

FIRST PRUDENTIAL MODARABA

ANNUAL REPORT
JUNE 30, 2022

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.

FIRST PRUDENTIAL MODARABA

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Khalid Aziz Mirza	Chairman	Independent Director
Mr. Shahid Ghaffar		Independent Director
Ms. Ayesha Aziz		Non-Executive Director
Mr. Abdul Jaleel Shaikh		Non-Executive Director
Mr. 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

BDO Ebrahim & Co, Chartered Accountants

Bankers

Habib Bank Limited
Dubai Islamic Bank

Certificate Registrar

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

Legal Advisor

Ahmed & Qazi
S & B Durrani Law Associates

Shariah Advisor

Al-Hamd Shariah Advisory Services (Pvt) Limited

Registered & 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 of First Prudential Modaraba as Chairman of the Board of Directors of Awwal Modaraba Management Limited, the management company of First Prudential Modaraba.

Our country's economy is going through a challenging phase impacted by high inflationary forces arising from fuel and power costs, rupee depreciation against the dollar and compounded by the recent floods which caused severe devastation in the country. According to estimates by The Asian Development Bank, GDP growth could slow down to 3.5% in FY2023 from 6% in FY2022. The economic outlook will be shaped largely by the restoration of political stability and the continued implementation of reforms under the revived International Monetary Fund program to stabilize the economy and restore fiscal and external buffers. The State Bank of Pakistan (SBP) maintained the policy rate at 15% to support a contracting economy while inflation numbers appear to be declining and rupee depreciation seems to be reversed amid measures taken by the regulatory authorities.


Withdrawal of tax exemption on income of the modaraba on declaration of 90% and above dividend is a major setback. The management is concentrating on funds deployment at viable rates in order to offset the tax impact and overall maintain profitable levels. The outstanding portfolio increased to PKR 309.38 million on June 30, 2022 (FY2021: PKR 74.20 million) with sound recoveries and higher level of new disbursements in order to support the profitability position of the Modaraba.

During the year under review, overall revenues have been recorded at PKR 56.29 million, from PKR 42.09 million during previous year with new exposures being written at prevailing higher market rates. Total expenses for the period were contained at PKR 29.68 million. With unrealized gain on re-measurement of investment property and reversal of provisions of PKR 3.9 million and Rs. 2.1 million respectively, the Modaraba posted profit before tax for the period at PKR 22.07 million against PKR 9.38 million in corresponding period last year. Net profit amounted to PKR 19.52 million for the year, significantly improved from previous year despite incidence of taxation.

The process for merger of First Pak Modaraba and KASB Modaraba into First Prudential Modaraba is underway and expected to be concluded soon. Following the merger, the modaraba's operations will cease to exist.

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: 20 October 2022

DIRECTORS' REPORT

The Board of Directors of Awwal Modaraba Management Limited, the management company of **First Prudential Modaraba**, is pleased to present the Directors' Report together with Audited Financial Statements of First Prudential Modaraba for the year ended 30 June 2022.

Economic Review & Outlook

In the recent Monetary Policy Statement, the State Bank of Pakistan (SBP) kept the policy rate unchanged at 15%. The headline inflation fell to 23.2% in Sep'22 from Aug'22 readings of 27.3% driven by a reduction in electricity prices. The MPC cited encouraging developments as desired moderation in economic activity has become more visible and entrenched while Core inflation continued to drift upwards in both rural and urban areas fueled by supply side shocks. The current account and trade deficits narrowed significantly in Aug-Sep, respectively, and the Rupee has recouped some of its losses following the recent depreciation. In Sep '22, Pakistan's trade deficit reduced 20% YoY to USD2.8bn led by a sharp decline in imports. Moody's downgraded Pakistan's local and foreign debt ratings to Caa1 from B3 along with decline in the deposit rating of five commercial banks. The downgrade was due to increased government liquidity requirements, external vulnerability risks and higher debt sustainability risks, in the aftermath of devastating floods.

The Asian Development Bank's (ADB) expectation for GDP growth in FY2023 is 3.5% from approx. 6% in FY2022. The inflation rate in Pakistan is likely to decline in the coming months while interest rate scenario is expected to remain stable with expectations of downward trend next year to stimulate economy. Pak Rupee is expected to stabilize as SBP has launched an investigation into alleged manipulation by commercial banks of foreign exchange operations in the country. ADB has promised to provide USD2.5bn to Pakistan to help support flood relief activities by the end of Oct '22. Going forward, inflows from multilateral and bilateral lenders are expected to start materializing next month along with concessions from the IMF keeping the pressure off the FX market.

In this challenging scenario, the management of the modaraba has put in considerable efforts to maintain profitability and asset quality. The process for merger of KASB Modaraba and First Pak Modaraba into First Prudential Modaraba is underway and expected to materialize soon under the approved Scheme of Arrangement.

Financial Performance

Operating Results

	30 June 2022 (Rupees '000')	30 June 2021 (Rupees '000')
Balance Sheet		
Certificate capital	872,177	872,177
Total equity	442,492	429,947
Diminishing Musharaka	309,379	74,198
Investment – equities/sukuk/Modaraba term deposit	3,796	205,096
Profit & Loss		
Revenue	61,650	45,524
Operating expenses	29,678	30,362
Profit/(loss) before Management Fee	24,999	10,623
Taxation	2,543	-
Net profit for the year	19,522	9,376

Appropriations

Profit distribution @ 1.70% (2021: 0.8%)	14,827	6,977
Statutory reserve	3,904	1,875
Earnings per certificate	0.22	0.11

Financial snapshot

The outstanding portfolio significantly increased to PKR 303.38 million on June 30, 2022 compared to PKR 74.20 million at the end of the previous year. Withdrawal of tax exemption on income of the modaraba on declaration of 90% and above dividend is a major setback.

During the year under review, overall revenues have been recorded at PKR 61.65 million from PKR 45.52 million during previous year with fresh deployment and new exposures being written at prevailing higher market rates. Total expenses for the period were contained at PKR 29.68 million. The Modaraba posted profit before tax for PKR 22.07 million against PKR 9.37 million in corresponding period last year. Net profit after tax amounted to PKR 19.52 million.

Profit Distribution

The Board in its meeting held on 20 October 2022 has approved cash dividend of PKR 0.17 (1.70%) per certificate PKR 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2022.

To comply with Modaraba Regulations 2021, the Board of Directors has transferred PKR 3.90 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 2022.

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 2022 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	6
Mr. Shahid Ghaffar	6
Ms. Ayesha Aziz	6
Mr. Abdul Jaleel Shaikh	6
Mr. Saiyid Najam Rizvi	6
Mr. Karim Hatim (CEO)	6

Change in Directors

There has been no change in the Board of Directors during the year.

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. Saiyid Najam Rizvi	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 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. Saiyid 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 BDO 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 2023. However, their appointment will be subject to the approval of Registrar of Modaraba Companies and Modarabas.

Shariah Advisor's Report

The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Muhammad Ibrahim Essa 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 2022 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: 20 October 2022



Abdul Jaleel Shaikh
Director

ڈائریکٹرز کی رپورٹ

اول مضاربہ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز، فرسٹ پروڈیشنل مضاربہ کی انتظامی کمپنی، 30 جون 2022 کو ختم ہونے والے سال کے لئے فرسٹ پروڈیشنل مضاربہ کے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

اقتصادی جائزہ اور آؤٹ لک:

حالیہ مانیٹری پالیسی اسٹیٹمنٹ میں، اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی ریٹ کو 15 فیصد پر برقرار رکھا۔ بجلی کی قیمتوں میں کمی کی وجہ سے ہیڈ لائن افراط زر اگست 2022 میں 27.3 فیصد کی ریڈنگ سے ستمبر 2022 میں 27.3 فیصد کی ریڈنگ سے ستمبر 2022 میں 23.2 فیصد پر آ گئی۔ MPC نے حوصلہ افزا پیش رفت کا حوالہ دیا کیونکہ معاشی سرگرمیوں میں مطلوبہ اعتدال زیادہ واضح اور مضبوط ہو گیا ہے جبکہ بنیادی افراط زر دیہی اور شہری دونوں علاقوں میں اوپر کی طرف بڑھتا چلا گیا جس کی وجہ سیلابی سائینڈ شاک ہے۔ کرنٹ اکاؤنٹ اور تجارتی خسارہ بالترتیب اگست، ستمبر میں نمایاں طور پر کم ہوا اور روپے نے حالیہ گراؤٹ کے بعد اپنے کچھ نقصانات کو پورا کیا ہے۔ ستمبر 2022 میں پاکستان کا تجارتی خسارہ سالانہ 20 فیصد کم ہو کر 2.8 بلین ڈالری تک پہنچ گیا جس کی وجہ درآمدات میں شدید کمی تھی۔ موڈیز نے پانچ کمرشل بینکوں کی ڈیپازٹ ریڈنگ میں کمی کے ساتھ پاکستانی کے مقامی اور غیر ملکی قرضوں کی درجہ بندی کو B3 سے گھٹا کر Caa1 کر دیا۔ یہ کمی تباہ کن سیلابوں کے نتیجے میں حکومتی لیکویڈیٹی کی بڑھتی ہوئی ضروریات، بیرونی خطرے کے خطرات اور قرضوں کی پائیداری کے زیادہ خطرات کی وجہ سے ہوئی۔

ایشیائی ترقیاتی بینک (ADB) کی مال سال 2023 میں جی ڈی پی کی نمو کی توقع تقریباً 3.5 فیصد ہے۔ مالی سال 2022 میں 6 فیصد۔ پاکستان میں آنے والے مہینوں میں مہنگائی کی شرح میں کمی کا امکان ہے جبکہ شرح سود کا منظر نامہ مستحکم رہنے کی توقع ہے اور معیشت کو متحرک کرنے کے لئے اگلے سال گرنے کے رجحان کی توقع ہے۔ پاکستانی روپے کے مستحکم ہونے کی توقع ہے کیونکہ اسٹیٹ بینک نے ملک میں غیر ملکی کرنسی کے آپریشنز میں کمرشل بینکوں کی طرف سے مبینہ ہیرا پھیری کی تحقیقات شروع کر دی ہیں۔ ADB نے اکتوبر 2022 کے آخر تک سیلاب سے متعلق امدادی سرگرمیوں میں مدد کے لئے پاکستان کو 2.5 بلین امریکی ڈالر فراہم کرنے کا وعدہ کیا ہے۔ آگے بڑھتے ہوئے توقع کی جاتی ہے کہ کثیر جہتی اور دو طرفہ قرض دہندگان کی طرف سے آنے والی رقوم FX مارکیٹ پر دباؤ کو برقرار رکھتے ہوئے IMF سے رعایتوں کے ساتھ اگلے ماہ عملی شکل اختیار کرنا شروع کر دیں گی۔

اس مشکل حالات میں مضاربہ کی انتظامیہ نے منافع اور اثاثہ کے معیار کو برقرار رکھنے کے لئے کافی کوششیں کی ہیں۔ KASB مضاربہ اور فرسٹ پاک مضاربہ کے فرسٹ پروڈیشنل مضاربہ میں انضمام کا عمل جاری ہے اور توقع ہے کہ انتظامات کی منظور شدہ اسکیم کے تحت جلد ہی عمل میں آ جائے گا۔

مالیاتی کارکردگی آپریٹنگ نتائج

30 جون 2022 (روپے) 30 جون 2021 (روپے)

بیلنس شیٹ		
سٹرٹیفیکیٹ سرمایہ	872,177	872,177
کل ایکویٹی	442,492	429,947
مشارکہ کو کم کرنا	309,379	74,198
سرمایہ کاری - ایکویٹی/سکوک/مضاربہ ٹرم ڈیپازٹ	3,796	205,096
نفع نقصان		
آمدنی	61,650	45,524
آپریٹنگ اخراجات	29,678	30,362
منجمنٹ فیس سے پہلے منافع/ (نقصان)	24,999	10,623
ٹیکس لگانا	2,543	-
سال کے لئے خالص منافع	19,522	9,376
مختصات		
منافع کی تقسیم @ 1.70% @ (2021: 0.8%)	14,827	6,977
قانونی ریزرو	3,904	1,875
آمدنی فی سٹرٹیفیکیٹ	0.22	0.11

مالی اسٹیٹمنٹ:

بقایا پورٹ فولیو 30 جون 2022 کو 303.38 ملین پاکستانی روپے ہو گیا جو پچھلے سال کے آخر میں 74.20 ملین پاکستانی روپے تھا۔ مضاربہ کی آمدنی پر 90% اور اس سے زیادہ ڈیویڈنڈ کے اعلان پر ٹیکس چھوٹ واپس لینا ایک بڑا دھچکا ہے۔

زیر جائزہ سال کے دوران، مجموعی طور پر ریونیو 61.65 ملین پاکستانی روپے ریکارڈ کیا گیا جو پچھلے سال کے دوران 45.52 ملین پاکستانی روپے تھائی تعیناتی اور نئی نمائش کے ساتھ موجودہ اعلیٰ مارکیٹ ریٹ پر لکھا جا رہا ہے۔ اس مدت کے کل اخراجات 29.68 ملین پاکستانی روپے تھے۔ مضاربہ نے گزشتہ سال کی اسی مدت میں 22.07 ملین پاکستانی روپے کے مقابلے 9.37 ملین پاکستانی روپے کا قبل از ٹیکس منافع کمایا۔ ٹیکس کے بعد خالص منافع 19.52 ملین پاکستانی روپے رہا۔

منافع کی تقسیم:

بورڈ نے 20 اکتوبر 2022 کو منعقدہ اپنے اجلاس میں 30 جون 2022 کو ختم ہونے والے سال کے لئے (1.70%) 0.17 ملین پاکستانی روپے فی سٹرٹیفیکیٹ 10 پاکستانی روپے کے نقد منافع کی منظوری دی ہے، زکوٰۃ اور ذرائع پر ٹیکس کی کٹوتی سے مشروط

ہے۔

مضاربہ ریگولیشنز 2021 کی تعمیل کرنے کے لئے، بورڈ آف ڈائریکٹرز نے 3.90 ملین پاکستانی روپے کو قانونی ریزرو میں منتقل کر دیا ہے۔ ضوابط کے مطابق مضاربہ کو مضاربہ کے بعد از ٹیکس منافع کا 20% سے کم اور 50% سے زیادہ اس وقت تک قانونی ریزرو میں منتقل کرنے کی ضرورت ہے جب تک کہ ریزرو ادا شدہ سرمائے کے 100% کے برابر نہ ہو۔ اس کے بعد ایک رقم 5% سے کم نہیں اور اس کے بعد از ٹیکس منافع کا 20% سے زیادہ نہیں اس طرح کے ریزرو میں منتقل کیا جاتا ہے۔

گورننس اور شریعت کی تعمیل:

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی مختلف ضروریات کی تعمیل کو یقینی بنانے کے لئے پرعزم ہے۔ مضاربہ 30 جون 2022 کو ختم ہونے والے سال کے لئے متعلقہ لٹیکمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تقاضوں کے مطابق ہے۔

شریعہ ایڈوائز شروع سے اس بات کو یقینی بنانے کے لئے شامل ہے کہ ممکنہ کلائنٹس کا کاروبار اور مجوزہ لین دین کا ڈھانچہ شرعی اصولوں کے مطابق ہو۔ اچھی حکمرانی اور تمام پالیسیوں کو روح کے مطابق نافذ کرنے پر زور دیا جاتا ہے۔ بورڈ آف ڈائریکٹرز بیرونی نگرانی کو یقینی بنانے کے لئے آزاد ڈائریکٹرز پر مشتمل ہوتا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

بورڈ آف ڈائریکٹرز کو یہ اطلاع دیتے ہوئے خوشی ہو رہی ہے کہ:

☆ مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کی حالت، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں ہونے والی تبدیلیوں کو کافی حد تک پیش کرتے ہیں۔

☆ مضاربہ کے حساب کتاب کی مناسب دیکھ بھال کی گئی ہے۔

☆ مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔

☆ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں مدارس پر لاگو ہوتا ہے، مالی بیانات کی تیاری میں پیروی کی گئی ہے۔

☆ اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔

☆ مضاربہ کے جاری رہنے کی قابلیت پر کوئی خاص شک نہیں ہے۔

☆ کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی رخصتی نہیں ہوئی ہے، جیسا کہ فہرست سازی کے ضوابط میں تفصیل سے بتایا گیا ہے۔

☆ ٹیکسز، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں جو کہ 30 جون 2022 تک بقایا ہیں سوائے ان مالیاتی گوشواروں میں جن کا انکشاف کیا گیا ہے۔

☆ زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کی چار (4) میٹنگیں ہوئیں۔ ہر ڈائریکٹر کی حاضری حسب ذیل تھی:-

اجلاس میں شرکت کرنے والے کی تعداد

ڈائریکٹر کا نام

6	جناب خالد عزیز مرزا
6	جناب شاہد غفار
6	محترمہ عائشہ عزیز
6	جناب عبدالجلیل شیخ
6	جناب سید نجم رضوی
6	جناب کریم حاتم (CEO)

ڈائریکٹرز میں تبدیلی:

سال کے دوران بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کے تقاضوں کی تعمیل میں ایک آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی چار ارکان پر مشتمل ہے۔ آڈٹ کمیٹی کا سربراہ ایک آزاد ڈائریکٹر ہوتا ہے۔ کمیٹی وقتاً فوقتاً مالیاتی گوشواروں کا جائزہ لیتی ہے اور مالیاتی پالیسیوں اور طریقوں کی مناسبت کا جائزہ لیتی ہے تاکہ یہ یقینی بنایا جاسکے کہ اندرونی کنٹرول کا ایک موثر اور مضبوط نظام موجود ہے۔ کمیٹی انٹرئل آڈٹ ڈیپارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کو بیرونی آڈیٹرز کی تقرری کی سفارش کرنے کی بھی ذمہ دار ہے۔

☆ زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری حسب ذیل تھی:-

اجلاس میں شرکت کرنے والوں کی تعداد

ممبر کا نام

4	جناب شاہد غفار
4	جناب خالد عزیز مرزا
4	جناب عبدالجلیل شیخ
4	جناب سید نجم رضوی

☆ ہیومن ریسورسز اینڈ ریمونریشن کمیٹی (HR&RC) کی ایک میٹنگ عملے کے سالانہ معاوضے کی رقوم کی سفارش کو حتمی شکل دینے کے لئے منعقد ہوئی۔

☆ اس سالانہ رپورٹ میں سرٹیفیکیٹ رکھنے والوں کی طرف سے سرٹیفیکیٹ رکھنے کا نمونہ شامل ہے۔

☆ ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری، ان کی شریک حیات اور نابالغ بچوں نے زیر جائزہ سال کے دوران مضاربہ کے سرٹیفیکیٹس میں کوئی لین دین نہیں کیا۔

بورڈ آف ڈائریکٹرز

مندرجہ ذیل کے مطابق ڈائریکٹرز کی کل تعداد 6 ہے جن میں CEO بھی شامل ہیں:-

(ب) خاتون 1
بورڈ کی تشکیل حسب ذیل ہے:-

عہدہ	نام
آزاد ڈائریکٹرز	جناب خالد عزیز مرزا جناب شاہد غفار
دیگر نان ایگزیکٹو ڈائریکٹرز	محترمہ عائشہ عزیز جناب عبدالجلیل شیخ جناب سید نجم رضوی
چیف ایگزیکٹو آفیسر	جناب کریم حاتم

ڈائریکٹر کا معاوضہ:

بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے ڈائریکٹر کے معاوضے کا تعین اول مضاربہ منجمنٹ لمیٹڈ کی طرف سے اختیار کردہ ڈائریکٹر کی معاوضہ پالیسی کے تحت کیا جاتا ہے۔ مذکورہ پالیسی کے تحت ایک آزاد ڈائریکٹر صرف بورڈ میں میٹنگ میں شرکت کے لئے بورڈ آف ڈائریکٹرز کے ذریعے مقرر کردہ فیس وصول کرنے کا حقدار ہے۔ مزید برآں نامزد ڈائریکٹر کمپنی کے ساتھ کل وقتی معاوضہ کی خدمت میں بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے کسی ادائیگی کا حقدار نہیں ہے۔ تاہم تمام ڈائریکٹرز کمپنی کے کاروبار کے سلسلے میں ڈائریکٹرز یا ڈائریکٹرز کی کسی کمیٹی یا کمپنی کی جنرل میٹنگ میں شرکت اور واپسی میں ان کے تمام سفری، ہوٹل اور دیگر اخراجات ادا کرنے کے حقدار ہیں۔

آڈیٹرز:

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز BDO چارٹرڈ اکاؤنٹینٹس کو تقرری کے اہل ہونے اور آڈیٹرز کے طور پر کام کرنے کے لئے ان کی رضامندی پر منظوری دے دی ہے۔ 30 جون 2023 کو ختم ہونے والے سال کے لئے مضاربہ کے بیرونی آڈیٹر مقرر کئے گئے ہیں۔ ان کی تقرری رجسٹرار آف مضاربہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہوگی۔

شرعیہ ایڈوائزر کی رپورٹ:

مضاربہ اپنے شرعی مشیر مفتی محمد ابراہیم عیسیٰ سے رہنمائی حاصل کرتا رہتا ہے اور جب ضرورت پڑتی ہے تو رجسٹرار مضاربہ کی مشاورت سے تیار کردہ شرع آڈٹ میکانزم کی مکمل تعمیل کو یقینی بنایا جاتا ہے۔ اندرونی آڈٹ ڈیپارٹمنٹ کو بھی تربیت دی گئی ہے کہ وہ مضاربہ کے روزمرہ کے معاملات کو شرعی پالیسیوں اور اصولوں کی مکمل پابندی کو یقینی بنائے۔ 30 جون 2022 کو ختم ہونے والے سال کے لئے مضاربہ کے امور کے لئے جاری کردہ شرعی مشیر کی رپورٹ سالانہ مالیاتی گوشواروں میں منسلک ہے۔

اعترافات:

بورڈ آف ڈائریکٹرز SECP اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا اعتراف اور تعریف کرنا چاہیں گے۔ اس کے علاوہ، ہم مضاربہ پر اعتماد کرنے کے لئے اپنے صارفین اور سرمایہ کاروں کا شکریہ ادا کرنے کے لئے اس موقع سے فائدہ اٹھانا چاہیں گے۔

بورڈ کی جانب سے
کریم حاتم
چیف ایگزیکٹو

عبدالجلیل شیخ
ڈائریکٹر

مورخہ: 20 اکتوبر 2022

**Pattern of Certificates Holding
As At June 30, 2022**

First Prudential Modaraba

NO. OF	Certificates Holding	Total Certificates
Certificate Holders	FROM TO	Held
3383	1 - 100	168,123
2610	101 - 500	629,581
2107	501 - 1000	1,768,371
1898	1001 - 5000	4,238,746
354	5,001 - 10,000	2,709,914
139	10,001 - 15,000	1,734,940
93	15,001 - 20,000	1,669,417
50	20,001 - 25,000	1,151,185
30	25,001 - 30,000	836,510
23	30,001 - 35,000	818,978
19	35,001 - 40,000	714,398
12	40,001 - 45,000	521,255
25	45,001 - 50,000	1,229,774
37	70,001 - 75,000	2,860,697
18	75,001 - 80,000	701,261
63	80,001 - 300,000	8,952,400
6	300,001 - 500,000	3,156,183
4	500,001 - 700,000	2,592,565
2	700,001 - 800,000	1,521,500
1	800,001 - 900,000	820,000
1	900,001 - 1,000,000	1,000,000
1	1,000,001 - 1,300,000	1,293,000
1	1,300,001 - 1,600,000	1,356,500
1	1,600,001 - 1,900,000	1,684,500
1	1,900,001 - 2,000,000	1,929,159
1	2,000,001 - 2,500,000	2,275,232
1	4,000,001 - 4,300,000	4,220,500
1	4,300,001 - 4,500,000	4,320,000
1	8,500,001 - 9,000,000	8,721,766
1	10,500,001 - 11,000,000	10,521,205
1	11,000,001 - 11,100,000	11,100,000
10885	Total	87,217,660

**Pattern of Certificates Holding
As At June 30, 2022**

First Prudential Modaraba

S/No	Categories of Certificate holders	Number of Certificate holders	Category wise Certificates Held	%
1	INDIVIDUALS	10798	61,799,947	70.86%
2	INVESTMENT COMPANIES	2	213,369	0.24%
3	INSURANCE COMPANIES	3	4,216,044	4.83%
4	JOINT STOCK COMPANIES	44	12,045,122	13.81%
5	FINANCIAL INSTITUTIONS	33	156,342	0.18%
6	CHARITABLE TRUSTS	1	23,000	0.03%
7	MODARABA MANAGEMENT CO	1	8,721,766	10.00%
8	EMPLOYEES PENSION FUND	1	31,199	0.04%
9	EMPLOYEES BENEVOLENT FUND	1	1,095	0.00%
10	PRIVATE LTD COMPANIES	1	9,776	0.01%
		10,885	87,217,660	100.00%

Certificate Holding 5 % & above

	Name of Certificate Holders	Number of Certificates Held	%
1	Ms. Pashtoon	12,126,500	13.90%
2	Prudential Capital Management Limited	10,521,205	12.06%
3	AWWAL Modaraba Management Limited	8,721,766	10.00%

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
Awwal Modaraba Management Limited
Year ended June 30, 2022

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

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'.

Khalid Aziz Mirza
Chairman

Dated: 20 October 2022



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

نحمده و نصلى على رسوله الكريم

Annual Shariah Advisor's Report

For the period ended June 30, 2022

We have reviewed the affairs of **First Prudential Modaraba** for the year ended June 30, 2022 in accordance with the requirements of the Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shariah Compliance and Shariah Audit Mechanism for Modarabas.

SHARIAH COMPLIANCE:

The Modaraba has a mechanism to strengthen the *Shariah* compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the *Shariah* principles;

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:

We confirm that for investment and operational purposes, Modaraba is operating the Bank accounts maintained with Islamic Banks or Islamic windows of commercial 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.

EQUITY SHARES:

Modaraba's entire equity investments were made in approved Shariah compliant scripts, except for the following shares:



Non-Shariah Compliant Shares:

S.No	Name of Shares	Quantity
1.	Lahore Stock Exchange	843,975

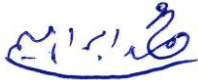
In this year Modaraba did not dispose of the shares of Lahore Stock Exchange.

RECOMMENDATION:

Modaraba should dispose of non Shariah Compliant shares subject to the availability of the buyer.

CONCLUSION:

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



MUFTI MUHAMMAD IBRAHIM ESSA

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited



MUFTI UBAID UR RAHMAN ZUBAIRI

For and on behalf of



DRAFT

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

We have audited the annexed balance sheet of **FIRST PRUDENTIAL MODARABA** ("the Modaraba") as at June 30, 2022 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 ended June 30, 2022 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 Management Company's [Awwal Modaraba Management Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion proper books of account have been kept by the Modaraba Management Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the 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 the 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 conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2022 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which provide details regarding scheme of arrangement (scheme of merger) First Pak Modaraba and KASB Modaraba with and into First Prudential Modaraba subject to completion of necessary Corporate/Regulatory formalities, approvals from the Stakeholders/ Regulators and the sanction of scheme by the Honorable High Court along with fulfilment of all legal formalities at a specific date subject to approval of Honorable High Court.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.



KARACHI

DATED:

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

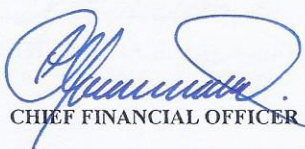
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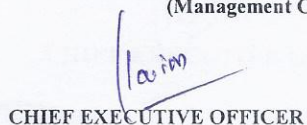
**FIRST PRUDENTIAL MODARABA
BALANCE SHEET
AS AT JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment - own use	5	2,050,776	2,723,644
Property, plant and equipment - Ijarah	6	16,651,652	10,350,262
Intangible assets	7	102,778	164,445
Investment properties	8	50,105,000	46,200,000
Diminishing musharika finance	9	171,621,644	39,893,900
Long term investments	10	20,533,912	19,608,230
Long term advances and deposits	11	537,790	227,500
Deferred tax asset	12	268,542	-
		261,872,094	119,167,981
CURRENT ASSETS			
Musharika, Murabaha and other finance - net	13	-	-
Current portion of Diminishing Musharika Finance	9	137,757,329	34,304,232
Investment against repurchase agreement	14	23,624,891	-
Investments	15	3,796,146	121,095,565
Modaraba term deposit	16	-	84,000,000
Ijarah rentals receivable	17	336,608	156,923
Receivable against sale of agriculture produce - net	18	-	-
Advances, prepayments and other receivables	19	40,180,762	15,852,927
Taxation Refundable	20	12,039,284	12,039,284
Cash and bank balances	20	90,691,899	162,187,832
		308,426,919	429,636,763
		570,299,013	548,804,744
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
87,217,660 modaraba certificates of rupees 10/- each		872,176,600	872,176,600
Issued, subscribed and paid-up certificate capital			
87,217,660 modaraba certificates of rupees 10/- each	21	872,176,600	872,176,600
Statutory reserve		157,527,004	153,622,591
Accumulated loss		(587,211,476)	(595,851,717)
		442,492,128	429,947,474
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income	22	7,769,197	10,486,051
		450,261,325	440,433,525
NON CURRENT LIABILITIES			
Ijarah deposits	23	182,500	320,000
CURRENT LIABILITIES			
Musharaka finance	24	-	50,000,000
Short term finance	25	50,000,000	-
Current portion of Ijarah deposits	23	7,528,781	8,542,081
Accrued and other liabilities	26	25,285,826	16,807,929
Provision for taxation		4,670,444	1,858,981
Unclaimed profit distribution		32,370,137	30,842,228
		119,855,188	108,051,219
		570,299,013	548,804,744
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	27		

The annexed notes from 1 to 45 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR



DIRECTOR

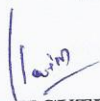
**FIRST PRUDENTIAL MODARABA
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
Income			
Income from Diminishing Musharika Finance		23,249,958	15,970,879
Ijarah rentals earned	28	3,646,005	4,850,024
Income from deposits with banks		9,263,631	13,817,096
Income from investment in sukuk		5,978,961	1,493,187
Income from Modaraba term deposit		3,088,211	898,685
Income from investment in repurchase agreement		2,112,354	-
Capital gain on sale of investments		-	248,283
Dividend income		1,487,941	385,307
Rental income from investment properties		3,383,832	3,332,562
Other income	29	4,087,444	1,096,533
		<u>56,298,337</u>	<u>42,092,556</u>
Unrealized (loss) / gain on investments classified as 'fair value through profit or loss	15.3.2	(656,884)	388,839
Unrealized loss on remeasurement of property & equipment - own use	5	-	(595,950)
Unrealized gain on revaluation of investments properties		3,905,000	-
Reversal of provision against doubtful receivables - net	30	2,103,804	3,638,968
		<u>61,650,257</u>	<u>45,524,413</u>
Expenses			
Depreciation on Ijarah assets	6	(2,798,810)	(3,791,246)
Administrative expenses	31	(29,678,259)	(30,361,653)
Finance charges	32	(4,173,556)	(748,208)
		<u>(36,650,625)</u>	<u>(34,901,107)</u>
		24,999,632	10,623,306
Modaraba company's remuneration	33	(2,206,499)	(937,626)
Provision for service sales tax on Management ' Company's remuneration	34	(286,845)	(121,891)
		(2,493,344)	(1,059,517)
Provision for Workers' Welfare Fund	26.1	(441,300)	(187,525)
Profit before taxation		<u>22,064,988</u>	<u>9,376,264</u>
Provision for taxation	35	(2,542,921)	-
Profit after taxation		<u>19,522,067</u>	<u>9,376,264</u>
Earnings per certificate - basic and diluted	36	<u>0.22</u>	<u>0.11</u>

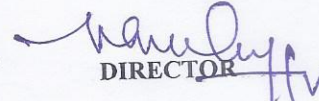
The annexed notes from 1 to 45 form an integral part of these financial statements.

**For Awwal Modaraba Management Limited
(Management Company)**


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

**FIRST PRUDENTIAL MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
Profit for the year		19,522,067	9,376,264
Other Comprehensive income for the year:			
Items that will be reclassified subsequently to profit and loss			
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income		925,682	9,261,097
Unrealized gain on remeasurement of sukuk certificates		552,464	3,642,536
Reversal of unrealized gain on disposal of sukuk certificates		(4,195,000)	-
		(2,716,854)	12,903,633
Total comprehensive income for the year		16,805,213	22,279,897

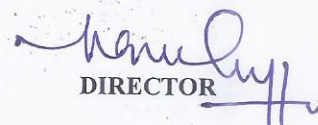
The annexed notes from 1 to 45 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR

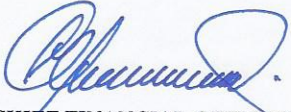

DIRECTOR

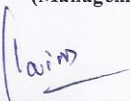
**FIRST PRUDENTIAL MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2022**



	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,064,988	9,376,264
Adjustments for:		
Dividend income	(1,487,941)	(385,307)
Capital gain on sale of investments	-	(248,283)
Unrealised (gain) on investments	-	(388,839)
Unrealised loss on revaluation of own use asset	-	595,950
Gain on remeasurement of investment property	(3,905,000)	-
Gain on disposal - own assets	(50,000)	(15,500)
Depreciation - own use assets	672,868	698,314
Depreciation - Ijarah assets	2,798,810	3,791,246
Amortization on intangible assets	61,667	20,555
	(1,909,596)	4,068,136
Cash flows before movements in working capital	20,155,392	13,444,400
Decrease / (increase) in current assets		
Diminishing Musharika Finance	(235,180,841)	37,870,811
Investment against repurchase agreement	(23,624,891)	-
Ijarah rentals receivable	(179,685)	(98,592)
Asset acquired in satisfaction of financing facility	-	2,375,000
Advances, prepayments and other receivables	(21,421,406)	7,140,256
	(280,406,823)	47,287,475
Increase / (decrease) in current liabilities		
Ijarah deposits	(1,150,800)	(4,994,903)
Musharaka finance	(50,000,000)	50,000,000
Short term finance	50,000,000	-
Accrued and other liabilities	10,005,781	4,179,980
	8,854,981	49,185,077
	(251,396,450)	109,916,952
Taxes paid	(3,216,718)	(3,112,599)
Net cash (used in) / flows from operating activities	(254,613,168)	106,804,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,487,941	385,307
Investments - net	197,656,882	(196,364,342)
Purchase of intangible assets	-	(185,000)
Proceeds from disposal - ijarah assets	1,150,800	5,177,403
Proceeds from disposal - own assets	50,025	15,500
Purchase of ijarah assets	(10,251,000)	(1,825,000)
Net cash flows from / (used in) investing activities	190,094,648	(192,796,132)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to the certificate holders	(6,977,413)	-
Net cash (used in) / flows from financing activities	(6,977,413)	-
Net decrease in cash and cash equivalents	(71,495,933)	(85,991,779)
Cash and cash equivalents at the beginning of the year	162,187,832	248,179,611
Cash and cash equivalents at the end of the year	90,691,899	162,187,832

The annexed notes from 1 to 45 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER

 
DIRECTOR DIRECTOR

and paid up certificate capital	*Statutory reserve	Accumulated loss	Total
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(Rupees)

Balance at July 1, 2020 872,176,600 151,747,338 (603,352,728) 420,571,210

Statutory comprehensive income for the year

Profit for the year - - 9,376,264 9,376,264

Other comprehensive income for the year - - - -

Transfer to statutory reserve - 1,875,253 (1,875,253) -

Balance at June 30, 2021 872,176,600 153,622,591 (595,851,717) 429,947,474

Balance at July 1, 2021 872,176,600 153,622,591 (595,851,717) 429,947,474

Statutory comprehensive income for the year

Profit for the year - - 19,522,067 19,522,067

Other comprehensive income for the year - - - -

Profit distribution @ Re. 0.08 per certificate for the year ended June 30, 2021 - - (6,977,413) (6,977,413)

Transfer to statutory reserve - 3,904,413 (3,904,413) -

Balance at June 30, 2022 872,176,600 157,527,004 (587,211,476) 442,492,128

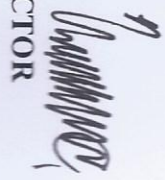
Statutory reserve represents profit set aside to comply with the Modaraba Regulations, 2021 issued by Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 45 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

FIRST PRUDENTIAL MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

- 1.2 The Board of Directors of the Modaraba Management Company in their meeting held on March 11, 2022 have approved the draft scheme of arrangement for merger of First Pak Modaraba and KASB Modaraba with and into First Prudential Modaraba subject to completion of necessary Corporate/ Regulatory formalities, approvals from the Stakeholders/ Regulators and the sanction of scheme by the Honorable High Court along with fulfilment of all legal formalities.

After obtaining NOC from the SECP, Petition has been filed in the High Court of Sindh. The Honorable Court vide order dated July 05, 2022 directed to hold meeting of the certificate holders for approval of the merger scheme and submit the report thereon. Accordingly, meeting of the certificate holders convened on August 12, 2022, wherein the certificate holders have extended the desired approval. The compliance report on the proceeding of the said meeting has been submitted with the Honorable High Court. The court order is still awaited in respect of approval of the scheme of merger.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

2.1.1 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 1827 (I)/2022 dated September 29, 2022 has deferred the effective date for applicability of International Financial Reporting Standard (IFRS) 9 - 'Financial Instruments' for Non-Banking Finance Companies and Modarabas. The said standard has superseded International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement'. IFRS 9 is now effective for reporting period / year ending on or after June 30, 2024.

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 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise stated.

2.4 Significant accounting estimates and judgments

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are included in the following notes:

i)	Classification of financial instruments	Note 4.4
ii)	Provision for impairment	Note 4.5
iii)	Provision for taxation	Note 4.12 & 35
iv)	Determination and measurement of useful life and residual value of property and equipments, intangible assets and ijarah assets.	Note 4.1, 5, 6 & 7
v)	Contingencies	Note 4.10 & 27

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards / amendments that are effective in current year and are not relevant to the Modaraba

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or did not have material impact on the financial statements other than certain additional disclosures:

**Effective date
(annual periods
beginning on or
after)**

Interest Rate Benchmark Reform - Phase 2
(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid
- 19 related rent concessions

April 01, 2021

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current

January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies

January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates

January 01, 2023

**Effective date
(annual periods
beginning on or
after)**

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction

January 01, 2023

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract

January 01, 2022

The following new standards have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards; and
IFRS 17 Insurance Contracts

Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 1827 (I)/2022 dated September 29, 2022 has deferred the effective date for applicability of International Financial Reporting Standard (IFRS) 9 - 'Financial Instruments' for Non-Banking Finance Companies and Modarabas. The said standard has superseded International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement'. IFRS 9 is now effective for reporting period / year ending on or after June 30, 2024.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented unless otherwise stated.

4.1 Property and equipment

a) 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 ijarah lease.

b) 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 applying the straight-line method in accordance with the rates specified in note 5 to these financial statements. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the profit and loss in the period in which they arise.

Assets' residual values, depreciation method and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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

4.2 Intangibles

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

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of the item can be measured reliably. Amortization is charged to income using the straight line method in accordance with the rates specified in note 7 to these financial statements. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each reporting date. Amortization is charged from the month the asset is available for use while in the case of assets disposed off, it is charged till the month preceding the month of disposal.

4.3 Investment property

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

4.4 Financial Instruments

4.4.1 Financial assets

All financial assets are initially recognized on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprise musharakah, morabaha and ijarah rental receivable that are financial assets with fixed or determinable payments that are not quoted in active markets and includes investments, diminishing musharakah finance, long term advances, modaraba term deposits, other receivables and bank balance.

The Modaraba derecognizes the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.4.2 Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

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

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

4.4.3 Subsequent measurement

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

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

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

Debt investments at FVTOCI These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in income statement. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss.

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

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

4.4.4 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as (T+2) purchases and sales are recognized at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

4.4.5 Financial liabilities

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

4.5 Impairment

- 4.5.1** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFIs & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and the Modaraba Regulations, 2021. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba and its own accounting policies. During the reporting period, the SECP has deferred the applicability of all requirements of IFRS 9 for Modarabas until June 30, 2023 via S.R.O. 1827(I)/2022.

4.5.2 Non-financial assets

The Modaraba assesses at the end of each reporting period whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income in profit and loss.

4.5.3 Financial assets classified under Islamic Financial Accounting

In case of assets classified under Islamic Financial Accounting Standards, the assets shall be reviewed and provided for according to the time based criteria mentioned in the Modaraba Regulations, 2021.

4.5.4 Offsetting of financial assets and financial liabilities

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

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

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

4.7 Staff retirement benefits

Defined contribution plan

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

4.8 Accrued and other liabilities

Accrued expense and other payables are initially recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Modaraba and is subsequently measured at amortised cost.

4.9 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 reporting date and adjusted to reflect the current best estimate.

4.10 Contingent liabilities

A contingent liability is disclosed when the Modaraba has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Modaraba; or the Modaraba has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.11 Revenue recognition

4.11.1 Ijarah rentals

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

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

4.11.2 Morabaha and musharaka transactions

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

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

4.11.3 Diminishing musharaka

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

4.11.4 Rental income

Rental income arising from investment properties is accounted for on accrual basis as per the agreement.

4.11.5 Dividend income

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

4.11.6 Return on finance

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

4.11.7 Other income

Other income is recognized on accrual basis.

4.11.8 Income from Shariah non-compliant avenues

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

4.11.9 Mark-up income

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

4.12 Taxation

Current

Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas was exempt from income tax, provided not less than 90% of its profits, after appropriation to statutory reserves as required under Modaraba Regulations, are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (Second amendments), 2021 which was subsequently adopted in Finance Act, 2021. Through Finance Act, 2021 a new section 242 was added in the Income Tax Ordinance, 2001, which allowed the continued exemption till the thirtieth day of June, 2021. Accordingly, provision for taxation has been recognised with effect from July 01, 2021 in these financial statements.

Deferred

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

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred 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 deductible temporary differences and tax losses can be utilized.

4.13 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange approximating to those prevalent on the reporting 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.

4.14 Cash and cash equivalents

For the purposes of the statement of cash flows, 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).

4.15 Profit distribution

Profit distribution to the Modaraba's certificate holders is recognized as a liability in the financial statements of the year in which the distributions are approved by the Board of the Management Company.

4.16 Earning per certificate

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

5 **Property and equipment - own use**

The following is the statement of operating fixed assets - own use at the reporting date:

Description	2022					
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	Vehicles	Total
	Rupees					
At July 01, 2021						
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(503,750)	(870,071)	(2,155,920)	(865,588)	(3,061,310)	(7,456,639)
Carrying amount	2,000,300	-	-	-	723,344	2,723,644
Year ended June 30, 2022						
Opening carrying amount	2,000,300	-	-	-	723,344	2,723,644
Disposal	-	(716,671)	(2,155,920)	(701,958)	(41,500)	(3,616,049)
Depreciation charge for the year	(130,962)	-	-	-	(541,907)	(672,868)
Accumulated depreciation on disposal	-	716,671	2,155,920	701,958	41,500	3,616,049
Closing carrying amount	1,869,338	-	-	-	181,437	2,050,776
At June 30, 2022						
Cost / revalued amount	3,100,000	153,400	2,102,716	163,630	3,743,154	9,262,900
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(634,712)	(153,400)	-	(163,630)	(3,561,717)	(4,513,458)
Carrying amount	1,869,338	-	-	-	181,437	2,050,776
Depreciation rate (% per annum)	5	33	20	33	20	

Description	2021					
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	Vehicles	Total
	Rupees					
At July 01, 2020						
Cost	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Cost / revalued amount	-	-	(2,102,716)	-	-	(2,102,716)
Accumulated depreciation	(348,750)	(870,071)	(2,155,920)	(865,588)	(2,517,996)	(6,758,325)
Carrying amount	2,751,250	-	-	-	1,266,658	4,017,908
Year ended June 30, 2021						
Opening carrying amount	2,751,250	-	-	-	1,266,658	4,017,908
Unrealized loss for the year	(595,950)	-	-	-	-	(595,950)
Depreciation charge for the year	(155,000)	-	-	-	(543,314)	(698,314)
Closing carrying amount	2,000,300	-	-	-	723,344	2,723,644
At June 30, 2021						
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(503,750)	(870,071)	(2,155,920)	(865,588)	(3,061,310)	(7,456,639)
Carrying amount	2,000,300	-	-	-	723,344	2,723,644
Depreciation rate (% per annum)	5	33	20	33	20	

6 PROPERTY, PLANT AND EQUIPMENT - IJARAH

Description	2022			
	Plant and machinery	Office equipment	Vehicles	Total
	Rupees			
As at July 01, 2021				
Cost	47,978,781	801,000	71,260,000	120,039,781
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(50,976,042)	(83,490,180)
Carrying amount	7,208,781	-	3,141,481	10,350,262
Year ended June 30, 2022				
Opening carrying amount	7,208,781	-	3,141,481	10,350,262
Additions - at cost	-	-	10,251,000	10,251,000
Disposal - carrying amount	-	-	(8,995,500)	(8,995,500)
Depreciation charge for the year	-	-	(2,798,810)	(2,798,810)
Depreciation on disposal	-	-	7,844,700	7,844,700
Closing carrying amount	7,208,781	-	9,442,871	16,651,652
As at June 30, 2022				
Cost	47,978,781	801,000	72,515,500	121,295,281
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(45,930,152)	(78,444,290)
Carrying amount	7,208,781	-	9,442,871	16,651,652
Useful life (months)	36 to 60	24 to 60	24 to 60	
Description	2021			
	Plant and machinery	Office equipment	Vehicles	Total
	Rupees			
As at July 01, 2020				
Cost	75,679,295	801,000	69,435,000	145,915,295
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(53,129,624)	(512,150)	(48,580,271)	(102,222,045)
Carrying amount	13,781,659	-	3,712,252	17,493,911
Year ended June 30, 2021				
Opening carrying amount	13,781,659	-	3,712,252	17,493,911
Additions - at cost	-	-	1,825,000	1,825,000
Disposal - carrying amount	(5,177,403)	-	-	(5,177,403)
Depreciation charge for the year	(1,395,475)	-	(2,395,771)	(3,791,246)
Closing carrying amount	7,208,781	-	3,141,481	10,350,262
As at June 30, 2021				
Cost	47,978,781	801,000	71,260,000	120,039,781
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(50,976,042)	(83,490,180)
Carrying amount	7,208,781	-	3,141,481	10,350,262
Useful life (months)	36 to 60	24 to 60	24 to 60	

	Note	2022 Rupees	2021 Rupees
7 INTANGIBLE ASSETS			
Computer software	7.1	102,778	164,445
PSX - Trading rights entitlement certificates (TREC)	7.2	-	-
		<u>102,778</u>	<u>164,445</u>
7.1 Computer software			
Opening balance		2,012,847	1,827,847
Addition / (disposal)		-	185,000
Balance as at June 30,		<u>2,012,847</u>	<u>2,012,847</u>
Amortization			
Opening balance		(1,848,402)	(1,827,847)
Charge for the year (rate 33.33%)		(61,667)	(20,555)
		<u>(1,910,069)</u>	<u>(1,848,402)</u>
Closing balance		<u>102,778</u>	<u>164,445</u>
7.2 PSX - Trading rights entitlement certificates (TREC)			
Impairment of TREC	7.2.2	5,344,352	5,344,352
		<u>(5,344,352)</u>	<u>(5,344,352)</u>
		<u>-</u>	<u>-</u>

7.2.1 Lahore Stock Exchange (LSE) membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance of a defaulted party.

Pursuant to demutualization of LSE, the membership card had been surrendered to the Exchange against the following;

- (a) 843,975 ordinary shares of face value of Rs.10 each of LSE; and
- (b) Trading Rights Entitlement Certificates (TREC).

As per the mechanism prescribed by the LSE, the carrying value of the membership card is allocated as follows:

Trading Right Entitlement Certificate (TREC).	7.2.2	5,344,352	5,344,352
Broker's room	7.2.3	4,217,500	4,217,500
Ordinary shares of face value of Rs. 10/- each of LSE	7.2.4	12,764,715	12,764,715
		<u>22,326,567</u>	<u>22,326,567</u>

7.2.2 As per section 16 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, every TREC holder was required to register itself as a broker within two years of the date of demutualization i.e. by August 26, 2014, failure to which would be resulted in the lapse of the TREC. The impairment has been recorded as the Modaraba did not register itself as a broker before the expiry of the said date.

7.2.3 The carrying amount of the Broker's room is included in "property and equipment - own use" under office premises (refer note 5).

7.2.4 The carrying amount of ordinary shares is included in "long term investment" (refer note 10).

8 INVESTMENT PROPERTIES - CARRIED AT FAIR VALUE

The following is the statement of investment property at the reporting date:

Description	Office suite	Four shops	Total
	Rupees		
Net carrying value basis			
year ended June 30, 2022			
Opening net book value	29,800,000	16,400,000	46,200,000
Closing net book value	33,705,000	16,400,000	50,105,000
Gross carrying value basis			
year ended June 30, 2022			
Cost / revalued amount	29,800,000	16,400,000	46,200,000
Surplus on revaluation of investment property	3,905,000	-	3,905,000
Closing net book value	33,705,000	16,400,000	50,105,000
Net carrying value basis			
year ended June 30, 2021			
Opening net book value	29,800,000	16,400,000	46,200,000
Closing net book value	29,800,000	16,400,000	46,200,000
Gross carrying value basis			
year ended June 30, 2021			
Cost / revalued amount	29,800,000	16,400,000	46,200,000
Closing net book value	29,800,000	16,400,000	46,200,000

8.1 Office suite represents two offices in Lakson Square, Karachi, acquired through a settlement agreement. The property is let on rent and therefore, disclosed as investment property.

8.2 Represents shops in Zarkoon Plaza, Sadar, Rawalpindi acquired through a settlement agreement.

8.3 Investment property is revalued by an independent valuer named Ocean Surveyors (Private) Limited as at June 30, 2022.

8.4 The forced sales value of office suite and shops is Rs. 26.94 million and Rs.12.3 million, respectively.

			2022 Rupees	2021 Rupees
9	DIMINISHING MUSHARIKA			
	Diminishing Musharika			
	Principal		306,715,428	74,017,203
	Profit	9.1	2,663,545	180,929
			309,378,973	74,198,132
	Less: Current portion of diminishing musharika		(137,757,329)	(34,304,232)
			171,621,644	39,893,900

- 9.1 This represent diminishing musharaka financing for a term of 3 to 5 years. These carry profit rate ranging from 11.85% and 20.00% (2021: 11.85% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

10 LONG TERM INVESTMENTS

Investment classified as 'fair value through other comprehensive income

	Unlisted Companies	10.1	20,533,912	19,608,230
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10.1 Unlisted companies

2022	2021		Note	2022 Rupees	2021 Rupees
Number of Shares					
1,107,244	1,107,244	Prudential Securities Limited			
		Cost	10.1.1	4,173,707	4,173,707
		Less: Impairment		(4,173,707)	(4,173,707)
				-	-
		Prudential Discount and Guarantee House Limited			
191,700	191,700	Cost	10.1.1	1,041,815	1,041,815
		Less: Impairment		(1,041,815)	(1,041,815)
				-	-
843,975	843,975	LSE Financial Services Limited			
		Cost	10.1.2	12,764,715	12,764,715
		Fair value adjustment		7,769,197	6,843,515
				20,533,912	19,608,230
				20,533,912	19,608,230

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

- 10.1.2 This represent shares acquired against the surrender of Pakistan Stock Exchange (PSX) formerly Lahore Stock Exchange Limited (LSE) membership card. The Modaraba has recognized a fair value adjustment based on audited financial statements of the Investee Company for the year ended June 30, 2022, the break up value of which is Rs. 24.33 per share. Under the current circumstances , the active market is not available for such shares, therefore the net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

	Note	2022 Rupees	2021 Rupees
11 LONG TERM ADVANCES AND DEPOSITS			
11.1 Long term advances			
Secured and interest free			
To employees - considered good		559,094	58,625
Less: Due within one year shown under current assets		(248,804)	(58,625)
		<u>310,290</u>	<u>-</u>
11.2 Long term deposits			
Margin deposit	11.2.1	3,000,000	3,000,000
Other deposits		227,500	227,500
		3,227,500	3,227,500
Less: Provision against doubtful amounts	11.2.2	(3,000,000)	(3,000,000)
		<u>227,500</u>	<u>227,500</u>
		<u>537,790</u>	<u>227,500</u>

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

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

12 DEFERRED TAXATION - NET		2022 Rupees	2021 Rupees
The deferred tax asset is attributable to the following items			
Deductible temporary differences			
Tax losses carry forward		2,327,938	-
Alternate corporate tax		1,935,692	-
Taxable temporary differences			
Property, Plant & Equipment		(1,742,021)	-
Long term investments		(2,253,067)	-
		<u>268,542</u>	<u>-</u>

		2022 Rupees	2021 Rupees
13	MUSHARIKA, MURABAHA AND OTHER FINANCE		
	Musharaka and morabaha finance		
	Considered good	-	-
	Considered doubtful	13.1 352,230,694	352,230,694
		352,230,694	352,230,694
	Less: Provision against doubtful debts	(352,230,694)	(352,230,694)
		-	-
	Other finance - unsecured		
	Considered good	-	-
	Considered doubtful	13.2 5,259,509	7,363,313
		5,259,509	7,363,313
	Less: Provision against doubtful debts	30 (5,259,509)	(7,363,313)
		-	-

13.1 This include amount of Musharaka and Morabaha finance receivable from various parties, outstanding since many years. Based on the guidelines of Modaraba Regulations outstanding balances against these finances have been fully provided and suspended accordingly.

13.2 Movement of provision for other finance

Opening balance		7,363,313	11,002,281
Reversal of provision during the year	13.2.1	(2,103,804)	(3,638,968)
Closing balance		5,259,509	7,363,313

13.2.1 During the year 2020, the Modaraba concluded settlement agreement with a defaulted customer. The case was under litigation, therefore, compromise application has been submitted with the Court, which was duly allowed to effect the amicable settlement.

Provision against the receivable is reversed to the extent of actual recovery up to June 30, 2022.

	Note	2022 Rupees	2021 Rupees
14	INVESTMENTS AGAINST REPURCHASE AGREEMENT		
Investment against repurchase agreement - secured	14.1	23,624,891	

- 14.1 The Modaraba has entered into an agreement with the shareholder of a Company (Investee Company) for the purchase of 690,108 shares of the Investee Company. Concurrently, the Modaraba entered into a separate agreement with another shareholder of the Investee Company for the sale of underlying shares after a period of eight months from the date of purchase at an agreed price. The underlying shares have been transferred in the name of the Modaraba. These investment are carried at amortized cost.

	Note	2022 Rupees	2021 Rupees
15 INVESTMENTS			
Amortised cost			
Term Deposits Receipts - considered doubtful	15.1	-	-
Fair value through other comprehensive income			
Investment in Sukuk certificates	15.2	-	116,642,536
Fair value through profit and loss			
Quoted securities	15.3	3,796,146	4,453,029
		<u>3,796,146</u>	<u>121,095,565</u>

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

Term Deposit Receipt as at December 06, 2012		10,000,000	10,000,000
Less: Amortization charge		(2,000,000)	(2,000,000)
Less: received in earlier period		<u>(3,219,433)</u>	<u>(3,219,433)</u>
Net receivable		4,780,567	4,780,567
Less: provision against doubtful recoveries	15.1.1	<u>(4,780,567)</u>	<u>(4,780,567)</u>
		<u>-</u>	<u>-</u>

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

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

Meezan Bank Ltd-Additional Tier I			
Mudaraba Sukuk Certificate	15.2.1	-	65,244,186
Dubai Islamic Bank Pakistan Ltd -			
Additional Tier 1 Capital Sukuk	15.2.2	-	51,398,350
		-	116,642,536

During the year the above investments were sold (to related party) to generate funds for extension of shariah compliant finance facilities on higher rate of return.

15.3 Quoted securities

Following is the detail of shares of listed entities - held by the Modaraba at the reporting date:

2022	2021			2022	2021
Number of Shares / Units		Name of Investee Company / Fund	Note	Rupees	Rupees
525	525	Nishat Mills Limited*		38,803	48,983
54,367	54,367	The Hub Power Company Limited		3,706,199	4,331,419
1,495	1,495	Sui Northern Gas Pipeline Limited*		51,144	72,627
-	-	International Steel Limited		-	-
348	348	Hussain Industries Limited*	15.3.1	-	-
1,670,720	1,670,720	Prudential Stock Fund	15.3.1	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	15.3.1	-	-
2,087,455	2,087,455			3,796,146	4,453,029

15.3.1 These investee Companies and Fund are suspended or delisted in prior years, and have been provided in full.

* These shares are not in the name of the Modaraba: Nishat Mills Limited 25 (2020: 25) shares (Second Prudential Modaraba), Sui Northern Gas Pipeline Limited 254 (2020: 254) shares and Hussain Industries Limited 348 (2020: 348) shares (Third Prudential Modaraba).

15.3.2 Net unrealized (loss) / gain on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net

	Note	2022 Rupees	2021 Rupees
Weighted average cost of investments		4,453,029	4,064,190
Unrealized (loss) / gain on changes in fair value		(656,884)	388,839
Market value of investments		<u>3,796,145</u>	<u>4,453,029</u>
16 MODARABA TERM DEPOSIT	16.1	<u>-</u>	<u>84,000,000</u>
16.1 First Prudential Modaraba (Rabb-ul-Maal) invested in the General Pool created by Pak Brunei Investment Company 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 the Related Party. During the year, the term deposit was encashed for deployment of funds in shariah compliant finance facilities to the customers on higher rate of return.			
17 IJARAH RENTAL RECEIVABLE			
Considered good		336,608	156,923
Considered doubtful		49,083,826	49,083,826
		<u>49,420,434</u>	<u>49,240,749</u>
Less: provision for doubtful receivables		(49,083,826)	(49,083,826)
		<u>336,608</u>	<u>156,923</u>
17.1 Future minimum ijarah rentals receivable			
Within one year		5,169,862	1,108,284
After one year but not more than five years		6,673,225	982,772
		<u>11,843,087</u>	<u>5,270,894</u>

	Note	2022 Rupees	2021 Rupees
18 RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE - SECURED			
Considered doubtful	18.1	27,811,518	27,811,518
Less: Provision for doubtful receivables		(27,811,518)	(27,811,518)
		<u>-</u>	<u>-</u>

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

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

19 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	Considered good		Considered doubtful		Total	
		2022	2021	2022	2021	2022	2021
		-----Rupees-----					
Advance							
Income tax	19.1	12,971,505	9,754,787	-	-	12,971,505	9,754,787
To staff - Secured	19.2 & 19.2.1	248,804	58,625	1,814,000	1,814,000	2,062,804	1,872,625
Against purchase of assets		22,661,500	2,000,000	-	-	22,661,500	2,000,000
Prepayments		249,304	455,306	-	-	249,304	455,306

	Note	Considered good		Considered doubtful		Total	
		2022	2021	2022	2021	2022	2021
		Rupees					
Other receivables from							
Brokers on account							
- of sale of shares	19.3	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares	19.4	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	19.5	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks		1,089,958	661,799	-	-	1,089,958	661,799
Return on investment in Sukuk / TDR		-	1,278,291	-	-	-	1,278,291
Others		2,959,691	1,644,119	13,466,235	13,466,235	16,425,926	15,110,354
Sub total		40,180,762	15,852,927	109,573,414	109,573,414	149,754,176	125,426,341
Provision for doubtful receivables		-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
		40,180,762	15,852,927	-	-	40,180,762	15,852,927

- 19.1 This includes an amount of Rs. 1.674 million forcefully withdrawn from bank by the Taxation Authorities on March 14, 2016 against which the Modaraba has filed an application for refund due to the fact that the amount was wrongly withdrawn on the ground that original return filed for the year 2009 was erroneous. The withdrawal was based on the original return filed whereas the revised return filed and order passed by the Additional Commissioner of Inland Revenue in favor of the Modaraba has been ignored. The management is confident that the amount will be recovered from the tax authorities.
- 19.2 The balances are secured against Provident Fund (PF) balances of employees.
- 19.2.1 The doubtful amount of Rs.1.8 million was paid to an ex-managing director of the Modaraba without prior approval of the board of directors of previous Modaraba Management Company (Prudential Capital Management Limited) for the purchase of a motor vehicle. The Modaraba has initiated legal proceedings for the recovery of said amount from the ex-managing director.
- 19.3 The doubtful amount includes claim of Rs. 64.62 million receivable from a defaulted stock broker – Investec Securities Limited. Various proposals were initiated in past but none of them was materialized for settlement. In one of the proposal, the said broker has offered / transferred shares and certificates of following entities which were not acknowledged by the Management of the Modaraba, owing to the weak financial position of the entities and significance of the amount of claim. Accordingly, the management of the Modaraba has not accepted the shares / certificates as satisfaction of claim and same is not recorded in the books of account. Detail of shares / certificates offered / transferred is as under:

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

- 19.4 This amount includes Rs. 17.889 million paid as advance for purchase of securities to Prudential Securities Limited (PSL). Remaining amount of Rs. 0.54 million is blocked in CDC-sub account of the said broker against various shares.

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

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

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

	Note	2022 Rupees	2021 Rupees
20 CASH AND BANK BALANCES			
Cash in hand		-	10,000
Balances with banks			
Current accounts		15,019,362	13,502,199
Saving accounts	20.1	75,672,537	148,675,633
		90,691,899	162,177,832
		<u>90,691,899</u>	<u>162,187,832</u>

- 20.1 The balance in saving accounts carry profit at an average rates ranging from 2.75% to 11.75% per annum (2021: 2% to 6.43% per annum).

21 CERTIFICATE OF CAPITAL

2022	2021		2022	2021
No. of certificates			-----Rupees-----	
<u>87,217,660</u>	<u>87,217,660</u>	Authorised	<u>872,176,600</u>	<u>872,176,600</u>
		Modaraba certificates of Rs.10 each		
		Issued, subscribed and paid-up		
13,451,650	13,451,650	Modaraba certificates of Rs.10 each fully paid in cash	134,516,500	134,516,500
8,864,716	8,864,716	Modaraba certificates of Rs.10/-each fully paid bonus certificates	88,647,160	88,647,160
64,901,294	64,901,294	Modaraba certificates of Rs.10/- issued under scheme of arrangement for amalgamation with Second and Third Prudential Modaraba	649,012,940	649,012,940
<u>87,217,660</u>	<u>87,217,660</u>		<u>872,176,600</u>	<u>872,176,600</u>

21.1 As at June 30, 2022, Awwal Modaraba Management Limited, the management company, held 8,721,766 (2021: "nil") certificates of Rs. 10/- each.

21.2 The Modaraba has only one class of certificate capital and each certificate carries equal rights.

	Note	2022 Rupees	2021 Rupees
22 UNREALISED GAIN / (LOSS) ON REMEASUREMENT OF INVESTMENTS CLASSIFIED AS 'FVTOCI'			
Market value of investments	10.1.2	20,533,912	136,250,766
Less: cost of investments	10.1.2	(12,764,715)	(125,764,715)
		<u>7,769,197</u>	<u>10,486,051</u>
Unrealised gain / (loss) on remeasurement at the beginning of the year		10,486,051	(2,417,582)
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income		925,682	9,261,097
Un-realized gain on remeasurement of sukuk certificates		552,464	3,642,536
Reversal of un-realized (loss) / gain on disposal of sukuk certificates		(4,195,000)	-
Unrealised gain on remeasurement at the end of the year		<u>7,769,197</u>	<u>10,486,051</u>

			2022 Rupees	2021 Rupees
23	IJARAH DEPOSITS	Note		
	Ijarah deposits		7,711,281	8,862,081
	Less: Current portion ijarah deposit		(7,528,781)	(8,542,081)
			<u>182,500</u>	<u>320,000</u>
24	MUSHARAKA FINANCE	24.1	-	50,000,000
			<u>-</u>	<u>50,000,000</u>

- 24.1 The Pak Brunei Investment Company Limited (PBICL) extended callable / convertible financing line of Rs.250 million to the Modaraba under Musharaka arrangement. As per the Agreement the first tranche of Rs.50 million was disbursed on January 28, 2021, which was fully repaid along with return on the date of maturity i.e., December 31, 2021.

The return on finance was based on sharing of profit before tax and management remuneration in the ratio of PBICL investment to total Musharaka Capital (i.e., the sum of PBICL finance and Modaraba equity as on September 30, 2020).

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

25	SHORT TERM FINANCE	25.1	<u>50,000,000</u>	<u>-</u>
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The Modaraba has availed finance facility of Rs. 50 million (2021: Nil) under Wakala Agreement dated December 31, 2021 from Pak Brunei Investment Company Limited (PBICL). As per terms of the agreement, PBIC acts as Muwakkil (the principal) and Modaraba as Wakil (the agent) to execute the Shariah Compliant transactions through and as part of the Wakil's pool of assets for deployment of funds under the extended facility.

The facility shall be matured on December 31, 2022 and may thereafter be extended by a further period or periods of one year each if approved by both parties. Return to the Muwakkil on investment is expected at 3 Months KIBOR + 2% per annum (2021: Nil).

The facility was secured by way of First Hypothecation charge on all present and future assets of the Modaraba equivalent to PKR. 66,666,667/- with 25% margin..

	Note	2022 Rupees	2021 Rupees
26 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		1,173,136	1,624,055
Modaraba management Company's remuneration	33	2,615,235	1,059,517
Share in common expenses		6,626,206	3,462,042
Takaful		1,677,911	5,517,869
Workers' welfare fund	26.1	1,970,050	1,528,750
Charity payable	26.2	320,304	1,304,466
Client share against diminishing musharika finance		6,992,600	-
Others		3,910,385	2,311,230
		<u>25,285,826</u>	<u>16,807,929</u>

26.1 The Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 (the SWWF Act) on June 4, 2015. As per the said SWWF Act the applicability of Sindh Worker's Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014. During the year an amount of Rs. 441,300 (2021: Rs.187,525) have been provided.

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

	2022 Rupees	2021 Rupees
Charity payable		
Opening balance	1,304,466	1,217,576
Add: Amount credited during the year	730,304	476,890
	<u>2,034,770</u>	<u>1,694,466</u>
Less: Paid during the year	(1,714,466)	(390,000)
Closing balance	<u>320,304</u>	<u>1,304,466</u>

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

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

- 27.1.2 The Modaraba received a letter dated October 01, 2018 from the Assistant Commissioner (Unit-12) of the Sindh Revenue Board (SRB), wherein, it is mentioned that through scrutiny of the financial statements of the Modaraba (for the periods from July 2011 to March 2018 fiscal year years 2012-2017), it came to their notice that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the SSTS Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding which aggregated to Rs. 29.527 million. Such letters were also received by some other Modarabas and it was collectively decided that under the supervision of NBFI and Modaraba Association Pakistan, a petition against the same was filed through a common legal counsel.

Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rentals / lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the HCS stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners. The matter is pending adjudication at the reporting date.

27.2 Commitment

There was no commitment as at the reporting date.

		2022 Rupees	2021 Rupees
28	IJARAH RENTALS EARNED	<u>3,646,005</u>	<u>4,850,024</u>
29	OTHER INCOME		
	Differential of takaful premium recovered from customers	3,756,954	-
	Gain on disposal of property and equipment - Own	50,000	15,500
	Gain on disposal of asset acquired in satisfaction of financing facility	-	125,000
	Front end fee, documentation charges and others	<u>280,490</u>	<u>956,033</u>
		<u>4,087,444</u>	<u>1,096,533</u>
30	REVERSAL OF PROVISION AGAINST DOUBTFUL RECEIVABLES-NET		
	Musharaka and morabaha and other finance 13.2.1	<u>2,103,804</u>	<u>3,638,968</u>

	Note	2022 Rupees	2021 Rupees
31 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	31.1	11,203,173	12,498,754
Transaction cost		-	1,102
Fees and subscription		2,077,245	1,778,074
Repairs and maintenance		1,264,428	1,861,339
Rent, rates and taxes		1,443,237	2,823,328
Registrar services		363,244	284,760
Telephone and postage		145,475	558,709
Travelling and conveyance		120,523	117,790
Depreciation-own use assets	5	672,868	698,314
Amortization - Intangible assets		61,667	20,555
Auditors' remuneration	31.2	494,550	492,498
Electricity, water and gas		396,456	475,335
Printing and stationery		225,945	238,940
Vehicles running		42,734	54,214
Legal and professional		1,220,690	1,335,010
Entertainment		137,319	152,917
Advertisement		148,700	121,613
Takaful		456,259	746,841
Reimbursement of common expenses		3,268,545	3,216,858
Shared services expenses		5,835,000	2,815,843
Miscellaneous		100,201	68,859
		<u>29,678,259</u>	<u>30,361,653</u>

31.1 Remuneration of officers and other employees

	2022			2021		
	Officers	Other employees	Total	Officers	Other employees	Total
	Rupees			Rupees		
Remuneration	9,212,140	1,436,392	10,648,532	7,741,109	2,757,053	10,498,162
Provident fund	115,824	72,480	188,304	294,324	175,684	470,008
Medical	131,161	86,487	217,648	471,394	196,932	668,326
Fuel	-	118,665	118,665	-	-	-
Others	9,100	20,924	30,024	567,703	294,555	862,258
	<u>9,468,225</u>	<u>1,734,948</u>	<u>11,203,173</u>	<u>9,074,530</u>	<u>3,424,224</u>	<u>12,498,754</u>
No. of persons	1	3	4	3	8	11

	Note	2022 Rupees	2021 Rupees
31.2 Auditor's Remuneration			
Statutory audit		350,000	350,000
Half year review		38,400	38,400
Review of code of corporate governance		20,000	20,000
CDC certification		-	-
Out of pocket expenses		86,150	84,098
		<u>494,550</u>	<u>492,498</u>
32 FINANCIAL CHARGES			
Bank charges		29,621	73,347
Return on musharaka finance		861,429	674,861
Return on short term finance		3,282,506	
		<u>4,173,556</u>	<u>748,208</u>
33 MODARABA COMPANY'S REMUNERATION			
Management company's remuneration	33.1	2,206,499	937,626
		<u>2,206,499</u>	<u>937,626</u>

- 33.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba.

34 PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax (SST) on the Modaraba Management Company's remuneration with effect from 01 November 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 Modaraba Management Company's remuneration. The Modaraba Management Company has not received any demand notice from SRB for payment of SST on Modaraba 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 Modaraba 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 Modaraba 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.

	2022 Rupees	2021 Rupees
35 PROVISION FOR TAXATION		
Current	2,811,463	-
Deferred	(268,542)	-
	<u>2,542,921</u>	<u>-</u>

35.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>22,064,988</u>
Tax at the rate of applicable rate of 29% (2021: Nil)	6,398,846
Tax effect of income taxed at lower rate	(208,311)
Tax effect of permeant differences due to reversal of provisions, tax losses, alternate corporate tax, revaluation of investments and rental income from property	
	<u>(3,647,615)</u>
	<u>2,542,920</u>

The tax exemption by virtue of Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2021 had been withdrawn through Tax Laws (Second amendment), 2021 dated March 21, 2021 which was subsequently adopted in Finance Act, 2021. By virtue of withdrawal of exemption, provision for taxation has been recorded in these financial statements.

Provision for current taxation is based on taxable income for the period at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

Modaraba is subject to taxation in the current tax year hence there is no comparative figures.

36 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Basic

Profit for the year	19,522,067	9,376,264
Weighted average number of ordinary certificates	87,217,660	87,217,660
Earnings per certificate	0.22	0.11

Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at reporting date which would have any effect on the earnings per certificate if the option to convert is exercised.

37 CAPITAL MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and benefits of other stake holders and to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As at reporting date Modaraba has short term finance facility and has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further, the Modaraba has very positive current ratio of 2.573:1 (2021: 3.983:1).

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. The Modaraba is not subject to externally exposed capital requirement.

38 FINANCIAL RISK MANAGEMENT

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

The Modaraba's principal financial liabilities comprise Musharaka finance and other liabilities. The Modaraba's principal financial assets comprise of ijarah rentals receivable, musharaka, morabaha and other finance and cash and bank balances that arrive directly from its operations. The Modaraba also holds investments classified as fair value through profit or loss, fair value through other comprehensive income and at amortised cost.

38.1 Liquidity risk management

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The Modaraba holds total current assets of Rs. 308.427 million against its current liabilities of Rs. 119.855 million which leads excess of current assets over current liabilities of Rs. 188.572 million.

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

	Total	Up to three months	More than three months & up to one year	More than one year
			Rupees	
June 30, 2022				
Short term finance	50,000,000	-	50,000,000	-
Other liabilities	25,285,826	25,285,826	-	-
	<u>75,285,826</u>	<u>25,285,826</u>	<u>50,000,000</u>	<u>-</u>
June 30, 2021				
Other liabilities	16,807,929	16,807,929	-	-
	<u>16,807,929</u>	<u>16,807,929</u>	<u>-</u>	<u>-</u>

The Modaraba is not exposed to any interest rate risk against its financial liabilities.

38.2 Credit risk

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

The Modaraba is exposed to credit risk from its financing activities (morabaha and musharaka finance, diminishing musharaka, investment against repurchase agreement, ijarah rental receivables, investment in sukuks and modaraba term deposit), deposits with bank and financial institutions and other receivables.

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

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

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2022 and June 30, 2021 is the carrying amounts of following financial assets.

	2022 Rupees	2021 Rupees
Balances with banks	90,691,899	162,177,832
Investment in sukuk	-	116,642,536
Modraba term deposit	-	84,000,000
Diminishing musharaka	309,378,973	74,198,132
Ijarah rentals receivable	336,608	156,923
Investment against repurchase agreement	23,624,891	-
Advances and other receivables	4,298,452	3,642,834
	<u>428,330,823</u>	<u>440,818,257</u>

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

Bank name	Short Term	Long Term		
HBL Islamic Banking Limited	A-1+	AAA	68,593,539	68,593,539
Dubai Islamic Bank Pakistan Ltd	A-1+	AA	90,063,469	90,063,469
Albaraka Bank (Pakistan) Limited	A-1	A+	11,562	11,562
Summit Bank Limited	-	-	3,496,890	3,496,890

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 or collateral available to the Modaraba.

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

	OAEM	Substandard	As at June 30, 2022		Total
			Doubtful	Loss	
			Rupees		
Ijarah rental receivable	-	-	-	49,083,826	49,083,826
Musharaka, morabaha and other finance	-	-	-	359,594,007	359,594,007
Receivable against sale of agriculture produce	-	-	-	27,811,518	27,811,518

	OAEM	Substandard	As at June 30, 2021		Total
			Doubtful	Loss	
			----- Rupees -----		
Ijarah rental receivable	-	-	-	49,083,826	49,083,826
Musharaka, morabaha and other finance	-	-	-	359,594,007	359,594,007
Receivable against sale of agriculture produce	-	-	-	27,811,518	27,811,518

Total impairment against these assets as at June 30, 2022 is Rs. 436.49 million (2021: Rs. 436.49 million).

38.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and other prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing there on.

38.3.1 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Modaraba's investment in listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Modaraba manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Modaraba's senior management on a regular basis. The Modaraba's Investment Committee reviews and approves all equity investment decisions.

The carrying amount of investment is as follows:

	2022 Rupees	2021 Rupees
In listed securities carried at fair value through profit or loss	3,796,146	4,453,029
In unlisted security carried at fair value through other comprehensive income	20,533,912	136,250,766
	<u>24,330,058</u>	<u>140,703,795</u>

Sensitivity analysis

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

Index	Impact on profit and equity	
	2022 Rupees	2021 Rupees
Increase in market value - 5%	189,807	222,651
Decrease in market value - 5%	(189,807)	(222,651)

38.3.2 Profit rate risk

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

Effective yield / profit rate %	Total	June 30, 2022					Not exposed to yield / profit risk
		Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	
		Rupees					
Cash and bank balances	2.75% - 11.75%	90,691,899	75,672,537	-	-	-	15,019,362
Investments		3,796,146	-	-	-	-	3,796,146
Diminishing musharaka	11.85% - 20.0%	309,378,973	3,492,908	5,888,300	128,286,578	171,711,187	-
Investment against repurchase agreement	16%	23,624,891	31,624,891	-	-	-	-
Ijarah rentals receivable		336,608	-	-	-	-	336,608
Advances and other receivables		26,959,952	-	-	-	-	26,959,952
Total financial assets as at June 30, 2022		454,788,469	102,790,336	5,888,300	128,286,578	171,711,187	46,112,069
Short term finance		50,000,000	-	-	50,000,000	-	-
Accrued and other liabilities		25,285,826	-	-	-	-	25,285,826
Total financial liabilities as at June 30, 2022		75,285,826	-	-	50,000,000	-	25,285,826
Total yield / profit risk sensitivity gap			102,790,336	5,888,300	78,286,578	171,711,187	-
Cumulative yield / profit risk sensitivity gap			102,790,336	108,678,636	186,965,214	358,676,400	358,676,400

Effective yield / profit rate %	Total	June 30, 2021					Not exposed to yield / profit risk
		Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	
		Rupees					
Cash and bank balances	2.00% - 6.43%	162,177,831	148,675,632	-	-	-	13,502,199
Investments	9.3% - 9.6%	121,095,565	-	-	116,642,536	-	4,453,029
Modaraba term deposit	7.10%	84,000,000	-	-	84,000,000	-	-
Diminishing musharaka	11.85% - 19.0%	74,198,132	3,582,451	5,888,300	24,652,552	39,893,900	180,929
Investment against repurchase agreement		-	-	-	-	-	-
Ijarah rentals receivable		156,923	-	-	-	-	156,923
Advances and other receivables		5,642,834	-	-	-	-	5,642,834
Total financial assets as at June 30, 2021		447,271,285	152,258,083	5,888,300	225,295,088	39,893,900	23,935,914
Musharaka finance		50,000,000	-	-	50,000,000	-	-
Accrued and other liabilities		15,279,179	-	-	-	-	15,279,179
Total financial liabilities as at June 30, 2021		65,279,179	-	-	50,000,000	-	15,279,179
Total yield / profit risk sensitivity gap			152,258,083	5,888,300	175,295,088	39,893,900	-
Cumulative yield / profit risk sensitivity gap			152,258,083	158,146,383	333,441,471	373,335,371	373,335,371

Sensitivity analysis for financial instruments

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

Changes in basis point	Impact on profit or loss	
	2022 Rupees	2021 Rupees
+100	3,586,764	3,733,354
-100	(3,586,764)	(3,733,354)

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 2: inputs other than quoted prices included in 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 asset or liability that are not based on observable market data (unobservable inputs).

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Modaraba determine fair values using valuation techniques unless the fair value cannot be reliably measured.

For assets that are recognised in the financial statements at fair value on a recurring basis, the Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The table below shows the carrying amounts and fair values of a financial asset and financial liability including their fair value hierarchy for financial instruments measured at fair value. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

	Carrying Amount			Total
	As at June 30, 2022			
	Fair value through other comprehensive income	Fair value through profit or loss	Amortized cost	
Rupees in '000				
Financial assets				
Cash and bank balances	-	-	90,691,899	90,691,899
Investments	-	3,796,146	-	3,796,146
Diminishing Musharika Finance	-	-	309,378,973	309,378,973
Investment against repurchase agreement	-	-	23,624,891	23,624,891
Ijarah rentals receivable	-	-	336,608	336,608
Advances, prepayments and other receivables	-	-	4,298,452	4,298,452
Long term investments	20,533,912	-	-	20,533,912
Long term advances and deposits	-	-	537,790	537,790
	20,533,912	3,796,146	428,868,613	453,198,671
Financial liabilities				
Short term finance	-	-	50,000,000	50,000,000
Ijarah deposits	-	-	7,711,281	7,711,281
Accrued and other liabilities	-	-	19,207,102	19,207,102
	-	-	76,918,383	76,918,383
	Level 1	Level 2	Level 3	Total
Investment classified as 'fair value through profit or loss				
Quoted securities	3,796,146	-	-	3,796,146
Investment classified as 'fair value through other comprehensive income				
Unlisted companies	-	-	20,533,912	20,533,912

Carrying Amount			Total
As at June 30, 2021			
Fair value through other comprehensive	Fair value through profit or loss	Amortized cost	
Rupees in '000-			

Rupees in '000-

Financial assets

Cash and bank balances	-	-	162,187,832	162,187,832
Investments	116,642,536	4,453,029	-	121,095,565
Modaraba term deposit	-	-	84,000,000	84,000,000
Diminishing Musharika Finance	-	-	74,198,132	74,198,132
Ijarah rentals receivable	-	-	156,923	156,923
Advances, prepayments and other receivables	-	-	3,642,834	3,642,834
Long term investments	19,608,230	-	-	19,608,230
Long term advances and deposits	-	-	227,500	227,500
	136,250,766	4,453,029	324,413,221	465,117,016

Financial liabilities

Musharaka finance	-	-	50,000,000	50,000,000
Ijarah deposits	-	-	8,862,081	8,862,081
Accrued and other liabilities	-	-	10,723,316	10,723,316
	-	-	69,585,397	69,585,397

	Level 1	Level 2	Level 3	Total
Investment classified as 'fair value through profit or loss'				
Quoted securities	4,453,029	-	-	4,453,029
Investment classified as 'fair value through other comprehensive income'				
Unlisted companies	-	110,042,530	19,608,230	19,608,230

40 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2022			
	Amount in Rupees			
	At Amortised Cost	FVTPL	FVTOCI	Other liabilities
FINANCIAL ASSETS				
Cash and bank balances	90,691,899	-	-	-
Investments	-	3,796,146	-	-
Ijarah rental receivable	336,608	-	-	-
Musharaka, morabaha and other finance	-	-	-	-
Diminishing musharakah	309,378,973	-	-	-
Receivable against sale of agriculture produce	-	-	-	-
Advances, deposits and other receivables	4,298,452	-	-	-
Long term investments	-	-	20,533,912	-
Long term advances	-	-	-	-
Long term deposits	537,790	-	-	-
Total Financial Assets	405,243,722	3,796,146	20,533,912	-
FINANCIAL LIABILITIES				
Musharaka finance	-	-	-	-
Accrued and other liabilities	19,207,102	-	-	6,078,725
Total Financial Liabilities	19,207,102	-	-	6,078,725

As at June 30, 2021				
Amount in Rupees				
	At Amortised Cost	FVTPL	FVTOCI	Other liabilities
FINANCIAL ASSETS				
Cash and bank balances	162,187,832	-	-	-
Investments	84,000,000	4,453,029	116,642,536	-
Ijarah rental receivable	156,923	-	-	-
Musharaka, morabaha and other finance	-	-	-	-
Diminishing musharakah	74,198,132	-	-	-
Receivable against sale of agriculture produce	-	-	-	-
Advances, deposits, prepayments and other rece	3,642,834	-	-	-
Long term investments	-	-	19,608,230	-
Long term advances	-	-	-	-
Long term deposits	227,500	-	-	-
Total Financial Assets	324,413,221	4,453,029	136,250,766	-
FINANCIAL LIABILITIES				
Musharika finance	50,000,000	-	-	-
Accrued & other liabilities	10,723,316	-	-	6,084,613
Total Financial Liabilities	60,723,316	-	-	6,084,613

41 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 Pak 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 Modaraba. 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.

Amounts outstanding as at period / year end

Name of the company / individual	Relationship with the Modaraba	Nature of Transactions	2022 Rupees	2021 Rupees
Balances with related parties				
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Modaraba Term Deposit	-	84,000,000
		Accrued return on modaraba term deposit	-	392,153
		Musharika Finance	-	(50,000,000)
		Short Term Finance	(50,000,000)	-
		Accrued return on musharaka finance	-	(674,861)
Awwal Modaraba Management Limited	Modaraba Management Company	Payable shared service cost	(485,872)	(485,872)
Awwal Modaraba	Modaraba under common management	Management Company's remuneration	(2,615,235)	(1,039,517)
		Payable against sharing of common expenses	(1,344,539)	(842,247)
KASB Modaraba	Modaraba under common management	Payable against cost of deputed employee	(3,730,397)	(586,270)
First Pak Modaraba	Modaraba under common management	Payable against sharing of common expenses	(972,680)	(1,547,652)
		Receivable against sharing of common expenses	14,323	69,347
Expenses/(income) during the period				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	188,304	470,008
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Return on modaraba term deposit	(3,088,211)	(898,685)
		Return on musharaka finance	861,429	674,861
		Return on Short Term Finance	3,282,506	-
		Shared services cost	5,835,000	2,815,843
Awwal Modaraba Management Limited	Modaraba management company	Management Company's remuneration	2,493,344	1,059,517
Awwal Modaraba	Modaraba under common management Company	Sharing of common expenses	2,716,300	842,247
		Staff cost of deputed employee	6,618,204	1,157,065
KASB Modaraba	Modaraba under common management	Sharing of common expenses	1,560,302	2,359,136
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	(13,992)	(281,100)
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	239,579	606,151
Payments/(receipts) made during the period				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	188,304	470,008
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Modaraba Term Deposit	(84,000,000)	84,000,000
		Return on modaraba term deposit	(1,480,364)	(506,532)
		Musharika finance	50,000,000	(50,000,000)
		Short term finance	(50,000,000)	-
		Return on musharaka finance	1,536,290	-
		Return on Short Term Finance	3,282,506	-
		Shared service cost	5,835,000	2,329,971
		Management Company's remuneration	937,626	-
Awwal Modaraba Management Limited	Modaraba Management Company	Sharing of common expenses	2,214,008	-
Awwal Modaraba	Modaraba under common management	Staff cost of deputed employee	3,474,077	570,795
		Sharing of common expenses	2,135,274	1,982,078
KASB Modaraba	Modaraba under common management	Sharing of common expenses	(97,662)	(321,573)
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	239,579	606,151
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium		

42 **NUMBER OF EMPLOYEES**

The total number of employees as at June 30, 2022 are 4 (2021: 5) and the average number of employees during the year equates to 4 (2021:10)

43 **CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in these financial statements.


44 **NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors have proposed dividend for the year ended June 30, 2022 of Re. 0.17 per certificate (2021: Re. "0.08"), amounting to Rs. 14,827,002 (2021: Rs.6,977,413) at their meeting held on 20/10/ 2022. The financial statements for the year ended June 30, 2022 do not include the effect of the above which will be accounted for in the period in which it is declared.

45 **DATE OF AUTHORISATION**

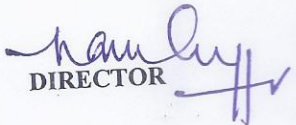
These financial statements were authorised for issue on 20/10/22 by the Board of Directors of the Management Company. *bpo*

For Awwal Modaraba Management Limited
(Management Company)


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

First Prudential Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review meeting of the Modaraba's Certificate Holders of First Prudential Modaraba will be held on Tuesday, 15th November, 2022 at 11:30 am, at Auditorium Hall, Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi to review the performance of the Modaraba for the year ended 30 June 2022.

On behalf of the Board

Misbah Asjad
Company Secretary

Karachi, 25 October, 2022

Notes:

1. The Certificate Transfer Books of the Modaraba will be closed from Wednesday, 02nd November, 2022 to Tuesday, 15th November, 2022 (both days inclusive). Transfers received at the office of our Share Registrar, M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi, , at the close of business on Tuesday, 01st November, 2022 will be treated in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
2. The Certificate holders are advised to notify change in their address, if any, to M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi.
3. The Annual Report for the year ended 30 June 2022 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.
4. Dividend income is liable to deduction of withholding tax under Section 150, of the Income Tax Ordinance, 2001 withholding of tax on dividend based on 'Active' and 'Non-Active' status of certificate holders shall be @ 25% and 50% respectively where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (<http://www.fbr.gov.pk/>) and 'Non-Active' means a person whose name is not being appeared on the Active Taxpayers list.
5. In case a Folio/CDS Account is jointly held, each joint-holder is to be treated separately as Active or Non-Active, In terms of the said clarification, tax of each joint-holder has been deducted on the gross dividend amount determined by bifurcating the certificate holding of each joint-holder on equal proportions, except where certificate holding proportion of joint-holder(s) is pre-defined as per the records of our Share Registrar and thus tax rates are applied in line with respective proportions, Those certificate holders who are holding Folio/CDS jointly: are requested to notify (in writing) any change in their certificate holding proportions to our Share Registrar (in case of physical

certificate holding) or their Participants/CDC Investor Account Services so that their revised certificate holding proportions are considered by the Modaraba in all prospective dividend payouts, if any,

6. Certificate holders seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be to the Share Registrar of Modaraba.

7. Payment of Dividend through electronic mode (mandatory)

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

8. 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 to enquire about their unclaimed dividend or pending Modaraba certificates.

9. 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.

FIRST PRUDENTIAL MODARABA

First Prudential Modaraba

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

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

**ANNUAL
REPORT
JUNE 30 , 2022**