

FIRST PAK MODARABA

QUARTERLY REPORT
SEPTEMBER 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Audit Committee

Mr. Shahid Ghaffar	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Jaleel Shaikh	Member
Mr. Saiyid Najam Rizvi	Member

Human Resource and Remuneration Committee

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

Company Secretary

Ms. Misbah Asjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

Grant Thornton Anjum Rehman, Chartered Accountants

Bankers

Habib Bank Limited
Dubai Islamic Bank

Certificate Registrar

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

Legal Advisor

Ahmed & Qazi
S & B Durrani Law Associates

Shariah Advisor

Al-Hamd Shariah Advisory Services (Pvt) Limited

Registered & Head Office :

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

Directors' Report

For the three months period ended 30 September 2022

On behalf of the Board of Directors of Awwal Modaraba Management Limited, the management company of First Pak Modaraba, we are pleased to present Directors' Report together with the unaudited financial results of First Pak Modaraba for the three months period ended 30 September 2022.

Economy

The State Bank of Pakistan has kept the policy rate unchanged since the last hike in July 2022 when the rate was increased to 15%. Monetary Policy Statement cited various reasons in support of the decision including fall in headline inflation to 23.2% in Sep 2022 from 27.3% in Aug 2022 driven by a reduction in electricity prices. Desired moderation in economic activity has become more visible though 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, and the Rupee has recouped some of its losses following the recent depreciation. In Sep 2022, Pakistan's trade deficit reduced by 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. 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 with foreign inflows and reduction in trade deficit.

The most significant recent development is that Financial Action Task Force ("FATF") on 21st October excluded Pakistan from the grey list of the global watchdog on terror financing and money laundering after four long years. It had become increasingly difficult for the country to negotiate financial aid with the IMF, the World Bank, the ADB, and the European Union. One of the structural benchmarks laid down by IMF for Pakistan stated 'Adoption of measures to strengthen the effectiveness of the AML/CFT framework to support the country's efforts to exit the FATF list of jurisdictions with serious deficiencies.'

Financial Performance

The outstanding portfolio size stood at PKR 58.44 million at September 30, 2022 (June 30, 2022: PKR 68.13 million). Asset quality remains satisfactory. Revenues were recorded at PKR 4.91 million in 1st Quarter of the current financial year compared to PKR 2.80 million in corresponding period last year. Total expenses for the period were contained at PKR 1.69 million. The Modaraba posted profit after tax for the period at PKR 0.35 million compared to Rs.0.31 million in the corresponding period last year.

The process for merger of First Pak Modaraba and KASB Modaraba into First Prudential Modaraba is underway and expected to materialize soon under the approved Scheme of Arrangement.

Governance

There has been no change in the Board of Directors of Awwal Modaraba Management Limited during the period under review.

Acknowledgement

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

On behalf of the Board

Karim Hatim
Chief Executive

Abdul Jaleel Shaikh
Director

Date: 28th October, 2022

ڈانریکٹرز کی رپورٹ:

30 ستمبر 2022 کو ختم ہونے والی تین ماہ کی مدت کے لیے مضماریہ بینٹ لیبڈ کی انتظامی کمپنی فرسٹ پاک مضماریہ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہمیں 30 ستمبر 2022 کو ختم ہونے والی تین ماہ کی مدت کے لیے فرسٹ پاک مضماریہ کے غیر آڈٹ شدہ مالیاتی نتائج کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی ہو رہی ہے۔

مہمیشنت:

اسٹیٹ بینک آف پاکستان نے جولائی 2022 میں آخری اٹھانے کے بعد سے پالیسی ریٹ میں کوئی تبدیلی نہیں کی تھی جب شرح کو بڑھا کر 15 فیصد کر دیا گیا تھا۔ مائیزمی پالیسی کے بیان میں فیٹیل کی حمایت میں مختلف وجوہات کا حوالہ دیا گیا جس میں بجلی کی قیمتوں میں کمی کی وجہ سے اگست 2022 میں 27.3 فیصد سے ستمبر 2022 میں ہیڈلائن افراط زر میں 23.2 فیصد تک گرتا شامل ہے۔ اقتصادی سرگرمیوں میں مطلوبہ اعتدال زیادہ واضح ہو گیا ہے حالانکہ بنیادی افراط زر دینی اور شہری دونوں علاقوں میں اوپر کی طرف بڑھتا رہا ہے جس کی وجہ سے پالیسی سائیکل شاخس ہیں۔ کرنٹ اکاؤنٹ اور تجارتی خسارہ 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 امریکی ڈالر تک پہنچ گیا جس کی وجہ درآمدات میں شدید کمی تھی۔ موڈرن بزنس کی پانچ کمرشل بینکوں کی ڈپازٹ ریٹنگ میں کمی کے ساتھ پاکستان کے مقامی اور غیر ملکی قرضوں کی وجہ بندی کو B3 سے گھٹا کر Caa1 کر دیا۔ یہ کمی تباہ کن سیلابوں کے نتیجے میں حکومتی لیکویڈیٹی کی بروستی ہوئی ضروریات، بیرونی خطرے کے خطرات اور قرضوں کی پائیداری کے زیادہ خطرات کی وجہ سے ہوئی۔

ایشیائی ترقیاتی بینک ("ADB") کی مالی 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 افراط زر کی شرح میں کمی کا امکان ہے جبکہ شرح سود کا منظر نامہ مستحکم رہنے کی توقع ہے جس کی توقع ہے کہ اگلے سال معیشت کو متحرک کیا جائے گا۔ پاکستانی روپیہ غیر ملکی آمدورفت اور تجارتی خسارے میں کمی کے ساتھ مستحکم ہونے کی توقع ہے۔ سب سے اہم حالیہ پیش رفت یہ ہے کہ فنانشل ایکشن ٹاسک فورس ("FATF") نے 21 اکتوبر کو پاکستان کو چار سال کے طویل عرصے کے بعد دہشت گردی کی مالی معاونت اور منی لانڈرنگ پر عالمی واچ ڈاگ کی گرنے سے خارج کر دیا۔ ملک کے لیے آئی ایم ایف، ورلڈ بینک، اے ڈی بی اور یورپی یونین کے ساتھ مالی امداد کے لیے بات چیت کرنا مشکل ہوتا جا رہا تھا۔ پاکستان کے لیے IMF کی طرف سے وضع کردہ ڈھانچہ جاتی معیارات میں سے ایک میں کہا گیا ہے کہ AML/CFT فریم ورک کی مزید ترقی کو مضبوط بنانے کے لیے اقدامات کو اپنانا ملک کی FATF کے دائرہ اختیار کی فہرست سے باہر نکلنے کی کوششوں کی حمایت کرنے کے لیے سنگین خامیوں کے ساتھ۔

مالیاتی کارکردگی:

30 ستمبر 2022 کو ہتھیار پورٹ فولیو کا سائز 58.44 PKR ملین تھا (30 جون 2022: 68.13 PKR ملین)۔ اثاثوں کا معیاری بخش رہتا ہے۔ رواں مالی سال کی پہلی سہ ماہی میں 4.91 PKR ملین ریونیو ریکارڈ کیا گیا تھا جبکہ گزشتہ سال کی اسی مدت میں 2.80 PKR ملین تھا۔ اس مدت کے کل اخراجات 1.69 PKR ملین تھے۔ مضماریہ نے گزشتہ سال کی اسی مدت میں 0.31 ملین روپے کے مقابلے PKR 0.35 ملین کا بعد از ٹیکس منافع کمایا۔ فرسٹ پاک مضماریہ اور کے اے ایس بی مضماریہ کو فرسٹ پریڈنشل مضماریہ میں ضم کرنے کا عمل جاری ہے اور توقع ہے کہ انتظامات کی منظور شدہ اسکیم کے تحت جلد ہی آملی جامہ پہنایا جائے گا۔

گورنمنٹ:

زیر جائزہ مدت کے دوران اول مضماریہ بینٹ لیبڈ کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں کی گئی ہے۔

استدعا:

بورڈ سیکریٹریز اینڈ ایگزیکٹو کمیشن آف پاکستان اور رجسٹرار مضماریہ کی مسلسل رہنمائی اور تعاون کا اعتراف اور تعریف کرنا چاہتا ہے۔ ہم مضماریہ پر اعتماد کرنے کے لیے اس کے سارنٹین اور سرمایہ کاروں کا شکریہ ادا کرنے کے لیے اس موقع سے فائدہ اٹھانا چاہتے ہیں۔

بحکم بورڈ

عبدالجمیل شیخ
ڈائریکٹر

کریم ہاشم
چیف ایگزیکٹو

تاریخ: 28 اکتوبر 2022

FIRST PAK MODARABA
CONDENSED INTERIM FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
		----- Rupees -----	
ASSETS	Note		
Current Assets			
Cash and bank balances	6	48,126,778	45,038,250
Investments	7	-	-
Current portion of diminishing musharakah	13	21,845,385	23,780,751
Morabaha finance	8	-	-
Ijarah rentals receivable	9	-	-
Advances, deposits, prepayments and other receivables	10	1,023,727	1,022,014
Tax refundable - considered good		<u>5,887,840</u>	<u>5,751,187</u>
		<u>76,883,730</u>	<u>75,592,202</u>
Non - Current Assets			
Ijarah Assets	11	<u>15,686,115</u>	<u>5,876,739</u>
Fixed assets- in own use	12	29,040	69,456
Long term portion of Diminishing Musharakah	13	36,594,969	44,352,092
Long term advances	14	158,721	92,124
Deferred tax asset	26	<u>(77,178)</u>	<u>218,298</u>
		<u>52,391,667</u>	<u>50,608,709</u>
TOTAL ASSETS		<u>129,275,397</u>	<u>126,200,911</u>
LIABILITIES			
Current Liabilities			
Short Term Finance	15	50,000,000	50,000,000
Accrued and other liabilities	16	4,178,476	3,762,024
Unclaimed profit distribution		5,895,284	5,895,284
Provision for taxation	23	216,694	391,338
Current portion of ijarah deposits	17	<u>200,000</u>	<u>400,000</u>
		<u>60,490,454</u>	<u>60,448,646</u>
Non-Current Liabilities			
Long term ijarah deposits	17	<u>4,700,000</u>	<u>2,062,500</u>
TOTAL LIABILITIES		<u>65,190,454</u>	<u>62,511,146</u>
NET ASSETS		<u>64,084,943</u>	<u>63,689,765</u>
REPRESENTED BY			
Authorized certificate capital			
15,000,000 (June 30 2021:15,000,000) modaraba certificates of Rs.10/- each	18	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up certificate capital			
12,540,000 modaraba certificates of rupees 10/- each		<u>125,400,000</u>	<u>125,400,000</u>
Statutory reserve		<u>26,967,200</u>	<u>26,897,311</u>
Accumulated loss		<u>(83,452,988)</u>	<u>(83,732,546)</u>
		<u>68,914,212</u>	<u>68,564,765</u>
Deficit on revaluation of investments	7.3	<u>(4,875,000)</u>	<u>(4,875,000)</u>
		<u>64,039,212</u>	<u>63,689,765</u>
Contingencies and commitments	19		

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PAK MODARABA
CONDENSED INTERIM PROFIT OR LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

		Three months period ended September 30, 2022	Three months period ended September 30, 2021
	Note	Rupees -----	
INCOME			
Income from deposits with Banks		1,443,114	682,754
Income from Modaraba term deposit		-	238,969
Income from Investment in Sukuk		-	211,538
Income from Diminishing Musharakah Finance		2,705,090	1,167,445
Ijarah rentals		431,661	471,279
Other income	20	333,742	32,000
		<u>4,913,607</u>	<u>2,803,985</u>
EXPENDITURE			
Administrative expenses		(1,693,949)	(1,604,605)
Financial charges		(2,115,204)	(353,685)
Depreciation on Ijarah assets		(578,124)	(397,917)
		<u>(4,387,277)</u>	<u>(2,356,207)</u>
Profit for the year		526,330	447,778
Management Company's Remuneration	21	-	-
Provision for sales tax on Management Fee		-	-
Provision for Sindh Workers' Welfare Fund	22	(10,320)	(8,780)
Profit before taxation		516,010	438,998
Provision for taxation			
- Current	23	(166,563)	(127,309)
- Prior		-	-
Profit after taxation		<u>349,447</u>	<u>311,689</u>
Earnings per certificate - Basic and diluted	24	<u>0.03</u>	<u>0.02</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PAK MODARABA
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Three months period ended September 30, 2022	Three months period ended September 30, 2021
Note	----- Rupees -----	
Profit after taxation	349,447	311,689
Other comprehensive income for the year		
Items that will subsequently be classified to profit & loss account		
Unrealized gain on remeasurement of sukuk certificates	-	(5,940)
Total comprehensive income for the period	<u>349,447</u>	<u>305,749</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PAK MODARABA
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Three months period ended September 30, 2022	Three months period ended September 30, 2021
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	516,010	438,998
Adjustments for non-cash changes and other items:		
-Gain on disposal-ijarah assets	(128,123)	-
Financial Charges	2,115,204	-
-Depreciation on ijarah assets	578,124	397,917
-Amortization on intangible assets	40,416	40,416
	<u>2,605,621</u>	<u>438,333</u>
Cash flows before movements in working capital	3,121,631	877,331
Decrease / (Increase) in operating assets		
-Diminishing Musharakah	9,692,489	(9,553,392)
-Ijarah rentals receivable	-	9
-Advances, prepayments and other receivables	(68,310)	(20,725,062)
	<u>9,624,179</u>	<u>(30,278,445)</u>
Increase / (Decrease) in operating liabilities		
-Long term ijarah deposits	2,437,500	562,500
-Accrued and other liabilities	416,452	9,317,770
	<u>2,853,952</u>	<u>9,880,270</u>
Cash generated from / (used in) operations	15,599,762	(19,520,844)
-Income tax paid / adjustment	(136,653)	(150,672)
Financial Charges paid	(2,115,204)	-
Net cash generated / (used in) from operating activities	<u>13,347,905</u>	<u>(19,671,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
-Purchase of Ijarah assets	(12,500,000)	(2,250,000)
-Sale proceeds from Ijarah assets	2,240,623	-
Net cash (used in)/generated from investing activities	<u>(10,259,377)</u>	<u>(2,250,000)</u>
Net increase in cash and cash equivalents	3,088,528	(21,921,516)
Cash and cash equivalents at the beginning of the period	<u>45,038,250</u>	<u>55,959,696</u>
Cash and cash equivalents at the end of the period	<u><u>48,126,778</u></u>	<u><u>34,038,180</u></u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER DIRECTOR

DIRECTOR

FIRST PAK MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Reserve			Total
	Capital		Revenue	
	Certificate Capital	Statutory reserve	Accumulated loss	
	Rupees			
Balance at July 01, 2021 (Audited)	125,400,000	26,570,182	(85,041,063)	66,929,119
Total comprehensive loss for the period	-	-	311,689	311,689
Transfer to statutory reserve (20%)	-	62,338	(62,338)	-
Balance at September 30, 2021 (Un-Audited)	125,400,000	26,632,520	(84,791,712)	67,240,808
Balance at July 01, 2022 (Audited)	125,400,000	26,897,311	(83,732,546)	68,564,765
Total comprehensive income for the period	-	-	349,447	349,447
Transfer to statutory reserve (20%)	-	69,889	(69,889)	-
Balance at September 30, 2022 (Un-Audited)	125,400,000	26,967,200	(83,452,988)	68,914,212

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

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PAK MODARABA
NOTES TO THE CONDENSES INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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 the 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.

2 STATEMENT OF COMPLIANCE

2.1

The condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modaraba and directives issued by Securities and Exchange Commission of Pakistan (the Modaraba regulations).

2.2 This condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended June 30, 2022.

2.3

The comparative condensed balance sheet, presented in this condensed interim financial statements, as at June 30, 2022 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2022 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the period ended September 30, 2021 have been extracted from the condensed interim financial statements for the period ended September 30, 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Modaraba in the preparation of these condensed interim financial statements are the same as those applied in preparation of the preceding published financial statements of the Modaraba for the year ended June 30, 2022

4 ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Modaraba as at and for the year ended June 30, 2022.

5 BASIS OF PREPARATION

These condensed interim financial statements have been prepared under the historical cost convention, except for:

- Certain investments carried at fair value
- Certain loans and receivables which have been measured at amortized cost

FIRST PAK MODARABA
NOTES TO THE CONDENSES INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	----- Rupees -----	
6 CASH AND BANK BALANCES			
Cash in hand		-	-
Cash at banks-			
current accounts		2,237,469	2,237,469
saving accounts	6.1	45,889,309	42,800,781
		48,126,778	45,038,250
		<u>48,126,778</u>	<u>45,038,250</u>

6.1 Rate of return in respect of PLS accounts ranges from 5.28% to 13.00% (June 2022: 3.70% to 12.00%) per annum.

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	----- Rupees -----	
7 INVESTMENTS			
Fair Value Through Other Comprehensive Income (FVTOCI)			
-in Unquoted securities	7.1	-	-
Fair Value Through Profit or Loss (FVTPL)			
-Investment in Quoted securities	7.2	-	-
		<u>-</u>	<u>-</u>

7.1 Investment in Unquoted securities

Fully paid ordinary shares of Rs 10 each.

	September 30, 2022	June 30, 2022		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Number of Shares		Name of company	----- Rupees -----	
Unquoted securities					
			Prudential Securities Limited		
	487,500	487,500	Cost	4,875,000	4,875,000
			Less: Loss on re-measurement	(4,875,000)	(4,875,000)
				<u>-</u>	<u>-</u>

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

7.2 Fair Value Through Profit or Loss (FVTPL)

- Investment in Quoted securities

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

September 30, 2022	June 30, 2022	Name of Company	Note	(Un-audited)	(Audited)
				September 30, 2022	June 30, 2022
Number of Certificates / Shares				----- Rupees -----	
Suspended / Delisted Company					
120,000	120,000	Prudential Investment Bank Ltd		-	-
		Pakistan Industrial & Commercial		-	-
279,749	279,749	Leasing Limited		-	-
				<u>-</u>	<u>-</u>
				<u>-</u>	<u>-</u>
7.3 Deficit on revaluation of investments classified as fair value through OCI investments					
		Deficit on re-measurement of unquoted securities	7.1	(4,875,000)	(4,554,402)
		Surplus on re-measurement of investment in sukuk certificates		-	39,402
		Reversal of unrealized gain on disposal of sukuk certificates			(360,000)
				<u>(4,875,000)</u>	<u>(4,875,000)</u>
8 MORABAHA FINANCE					
		Morabaha finance - Unsecured	8.1	15,319,705	15,319,705
		Less: Provision for doubtful morabaha finance		<u>(15,319,705)</u>	<u>(15,319,705)</u>
				<u>-</u>	<u>-</u>
8.1 This include amount of Morabaha finance receivable from five different parties outstanding since many years. As per terms of the agreement, the profit against these finance ranged from 16.5% to 20%, however, based on the guidelines of Modaraba regulations 2021, the principal and profit against these finances have been fully provided and suspended accordingly.					
				(Un-audited)	(Audited)
				September 30, 2022	June 30, 2022
----- Rupees -----					
9 IJARAH RENTALS RECEIVABLE					
		Considered good		-	-
		Considered doubtful		-	-
				<u>-</u>	<u>-</u>
		Less: Provision for doubtful receivables		-	-
				<u>-</u>	<u>-</u>
9.1 Future minimum ijarah rentals receivable					
		Within one year		5,648,640	1,988,556
		After one year but not more than five years		9,426,495	3,054,401
				<u>15,075,135</u>	<u>5,042,957</u>

10 **ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

(Un-audited) (Audited)
September 30, June 30,
2022 2022

----- Rupees -----

Considered good

Profit Receivable on Diminishing Musharakah		334,659	541,816
Deposits		37,500	37,500
Advance to staff - current portion - Secured	10.1	128,802	70,029
Prepayments		36,602	100,809
Profit receivable on bank deposits		480,491	266,187
Others		5,673	5,673
		1,023,727	1,022,014

Considered doubtful

Amount due from PSL	10.2	11,476,377	11,476,377
Amount due from PCML	10.3	999,832	999,832
Amount due from Royal Management Services (Private) Limited	10.4	886,442	886,442
Profit receivable on Morabaha finance	8.1	4,028,913	4,028,913
		17,391,564	17,391,564
		18,415,291	18,413,578
Less: Provision for doubtful receivables		(17,391,564)	(17,391,564)
		1,023,727	1,022,014

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

10.2 This represents amount receivable from Prudential Securities Limited (PSL) on account of advance for purchase of securities amounting to Rs. 1.0 million (June 2021: 1.0 million) and other receivable of Rs. 10.476 million (June 2021: 10.476). Since the operations of PSL were suspended and keeping in view the remote chance of recovery, provision against the full amount has been recorded.

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

10.4 This represents receivable from Royal Management Services (Private) Limited (Ex-management Company) in respect of various expenses paid on their behalf. Provision has been made against the total amount of receivable as the chances of the recovery is remote.

FIRST PAK MODARABA
NOTES TO THE CONDENSES INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

12 PROPERTY AND EQUIPMENT - OWNED

		(Audited) September 30, 2022	(Audited) June 30, 2022
		Rupees	Rupees
Tangible assets	Note		
Intangible assets	12.1	29,040	69,456
	12.2	29,040	69,456

12.1 Tangible assets

	September 30, 2022		September 30, 2022				
	Cost		Depreciation				
As at July 1, 2022	Additions/ (Disposals)	As at September 30, 2022	Accumulated at July 1, 2022	For the year (on disposals)	Accumulated at September 30, 2022	Carrying value at September 30, 2022	Rate %
			Rupees				
Office equipment	387,329	-	387,329	-	387,329	-	33.33
Furniture and fixtures	572,197	-	572,197	-	572,197	-	10
	959,526	-	959,526	-	959,526	-	
			June 30, 2022				
			Depreciation				
As at July 1, 2021	Additions/ (Disposals)	As at June 30, 2022	Accumulated at July 1, 2021	For the year (on disposals)	Accumulated at June 30, 2022	Carrying value at June 30, 2022	Rate %

12.2 Intangible assets

	September 30, 2022		September 30, 2022				
	Cost		Accumulated Amortization		Book value		
As at 01 July 2022	Additions/ Deletions	As at September 30, 2022	As at 01 July 2022	Charge for the year	As at September 30, 2022	Rate of amortization %	
			(Rupees)				
Computer software	485,000	-	485,000	40,416	455,960	29,040	33.33
			June 30, 2022				
As at 01 July 2021	Additions/ Deletions	As at 30 June 2022	As at 01 July 2021	Charge for the year	As at 30 June 2022	Rate of amortization %	

12.2 Intangible assets

	September 30, 2022		September 30, 2022				
	Cost		Accumulated Amortization		Book value		
As at 01 July 2021	Additions/ Deletions	As at 30 June 2022	As at 01 July 2021	Charge for the year	As at 30 June 2022	Rate of amortization %	
			(Rupees)				
Computer software	485,000	-	485,000	161,664	415,544	69,456	33.33

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	----- Rupees -----	
13 DIMINISHING MUSHARIKA			
Considered good	13.1	58,440,354	68,132,843
Less: Current Portion of Diminishing Musharakah		<u>(21,845,385)</u>	<u>(23,780,751)</u>
		<u>36,594,969</u>	<u>44,352,092</u>

13.1 These finance carry profit rate ranged from 12.54% to 19.90% (June 2022:12.57% to 19.00%)per annum and are payable on monthly basis over a period from 3 to 4 years. All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promisory notes.

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	----- Rupees -----	
14 LONG TERM ADVANCES			
Advance to staff		287,523	162,153
Less: Due within one year shown under current assets	14.1	<u>128,802</u>	<u>(70,029)</u>
		<u>158,721</u>	<u>92,124</u>

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

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	----- Rupees -----	
15 SHORT TERM FINANCE	15.1	<u>50,000,000</u>	<u>50,000,000</u>

15.1 The Modaraba has availed finance facility of Rs. 50 million under Wakala Agreement dated December 30, 2021 from Pak Brunei Investment Company Ltd (PBIC). As per terms of the agreement, PBIC acts as Muwakkil (the principal) and Modaraba is the Wakil (the agent) to execute the Shariah Compliant transactions through and as a 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 Month KIBOR+2% per annum.

The facility is 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.

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	----- Rupees -----	
16 ACCRUED AND OTHER LIABILITIES			
Workers welfare fund		242,516	232,196
Management Company's remuneration	16.1	207,864	207,864
Auditors' remuneration		231,372	181,371
Shariah Advisor fee		167,999	168,000
Charity fund	16.2	47,265	3,987
Takaful		493,946	628,460
Advance against customer's share in financing		428,750	428,750
Other payables		<u>2,358,764</u>	<u>1,911,396</u>
		<u>4,178,476</u>	<u>3,762,024</u>

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

	(Un-audited) September 30, 2022	(Audited) June 30, 2022
	----- Rupees -----	
16.2 Movement of charity fund		
Opening balance	3,987	215,810
Add: Amount credited during the period	<u>43,278</u>	<u>53,987</u>
	47,265	269,797
Less: Paid during the period	-	(265,810)
Closing balance	<u>47,265</u>	<u>3,987</u>
	(Un-audited) September 30, 2022	(Audited) June 30, 2022
	----- Rupees -----	
17 LONG TERM DEPOSITS		
Ijarah security deposits	4,900,000	2,462,500
Less: current maturity	<u>(200,000)</u>	<u>(400,000)</u>
	<u>4,700,000</u>	<u>2,062,500</u>

18 CERTIFICATE CAPITAL

(Un-audited) September 30, 2022	(Audited) June 30, 2022		(Un-audited) September 30, 2022	(Audited) June 30, 2022
Number of Certificates			----- Rupees -----	
<u>15,000,000</u>	<u>15,000,000</u>	Authorised	<u>150,000,000</u>	<u>150,000,000</u>
		Modaraba certificates of Rs.10/- each		
10,000,000	10,000,000	Issued, subscribed and paid-up		
		Modaraba certificates of Rs.10/- each fully paid in cash	100,000,000	100,000,000
2,540,000	2,540,000	Modaraba certificates of Rs.10/- each fully paid bonus certificates	25,400,000	25,400,000
<u>12,540,000</u>	<u>12,540,000</u>		<u>125,400,000</u>	<u>125,400,000</u>

As at September 30, 2022, Awwal Modaraba Managerent Limited held 1,254,000 (June 2022: 1,254,000) certificates of Rs. 10 each.

19 CONTINGENCIES AND COMMITMENTS

During the year 2018, some of the modarabas in the sector have received letter from Assistant Commissioner, Sindh Revenue Board (SRB), whereby it came to their notice that these Modarabas are engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding. The modarabas who have received the said letter, collectively decided that under the supervision of NBF1 & Modaraba Association Pakistan, a petition against the same be filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rental/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. Being similar in nature of business it was expected that the same type of letter shall be received by First Pak Modaraba. Therefore, management has taken cautious approach and become a party in collective effort undertaken by the other modarabas.

		(Un-audited) September 30, 2022	(Un-audited) September 30, 2021
	Note	----- Rupees -----	
20 OTHER INCOME			
Gain on disposal of vehicle- Ijarah		128,123	-
Termination charges on diminishing musharaka		119,600	-
Termination charges on Ijarah		73,019	-
Documentation Charges		10,000	32,000
Miscellaneous income		3,000	-
		<u>333,742</u>	<u>32,000</u>

21 MANAGEMENT COMPANY'S REMUNERATION

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.

22 SINDH WORKER'S WELFARE FUND

The Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 on June 4, 2015. As per the said Act the applicability of Sindh Worker's Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly provision has been made at the rate of 2% (June 30, 2022 : 2%) of profit before taxation or taxable income , whichever is higher , effective after June 30, 2014.

		(Un-audited) September 30, 2022	(Un-audited) September 30, 2021
		----- Rupees -----	
23 PROVISION FOR TAXATION			
Current		89,385	127,309
Prior		-	-
Deferred		77,178	-
		<u>166,563</u>	<u>127,309</u>
24 EARNINGS PER CERTIFICATE - BASIC AND DILUTED			
Profit for the year (Rupees)		349,447	311,689
Weighted average number of ordinary certificates		12,540,000	12,540,000
Earnings / (Loss) per certificate -basic and diluted*		<u>0.03</u>	<u>0.02</u>

*The Modaraba does not have any dilutive potential shares in issue as at the period end.

25 RELATED PARTY TRANSACTIONS

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

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

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

26 CORRESPONDING FIGURES

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

27 GENERAL

Figures have been rounded off to the nearest Rupee.

28 DATE OF AUTHORIZATION OF ISSUE

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

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

Chief Financial Officer

Chief Executive Officer

Director

Director

FIRST PAK MODARABA

First Pak Modaraba

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Phone : 021- 35374273-74,
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**QUARTERLY
REPORT
SEPTEMBER ,
2022**