

FIRST PAK MODARABA

**ANNUAL REPORT
JUNE 30, 2021**

**MANAGED BY
AWWAL MODARABA MANAGEMENT LIMITED**

Vision

Awwal Modaraba Management Limited (AMML) will play a role in the economic process and development of Pakistan by providing a range of advisory services and financial support, through Sharia compliant modes; to viable projects in high growth, capital starved sectors of the economy.

Mission

Awwal Modaraba Management Limited (AMML) aims to be at the vanguard of innovation in modaraba management services, offering the best solutions to our customers, value to our certificate holders and modaraba investors, complemented with a challenging, equal opportunity to our employees.

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. Saiyid Najam Rizvi		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. Saiyid Najam Rizvi	Member

Human Resource and Remuneration Committee

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

Company Secretary

Ms. Misbah Asjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

Grant Thornton Anjum Rehman, Chartered Accountants

Bankers

Habib Bank Limited

Dubai Islamic Bank

Certificate Registrar

THK Associates (Private) Limited.

Plot No: 32-C, Jami Commercial, Street No: 2,
DHA, Phase-VII, Karachi, Tel: 021-111-000-322
Fax: 021-35310190, E-mail: sfc@thk.com.pk

Legal Advisor

Ahmed & Qazi

S & B Durrani Law Associates

Shariah Advisor

Al-Hamd Shariah Advisory Services (Pvt) Limited

Registered & Head Office :

3rd Floor, Horizon Vista, Plot No:
Commercial 10, Block-4, Clifton, Karachi
Phone : 021- 35361215-9,Fax: 021-
35374275

Chairman's Review

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

Country's GDP grew by 3.9% in FY2021 according to data released in the Monetary Policy Statement (MPS) State Bank of Pakistan (SBP) which is considerably higher than projected by International Monetary Fund (IMF) and the World Bank. This was also acknowledged by IMF in the recently released World Economic Update. SBP expects economic growth at around 4-5% this year. Inflation has reduced on an year to year basis in recent months to 9.7% in June 2021 and is expected to clock around 7-9% this year.

The aforementioned positive economic development have occurred as a result of several measures taken by the Government of Pakistan (GoP) and SBP. Pakistan's National Assembly passed a growth oriented budget for 2021-2022 on June 29, 2021. SBP has maintained the policy rate at 7% per annum, unchanged since June 2020 as economy remains vulnerable under the fourth wave of Covid-19. Overall, SBP's support to various economic sectors amounted to approximately PKR two trillion inclusive of interest rate reduction, loan deferrals and reschedulings, and support for new investment / BMR.

Imports are expected to grow with increase in economic activity and rebound in global commodity prices. SBP expects that the current account deficit will be contained in a sustainable range of 2-3% of GDP in FY2022 as a result of policy measures and positive export outlook. Foreign exchange reserves position is expected to remain strong with external support including financial assistance and loan deferrals.

The Modaraba has been able to maintain profitable position in FY2021 and maintain asset quality in challenging times. Income has declined on an year to year basis as expected due to lower interest rate scenario and conservative underwriting of new exposures. While economic activity is recovering, the distressed asset segment is still in a vulnerable situation. Further, there will be a significant impact from withdrawal of tax exemption on modaraba sector in the current budget on distribution of 90% or more dividend in an year. From next year onwards, modaraba income will be taxed on normal corporate rates.

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 stakeholders.

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.



Khalid Aziz Mirza
Chairman

Dated: 27 August 2021

DIRECTORS' REPORT

The Board of Directors of Awwal Modaraba Management Limited, the management company of First Pak Modaraba, is pleased to present the Directors' Report together with Audited Financial Statements of First Pak Modaraba for the year ended 30 June 2021.

Economy

The Government of Pakistan (GoP) and the regulators have been taking several measures for the revival of the economy impacted by the pandemic which are reflected in the country's economic growth and in performance of the stock exchange. The National Assembly passed the country's 2021-2022 budget on June 29, 2021 which is a growth-oriented budget and GoP has introduced several incentive schemes to support and boost economic activity, including for construction sector and allied industries. The State Bank of Pakistan (SBP) has also maintained the policy rate at 7% per annum since June 2020, and the subsidized financing schemes including the Long Term Financing Facility (LTFF) and Temporary Economic Relief Facility have facilitated capital investments. Year-on-year inflation rate has been on a declining trend in recent months which has facilitated the ease in monetary policy. Notably, different measures taken by SBP has provided significant boost to Fintech in the past two years which has facilitated economic activity in the country particularly during covid-19 lockdowns.

Earlier in April 2021, the World Bank had projected GDP growth rate of 1.3% for FY2021 in the Pakistan Development Update, recovering to 4% in FY2022 while GDP growth clocked at 3.9% in FY2021. International Monetary Fund (IMF) has acknowledged Pakistan's stronger economic activity in the recently issued World Economic Update. Pakistan has received USD 2 billion so far under the IMF program since May 2019. Tough economic measures have been taken in line with the program including increase in electricity tariff and withdrawal of income tax exemptions of nearly PKR 140 billion along with structural reforms of the Central Bank.

The risk of pandemic still exists with the country in the grip of the fourth wave of Covid-19 with intermittent lockdowns affecting economic activity. Further, tax exemption on income of Modaraba sector on declaration of 90% and above dividend has been withdrawn which will be a significant hit on profitability of the Modaraba sector.

Financial Performance

Operating Results

Balance Sheet

	30 June 2021 (Rupees '000')	30 June 2020 (Rupees '000')
Certificate capital	125,400	125,400
Total equity	66,929	68,041
Diminishing Musharaka	29,220	21,172
Investment – equities/sukuk/Modaraba term deposit	22,821	52

Profit & Loss

Revenue	9,054	10,911
Operating expenses	7,479	6,539
Profit/ (loss) before Management Fee	303	1,971
Net profit for the year	268	1,845

Appropriations

Profit distribution Nil (2020: 1.10 %)	00	1,379
Statutory reserve	54	369
Un-appropriated profit carried forward	214	1,476
Earnings per certificate	0.02	0.15

Financial snapshot

During the year under review, the management took concrete steps to streamline and integrate operations with the parent company and strengthen controls and recovery of old nonperforming loans. Fresh exposures are being taken on a conservative basis with the view to ensure asset quality and sustain operations of the Modaraba. Additionally, Pak Brunei Investment Company (PBIC) also injected callable convertible Musharaka facility of PKR 50 million in the Modaraba on January 28, 2021 in line with its commitment to SECP in anticipation of implementation of new business plan for revival of Modaraba activity. Due to the above measures, the Modaraba is operating with ample liquidity.

Withdrawal of tax exemption on income of the Modaraba on distribution of 90% and above dividend is a major setback. We are now working on new tax efficient business plans in consultation with SECP in this new scenario.

The outstanding performing portfolio reduced to PKR 29.22 million on June 30, 2021 (FY2020: PKR 21.17 million) with sound recoveries and low level of new disbursements. Of the excess liquidity of PKR 78.78 million, approx. PKR 9.32 million was placed in sukuks while PKR 13.5 million was placed in Modaraba Term deposits to maximize returns, the remaining being maintained in bank balances. During the year under review, overall revenues have been recorded at PKR 9.05 million, from PKR 10.91 million during previous year with low deployment and new exposures being written at prevailing low market rates. Total expenses for the period were contained at PKR 7.48 million. The Modaraba posted profit before tax for the period at PKR 0.27 million against PKR 1.85 million in corresponding period last year.

Profit Distribution

The Board in its meeting held on 27 August 2021 has approved cash dividend of Re. 0.00 (0.00%) per certificate of Rs. 10 each, for the year ended 30 June 2021.

To comply with Modaraba Regulations 2021, the Board of Directors has transferred Rs. 0.054 million to statutory reserve. As per the Regulations the Modaraba is required to transfer not less than 20% and not more than 50% of the Modaraba's after tax profit to statutory reserve till such time that the reserve equals 100% of the paid-up capital. Subsequently, a sum not less than 5% and not more than 20% of its after tax profit is to be transferred to such reserve.

Governance & Shariah Compliance

The Board of Directors is committed to ensure compliance with various requirements of the Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan (SECP). The Modaraba is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019, relevant for the year ended 30 June 2021.

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. The Board of Directors comprise independent directors to ensure external oversight.

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 account of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control 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 material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on 30 June 2021 except for those disclosed in the financial statements.

• During the year under review, four (4) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	No. of Meetings attended
Mr. Khalid Aziz Mirza	4
Mr. Shahid Ghaffar	4
Ms. Ayesha Aziz	4
Mr. Abdul Jaleel Shaikh	4
Mr. Ahmed Ateeq	4
Mr. Karim Hatim (CEO)	4

Change in Directors

Mr. Ahmed Ateeq resigned as a non-executive director of the Company with effect from June 30, 2021 and Mr. Saiyid Najam Rizvi was nominated on the Board of the Company by Pak Brunei Investment Company (Holding Company of Management Company) in place of Mr. Ahmed Ateeq with effect from July 01, 2021.

The Board has formed an Audit Committee in compliance with the requirements of the Code of Corporate Governance. 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, four (4) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Member	No. of Meetings attended
Mr. Shahid Ghaffar	4
Mr. Khalid Aziz Mirza	4
Mr. Abdul Jaleel Shaikh	4
Mr. Ahmed Ateeq	4

- One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation for the yearly staff compensation amounts.
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The value of investments of the Provident Fund as at 30 June 2021 is PKR 625,105

The Board of Directors

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

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

The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
Other Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Sayid Najam Rizvi
Chief Executive Officer	Mr. Karim Hatim

Director's 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, an 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 and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of Directors or General Meeting of the company in connection with the business of the Company.

Auditors

On the recommendation of the Audit Committee, the Board has approved the present auditors M/s Grant Thornton Anjum Rahman Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed as external auditors of the Modaraba for the year ending 30 June 2022. However, their appointment will be subject to the approval of Registrar of Modaraba Companies and Modarabas.

Shari'ah Advisor's Report

The Modaraba continues to seek guidance from its Shari'ah Advisor, M/s Al-Hamad Shariah Advisors 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 2021 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
Date: 27 August 2021



Abdul Jaleel Shaikh
Director

ڈائریکٹر رپورٹ:

اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو، فرسٹ پاک مضاربہ کی مینجمنٹ کمپنی ہے 30 جون 2021 کو ختم ہونے والے سال کے لیے فرسٹ پاک مضاربہ کے آڈٹ شدہ مالی گوشوارے کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

معیشت:

حکومت پاکستان اور انتظامی ادارے و باء سے متاثر ہونے والی معیشت کی بحالی کے لیے کئی اقدامات کر رہے ہیں جو کہ ملک کی معاشی نمو اور اسٹاک ایکسچینج کی کارکردگی میں جھلکتے ہیں۔ قومی اسمبلی نے 29 جون 2021 کو ملک کا 2021-2022 کا بجٹ منظور کیا جو کہ ترقی پر مبنی بجٹ ہے اور حکومت نے معاشی سرگرمیوں کو مدد اور فروغ دینے کے لیے کئی ترغیبی منصوبے متعارف کرائے ہیں، بشمول تعمیراتی شعبے اور اس سے وابستہ صنعتوں کے لئے۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے جون 2020 سے پالیسی شرح 7 فیصد سالانہ پر برقرار رکھی ہے اور سبسڈی والی فنانسنگ اسکیمیں بشمول طویل مدتی فنانسنگ سہولت (ایل ٹی ایف ایف) اور عارضی اقتصادی سہولت نے سرمایہ کاری میں آسانی فراہم کی ہے۔ سال بہ سال افراط زر کی شرح حالیہ مہینوں میں کمی کے رجحان پر رہی ہے جس نے مالیاتی پالیسی میں آسانی پیدا کی ہے۔ خاص طور پر اسٹیٹ بینک کے مختلف اقدامات نے پچھلے دو سالوں میں فن ٹیک (Fintech) کو نمایاں فروغ دیا ہے جس نے ملک میں معاشی سرگرمیوں کو خاص طور پر کوویڈ 19 لاک ڈاؤن کے دوران سہولت فراہم کی ہے۔

اس سے قبل اپریل 2021 میں عالمی بینک نے پاکستان ڈویلپمنٹ اپ ڈیٹ میں مالی سال 2021 کے لیے جی ڈی پی کی شرح نمو 1.3 فیصد کی پیش گوئی کی تھی، جو مالی سال 2022 میں 4 فیصد تک پہنچ گئی جبکہ مالی سال 2021 میں جی ڈی پی کی شرح نمو 3.9 فیصد رہی۔ بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) نے حال ہی میں جاری کردہ عالمی اقتصادی اپ ڈیٹ میں پاکستان کی مضبوط معاشی سرگرمیوں کو تسلیم کیا ہے۔ پاکستان نے مئی 2019 سے اب تک آئی ایم ایف پروگرام کے تحت 2 ارب ڈالر وصول کیے ہیں۔ پروگرام کے مطابق سخت اقتصادی اقدامات کیے گئے ہیں جن میں بجلی کے نرخوں میں اضافہ اور تقریباً 140 ارب روپے کے اگم ٹیکس کی چھوٹ واپس لینا اور مرکزی بینک کی بنیادی اصلاحات شامل ہیں۔ کوویڈ 19 کی چوتھی لہر کی گرفت میں ملک کے ساتھ وبائی امراض کا خطرہ اب بھی موجود ہے جس سے وقفے وقفے سے لاک ڈاؤن معاشی سرگرمیوں کو متاثر کرتے ہیں۔ مزید یہ کہ 90 فیصد اور اس سے زائد منافع کی تقسیم پر مضاربہ سیکٹر کی آمدنی پر ٹیکس کی چھوٹ واپس لے لی گئی ہے جو مضاربہ سیکٹر کے منافع پر نمایاں اثر ڈالے گی۔

مالیاتی کارکردگی:

کاروباری نتائج	30 جون 2021	30 جون 2020
(روپے "000")	(روپے "000")	(روپے "000")
سٹیفیکیٹ سرمایہ	125,400	125,400
کل مساوات/ایکویٹی	66,929	68,041
تقلیلی مشارکہ	29,220	21,172
سرمایہ کاری-ایکویٹی/سکوک/مضاربہ بٹرم ڈیپازٹ	22,821	52

نفع اور نقصان

آمدنی	9,054	10,911
انتظامی اخراجات	7,479	6,539
منجمنٹ فیس سے قبل منافع / (نقصان)	303	1,971
سال کا خالص منافع	268	1,845

اختصاص (Appropriations)

منافع کی تقسیم Nil (2020: 1.10%)	00	1,379
لازمی ذخائر / ریزرو	54	369
غیر مختص منافع کی اگلے سال منتقلی	214	1,476
آمدنی سرٹیفکیٹ	0.02	0.15

سرکاری جائزہ:

زیر جائزہ سال کے دوران، انتظامیہ نے بنیادی کمپنی کے ساتھ آپریشن کو ہموار اور مربوط کرنے اور پرانے غیر فعال قرضوں کی وصولی اور کنٹرول کو مضبوط بنانے کے لئے ٹھوس اقدامات کئے۔ اثاثوں کے معیار کو یقینی بنانے اور مضاربہ کے کاموں کو برقرار رکھنے کے لئے روایتی بنیادوں پر سرمایہ کاری کی جارہی ہے۔ مزید برآں پاک برونائی انویسمنٹ کمپنی (پی بی آئی سی) نے مضاربہ سرگرمی کی بحالی کے لئے نئے کاروباری منصوبے پر عمل درآمد کی توقع کے مطابق 28 جنوری 2021 کو مضاربہ میں 50 ملین روپے کی قابل تبادلہ مشارکہ سہولت بھی فراہم کی۔ مذکورہ اقدامات کی وجہ سے مضاربہ بہتر لیکویڈیٹی کے ساتھ کام کر رہا ہے۔

مضاربہ کی آمدنی پر 90 فیصد اور اس سے اوپر کے منافع پر ٹیکس چھوٹ واپس لینا ایک اہم دھچکہ ہے۔ اب ہم اس نئے منظر نامے میں ایس ای سی پی کی مشاورت سے نئے ٹیکس موثر کاروباری منصوبوں پر کام کر رہے ہیں۔

قرضہ جات کا پورٹ فولیو 30 جون 2021 میں 29.22 ملین روپے تک پہنچ گیا (ملین روپے 2020: 21.17) جس کی بنیادی وجہ مستعد وصولی ہے۔ 78.78 ملین روپے کی اضافی لیکویڈیٹی میں سے تقریباً 9.32 ملین روپے سکوک میں رکھے گئے ہیں جبکہ 13.5 ملین روپے مضاربہ بڑم ڈپازٹس میں رکھے گئے تاکہ زیادہ سے زیادہ آمدن حاصل کی جاسکے، باقی رقم بینک میں رکھی گئی۔ زیر جائزہ سال کے دوران، مجموعی آمدنی 9.05 ملین روپے ریکارڈ کی گئی ہے، جو پچھلے سال کے دوران 10.91 ملین روپے سے کم ہے جس کی بنیادی وجہ نئی سرمایہ کاری موجودہ کم مارکیٹ ریٹ ہے۔ اس مدت کے کل اخراجات 7.48 ملین روپے پر محدود رکھے گئے ہیں۔ مضاربہ نے ٹیکس سے پہلے کا منافع 0.27 ملین روپے حاصل کیا جو پچھلے سال کی اسی مدت میں 1.85 ملین روپے تھا۔

منافع کی تقسیم:

بورڈ نے 27 اگست 2021 کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2021 کو ختم ہونے والے سال کے لیے 10 روپے کے سرٹیفکیٹ پر 0.00% (0.00%) کے نقد منافع کی منظوری دی ہے۔

مضاربہ ریگولیشنز 2021 کی تعمیل کے لیے بورڈ آف ڈائریکٹرز نے 0.054 ملین روپے کو لازمی ریزرو میں منتقل کیا ہے۔ ریگولیشنز کے مطابق مضاربہ کو 20 فیصد سے کم نہیں اور 50 فیصد سے زیادہ نہیں قبل از ٹیکس منافع کو لازمی ریزرو میں منتقل کرنے کی ضرورت ہے جب تک کہ ریزرو اداشدہ سرمائے کے 100 فیصد کے برابر ہو۔ اس کے بعد، قبل از ٹیکس منافع کے بعد 5 فیصد سے کم نہیں اور 20 فیصد سے زیادہ نہیں رقم اس طرح کے

ریزرو میں منتقل کی جائے گی۔

گورنرس اور شریعت کی تعمیل:

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے مختلف احکامات کی تعمیل کو یقینی بنانے کے لیے پرعزم ہے۔ مضاربہ 30 جون 2021 کو ختم ہونے والے سال کے لیے متعلقہ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی ضروریات کے مطابق ہے۔

شرعی ایڈوائزر آغاز سے ہی اس بات کو یقینی بناتا ہے کہ ممکنہ گاہکوں کا کاروبار اور مجوزہ لین دین کا ڈھانچہ شرعی اصولوں کے مطابق ہو۔ اچھی گورننس اور تمام پالیسیوں کو عملی طور پر نافذ کرنے پر زور دیا جاتا ہے۔ بورڈ آف ڈائریکٹرز بیرونی نگرانی کو یقینی بنانے کے لیے آزاد ڈائریکٹرز پر مشتمل ہے۔

کارپوریٹ اور مالی رپورٹنگ کا ادارہ کار:

بورڈ آف ڈائریکٹرز یہ اطلاع دیتے ہوئے خوشی محسوس کرتے ہیں کہ:

- ☆ مضاربہ کی انتظامیہ کے تیارہ کردہ مالی گوشوارے، اس کے امور کی منصفانہ حیثیت، اس کی کاروائیوں، نقد بہاؤ اور حصہ میں بدلاؤ کا واضح نتیجہ پیش کرتے ہیں۔
- ☆ مضاربہ کے حساب کتاب کے کھاتے باقاعدہ برقرار رکھے گئے ہیں۔
- ☆ مناسب اکاؤنٹنگ پالیسیاں مالی اسٹیٹمنٹ کی تیاری میں لاگو ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہے۔
- ☆ مالی اسٹیٹمنٹ کی تیاری کے سلسلے میں بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں مضاربہ پر لاگو ہیں پر عمل کیا گیا ہے۔
- ☆ اندرونی کنٹرول کا نظام مستحکم ہے اور منوثر انداز میں نافذ اور اس کی نگرانی کی جارہی ہے۔
- ☆ مضاربہ کی جاری حیثیت سے روانی کی اہلیت پر شکوک و شبہات موجود نہیں ہیں۔
- ☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی خاص مادی اجتناب نہیں ہے جیسا کہ کارپوریٹ گورننس میں تفصیل سے بتایا گیا ہے۔
- ☆ ٹیکس، ڈیوٹی، محصول اور محصولات کے معاوضے کے حساب سے 30 جون 2021 تک کوئی قانونی ادائیگی واجب نہیں ہے، سوائے اس کے کہ مالی اسٹیٹمنٹ میں انکشاف کیا گیا ہو۔

☆ ایک سال کے دوران، بورڈ آف ڈائریکٹرز کے 4 اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری کچھ یوں تھی:-

ڈائریکٹر کے نام اجلاسوں میں شرکت کی تعداد

جناب خالد عزیز مرزا	4
جناب شاہد غفار	4
محترمہ عائشہ عزیز	4
جناب عبدالجلیل شیخ	4
جناب احمد شتیق	4
جناب کریم حاتم (CEO)	4

ڈائریکٹرز میں تبدیلی:

جناب احمد عتیق نے 30 جون 2021 سے کمپنی کے نان ایگزیکٹو ڈائریکٹر کے عہدے سے استعفیٰ دے دیا ہے اور جناب سید نجم رضوی کو احمد عتیق کی جگہ پاک بروہائی انویسٹمنٹ کمپنی (ہولڈنگ کمپنی آف منیجمنٹ کمپنی) نے کمپنی کے بورڈ میں 1 جولائی 2021 کو نامزد کیا ہے۔

بورڈ نے کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کے لئے آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی میں چار ممبران شامل ہیں۔ آڈٹ کمیٹی کے سربراہ خود مختار/آزاد ڈائریکٹر ہیں۔ کمیٹی وقتاً فوقتاً مالی اسٹیٹمنٹ کا جائزہ لیتی ہے اور مالی پالیسیوں اور طریقوں کی وافر درستی کی جانچ کرتی ہے تاکہ یہ یقینی بنایا جاسکے کہ داخلی کنٹرول کا ایک مینٹر اور مضبوط نظام موجود ہے۔ کمیٹی داخلی آڈٹ کے ذریعہ جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔

آڈٹ کمیٹی بیرونی آڈیٹرز کی تقرری کے لئے بورڈ آف ڈائریکٹرز کو سفارش کرنے کی بھی ذمہ داری عائد کرتی ہے۔

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

نام	اجلاسوں کی تعداد
جناب شاہد غفار	4
جناب خالد عزیز مرزا	4
جناب عبدالجلیل شیخ	4
جناب احمد عتیق	4
☆ سالانہ عملے کے معاوضے کی رقم کی سفارش کو حتمی شکل دینے کے لئے ہیومن ریسورس اور معاوضہ کمیٹی (HR&RC) کا ایک اجلاس منعقد ہوا۔	
☆ سرٹیفیکیٹ ہولڈرز اور ان کے زیر ملکیت سرٹیفیکیٹ کا زائچہ اس سالانہ رپورٹ میں شامل ہے۔	
☆ زیر غور سال کے دوران ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری، ان کے شریک حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفیکیٹ میں کوئی لین دین نہیں کیا۔	
☆ 30 جون 2021 تک پروویڈینٹ فنڈ کی سرمایہ کاری کی قیمت 625,105 روپے ہے۔	

بورڈ آف ڈائریکٹرز:

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

مرد	5
خاتون	1
بورڈ کی تشکیل مندرجہ ذیل ہے:-	

عہدہ	نام
(۱) آزاد/خود مختار ڈائریکٹر	جناب خالد عزیز مرزا
	جناب شاہد غفار
	محترمہ عائشہ عزیز
	جناب عبدالجلیل شیخ
	جناب سید نجم رضوی
	جناب کریم حاتم
(۲) دوسرے نان ایگزیکٹو ڈائریکٹرز	
(۳) چیف ایگزیکٹو آفیسر	

ڈائریکٹر کی معاوضہ پالیسی:

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

آڈیٹرز:

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجم رحمان چارٹرڈ اکاؤنٹینٹس کو منظوری دی ہے جو تقرری کے اہل ہیں اور آڈیٹرز کے طور پر کام کرنے کی ان کی رضامندی پر 30 جون 2022 کو ختم ہونے والے سال کے لئے مضاربہ کے بیرونی آڈیٹرز مقرر کئے گئے ہیں۔ تاہم ان کی تقرری مضاربہ کمپنی اور مضاربہ کے رجسٹرار کی منظوری سے مشروط ہوں گی۔

شریہ مشیر کی رپورٹ:

مضاربہ رجسٹرار، مضاربہ کے مشورے سے تیار کردہ شریعت آڈٹ میکانزم کی مکمل تعمیل کو یقینی بنانے کی ضرورت کے مطابق، شریعہ کے مشیر، میسرز الحمد شرعی مشیر سے رہنمائی حاصل کرنا جاری رکھے ہوئے ہیں۔ داخلی آڈٹ کو یہ بھی تربیت دی گئی ہے کہ وہ مضاربہ کے روزمرہ کے امور کو حل کریں جو شرعی پالیسیوں اور اصولوں پر مکمل عمل پیرا ہیں۔ 30 جون 2021 کو ختم ہونے والے سال کے لئے مضاربہ کے امور کے لئے جاری کردہ شرعی مشیر رپورٹ سالانہ مالیاتی اسٹیٹمنٹ میں منسلک ہے۔

اعترافات:

بورڈ آف ڈائریکٹر SECP اور رجسٹرار مضاربہ کی مستقل رہنمائی اور مدد کے لئے ان کا معترف اور شکر گزار ہے۔ نیز ہم اس موقع سے فائدہ اٹھانا چاہتے ہیں کہ وہ مضاربہ پر اعتماد کرنے پر اپنے صارفین اور سرمایہ کاروں کا شکریہ ادا کرتے ہیں۔

بورڈ کی جانب سے

عبد الجلیل شیخ
ڈائریکٹر

کریم حاتم
چیف ایگزیکٹو آفیسر

تاریخ: 27 اگست، 2021

First Pak Modaraba
Pattern of Certificates Holding
As At 30 June, 2021

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	TO	
869	1	100	43,695
1324	101	500	281,556
1092	501	1,000	720,296
534	1,001	5,000	1,184,428
85	5,001	10,000	624,119
40	10,001	15,000	494,035
15	15,001	20,000	268,419
8	20,001	25,000	184,160
9	25,001	30,000	235,950
5	30,001	35,000	163,408
4	35,001	40,000	154,327
2	40,001	45,000	86,454
12	45,001	50,000	584,119
1	55,001	60,000	55,500
3	60,001	65,000	185,200
1	65,001	70,000	65,835
1	80,001	85,000	80,500
2	85,001	90,000	178,003
1	95,001	100,000	98,000
1	105,001	110,000	109,725
2	110,001	115,000	224,360
2	115,001	120,000	235,000
1	120,001	125,000	120,500
2	125,001	130,000	251,202
1	145,001	150,000	149,790
1	160,001	165,000	160,500
2	245,001	250,000	500,000
1	285,001	290,000	290,000
2	335,001	340,000	674,919
1	370,001	375,000	373,500
1	385,001	390,000	386,000
1	865,001	870,000	868,500
2	1,250,001	1,255,000	2,508,000
4,028			12,540,000

**First Pak Modaraba-
Pattern of Certificates Holding
As At 30 June, 2021**

S/No	Categories of Certificate Holders	Number of Certificates Held	Category Wise Certificates Held	%
1	INDIVIDUALS	3,995	9,899,551	78.94%
2	INVESTMENT COMPANIES	1	3,500	0.03%
3	INSURANCE COMPANIES	2	110,225	0.88%
4	JOINT STOCK COMPANIES	26	17,098	0.14%
5	FINANCIAL INSTITUTIONS	1	1,526	0.01%
7	MODARABA COMPANIES	2	1,254,100	10.00%
8	ASSOCIATED COMPANIES :			0.00%
	Pak Brunei Investment Company Limited	1	1,254,000	10.00%
	TOTAL	4,028	12,540,000	100.00%

Certificate Holding 10 % & above :

	Name of Certificate Holders	Number of Certificates Held	%
1	Pak Brunei Investment Company Limited	1,254,000	10.00
2	Royal Management Services (Pvt) Limited	1,254,000	10.00

Summary of key operating and financial data of the Modaraba for last 6 years

Year ended June 30, 2021

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

Year	2021	2020	2019	2018	2017	2016
Paid-up Capital	125.400	125.400	125.400	125.400	125.400	125.400
Statutory Reserve	26.570	26.517	26.148	26.045	25.602	25.068
Certificate Holders Equity	66.929	68.040	66.196	62.562	62.481	59.811
Current liabilities	61.520	9.622	8.525	1.911	5.964	6.007
Non-current Assets	24.823	11.232	29.510	34.968	26.968	12.873
Current Assets	100.572	61.755	4.130	40.509	43.092	54.559
Profit / (Loss) after Taxation	0.268	1.845	0.514	2.213	2.671	0.201
Earning / (Loss) per Certificate (Rs)	0.02	0.15	0.04	0.18	0.21	0.02
Dividend (%)	Nil	1.10%	Nil	1.40%	1.7%	Nil
Break-up-value (Rs.)	0.534	0.543	5.28	4.99	4.98	4.77
ROA (%)	0.21%	2.53%	0.71%	2.93%	3.81%	0.30%
ROE (%)	0.40%	2.71%	0.78%	3.54%	4.27%	0.34%



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Date: August 21, 2021

نحمده و نصلى على رسوله الكريم

Annual Shariah Advisor's Report

For the period ended June 30, 2021

We have reviewed the affairs of **First Pak Modaraba** for the year ended June, 2021 in accordance with the requirements of the Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas.

SHARIAH COMPLIANCE AND REVIEW OF OPERATIONS:

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

BANK ACCOUNTS:

Modaraba does not maintain any saving account with any conventional bank. For investment and operational purpose, First Pak Modaraba is operating the Bank accounts only which are maintained with Islamic Banks or Islamic windows of conventional banks.

FRESH DISBURSEMENTS:

DIMINISHING MUSHARAKAH:

Modaraba disbursed number of Diminishing Musharakah facilities to its clients. We confirm that these transactions are in accordance with Shariah.

DIVIDEND PURIFICATION:

Modaraba has effectively performed process of dividend purification of equities and transferred charitable amount into charity payable account.

TAKAFUL:

For risk mitigation, all fixed assets whether own, Diminishing Musharakah or against any other financing facility are covered under takaful only.

CONCLUSION:

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

الرئيس
ع

MUFTI UBAID UR RAHMAN ZUBAIRI

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited



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Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
Awwal Modaraba Management Limited
Year ended June 30, 2021

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

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: 05
- b. Female: 01

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. Saiyid Najam Rizvi
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. Saiyid Najam Rizvi
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, -

S. No.	Name of the Committee	Frequency of the meetings held during the year
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.

A handwritten signature in black ink, appearing to read 'Khalid Aziz Mirza', is positioned above the printed name.

Khalid Aziz Mirza
Chairman

Dated: 27 August 2021

**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan;

INDEPENDENT AUDITOR'S REVIEW REPORT

To the certificate holder of First Pak Modaraba

T +92 21 35672951-55

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

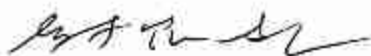
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Awwal Modaraba Management Limited, the Modaraba Management Company of First Pak Modaraba for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2021.



Chartered Accountants

Dated: 27 August, 2021
Karachi

**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First Pak Modaraba (the Modaraba) as at June 30, 2021 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of First Pak Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980), and Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account 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 explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and the 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, 2021 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Other Matter

The financial statements of the Modaraba for the year ended June 30, 2020 were audited by another firm of chartered accountants, whose report dated September 24, 2020 expressed an unmodified opinion on those financial statements.

Date: August 27, 2021
Karachi


Chartered Accountants
Audit Engagement Partner: Khuram Jameel

FIRST PAK MODARABA
BALANCE SHEET
AS AT JUNE 30, 2021

		June 30, 2021	June 30, 2020
	Note	----- Rupees -----	
ASSETS			
Current Assets			
Cash and bank balances	5	55,959,696	42,267,091
Investments	6	9,320,598	51,650
Modaraba term deposit	7	13,500,000	
Current portion of diminishing musharakah	13	11,545,417	14,006,962
Morabaha finance	8	-	-
Ijarah rentals receivable	9	162	60,387
Advances, deposits, prepayments and other receivables	10	6,044,861	1,168,075
Tax refundable - considered good		4,201,277	4,201,277
		<u>100,572,011</u>	<u>61,755,442</u>
Non - Current Assets			
Ijarah assets	11	6,917,598	3,884,771
Fixed assets - in own use	12	231,120	166,315
Diminishing musharakah	13	17,674,555	7,164,608
Long term advances	14	-	16,495
		<u>24,823,273</u>	<u>11,232,189</u>
TOTAL ASSETS		<u>125,395,284</u>	<u>72,987,631</u>
LIABILITIES			
Current Liabilities			
Musharakah finance	15	50,000,000	-
Accrued and other liabilities	16	3,074,594	2,121,548
Unclaimed profit distribution		5,895,393	5,463,869
Provision for taxation		-	-
Current portion of ijarah deposits	17	2,550,000	2,036,500
		<u>61,519,987</u>	<u>9,621,917</u>
Non-Current Liabilities			
Long term ijarah deposits	17	1,500,580	200,000
TOTAL LIABILITIES		<u>63,020,567</u>	<u>9,821,917</u>
NET ASSETS		<u>62,374,717</u>	<u>63,165,714</u>
REPRESENTED BY			
Authorized certificate capital			
15,000,000 (2020:15,000,000) modaraba certificates of Rs.10/- each		150,000,000	150,000,000
Issued, subscribed and paid-up certificate capital			
12,540,000 (2020:12,540,000) modaraba certificates of Rs. 10/- each	18	125,400,000	125,400,000
Statutory reserve		26,570,182	26,516,621
Accumulated loss		(85,041,063)	(83,875,907)
		66,929,119	68,040,714
Deficit on revaluation of investments	6.4	(4,554,402)	(4,875,000)
		<u>62,374,717</u>	<u>63,165,714</u>
Contingencies and commitments	19		

The annexed notes from 1 to 34 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modaraba Management Company)


Chief Financial Officer


Chief Executive Officer

 
Director Director

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**FIRST PAK MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	June 30, 2021 ----- Rupees -----	June 30, 2020
INCOME			
Return on saving accounts		3,342,354	2,628,456
Return on Modaraba term deposit		144,432	
Return on sukuk		137,547	
Income on diminishing musharakah arrangements		2,779,165	4,429,110
Gain on sale of investments		33,170	-
Dividend on shares		2,996	1,498
Ijarah rentals		1,264,737	3,073,095
Other income	20	1,349,633	766,676
		<u>9,054,034</u>	<u>10,898,835</u>
Unrealised gain on remeasurement of fair value through profit or loss investments		-	11,940
		<u>9,054,034</u>	<u>10,910,775</u>
EXPENDITURE			
Administrative expenses	21	(7,479,143)	(6,539,165)
Financial charges	22	(126,784)	(42,913)
Depreciation under Ijarah arrangements		(1,144,683)	(2,357,526)
		<u>(8,750,610)</u>	<u>(8,939,604)</u>
Profit for the year		303,424	1,971,171
Management Company's Remuneration	23	(26,781)	-
Provision for sales tax on Management Company's Remuneration	23	(3,482)	-
Provision for Sindh Workers' Welfare Fund	24	(5,356)	(33,621)
Profit before taxation		<u>267,805</u>	<u>1,937,550</u>
Provision for taxation	25	-	-
- Current		-	(92,847)
- Prior		-	-
Profit after taxation		<u>267,805</u>	<u>1,844,703</u>
Earnings per certificate - Basic and diluted	26	<u>0.02</u>	<u>0.15</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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For Awwal Modaraba Management Limited
(Modaraba Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

FIRST PAK MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 — Rupees —	June 30, 2020
Profit after taxation		267,805	1,844,703
Other comprehensive income for the year			
<i>Items that will subsequently be reclassified to profit and loss account</i>			
Unrealized gain on remeasurement of sukuk certificates	6.4	320,598	-
Total comprehensive income for the year		588,403	1,844,703


The annexed notes from 1 to 34 form an integral part of these financial statements.

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For Awwal Modaraba Management Limited
(Modarba Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

FIRST PAK MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	— Rupees —	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	267,805	1,937,550
Adjustments for non-cash changes and other items:		
-Dividend income	(2,996)	(1,498)
-Gain on disposal-ijarah assets	(119,361)	(274,475)
-Provision for Sindh Workers' Welfare Fund	5,356	33,621
-Un-realised loss on remeasurement of fair value through profit or loss investments	-	(11,940)
-Depreciation on ijarah assets	1,144,683	2,357,526
-Amortization on intangible assets	120,195	100,264
	<u>1,147,877</u>	<u>2,203,498</u>
Cash flows before movements in working capital	<u>1,415,682</u>	<u>4,141,048</u>
Decrease / (Increase) in operating assets		
-Diminishing Musharakah	(8,048,402)	16,416,100
-Ijarah rentals receivable	60,225	57,980
-Advances, prepayments and other receivables	(4,320,155)	175,308
	<u>(12,308,332)</u>	<u>16,649,388</u>
Increase / (decrease) in operating liabilities		
-Long term ijarah deposits	1,814,080	(1,002,500)
-Musharaka finance	50,000,000	-
-Accrued and other liabilities	947,690	168,776
	<u>52,761,770</u>	<u>(833,724)</u>
Cash generated from operations	<u>41,869,120</u>	<u>19,956,712</u>
-Income tax paid / adjustment	(540,136)	(189,332)
Net cash generated from operating activities	<u>41,328,984</u>	<u>19,767,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
-Dividend received	2,996	1,498
-Investments - net	(8,948,350)	-
-Modaraba term deposit	(13,500,000)	-
-Purchase of own assets	(165,000)	-
-Purchase of ijarah assets	(5,000,000)	-
-Sale proceeds from ijarah assets	941,851	3,493,335
Net cash (used in) / generated from investing activities	<u>(26,688,503)</u>	<u>3,494,833</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
-Profit distribution	(947,876)	-
Net cash used in financing activities	<u>(947,876)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>13,692,605</u>	<u>23,262,213</u>
Cash and cash equivalents at the beginning of the year	<u>42,267,091</u>	<u>19,004,878</u>
Cash and cash equivalents at the end of the year	<u>55,959,696</u>	<u>42,267,091</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Mudaraba Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

**FIRST PAK MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Reserve			Total
	Capital		Revenue	
	Certificate Capital	Statutory reserve*	Accumulated loss	
	Rupees			
Balance at June 30, 2019	125,400,000	26,147,680	(85,351,689)	66,196,011
Total comprehensive income for the year June 30, 2020	-	-	1,844,703	1,844,703
Transfer to statutory reserve	-	368,941	(368,941)	-
Balance at June 30, 2020	125,400,000	26,516,621	(83,875,907)	68,040,714
Total comprehensive income for the year June 30, 2021	-	-	267,805	267,805
Final dividend @ Re.011 per certificate for the year ended June 30, 2020	-	-	(1,379,400)	(1,379,400)
Transfer to statutory reserve	-	53,561	(53,561)	-
Balance at June 30, 2021	125,400,000	26,570,182	(85,041,063)	66,929,119

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

The annexed notes from 1 to 34 form an integral part of these financial statements.


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For Awwal Modaraba Management Limited
(Modaraba Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

1 LEGAL STATUS AND NATURE OF BUSINESS

First Pak Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and was managed by Royal Management Services (Private) Limited. In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited (KIPL) had taken over the management and administrative control of the Modaraba effective from November 13, 2014.

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

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

The registered office of First Pak Modaraba is situated at 3rd floor, Horizon Vista, Plot No. 10 Commercial, Block No. 4, Scheme No.5, Clifton, Karachi. The Modaraba is listed on Pakistan Stock Exchange. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include Ijarah financing, deployment of fund in Musharakah, morabaha and investment in securities.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act 2017;
- Provisions and directions issued under the Companies Act 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulation 2021; 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, Modaraba Regulations, 2021 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, Modaraba Regulations 2021 and IFAS have been followed.

2.2 Basis of measurement

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

2.3 Presentation and functional currency

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

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations to the published standards that may be relevant to the company and adopted in the current year

There is no standard, amendments and interpretations of IFRSs which became effective during the current year.

3.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

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)
IBOR Reform and Its Effects on Financial Reporting—Phase 2	January 1, 2021
Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)	January 1, 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Subsidiary as a First-time Adopter (Amendment to IFRS 1)	January 1, 2022
Taxation in Fair Value Measurements (Amendment to IAS 41)	January 1, 2022
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure Initiative — Accounting Policies	January 1, 2023

The Modaraba is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

3.3 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 17 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	January 1, 2023
During the year, SECP vide S.R.O. 800 (I)/2021, has modified the effective date for applicability of IFRS 9 - Financial Instruments in place of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies and Modarabas, as "Reporting period / year ending on or after June 30, 2022 (earlier application is permitted)".	

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Fixed assets

(i) Ijarah and depreciation

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

(ii) In own use and depreciation

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

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

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

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

4.2 Financial Instruments

Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

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

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

Subsequent measurement

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

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

Financial assets at Amortised Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

(Deficit) / Surplus on re-measurement of FVTOCI investment is presented separately from equity as (Deficit) / Surplus on revaluation of investments' in order to comply with the Modaraba Regulations 2021.

Derecognition of Financial Assets

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

Non-derivative financial assets

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

4.3 Regular way contracts

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

4.4 Impairment

4.4.1 Financial assets

The Modaraba recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost, except in the case of calculation of impairment provision on financial assets where the requirements of the Modaraba Regulations 2021 prevails.

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

4.4.2 Non-financial assets

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

Offsetting of financial assets and financial liabilities

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

Financial liabilities

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

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

Receivables considered doubtful are provided for in accordance with the requirement of the Modaraba Regulations 2021. Specific provision is also made for receivables considered doubtful.

4.6 Staff retirement benefits

Defined contribution plan

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

4.7 Provisions

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

4.8 Capital work-in-progress

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

4.9 Revenue recognition

4.9.1 Ijarah rentals

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

4.9.2 Hire purchase transactions

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

4.9.3 Morabaha, musharakah and diminishing musharakah transactions

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

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

4.9.4 Dividend income

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

4.9.5 Markup income

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

4.10 Taxation

Current

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

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.

The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 has been withdrawn through an amendment dated March 21, 2021 which is subsequently adopted in Finance Act, 2021. But a new section 242 has been added in the Income Tax Ordinance, 2001 through Finance Act, 2021 by virtue of which, the Modaraba may avail the exemption till June 30, 2021 subject to the fulfillment of condition that not less than 90 percent of its total profits, as reduced by the amount transferred to the mandatory reserve, as required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, 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.

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

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

4.11 Foreign currencies translation

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

4.12 Cash and cash equivalents

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

4.13 Profit distribution

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

	Note	June 30, 2021 ----- Rupees -----	June 30, 2020
5 CASH AND BANK BALANCES			
Cash in hand		83	2,320
Balances with bank			
current accounts		2,237,469	1,804,828
saving accounts	5.1	53,722,144	40,459,943
		<u>55,959,613</u>	<u>42,264,771</u>
		<u>55,959,696</u>	<u>42,267,091</u>

5.1 Rate of return in respect of these accounts ranging from 5.77% to 6.25% (June 2020: 5.80% to 12.00%) per annum.

	Note	June 30, 2021 ----- Rupees -----	June 30, 2020
6 INVESTMENTS			
Fair Value Through Other Comprehensive Income (FVTOCI)			
- Unquoted securities	6.1	-	-
- investment in sukuk certificate	6.2	9,320,598	-
Fair Value Through Profit or Loss (FVTPL)			
Quoted securities	6.3	-	51,650
		<u>9,320,598</u>	<u>51,650</u>

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NOTES TO THE FINANCIAL STATEMENTS
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6.1 Fair Value Through Other Comprehensive Income (FVTOCI)

Fully paid ordinary shares of Rs 10 each.

2021	2020			
Number of Shares	Name of company			
Unquoted securities				
	Prudential Securities Limited			
487,500	487,500	Cost	4,875,000	4,875,000
		Less: Loss on re-measurement	(4,875,000)	(4,875,000)
	6.1.1			

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

6.2 This represents investment in privately placed perpetual sukuk certificates, out rightly purchased from the related party. The details of investment is as under:

Description	Investment Date	Number of units	Amount Rupees	Monthly profit	Investment Agent	Maturity	Fair value in rupees
Meezan Bank Ltd - Additional Tier 1 Capital	May 19, 2021	9	9,000,000	3 months KIBOR + 1.75% per annum	Al Baraka Bank Ltd	August 1, 2028	9,320,598

The fair value of the investment has been determined using rate notified by the Mutual Funds Association of Pakistan. Management is not intended to hold the investments till their respective maturities. The surplus funds were deployed to earn better return on short term investment, which shall be liquidated as per the financial need of the Modaraba.

6.3 Fair value through profit or loss (FVTPL)

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

2021	2020			June 30, 2021	June 30, 2020
Number of Certificates / Shares	Name of Company	Notes		— Rupees —	
Engineering					
-	1,000	International Steel Limited	-	-	51,650
Suspended / Delisted Company					
120,000	120,000	Prudential Investment Bank Ltd	-	-	-
		Pakistan Industrial & Commercial			
279,749	279,749	Leasing Limited	-	-	-
			-	-	51,650

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NOTES TO THE FINANCIAL STATEMENTS
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		June 30, 2021	June 30, 2020
		----- Rupees -----	
6.4	Deficit on revaluation of Investments		
	Loss on re-measurement of unquoted securities	6.1 (4,875,000)	(4,875,000)
	Gain on re-measurement of unquoted securities	6.2 320,598	-
		<u>(4,554,402)</u>	<u>(4,875,000)</u>

7 MODARABA TERM DEPOSIT

First Pak Modaraba (Rabb-ul-Maal) invested in the General Pool created by Related Party (Mudarib or Investment Manager) in accordance with the principles of Shariah. As per terms of the agreement, the term deposit shall be rolled over on monthly basis and the Related Party shall pay profit to the Modaraba on each maturity as per profit sharing ratio between Modaraba and Related Party. The details of investments are as under:

Investment			Profit Sharing Ratio		Profit Rate (per anum)	
Date	Amount	Maturity	Rabb-ul-Maal	Mudarib	Rabb-ul-Maal	Mudarib
May 07, 2021	13,500,000	Monthly Rollover till May 07, 2022	77.34%	22.66%	7.10%	2.08%

		June 30, 2021	June 30, 2020
	Note	----- Rupees -----	
8	MORABAHA FINANCE		
	Morabaha finance - Unsecured	8.1 15,319,705	15,319,705
	Less: Provision for doubtful morabaha finance	<u>(15,319,705)</u>	<u>(15,319,705)</u>
		<u>-</u>	<u>-</u>

8.1 This include amount of Morabaha finance receivable from five different parties outstanding since many years. As per term of agreement, the profit against these finance ranged from 16.5% to 20%, however, based on the guidelines of Modaraba regulations 2021, the principal and profit against these finances have been fully provided and suspended accordingly.

		June 30, 2021	June 30, 2020
		----- Rupees -----	
9	IJARAH RENTALS RECEIVABLE		
	Considered good	162	60,387
	Considered doubtful	<u>119,542</u>	<u>119,542</u>
		119,704	179,929
	Less: Provision for doubtful receivables	<u>(119,542)</u>	<u>(119,542)</u>
		<u>162</u>	<u>60,387</u>
9.1	Future minimum Ijarah rentals receivable		
	Within one year	4,167,634	1,927,574
	After one year but not more than five years	<u>4,318,968</u>	<u>208,150</u>
		<u>8,486,602</u>	<u>2,135,724</u>

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NOTES TO THE FINANCIAL STATEMENTS
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10	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	June 30, 2021	June 30, 2020
			— Rupees —	
	Considered good			
	Advance against purchase of assets		3,400,000	-
	Profit Receivable on Diminishing Musharakah		101,330	108,477
	Advance income tax		1,068,349	528,213
	Deposits		37,500	55,500
	Advance to staff - current portion - Secured	10.1	16,495	77,340
	Prepayments		164,416	204,710
	Profit receivable on investments		135,103	-
	Profit receivable on bank deposits		254,803	193,835
	Others		866,865	-
			6,044,861	1,168,075
	Considered doubtful			
	Amount due from PSL	10.2	11,476,377	11,476,377
	Amount due from PCML	10.3	999,832	999,832
	Amount due from Royal Management Services (Private) Limited	10.4	886,442	886,442
	Profit receivable on Morabaha finance	8.1	4,028,913	4,028,913
			17,391,564	17,391,564
			23,436,425	18,559,639
	Less: Provision for doubtful receivables		(17,391,564)	(17,391,564)
			6,044,861	1,168,075
10.1	The balances are secured against Provident Fund (PF) balances of employees.			
10.2	This represents amount receivable from Prudential Securities Limited (PSL) on account of advance for purchase of securities amounting to Rs. 1.0 million (2020: 1.0 million) and other receivable of Rs. 10.476 million (2020: 10.476). Since the operations of PSL were suspended and keeping in view the remote chance of recovery, provision against the full amount has been recorded.			
10.3	This represents Rs. 999,832 (2020: Rs. 999,832) receivable from Pearl Capital Management Limited (PCML). The operations of PCML has been suspended by PSX. A claim was lodged with the PSX for the recovery of the said amount which was rejected on the grounds of having been filed after the lapse of the last date for the submission of claims as notified by PSX. Hence, provision has been made against the total amount of claim.			
10.4	This represents Rs. 886,442 (2020: Rs. 886,442) receivable from Royal Management Services (Private) Limited (Ex-management Company) in respect of various expenses paid on their behalf. Provision has been made against the total amount of receivable as the chances of the recovery is remote.			

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11 IJARAH ASSETS

2021	Cost		Depreciation					Rate %
	As at July 1, 2020	Additions/ (disposals)	As at June 30, 2021	Accumulated at July 1, 2020	For the year	Accumulated at June 30, 2021	Carrying value at June 30, 2021	
-----Rupees-----								
Vehicle	8,819,000	5,000,000 (2,100,000)	11,719,000	4,934,229	1,144,683 (1,277,510)	4,801,402	6,917,598	25-33.33
	8,819,000	2,900,000 (2,100,000)	11,719,000	4,934,229	1,144,683 (1,277,510)	4,801,402	6,917,598	
2020	Cost		Depreciation					Rate %
	As at July 1, 2019	Additions/ (disposals)	As at June 30, 2020	Accumulated at July 1, 2019	For the year	Accumulated at June 30, 2020	Carrying value at June 30, 2020	
-----Rupees-----								
Vehicle	15,344,000	(6,525,000)	8,819,000	5,882,343	2,357,526 (3,306,140)	4,934,229	3,884,771	25-33.33
	15,344,000	(6,525,000)	8,819,000	5,882,343	2,357,526 (3,306,140)	4,934,229	3,884,771	

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12 FIXED ASSETS - IN OWN USE

	Note	June 30, 2021 ----- Rupees -----	June 30, 2020
Tangible assets	12.1	-	-
Intangible assets	12.2	231,120	166,315
		<u>231,120</u>	<u>166,315</u>

12.1 Tangible assets

	Cost			2021 Depreciation		Carrying value at June 30, 2021	Rate %	
	As at July 1, 2020	Additions/ (disposals)	As at June 30, 2021	Accumulated at July 1, 2020	For the year (on disposals)			Accumulated at June 30, 2021
	Rupees							
Office equipment	387,329	-	387,329	387,329	-	387,329	-	33.33
Furniture and fixtures	572,197	-	572,197	572,197	-	572,197	-	10
	959,526	-	959,526	959,526	-	959,526	-	
2020								
	Cost			Depreciation		Carrying value at June 30, 2020	Rate %	
	As at July 1, 2019	Additions/ (disposals)	As at June 30, 2020	Accumulated at July 1, 2019	For the year / (on disposals)			Accumulated at June 30, 2020
	Rupees							
Office equipment	387,329	-	387,329	387,329	-	387,329	-	33.33
Furniture and fixtures	572,197	-	572,197	572,197	-	572,197	-	10
	959,526	-	959,526	959,526	-	959,526	-	

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12.2 Intangible assets

	2021							Rate of amortization %
	Cost		Amortization		Book value			
	As at 01 July 2020	Additions/ deletions	As at 30 June 2021	As at 01 July 2020	Charge for the year	As at 30 June 2021	As at 30 June 2021	
	(Rupees)							
Computer software	300,000	185,000	485,000	133,685	120,195	253,880	231,120	33.33
	2020							Rate of amortization %
	Cost		Accumulated Amortization		Book value			
	As at 01 July 2019	Additions/ Deletions	As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 30 June 2020	
	(Rupees)							
Computer software	-	300,000	300,000	33,421	100,264	133,685	166,315	30.33

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		June 30, 2021	June 30, 2020
	Note	— Rupees —	
13 DIMINISHING MUSHARAKAH			
Considered good	13.1	29,219,972	21,171,570
Less: Current Portion of Diminishing Musharakah		(11,545,417)	(14,006,962)
		<u>17,674,555</u>	<u>7,164,608</u>

- 13.1 These finance carry profit rate ranged from 12.57% to 19.00% per annum and are payable on monthly basis over a period from 3 to 4 years. All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

		June 30, 2021	June 30, 2020
	Note	— Rupees —	
14 LONG TERM ADVANCES			
Advance to staff	14.1	16,495	93,835
Due within one year shown under current assets	10.1	(16,495)	(77,340)
		<u>-</u>	<u>15,495</u>

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

15 MUSHARAKAH FINANCE

	June 30, 2021	June 30, 2020
	— Rupees —	
Due within one year	<u>50,000,000</u>	<u>-</u>

- 15.1 The Pak Brunei Investment Company Limited (PBICL) - the ultimate parent company extended callable / convertible financing line of Rs.250 million to Modaraba under Musharaka arrangement. As per the Agreement the first tranche of Rs.50 million is disbursed on January 28, 2021.

The return on finance shall be payable after finalization of annual financial statements of the Modaraba by way of allocation of net profit before tax and management fee, in the ratio of PBICL investment to total musharaka capital (i.e. the sum of PBICL finance and the modaraba equity as on September 30, 2020).

The facility is secured by way of hypothecation charge on all movable assets and receivables and mortgage of immovable property of the Modaraba.

- 15.2 The SECP vide order No. SC/M/RW/KASB/2020 dated January 31, 2020 granted the management rights of the Modaraba to the Management Company. As per the terms of the order and subsequent correspondence with SECP, an amount of Rs. 50 million is to be injected in the modaraba latest by January 31, 2021 and the balance of Rs. 200 million latest by June 30, 2021.

The parent company of the management company has injected Rs. 50 million in the modaraba as mentioned in note 19.1. For remaining amount of Rs. 200 million, Management Company has approached SECP vide letter dated May 05, 2021 and requested to reward its support at various factors including COVID 19 and its variants impacted the business environment in general and withdrawal of tax exemption to the modaraba sector in particular, strong liquidity position of the modaraba etc. As such further injection shall result in loss to the investors. Reply from SECP is awaited.

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16	ACCRUED AND OTHER LIABILITIES	Note	June 30, 2021	June 30, 2020
			----- Rupees -----	
	Sindh Workers' Welfare Fund		198,022	190,666
	Management fee	16.1	30,263	-
	Return on musharakah		99,992	-
	Auditors' remuneration		185,000	170,798
	Shariah Advisor fee payable		163,000	200,006
	Charity payable	16.2	358,985	196,046
	Takaful		368,019	544,592
	Other payables		1,673,313	819,440
			<u>3,074,594</u>	<u>2,121,548</u>

16.1 The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax (SST) on the Modaraba Management Company's remuneration with effect from November 01, 2011. However, certain modaraba management companies have approached the Honourable Sindh High Court (the Court) and Appellate Tribunal of SRB, challenging the levy of SST on management company's remuneration. The Modaraba Management Company has not received any demand notice from SRB for payment of SST on Management Company's remuneration and accordingly, based on legal advisor's opinion, obtained by one of the Modaraba under common management can neither file any petition challenging the levy of SST on Management Company's remuneration nor can join the proceedings of pending petition in the Court. As a matter of abundant caution the management is accruing SST on Management Company's remuneration and will discharge the liability on direction of the Court based on outcome of the petition filed by other modaraba management companies.

16.2	Movement of charity payable	June 30, 2021	June 30, 2020
		----- Rupees -----	
	Opening balance	196,046	101,865
	Add: amount credited during the year	162,939	84,181
		<u>358,985</u>	<u>186,046</u>
	Less: Paid during the year	-	-
	Closing balance	<u>358,985</u>	<u>196,046</u>

17 LONG TERM DEPOSITS

Ijarah security deposits	4,050,580	2,236,500
Less: current maturity	<u>(2,550,000)</u>	<u>(2,036,500)</u>
	<u>1,500,580</u>	<u>200,000</u>

18 CERTIFICATE CAPITAL

2021	2020		June 30, 2021	June 30, 2020
Number of Certificates			----- Rupees -----	
<u>15,000,000</u>	<u>15,000,000</u>	Authorised		
		Modaraba certificates of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
		Issued, subscribed and paid-up		
<u>10,000,000</u>	<u>10,000,000</u>	Modaraba certificates of Rs.10/- each fully paid in cash	<u>100,000,000</u>	<u>100,000,000</u>
<u>2,540,000</u>	<u>2,510,000</u>	Modaraba certificates of Rs.10/- each	<u>25,400,000</u>	<u>25,400,000</u>
<u>12,540,000</u>	<u>12,510,000</u>		<u>125,400,000</u>	<u>125,400,000</u>

As at June 30, 2021, Pak Brunei Investment Company Limited held 1,254,000 (2020: Nil) certificates of Rs. 10 each.

19 CONTINGENCIES AND COMMITMENTS

During the year 2018, some of the modarabas in the sector have received letter from Assistant Commissioner, Sindh Revenue Board (SRB), whereby it came to their notice that these Modarabas are engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding. The modarabas who have received the said letter, collectively decided that under the supervision of NBF & Modaraba Association Pakistan, a petition against the same be filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rental/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. Being similar in nature of business it was expected that the same type of letter shall be received by KASB Modaraba. Therefore, management has taken cautious approach and become a party in collective effort undertaken by the other modarabas.

		June 30, 2021	June 30, 2020
		----- Rupees -----	
20 OTHER INCOME			
Gain on disposal of vehicle - Ijarah		119,361	274,473
Termination charges on diminishing musharaka		98,493	-
Termination charges on Ijarah		12,032	69,775
Miscellaneous income		1,119,747	422,429
		<u>1,349,633</u>	<u>766,678</u>

		June 30, 2021	June 30, 2020
		----- Rupees -----	
21 ADMINISTRATIVE EXPENSES	Note		
Salaries, allowances and benefits	21.1	1,829,436	1,737,076
Transaction cost on investment		147	-
Fees and subscription		1,300,778	1,089,805
Rent rates & taxes		469,505	380,808
Telephone and postage		218,768	84,359
Legal and professional		624,362	476,500
Registrar services		293,242	163,750
Auditors' remuneration	21.2	235,500	269,446
Travelling and conveyance		500	12,594
Printing and stationery		111,555	123,266
Repairs and maintenance		236,392	220,636
Entertainment		4,000	14,232
Amortization-intangibles		120,195	100,284
Takaful		207,479	122,519
Advertisement in newspaper		212,200	73,750
Electricity expenses		73,823	67,581
Share in common expenses		1,067,487	1,611,680
Shared services cost		469,304	-
Miscellaneous		4,470	10,899
		<u>7,479,143</u>	<u>5,339,165</u>

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

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Remuneration of officers and other employees

	2021			2020		
	Officers	Other employees	Total	Officers	Other employees	Total
	-----Rupees-----			-----Rupees-----		
Remuneration	-	1,499,232	1,499,232	-	1,500,732	1,500,732
Provident fund	-	89,256	89,256	-	89,256	89,256
Medical expenses	-	107,088	107,088	-	107,088	107,088
Other	-	133,860	133,860	-	40,000	40,000
	-	1,829,436	1,829,436	-	1,737,076	1,737,076
No. of persons	-	4	4	-	4	4

21.1.1 The total number of employees as at June 30, 2021 are 4 (2020: 4) and the average number of employees during the year equates to 4 (2020: 4)

21.2	Auditors' remuneration	Note	June 30, 2021	June 30, 2020
			----- Rupees -----	
	Statutory audit fee		175,000	175,000
	Half year review fee		15,000	15,000
	Review of code of corporate governance		10,000	10,000
	CDC certification		15,000	15,000
	Out of pocket expenses		20,500	54,446
			235,500	269,446

22 FINANCIAL CHARGES

Bank charges	26,792	42,913
Return on musharaka finance	99,992	-
	126,784	42,913

23 MANAGEMENT COMPANY'S REMUNERATION

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.

24 PROVISION FOR SINDH WORKERS' WELFARE FUND

The Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 on June 4, 2015. As per the said Act the applicability of Sindh Worker's Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly provision has been made at the rate of 2% (June 30, 2020 : 2%) of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

25 PROVISION FOR TAXATION

The tax exemption by virtue of clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 has been withdrawn through and Tax loss (Second amendment), 20-21, dated March 21, 2021 which is subsequently adopted in Finance Act, 2021. But a new section 242 has been added in the Income Tax Ordinance, 2001 through Finance Act, 2021 by virtue of which, the Modaraba may avail the exemption till June 30, 2021 subject to the fulfillment of condition that not less than 90% of its total profit, as reduced by the amount transferred to the mandatory reserve, as required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, are distributed amongst the certificate holders.

During the current year the Modaraba has incurred taxable loss and, since section 113 of the Income Tax Ordinance, 2001 is not applicable on the Modaraba, no provision for taxation would be required in these financial statements.

	June 30, 2021	June 30, 2020
	— Rupees —	
26 EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
Profit for the year (Rupees)	267,805	1,844,703
Weighted average number of ordinary certificates	12,540,000	12,540,000
Earnings per certificate (Rupees per certificate)	0.02	0.16

27 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, Modarabas under common management (Awwal Modaraba, KASB Modaraba and First Prudential Modaraba) other associated companies, staff retirement funds, Directors and Key Management Personnel. Transactions with related parties are carried out at agreed rates.

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

FIRST PAK MODARABA
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Transactions and balances with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

Name of the company / individual	Relationship with the Modaraba	Nature of Transactions	2021	2020
			-----Rupees-----	
Balances with related parties				
Pak Brunel Investment Company Limited	Holding Company of the Management Company	Modaraba term deposit	13,500,000	-
		Accrued return on modaraba term deposit	63,025	-
		Musharakah Finance	(56,000,000)	-
		Accrued return on musharakah finance	(99,992)	-
		Accrued shared service cost	(80,979)	-
Awwal Modaraba Management Limited	Modaraba management company	Management fee	(30,263)	-
Awwal Modaraba	Modaraba under common management	Payable against sharing of common expenses	(140,375)	-
KASB Modaraba	Modaraba under common management	Payable against sharing of common expenses	(282,468)	(285,989)
First Prudential Modaraba	Modaraba under common management	Payable against sharing of common expenses	(69,347)	(109,822)
Expense/(income) for the period				
First Pak Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	89,256	89,256
Pak Brunel Investment Company Limited	Holding Company of the Management Company	Return on modaraba term deposit	(144,432)	-
		Return on musharakah finance	99,992	-
		Shared services cost	469,304	-
Awwal Modaraba Management Limited	Modaraba management company	Management fee	30,263	-
Awwal Modaraba	Modaraba under common management	Sharing of common expenses	140,375	-
KASB Modaraba	Modaraba under common management	Sharing of common expenses	646,012	1,161,978
First Prudential Modaraba	Modaraba under common management	Sharing of common expenses	281,100	429,702
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	207,479	159,949
Payments (receipts) during the period				
First Pak Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	89,256	89,256
Pak Brunel Investment Company Limited	Holding Company of the Management Company	Modaraba Term Deposit	13,500,000	-
		Return on modaraba term deposit	(81,407)	-
		Musharakah Finance	(50,000,000)	-
		Shared service cost	388,325	-
KASB Modaraba	Modaraba under common management	Sharing of common expenses	649,533	1,312,278
First Prudential Modaraba	Modaraba under common management	Sharing of common expenses	321,573	427,183
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	169,624	159,949

28 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2021				
Rupees				
	At amortised Cost	FVTOCI	FVTPL	Other financial liabilities
FINANCIAL ASSETS				
Cash and cash equivalent	55,959,695	-	-	-
Investments	-	9,320,598	-	-
Modaraba term deposit	13,500,000	-	-	-
Long term advances	-	-	-	-
Diminishing Musharakah	29,219,972	-	-	-
Ijarah rentals receivable	162	-	-	-
Morabaha finance	-	-	-	-
Advances, prepayments and other receivables	4,812,095	-	-	-
Total Financial Assets	103,491,925	9,320,598	-	-
FINANCIAL LIABILITIES				
Musharak finance	50,000,000	-	-	-
Accrued and other liabilities	-	-	-	2,489,324
Total Financial Liabilities	50,000,000	-	-	2,489,324
As at June 30, 2020				
Rupees				
	At Amortised Cost	FVTPL	Other financial liabilities	
FINANCIAL ASSETS				
Cash and cash equivalent	42,267,091	-	-	-
Investments	-	51,650	-	-
Long term advances	18,495	-	-	-
Diminishing Musharakah	21,171,570	-	-	-
Ijarah rentals receivable	60,387	-	-	-
Morabaha finance	-	-	-	-
Advances, prepayments and other receivables	435,162	-	-	-
Total Financial Assets	63,950,695	51,650	-	-
FINANCIAL LIABILITIES				
Accrued and other liabilities	-	-	-	1,705,345
Total Financial Liabilities	-	-	-	1,705,345

28.1 Financial risk management

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

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

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

28.2 Liquidity risk management

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Modaraba holds total current assets of Rs. 100.57 million against its current liability of Rs.61.52 million which lead to total surplus of Rs.39.05 million.

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

	Total	Upto three months	More than three months and upto one year	More than one year
	----- Rupees -----			
June 30, 2021				
Musharakah finance	50,000,000	-	50,000,000	-
Accrued and other liabilities	2,489,324	2,489,324	-	-
	<u>52,489,324</u>	<u>2,489,324</u>	<u>50,000,000</u>	<u>-</u>
June 30, 2020				
Accrued and other liabilities	1,705,345	1,705,345	-	-
	<u>1,705,345</u>	<u>1,705,345</u>	<u>-</u>	<u>-</u>

28.3 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

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

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

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

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

	June 30, 2021	June 30, 2020
	----- Rupees -----	
Diminishing musharakah	29,219,972	21,171,570
Investment	9,320,598	51,850
Modaraba term deposit	13,500,000	-
Advances, deposits, prepayments and other receivables	4,812,096	435,152
Balances with banks and financial institutions	<u>55,959,596</u>	<u>42,267,091</u>
	<u>112,812,362</u>	<u>63,925,463</u>

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

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Bank balances	Short Term	Long Term		
Habib Bank Limited	A-1+	AAA	4,727,147	40,956,098
Dubai Islamic Bank Limited	A-1+	AA	50,042,702	
Summit Bank Limited	-	-	1,168,141	1,284,023
Faysal Bank Limited	A-1+	AA	7,977	8,746

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, 2021					
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	119,542	119,542
Morabaha finance	-	-	-	15,319,705	15,319,705
As at June 30, 2020					
	OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	-	119,542	119,542
Morabaha finance	-	-	-	15,319,705	15,319,705

Total impairment against these assets as at June 30, 2021 is Rs.15,439,247/- (June 2020:15,439,247/-)

28.3.1 Concentration of Credit Risk

Ijarah Assets:

	2021		2020	
	Rupees	%	Rupees	%
Others	6,917,598	100.00	3,884,771	100.00
	<u>6,917,598</u>	<u>100.00</u>	<u>3,884,771</u>	<u>100.00</u>

For Diminishing Musharika Finance

	2021		2020	
	Rupees	%	Rupees	%
Corporate	19,933,626	68.22	11,591,486	55
Individuals	9,286,346	31.78	9,580,085	45
	<u>29,219,972</u>	<u>100</u>	<u>21,171,570</u>	<u>100</u>

28.4 Market risk

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

28.4.1 Sensitivity Analysis

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

Changes in basis point	Impact on profit	
	June 30, 2021	June 30, 2020
(Rupees).....	
+100	64,035	70,576
-100	(64,035)	(70,576)

28.4.2 Equity Price Risk

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

The carrying amount of investments in equity securities carried at fair value as shown in note 6 is as follows:

	Impact on profit	
	June 30, 2021	June 30, 2020
(Rupees).....	
+10%	932,060	5,165
-10%	(932,060)	(5,165)

28.4.3 Currency Risk

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

28.5 Fair Value of Financial Instruments

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

28.5.1 Fair Value Hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the assets or liability that are not based.

	As at June 30, 2021			Total
	Level 1	Level 2	Level 3	
Financial Assets at FVTPL				
Quoted Companies	-	-	-	-
Sukuk Certificates	-	9,320,598	-	9,320,598
Modaraba Term Deposit	-	-	13,500,000	13,500,000
	-	9,320,598	13,500,000	22,820,598
	As at June 30, 2020			Total
	Level 1	Level 2	Level 3	
Financial Assets at FVTPL				
Quoted Companies	51,650	-	-	51,650
	51,650	-	-	51,650

29 CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. As at balance sheet date Modaraba do not have any exposure in short term and long term borrowing and it has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further Modaraba has positive current ratio of 1.63:1 which is assessed as not overstated (2020: 6.42:1).

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

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

30 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 Chief Executive Officer of the Management Company has been identified as the chief decision-makers, who is responsible for allocating resources and assessing performance of the operating segments.

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

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

31 PROFIT DISTRIBUTION

The dividend distribution has not been declared, due to marginal profit of the Modaraba for the current year. The management has considered that the distribution of dividend on such marginal profit is uneconomical and not likely to be in the benefit of the certificate holders after deduction of tax, zakat and other charges. The Modaraba has distributed dividend of Ro. 0.11 per certificate amounted to Rs. 1.379 million in prior year.

32 CORRESPONDING FIGURES

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

33 GENERAL

Figures have been rounded off to the nearest Rupee.

34 DATE OF AUTHORIZATION OF ISSUE

These financial statements has been authorized for issue on 27 Aug 2021 by the Board of Directors of Awwal Modaraba Management Limited.

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For Awwal Modaraba Management Limited
(Modaraba Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

First Pak Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review meeting of the Modaraba's Certificate Holders of First Pak Modaraba will be held on Thursday, 14th October, 2021 at 11:00 am, through (Zoom Application) to review the performance of the Modaraba for the year ended 30 June 2021.

On behalf of the Board

Misbah Asjad
Company Secretary

Karachi, 22 September, 2021

Notes:

1. Participation of Certificate holders through electronic means:

In view of prevailing situation due to the pandemic of COVID-19 and pursuant to the guidelines issued by the Securities and Exchange Commission of Pakistan, the Annual Review Meeting of Certificate holders of Modaraba will be held through zoom application only to ensure safety and well-being of Certificate holders.

Certificate holders interested in attending the Annual Review Meeting are requested to get themselves registered by providing the following information through our e-mail : arm2021.pakmi@awwal.com.pk at earliest but not later than 48 hours before the time of meeting:-

Name of Certificate holders	CNIC	Folio/CDC Account No	E Mail Address	Cell No
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The Zoom login credentials will be shared with only those certificate holders whose emails, containing all the required particulars.

- The certificate transfer books shall remain closed from Thursday 30 September, 2021 to Thursday 14 October 2021 (both days inclusive). Transfers received in order at the office of the Share Registrar of First Pak Modaraba i.e. M/s THK Associates (Private) Limited., before the close of business hours on Wednesday, 29 September, 2021 will be treated as in time for the purpose of entitlement to attend the Annual Review Meeting.
- The Certificate holders are advised to notify change in their address, if any, to M/s THK Associates (Private) Limited, at 32-C, Jami Commercial, Street No: 2, Phase-VII, DHA, Karachi, phone : 021-111-000-322
- The Annual Report for the year ended 30 June 2021 will also be placed on Modaraba's website simultaneously with the dispatch of the same through CD to the certificate holders. Certificate holders who wishes to receive Annual Report of Modaraba by E-mail or printed copy at their registered address are advised to send Request form available on the web of Modaraba.
- Unclaimed Dividends and physical Modaraba Certificates**
Certificate holders, who by any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar M/s THK Associates (Private) Limited, at 32-C, Jami Commercial Street No: 2, Phase-VII, DHA, Karachi, phone : 021-111-000-322 to enquire about their unclaimed dividend or pending Modaraba certificates.
- Conversion of Physical Modaraba Certificates into Book-Entry Form**: As per requirement of Companies Act, 2017, all listed companies are required to replace the Certificates held in physical form with the Certificates to be issued in Book-Entry, all Certificate holders holding Certificates in physical form are requested to convert their shares in Book-Entry Form in order to comply with the provisions of the Companies Act, 2017. Certificate holders may contact the Modaraba's Share Registrar to understand the process of conversion of Certificates held in physical form, into the Book-Entry Form.

Dear Certificate Holders,

REQUEST FORM FOR HARD COPY OF ANNUAL ACCOUNTS

The Securities and Exchange Commission of Pakistan, has allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report, directors' report and ancillary statements/notes/documents ("Annual Audited Accounts") to the registered addresses of its certificate holders in electronic form through CD/DVD/USB instead of sending the hard copies.

However, Certificate holders who wishes to receive Annual Report of Modaraba by E-mail or Printed Copy at their registered address, are advised to fill the Request Form provided below and send it to our Share Registrar/Company Secretary:

Date: _____
I/We _____ request that a hard copy of the Annual Report along with notice of annual review meeting be sent to me through post. My/our particulars in this respect are as follows:
Folio /CDC A/c No.
Postal Address:
Email Address:
Contact No: CNIC No.
Signature

Share Registrar of Modaraba:-

M/s THK Associates (Private) limited, 32-C, Jami Commercial, Street No: 2, Phase-VII, DHA, Karachi, phone: 021-111-000-322, E-Mail: sfc@thk.com.pk

Registered Office:

3rd Floor, Horizon Vista, Plot No: Commercial 10, Block No: 4, Clifton, Karachi,
Phone No: PABX-021- 38771685.

FIRST PAK MODARABA

First Pak Modaraba

3rd Floor, Horizon Vista, Plot
No: Commercial 10, Block-4,
Clifton, Karachi

Phone : 021- 35374273-74,
Fax: 021-35374275

**ANNUAL
REPORT
JUNE 30 , 2021**