	75,679,295	32,339,472	13,126,196	45,465,668	197,500	-	197,500	30,016,127	36 to 60 months
	-			-						
801,000	-	801,000	512,150	-	512,150	288,850	-	288,850	-	24 to 60 months
	-			-						
139,835,295	17,800,000 (35,400,000)	122,235,000	82,596,782	19,647,140 (26,559,984)	75,683,938	17,142,477	-	17,142,477	29,408,585	24 to 60 months
							-			
216,315,590	17,800,000 (35,400,000)	198,715,295	115,448,404	32,773,336 (26,559,984)	121,661,756	17,628,827	-	17,628,827	59,424,712	
							-			

**20 INVESTMENT PROPERTY
CARRIED AT FAIR VALUE**

	Note	at July 01, 2019	Additions / Disposal at cost	Unrealised gain / (loss)	Fair values at June 30, 2020	Independent valuer's name	Valuation date
-----Rupees-----							
Office suite	20.1	29,000,000	-	800,000	29,800,000	Ocean Surveyors (Private) Limited	June 30, 2020
Four shops	20.2	16,400,000	-	-	16,400,000	Ocean Surveyors (Private) Limited	June 30, 2020
		45,400,000	-	800,000	46,200,000		

- For comparative period

	Note	at July 01, 2018	Additions / Disposal at cost	Unrealised gain / (loss)	Fair values at June 30, 2019	Independent valuer's name	Valuation date
-----Rupees-----							
Office suite	20.1	29,000,000	-	-	29,000,000	Ocean Surveyors (Private) Limited	June 30, 2019
Four shops	20.2	16,400,000	-	-	16,400,000	Ocean Surveyors (Private) Limited	June 30, 2019
		45,400,000	-	-	45,400,000		

20.1 This represents two offices in Lakson Sqaure, Karachi, acquired through a settlement agreement. The property is let on rent and therefore, disclosed as investment property.

20.2 This represent four shops in Zarkoon Plaza, Sadar, Rawalpindi acquired through a settlement agreement.

		2020	2019
	Note	-----Rupees-----	
21 IJARAH DEPOSITS			
Ijarah deposits		13,856,984	23,006,984
Long term portion		(320,000)	(18,077,831)
		13,536,984	4,929,153
22 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		709,250	685,750
Management fee		169,872	150,329
Share in common expenses		1,170,594	2,367,158
Insurance		5,838,309	7,079,154
Workers welfare fund	22.1	1,341,225	1,341,225
Charity payable	22.2	1,217,576	196,751
Others		2,181,123	2,599,514
		12,627,949	14,419,881

22.1 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 , effective after June 30, 2014.

22.2 This includes amounts relating to charity accrued on various non-Shariah compliant avenues. The management utilizes the balances as per the requirements of Clause VI of circular no 8 of 2012 (Shari'ah Compliance and Shari'ah Audit Mechanism) for Modarabas.

Movement in charity payable

	Note	2020	2019
		-----Rupees-----	
Opening balance		196,751	280,312
Add : amount credited during the year		1,116,825	291,764
		1,313,576	572,076
Less : Paid during the year		(96,000)	(375,325)
Closing balance		1,217,576	196,751

23 DEFICIT ON REVALUATION OF INVESTMENTS CLASSIFIED AS 'FVTOCI'

Market value of investments		10,347,133	10,347,133
Less: cost of investments		(12,764,715)	(12,764,715)
		(2,417,582)	(2,417,582)
(Deficit) on revaluation at the beginning of the year		(2,417,582)	(1,867,685)
(Deficit) transferred to unappropriated profit during the year		-	(549,897)
(Deficit) / surplus on revaluation during the year		-	-
		-	(549,897)
(Deficit) on revaluation at the end of the year		(2,417,582)	(2,417,582)

24

CERTIFICATE CAPITAL

2020	2019		2020	2019
No. of certificates			-----Rupees-----	
		Authorised		
87,217,660	87,217,660	Modaraba certificates of Rs.10 each	872,176,600	872,176,600
		Issued, subscribed and paid-up		
13,451,650	13,451,650	Modaraba certificates of Rs.10 each fully paid in cash	134,516,500	134,516,500
8,864,716	8,864,716	Modaraba certificates of Rs.10/-each fully paid bonus certificates	88,647,160	88,647,160
64,901,294	64,901,294	Modaraba certificates of Rs.10/- issued under scheme of arrangement for amalgamation with Second and Third Prudential Modaraba	649,012,940	649,012,940
87,217,660	87,217,660		872,176,600	872,176,600

As at June 30, 2020, the Prudential Capital Management Company Limited and KASB Invest (Pvt) Limited, (Ex-management companies) held 10,521,305 (2019: 10,521,305) and 5,166,000 (2019: 5,166,000) certificates respectively of Rs. 10 each.

25

CONTINGENCIES AND COMMITMENTS**Contingencies**

Taxation officer while making assessment in respect of tax years 2006, 2007 and 2008 disallowed certain expenses on account of apportionment between normal and presumptive income and created an additional demand of Rs. 6.53 million. No provision has been made in the financial statements in this regard as the management is confident that ultimate outcome of the appeals in question will be in favor of the Modaraba.

The Modaraba received a letter dated October 01, 2018 from the Assistant Commissioner (Unit-12) of the Sindh Revenue Board (SRB), wherein, it is mentioned that through scrutiny of the financial statements of the Modaraba (for the periods from July 2011 to March 2018 fiscal year years 2012-2017), it came to their notice that the Modaraba is 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 which aggregated to Rs.29.527 million. Such letters were also received by some other Modarabas and it was collectively decided that under the supervision of NBF I & Modaraba Association Pakistan, a petition against the same was filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rentals/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the HCS. stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the HCS and the merits of the matter involved, no provision for any sales tax liability is required to be maintained in the financial statements for the year ended June 30, 2020.

26

IJARAH RENTALS EARNED**Note****2020****2019****-----Rupees-----**

Ijarah rentals

21,821,297

30,749,489

27

OTHER INCOME

Gain on disposal of property, plant and equipment - Ijarah
Front end fee, documentation charges and others

351,419

278,674

3,883,505

2,910,553

4,234,924

3,189,227

28	REVERSAL AGAINST DOUBTFUL RECEIVABLES-NET	Note	2020 -----Rupees-----	2019
	Musharaka and morabaha finance	8.2	-	450,527
29	ADMINISTRATIVE EXPENSES			
	Salaries, allowances and benefits	29.1	13,929,403	14,468,520
	Transaction cost		-	37,095
	Fees and subscription		1,946,154	1,744,768
	Repairs and maintenance		2,035,155	549,287
	Rent, rates and taxes		2,319,137	2,187,750
	Registrar services		271,200	277,623
	Telephone and postage		571,478	543,773
	Travelling and conveyance		381,132	319,334
	Depreciation-own use assets	18	706,292	1,312,633
	Write-off unamortized cost of furniture & fixture		-	2,102,716
	Auditors' remuneration	29.2	561,200	481,100
	Electricity, water and gas		517,142	719,662
	Printing and stationery		173,361	283,325
	Vehicles running		52,228	80,266
	Legal and professional		1,677,300	774,558
	Entertainment		208,133	237,553
	Advertisement		76,750	225,751
	Insurance		569,868	771,734
	Reimbursement of common expenses		5,865,591	5,407,703
	Miscellaneous		31,200	15,000
			31,892,724	32,540,151

29.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2020			2019		
	Officers	Other employees	Total	Officers	Other employees	Total
	-----Rupees-----			-----Rupees-----		
Remuneration	9,206,783	3,004,993	12,211,776	9,487,129	3,370,603	12,857,732
Provident fund	472,824	190,896	663,720	444,804	184,252	629,056
Medical	657,627	212,144	869,771	568,592	193,902	762,494
Fuel	-	-	-	129,892	-	129,892
Others	58,080	126,056	184,136	23,069	66,277	89,346
	10,395,314	3,534,089	13,929,403	10,653,486	3,815,034	14,468,520
No. of persons	3	8		3	9	

The total number of employees as at June 30, 2020 are 11 (2019: 12) and the average number of employees during the year equates to 11 (2019: 12).

	2020 -----Rupees-----	2019
29.2 AUDITORS' REMUNERATION		
Statutory audit	350,000	350,000
Half year review	38,400	30,000
Review of code of corporate governance	20,000	20,000
CDC certification	56,000	10,000
Out of pocket expenses	96,800	71,100
	561,200	481,100

30 MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance, 1980, up to a maximum of 10% per annum of the net profit before tax of the Modaraba. However the management has not charged such fee for the year.

31 PROVISION FOR TAXATION

Due to non-distribution of profit to the certificate holders, the available tax exemption is ceased to exist, hence provision for taxation has been made accordingly.

32 EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED

	2020	2019
	-----Rupees-----	
Profit / (Loss) for the year (Rupees)	(5,402,122)	2,322,072
Weighted average number of ordinary certificates	87,217,660	87,217,660
Earnings / (Loss) per certificate (Rupee)	(0.06)	0.03

33 RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise the Management Company (Awwal Modaraba Management Limited), 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 & First Pak Modaraba), directors and key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Modaraba.

Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Significant transactions with related parties are as follows:-

Name of the company / individual	Relationship with the Modaraba	Nature of Transactions	2020 -----Rupees-----	2019
Balances with related parties				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	-	-
KASB Invest (Pvt) Ltd	Ex- Modaraba management company	Management fee	169,872	169,872
KASB Modaraba	Modaraba under common management	Payable against sharing of common expenses	(1,170,594)	(1,957,480)
First Pak Modaraba	Modaraba under common management	Payable against sharing of common expenses	109,820	107,301
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	-	-
Mr. Khawaja Waheed Raza	Administrator (Note 1)	Salaries & other benefits	-	498,000
Expense for the period				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	663,720	629,058
KASB Invest (Pvt) Ltd	Modaraba management company	Management fee	-	521,270
KASB Modaraba	Modaraba under common management	Sharing of common expenses	6,295,293	5,815,229
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	(429,702)	(407,526)
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	557,249	684,745
Khawaja Waheed Raza	Administrator (Note 1)	Salaries & other benefits	1,203,620	498,000
Payments made during the period				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	663,720	629,058
KASB Invest (Pvt) Ltd	Modaraba management company	Management fee	-	370,941
KASB Modaraba	Modaraba under common management	Sharing of common expenses	7,082,179	3,557,524
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	(427,183)	-
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	557,249	684,745
Khawaja Waheed Raza	Administrator (Note 1)	Salaries & other benefits	1,701,620	-

34 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2020				
-----Amount in Rupees-----				
	At Amortised Cost	FVTPL	FVTOCI	Other financial liabilities
FINANCIAL ASSETS				
Cash and bank balances	248,179,611	-	-	-
Investments	-	4,451,565	-	-
Ijarah rental receivable	58,331	-	-	-
Musharaka, morabaha and other finan	-	-	-	-
Diminishing musharakah	112,068,943	-	-	-
Receivable against sale of agriculture p	-	-	-	-
Advances, deposits, prepayments	-	-	-	-
and other receivables	1,520,991	-	-	-
Long term investments	-	-	10,347,133	-
Long term advances	12,176	-	-	-
Long term deposits	235,500	-	-	-
Total Financial Assets	<u>362,075,552</u>	<u>4,451,565</u>	<u>10,347,133</u>	<u>-</u>
FINANCIAL LIABILITIES				
Accrued and other liabilities	-	-	-	9,899,276
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,899,276</u>

----- As at June 30, 2019 -----

Amount in Rupees

	At Amortised Cost	FVTPL	FVTOCI	Other financial liabilities
FINANCIAL ASSETS				
Cash and bank balances	96,876,829	-	-	-
Investments	-	4,732,117	-	-
Ijarah rental receivable	1,519,667	-	-	-
Musharaka, morabaha and other finan	450,527	-	-	-
Diminishing musharakah	207,093,097	-	-	-
Receivable against sale of agriculture &	11,692,131	-	-	-
Advances, deposits, prepayments and other receivables	1,840,440	-	-	-
Long term investments	-	-	10,347,133	-
Long term advances	149,618	-	-	-
Long term deposits	127,500	-	-	-
Total Financial Assets	319,749,809	4,732,117	10,347,133	-
FINANCIAL LIABILITIES				
Accrued and other liabilities	-	-	-	12,731,576
Total Financial Liabilities	-	-	-	12,731,576

34.1 FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks entered: liquidity risk entered, credit risk entered and market risk entered(including currency risk, fair value profit rate risk and price risk). The Board / Administrator 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 minimise potential adverse effects on the Modaraba's financial performance.

The Modaraba's principal financial liabilities comprise accrued and other liabilities. The Modaraba's principal financial assets comprise of ijarah rentals receivable, musharaka, morabaha and other finance and cash and bank balances that arrive directly from its operations. The Modaraba also holds investments classified as held for trading and available-for-sale investments.

34.1.1 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. 344.901 million against its current liabilities of Rs. 45.649 million which lead to total surplus of Rs. 299.252 million.

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

	Total	Up to three months	More than three months and up to	More than one year
	----- Rupees -----			
2020				
Accrued and other liabilities	12,627,949	12,627,949	-	-
	<u>12,627,949</u>	<u>12,627,949</u>	<u>-</u>	<u>-</u>
2019				
Accrued and other liabilities	14,419,881	14,419,881	-	-
	<u>14,419,881</u>	<u>14,419,881</u>	<u>-</u>	<u>-</u>

The Modaraba do not expose to any interest rate risk against its financial liabilities.

34.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control 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 (morabaha and musharaka finance, diminishing musharaka, ijarah rental receivables), deposits with bank and financial institutions and other receivables.

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's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

The Modaraba follows two sets of guidelines. It has its own operating policy and the Board / 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 receivable at June 30, 2020 and June 30, 2019 is the carrying amounts of following financial assets.

	2020	2019
	-----Rupees-----	
Balances with banks	248,169,611	96,873,019
Musharaka, morabaha and other finance	-	450,527
Diminishing musharaka	112,068,943	207,093,097
Ijarah rentals receivable	58,331	1,519,667
Advances and other receivables	1,520,991	1,840,440
	<u>361,817,876</u>	<u>307,776,750</u>

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

Bank name	Short Term	Long Term	2020	2019
			-----Rupees-----	
HBL Islamic Banking Limited	A-1+	AAA	245,607,543	93,396,296
Sindh Bank Limited	A-1	A+	10,356	10,171
Albaraka Bank (Pakistan) Limited	A-1	A+	11,280	10,469
Summit Bank Limited	-	-	2,523,198	3,438,490

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
	----- Rupees -----				
Ijarah rental receivable	-	-	-	49,083,826	49,083,826
Musharaka, morabaha and other finance	-	-	-	352,230,694	352,230,694
Receivable against sale of agriculture produce	-	-	-	27,811,518	27,811,518

	As at June 30, 2019				
	OAEM	Substandard	Doubtful	Loss	Total
	----- Rupees -----				
Ijarah rental receivable	-	-	-	49,083,826	49,083,826
Musharaka, morabaha and other finance	-	-	-	352,230,694	352,230,694
Receivable against sale of agriculture produce	-	-	-	16,119,387	16,119,387

Total impairment against these assets as at June 30, 2020 is Rs. 429.13 million (2019: Rs. 417.43 million).

34.3 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. All such activities are carried out with the approval of the Board / Administrator. The Modaraba is exposed to interest rate risks.

34.3.1 Equity price risk

The Modaraba's investment in listed 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 the Board / Administrator reviews and approves all equity investment decisions.

The carrying amount of investment is as follows

	2020	2019
	-----Rupees-----	
In listed securities carried at fair value through profit or loss	4,451,565	4,732,117
In unlisted security available for sale	10,347,133	10,347,133
	<u>14,798,698</u>	<u>15,079,250</u>

Sensitivity analysis

The table below summarises the impact of increase/decrease in market value of investments on the Modaraba's profit after tax and on equity. The analysis is based on the assumption that the market price had increased/decreased by 5% with all other variables held constant and all Modaraba's equity instruments moved on perfect correlation with the market.

Index	Impact on profit and equity	
	2020	2019
	-----Rupees-----	
Increase in market value - 5%	222,578	236,606
Decrease in market value - 5%	(222,578)	(236,606)

34.3.2 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	2.00% - 11.50%	248,169,611	234,720,154	-	-	-	-	13,449,457
Investments		4,451,565	-	-	-	-	-	4,451,565
Musharaka, morabaha and other finance		-	-	-	-	-	-	-
Diminishing musharaka	10.06% - 19.0 %	112,068,943	5,123,189	9,513,033	49,585,269	46,416,465	-	1,430,987
Ijarah rentals receivable		58,331	-	-	-	-	-	58,331
Advances and other receivables		12,722,491	-	-	-	-	-	12,722,491
Total financial assets as at June 30, 2020		377,470,941	239,843,343	9,513,033	49,585,269	46,416,465	-	32,112,831
Accrued and other liabilities		11,286,724	-	-	-	-	-	11,286,724
Total financial liabilities as at June 30, 2020		11,286,724	-	-	-	-	-	11,286,724
Total yield / profit risk sensitivity gap			239,843,343	9,513,033	49,585,269	46,416,465	-	
Cumulative yield / profit risk sensitivity gap			239,843,343	249,356,376	298,941,645	345,358,110	345,358,110	

		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	2.00% - 10.25%	96,873,019	83,423,562	-	-	-	-	13,449,457
Investments		4,732,117	-	-	-	-	-	4,732,117
Musharaka, morabaha and other finance		450,527	-	-	-	-	-	-
Diminishing musharaka	10.00% - 19.0 %	207,093,097	9,052,871	15,541,475	66,631,821	114,693,602	-	1,173,328
Ijarah rentals receivable		1,519,667	-	-	-	-	-	1,519,667
Advances and other receivables		32,647,440	-	-	-	-	-	32,647,440
Total financial assets as at June 30, 2019		343,315,867	92,476,433	15,541,475	66,631,821	114,693,602	-	53,522,009
Accrued and other liabilities		13,078,656	-	-	-	-	-	13,078,656
Total financial liabilities as at June 30, 2019		13,078,656	-	-	-	-	-	13,078,656
Total yield / profit risk sensitivity gap			92,476,433	15,541,475	66,631,821	114,693,602	-	
Cumulative yield / profit risk sensitivity gap			92,476,433	108,017,908	174,649,729	289,343,331	289,343,331	

Sensitivity analysis for financial instruments

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

		Impact on profit or loss	
		2019	2018
		-----Rupees-----	
Changes in basis point			
+100		393,423	169,408
-100		(393,423)	(169,408)

34.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values. The fair values of these financial assets/liabilities cannot be reasonably estimated due to absence of market for such assets/liabilities.

34.4.1 Fair value hierarchy

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

Level1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level2: 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).

Level3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Financial assets at FVTPL				
Quoted companies	4,451,565	-	-	4,451,565
Financial assets at FVTOCI				
Listed entities	-	-	-	-
Unlisted entities	-	-	10,347,133	10,347,133

35 CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation 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 very positive current ratio of 7.555:1 (2019: 4.996:1).

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During the current year, the Modaraba's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio to zero.

36 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-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

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

37 DATE OF AUTHORISATION OF ISSUE

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

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

Central Depository Company Of Pakistan Limited
Pattern Of Shareholdings

Security Symbol	: PMI	FIRST PRUDENTIAL	Page# : 1 of 3
Financial Year End Information as on	: 30/06/2020	MODARABA	User : C0042501
			Date : 01/07/2020
			Time : 03:50:22

Number of Shareholders	Shareholdings From	-	To	Total Number of Shares Held
-----	-----	-----	-----	-----
168	1	-	100	4,077
266	101	-	500	93,776
215	501	-	1,000	196,006
551	1,001	-	5,000	1,667,474
215	5,001	-	10,000	1,773,725
93	10,001	-	15,000	1,182,193
67	15,001	-	20,000	1,233,338
44	20,001	-	25,000	1,036,356
45	25,001	-	30,000	1,271,566
26	30,001	-	35,000	858,241
14	35,001	-	40,000	530,128
10	40,001	-	45,000	432,718
25	45,001	-	50,000	1,232,911
11	50,001	-	55,000	576,466
11	55,001	-	60,000	639,635
7	60,001	-	65,000	446,388
7	65,001	-	70,000	485,487
4	70,001	-	75,000	295,500
9	75,001	-	80,000	710,500
6	80,001	-	85,000	499,500
5	85,001	-	90,000	442,500
3	90,001	-	95,000	281,640
15	95,001	-	100,000	1,495,500
2	100,001	-	105,000	208,124
1	105,001	-	110,000	110,000
3	110,001	-	115,000	338,689
1	120,001	-	125,000	123,346
2	125,001	-	130,000	254,500
1	130,001	-	135,000	130,500
1	135,001	-	140,000	140,000
5	145,001	-	150,000	743,076
1	150,001	-	155,000	155,000
1	155,001	-	160,000	160,000
2	165,001	-	170,000	340,000
1	170,001	-	175,000	174,500

Central Depository Company Of Pakistan Limited
Pattern Of Shareholdings

Security Symbol	: PMI	FIRST PRUDENTIAL	Page# : 2 of 3
Financial Year End Information as on	: 30/06/2020	MODARABA	User : C0042501
			Date : 01/07/2020
			Time : 03:50:22
1	175,001	-	180,000
1	180,001	-	180,200
1	185,001	-	188,000
1	190,001	-	195,000
1	200,001	-	205,000
1	205,001	-	210,000
2	210,001	-	424,168
2	215,001	-	434,000
2	220,001	-	448,073
1	255,001	-	256,000
1	265,001	-	269,000
1	290,001	-	292,000
1	295,001	-	300,000
1	300,001	-	302,500
1	330,001	-	331,500
1	355,001	-	358,000
1	455,001	-	456,000
1	480,001	-	484,432
1	495,001	-	500,000
1	500,001	-	501,500
1	505,001	-	509,065
1	595,001	-	600,000
1	695,001	-	700,000
1	715,001	-	720,000
1	775,001	-	776,000
1	815,001	-	820,000
1	1,290,001	-	1,293,000
1	1,345,001	-	1,350,000
1	1,395,001	-	1,400,000
1	1,510,001	-	1,514,000
1	1,555,001	-	1,557,500
1	1,925,001	-	1,929,159
1	2,135,001	-	2,140,000
1	2,245,001	-	2,250,000
1	2,275,001	-	2,275,232
1	4,220,001	-	4,220,500
1	4,315,001	-	4,320,000

Central Depository Company Of Pakistan Limited
Pattern Of Shareholdings

Security Symbol	: PMI	FIRST PRUDENTIAL	Page# : 3 of 3
Financial Year End Information as on	: 30/06/2020	MODARABA	User : C0042501
			Date : 01/07/2020
			Time : 03:50:22

1	10,520,001	-	10,525,000	10,521,205
1	11,095,001	-	11,100,000	11,100,000
-----				-----
1,880				76,774,394
=====				=====

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
-----	-----	-----	-----
Individuals	1,829	54,962,427	71.59
Financial Institutions	4	71,427	0.09
Investment Companies	4	224,054	0.29
Joint Stock Companies	34	12,031,801	15.67
Charitable Trusts	1	23,000	0.03
Modaraba Management Companies	3	5,166,000	6.73
Insurance Companies	2	4,204,391	5.48
Others	3	91,294	0.12
	-----	-----	-----
	1,880	76,774,394	100.0
	=====	=====	=====

FIRST PRUDENTIAL MODARABA
CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2020

	NO OF CERTIFICATE HOLDERS		NUMBER OF SHARES HELD	PERCENTAGE
ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES				
NIT AND ICP	11		81,352	0.09
NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT		38,449		
INVESTMENT CORPORATION OF PAKISTAN		42,903		
DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN	-		-	-
EXECUTIVES	-		-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS.	1		1,929,159	2.21
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD.		1,929,159		
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS				
KASB Invest (Pvt) Ltd	34	2,250,000	7,536,086	8.64
KASB Invest (Pvt) Ltd		2,140,000		
KASB Invest (Pvt) Ltd		776,000		
FIRST INTERFUND MODARABA		1,122		
THE BANK OF PUNJAB		2,974		
HABIB BANK LTD.		848		
NATIONAL DEVELOPMENT FINANCE CORPORATION		10,625		
CRESCENT INVESTMENT BANK LTD.		100		
FIDELITY INVESTMENT BANK LTD.		9,428		
PARAMOUNT INVESTMENT BANK LTD.		1,638		
GULF INSURANCE COMPANY LTD.		13,653		
DELTA INSURANCE COMPANY LTD.		164		
CRESCENT STAR INSURANCE COMPANY LTD.		154		
NATIONAL INSURANCE COMPANY LTD.		2,275,232		
UNI CAP MODARABA		136		
INDUSTRIAL CAPITAL MODARABA		100		
FIRST MEHRAN MODARABA		7,935		
GENERAL MODARABA		3,306		
MODARABA AL MALI		47		
FIRST PROVIDENCE MODARABA		449		
FIRST HAJVERI MODARABA		3,000		
FIRST EQUITY MODARABA		16,484		
PRUDENTIAL DISCOUNT & GUARANTEE HOUSE LIMITED		9,000		
CITY BANK		2,635		
JAHANGIR SIDDIQUI & CO LTD		550		
PYRAMID INVESTMENTS (pvt)		9,821		
SECURITY INVESTMENT BANK		685		
CERTIFICATE HOLDERS - HOLDING FIVE PERCENT OR MORE CERTIFICATES IN THE MODARABA	5		22,647,705	25.97
PRUDENTIAL CAPITAL MANGEMENT LTD		10,521,205		
PASHTOON RASHIDULLAH		12,126,500		
INDIVIDUAL	10,918	42,675,560	42,675,560	48.93
OTHER CORPORATE SHAREHOLDERS	60	12,347,798	12,347,798	14.16
	11029		87,217,660	100.00

First Prudential Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 21st Annual Review Meeting of the certificate holders of First Prudential Modaraba will be held on Tuesday, 27 October, 2020 at 4:45 pm at the Registered Office of Awwal Modaraba Management Limited situated at Horizon Vista, Commercial 10, Block No. 4, Scheme No. 5, Clifton, Karachi, to review the performance of the Modaraba for the year ended 30 June 2020.

Special Business:

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

On behalf of the Board

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

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

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

5. **Unclaimed Dividends and Physical Modaraba Certificates:**

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

If undelivered please return to:

FIRST PRUDENTIAL MODARABA

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

Phone ; 021-35630621, 35630623, 35630625, 353630626

www.firstprudentialmodaraba.com