

# **FIRST PRUDENTIAL MODARABA**

HALF YEARLY REPORT  
DECEMBER 31, 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. Ahmed Ateeq		Non-Executive Director
Mr. Karim Hatim		Chief Executive Officer

### **Audit Committee**

Mr. Shahid Ghaffar	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Jaleel Shaikh	Member
Mr. Ahmed Ateeq	Member

### **Human Resource and Remuneration Committee**

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

### **Company Secretary**

Ms. 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**

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

Phone : 021- 35361215-9,Fax: 021-  
35374275

### **Lahore Branch Office**

Office No. 318 3<sup>rd</sup> Floor, Lahore Stock  
Exchange Building, 19 Khayaban-e-  
Awan-e-Iqbal, Lahore,

Phone : 042-36311001-02

### **Islamabad Branch Office**

Basement, 90-91,  
Razia Sharif Plaza ,Jinnah Avenue,  
Blue Area, F-7, Islamabad.

Phone: 051-2344422-24

## **FIRST PRUDENTIAL MODARABA**

### **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 31 December 2022.

#### **Brief Economic Outlook**

Pakistan's economy growth is forecast to slow down to less than 2% in fiscal year 2023 due to the impact of devastating floods, double digit inflation, import curtailment to control Current Account Deficit and weak global demand that is likely to hamper exports. The Government is taking necessary measures like policy tightening and efforts to tackle sizable the fiscal and external imbalances. The economic outlook will be shaped largely by the restoration of political stability and continued implementation of reforms under the revived International Monetary Fund program in order to stabilize the economy and restore fiscal and external buffers. The State Bank of Pakistan ("SBP") has already raised the discount rate to 17% which contributed to slowing down the economy by increasing the cost of doing business. Political and financial uncertainty, coupled with devastating floods, have further aggravated supply chain disruptions and dragged down the output of LSM to negative growth of 3.68% during the period Jul-Dec 22 as compared to the corresponding period last year. The recent IMF review in February 2023 of the extended arrangement under the Extended Fund Facility (EFF) for Pakistan for release of about US\$1.2 billion has been completed with hope that it will be successfully revived once the Government complies with necessary measures envisaged during negotiations, resulting in another wave of inflation.

The second half of FY2023 continues to remain tough for the economy struggling with highly depreciated PKR, high cost of borrowings and inflationary pressures. As the modaraba is not leveraged, any increase in interest rates directly translates to the top line. However, the management is in close liaison with its customers to monitor timely repayments. For the time being, we are holding back on new disbursements. The withdrawal of tax exemption on income of the modaraba sector upon declaration of 90% and above dividend became effective from last fiscal year and continues to pressurize profitability of the modaraba sector.

#### **Financial Snapshot**

The financing portfolio of the Modaraba is performing satisfactorily with sound recovery performance. The outstanding portfolio size increased to PKR 340.02 million at December 31, 2022 (June 30, 2022: PKR 309.37 million) as the management decided to deploy the excess liquidity in high earning avenues to improve profitability. However, there is strict adherence to quality of portfolio.

During the first half under review, overall revenues have been recorded at PKR 39.63 million compared to PKR 22.69 million in corresponding period last year. Total expenses for the period were contained at PKR 18.02 million. Excluding management fee, the Modaraba posted profit after tax for the period at PKR 12.73 million compared to Rs.7.02 million in the corresponding period last year.

### **Future Plans**

The process of merger of First Pak Modaraba, First Prudential Modaraba and KASB Modaraba is underway and expected to conclude soon. The merger is expected to positively impact the bottom line by reducing costs of operations and mitigate the negative impact of taxation applicable on the modaraba sector since last fiscal year. The modaraba's economic size will also enable it to increase its transaction exposure size and leverage its operations in order to expand the portfolio.

### **Change in Director**

Mr. Saiyid Najam Rizvi resigned as a non-executive director of the Company with effect from October 28, 2022 and Mr. Ahmed Ateeq was nominated on the Board of the Company by Pak Brunei Investment Company (Holding Company of Management Company) in place of Mr. Saiyid Najam Rizvi with effect from October 28, 2022.

### **Acknowledgements**

The Board would like to acknowledge and appreciate Securities & Exchange Commission of Pakistan and Registrar Modaraba for their continuous guidance and support. Also, I 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

February 28, 2023

Abdul Jaleel Shaikh  
Director



**DRAFT****INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE CERTIFICATE HOLDERS OF FIRST PRUDENTIAL MODARABA****Introduction**

We have reviewed the accompanying condensed interim balance sheet of FIRST PRUDENTIAL MODARABA ("the Modaraba") as at December 31, 2022 and the related condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred as the "condensed interim financial statements"). The Modaraba Management Company (Awwal Modaraba Management Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at and for the half year ended December 31, 2022 are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

**Emphasis of matter**

we draw attention to note 1.2 to the annexed condensed interim financial statements which provide details regarding scheme of arrangement (scheme of mergers) 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 the approval of Honorable High Court. Our conclusion is not modified in respect of this matter.



**Other Matter**

The figures for the quarter ended December 31, 2022 and December 31, 2021 in the condensed interim statement of profit and loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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

KARACHI

DATED:

UDIN :

*Bdo*

**BDO EBRAHIM & Co.  
CHARTERED ACCOUNTANTS**



FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2022

	Note	December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
		Rupees	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment - own use	4	1,909,229	2,050,776
Property, plant and equipment - ijarah	5	54,849,466	16,651,652
Intangible assets		71,945	102,778
Investment properties	6	50,105,000	50,105,000
Diminishing musharaka finance	7	239,972,065	171,621,644
Long term investments	8	16,407,320	20,533,912
Long term advances and deposits		430,510	537,790
Deferred tax asset		1,457,584	268,542
		365,203,119	261,872,094
<b>CURRENT ASSETS</b>			
Investment against repurchase agreement		-	23,624,891
Current portion of diminishing musharaka finance	7	100,046,742	137,757,329
Investments	9	3,514,478	3,796,146
Ijarah rentals receivable	10	10,918	336,608
Receivable against sale of agriculture produce - net		-	-
Advances, prepayments and other receivables	12	43,971,592	27,209,257
Taxation - net	13	18,682,083	20,340,345
Cash and bank balances	14	41,555,052	90,691,899
		207,780,865	303,756,476
		572,983,984	565,628,569
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
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		872,176,600	872,176,600
Statutory reserve		157,527,004	157,527,004
Accumulated loss		(589,308,948)	(587,211,476)
		440,394,656	442,492,128
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income		3,642,605	7,769,197
		444,037,261	450,261,325
<b>NON CURRENT LIABILITIES</b>			
Ijarah deposits	15	11,187,500	182,500
<b>CURRENT LIABILITIES</b>			
Short term finance		50,000,000	50,000,000
Current portion of ijarah deposits		7,711,281	7,528,781
Accrued and other liabilities		20,382,485	25,285,826
Unclaimed profit distribution		39,665,457	32,370,137
		117,759,223	115,184,744
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>572,983,984</b>	<b>565,628,569</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	16		

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited  
(Management Company)

CHIEF FINANCIAL OFFICER CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Income</b>	Rupees			
Ijarah rentals earned	2,547,219	919,071	1,126,220	342,928
Income from deposits with banks	3,480,559	3,217,929	1,344,890	1,167,934
Income from investment in sukuk	-	5,414,301	-	2,767,392
Income from modaraba term deposit	-	3,006,510	-	1,486,914
Income from Diminishing Musharaka Finance	29,367,879	6,778,396	15,609,135	4,245,577
Income from investment against repurchase agreement	-	697,963	-	697,963
Dividend income	1,081,956	726,991	842,689	726,991
Rental income from investment properties	1,691,916	1,691,916	845,958	845,958
Other income	1,455,711	234,991	1,405,958	190,255
Unrealized loss on investments classified as Fair value through profit or loss	39,625,240	22,688,068	21,174,850	12,471,912
Reversal of provision against doubtful receivables - net	9.2.2 (281,668)	(482,699)	(372,345)	(142,970)
		2,103,804		
<b>Expenses</b>	39,343,572	24,309,173	20,802,505	12,328,942
Depreciation on ijarah assets	(2,740,936)	(687,530)	(1,657,167)	(486,140)
Administrative expenses	(18,017,095)	(14,819,965)	(10,012,739)	(7,372,706)
Finance charges	(4,370,998)	(876,499)	(2,248,365)	(428,199)
	(25,129,029)	(16,383,994)	(13,918,271)	(8,287,045)
Management Company's remuneration	14,214,543	7,925,179	6,884,234	4,041,897
Provision for service sales tax on Management Company's remuneration	-	-	-	-
Provision for Workers' Welfare Fund	-	-	-	-
Profit before taxation	(278,717)	(155,395)	(118,220)	(79,252)
Provision for taxation	13,935,826	7,769,784	6,766,014	3,962,645
Profit after taxation	(1,206,296)	(744,901)	769,734	(250,934)
Earnings per certificate - basic and diluted	18 12,729,530	7,024,883	7,535,748	3,711,711
	19 0.15	0.08	0.09	0.04

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited  
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

**FIRST PRUDENTIAL MODARABA**  
**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (Un-audited)**

Note	Half year ended December 31,		Quarter ended	
	December 31,	December 31,	December 31,	December 31,
	2022	2021	2022	2021
	----- Rupees -----			
Profit for the period	12,729,530	7,024,883	7,535,748	3,711,711
Other comprehensive income for the period:				
Items that will be reclassified subsequently to profit and loss:				
Unrealized (loss) / gain on remeasurement of investment classified as fair value through other comprehensive income	(4,126,592)	1,478,146	(4,126,592)	1,518,076
Total comprehensive income for the period	<u>8,602,938</u>	<u>8,503,029</u>	<u>3,409,156</u>	<u>5,229,787</u>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (Un-audited)

Half year ended December 31,  
December 31, December 31,  
2022 2021  
(Un-audited) (Un-audited)  
-----Rupees-----

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	13,935,826	7,769,784
Adjustments for:		
Dividend income	(1,081,956)	(726,991)
Unrealised loss on investments	281,668	482,699
Gain on disposal - own assets	(855,000)	(50,000)
Depreciation - own use assets	259,046	342,457
Depreciation - Ijarah assets	2,740,936	687,530
Amortization on intangible assets	30,833	30,833
	1,375,527	766,528
Cash flows before movements in working capital	15,311,353	8,536,312
(Increase) / decrease in current assets		
Diminishing musharaka finance	(30,639,834)	(95,373,450)
Investment against repurchase agreement	23,624,891	(22,210,500)
Ijarah rentals receivable	325,690	468
Advances, prepayments and other receivables	(16,655,055)	1,777,959
	(23,344,308)	(115,805,523)
Increase / (decrease) in current liabilities		
Ijarah deposits	11,187,500	(1,150,800)
Musharaka finance	-	(50,000,000)
Short term finance	-	50,000,000
Accrued and other liabilities	2,391,979	1,488,718
	13,579,479	337,918
Cash flows from/(used in) operations	5,546,524	(106,931,292)
Taxes paid	(737,076)	(1,996,831)
Net cashflows from/ (used in) operating activities	4,809,448	(108,928,123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,081,956	726,991
Proceeds from disposal - ijarah assets	3,811,250	1,150,800
Proceeds from disposal - own assets	855,000	50,000
Purchase of own assets	(117,499)	-
Purchase of ijarah assets	(44,750,000)	(10,251,000)
Net cashflows from/(used in) investing activities	(39,119,293)	(8,323,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution to certificate holders	(14,827,002)	(6,977,413)
Net cash used in financing activities	(14,827,002)	(6,977,413)
Net (decrease) / increase in cash and cash equivalents	(49,136,847)	(124,228,745)
Cash and cash equivalents at beginning of the period	90,691,899	162,187,832
Cash and cash equivalents at end of the period	41,555,052	37,959,087

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited  
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

**FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	Issued, subscribed, and paid up certificate capital	Statutory reserve	Accumulated loss	Total
	(Rupees)			
<b>Balance at July 1, 2021 (Audited)</b>	872,176,600	153,622,591	(595,851,717)	429,947,474
<b>Total comprehensive income for the period</b>				
Profit for the period	-	-	7,024,883	7,024,883
Distribution @ 0.8% declared for the year ended June 30, 2021	-	-	(6,977,413)	(6,977,413)
Transfer to statutory reserve	-	1,404,977	(1,404,977)	-
<b>Balance at December 31, 2021 (Un-audited)</b>	872,176,600	155,027,568	(597,209,224)	429,994,944
<b>Balance at July 1, 2022 (Audited)</b>	872,176,600	157,527,004	(587,211,476)	442,492,128
<b>Total comprehensive income for the period</b>				
Profit for the period	-	-	12,729,530	12,729,530
Distribution @ 1.7% declared for the year ended June 30, 2022.	-	-	(14,827,002)	(14,827,002)
<b>Balance at December 31, 2022 (Un-audited)</b>	872,176,600	157,527,004	(589,308,948)	440,394,656

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements. *MA*

For Awwal Modaraba Management Limited  
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

**FIRST PRUDENTIAL MODARABA**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR DECEMBER 31, 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 condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34 - Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) ['the Modaraba Regulations'].

Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, requirements of 'the Modaraba Regulations' 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.

2.1.2 The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2022.

- 2.1.3 The comparative condensed interim balance sheet presented in these condensed interim financial statements 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, condensed interim cash flow statement, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2021.
- 2.1.4 These condensed interim financial statements are unaudited but subject to limited scope review by the external auditors as required by the Code of Corporate Governance and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.
- 2.1.5 The figures of the condensed interim profit and loss and other comprehensive income for the quarters ended December 31, 2021 and December 31, 2022 have not been reviewed.

**2.2 Basis of measurement**

These condensed interim financial statements have been prepared under the historical cost convention , unless otherwise stated.

**2.3 Functional and presentation currency**

These condensed interim financial statements are prepared in Pakistani Rupees which is the Modaraba's functional and presentation currency. The figures in these condensed interim financial statements have been rounded off to the nearest rupee unless otherwise specified.

**3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN**

- 3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Modaraba for the year ended June 30, 2022.
- 3.2 The preparation of these condensed interim financial statements are in conformity with approved accounting standards requires management to make estimates, assumptions and use of judgements that affect the application of accounting policies and reported amounts of assets, 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 recognised prospectively commencing from the period of revision.



- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2022.
- 3.4 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2022. These standards, interpretations and amendments are either not relevant to the Modaraba's operations or do not have a significant effect on these condensed interim financial statements.
- 3.5 The Modaraba's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Modaraba for the year ended June 30, 2022.

4	PROPERTY AND EQUIPMENT - OWNED	Note	December 31,	June 30,
			2022	2022
			(Un-audited)	(Audited)
			-----Rupees-----	
	Opening net book value (NBV)		2,050,776	2,723,644
	Additions during the period / year at cost	4.1	117,499	-
	Disposals during the period / year at NBV			
	Cost		(954,000)	(3,616,049)
	Accumulated depreciation		954,000	3,616,049
	Depreciation charge for the period / year		(259,046)	(672,868)
	Closing net book value (NBV)		1,909,229	2,050,776

- 4.1 Additions includes the office equipment purchased during the period.

#### 5 PROPERTY, PLANT AND EQUIPMENT - IJARAH

	Opening net book value (NBV)		16,651,652	10,350,262
	Additions during the period / year at cost	5.1	44,750,000	10,251,000
	Disposals during the period / year at NBV			
	Cost		(5,490,000)	(8,995,500)
	Accumulated depreciation		1,678,750	7,844,700
	Depreciation charge for the period / year		(3,811,250)	(1,150,800)
	Depreciation charge for the period / year		(2,740,936)	(2,798,810)
	Closing net book value (NBV)		54,849,466	16,651,652

5.1 This includes vehicles purchased during the period under Ijarah arrangement with customers.

6 **INVESTMENT PROPERTIES - CARRIED AT FAIR VALUE**

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

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	-----Rupees-----	
7	<b>DIMINISHING MUSHARAKA</b>		
	Diminishing Musharaka		
	Principal	334,492,203	306,715,428
	Profit	5,526,604	2,663,545
		<u>340,018,807</u>	<u>309,378,973</u>
	Less: Current portion of diminishing musharaka	<u>(100,046,742)</u>	<u>(137,757,329)</u>
		<u>239,972,065</u>	<u>171,621,644</u>

7.1 This represent diminishing musharaka financing for a term of 3 to 5 years. These carry profit rate ranging from 11.85% to 21.06% (June 30, 2022: 11.85% to 20.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

		December 31, 2022 (Un-Audited)	June 30, 2022 (Audited)
	Note	-----Rupees-----	
8	<b>LONG TERM INVESTMENTS</b>		
	Investment classified as 'fair value through other comprehensive income		
	Shares of Unlisted Companies	8.1 <u>16,407,320</u>	<u>20,533,912</u>

8.1 Unlisted Companies

December 31, 2022 (Un-Audited)	June 30, 2022 (Audited)		December-31, 2022 (Un-Audited)	June 30, 2022 (Audited)
Number of shares		Note	-----Rupees-----	
1,107,244	1,107,244	Prudential Securities Ltd.		
		Cost	4,173,707	4,173,707
		Less; Impairment	(4,173,707)	(4,173,707)
191,700	191,700	Prudential Discount & Guarantee House Ltd.		
		Cost	1,041,815	1,041,815
		Less: Impairment	(1,041,815)	(1,041,815)
843,975	843,975	LSE Financial Services Ltd.		
		Cost	20,533,912	12,764,715
		Fair value adjustment	(4,126,592)	7,769,197
			16,407,320	20,533,912
			<u>16,407,320</u>	<u>20,533,912</u>

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

8.1.2 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. 19.44 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.

9 INVESTMENTS

Amortised cost			
Term Deposits Receipts	9.1	-	-
Fair value through profit or loss			
Quoted securities	9.2	3,514,478	3,796,146
		<u>3,514,478</u>	<u>3,796,146</u>

	December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	-----Rupees-----	
9.1 Term Deposit Receipt at face value	10,000,000	10,000,000
Less: amortization charge	(2,000,000)	(2,000,000)
Less: received in earlier period / year	(3,219,433)	(3,219,433)
Net receivable	<u>4,780,567</u>	<u>4,780,567</u>
Less: provision against doubtful recoveries	<u>(4,780,567)</u>	<u>(4,780,567)</u>
	-	-
9.2 <b>Quoted securities</b>		

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

December 31, 2022 (Un-audited)	June 30, 2022 (Audited)			December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
Number of Shares / Units		Name of Investee Company / Fund	Note	-----Rupees-----	
525	525	Nishat Mills Limited*		28,870	38,803
54,367	54,367	The Hub Power Company Limited		3,429,470	3,706,199
1,495	1,495	Sui Northern Gas Pipeline Limited*		56,138	51,144
348	348	Hussain Industries Limited*	9.2.1	-	-
1,670,720	1,670,720	Prudential Stock Fund	9.2.1	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	9.2.1	-	-
<u>2,087,455</u>	<u>2,087,455</u>			<u>3,514,478</u>	<u>3,796,146</u>

9.2.1 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 (June 30, 2022: 25) shares, Sui Northern Gas Pipeline Limited 254 (June 30, 2022: 254) shares and Hussain Industries Limited 348 (2022: 348) shares.

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

Weighted average cost of investments	3,796,146	4,453,029
Unrealized (loss) on changes in fair value	(281,668)	(656,883)
Market value of investments	<u>3,514,479</u>	<u>3,796,146</u>

	Note	December 31,	June 30, 2022
		2022	2022
		(Un-audited)	(Audited)
		-----Rupees-----	
<b>10 IJARAH RENTAL RECEIVABLE</b>			
Considered good		10,918	336,608
Considered doubtful		49,083,826	49,083,826
		49,094,744	49,420,434
Less: provision for doubtful receivables		(49,083,826)	(49,083,826)
		10,918	336,608

#### 11 RECEIVABLE AGAINST SALE OF AGRICULTURAL PRODUCE - SECURED

There is no change in the status of matters associated with receivable against sale of agricultural produce as disclosed in note 18 of the audited financial statements for the year ended June 30, 2022

#### 12 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	Considered good		Considered doubtful		Total	
		December 31, 2022	June 30, 2022	December 31, 2022	June 30, 2022	December 31, 2022	June 30, 2022
		(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
		-----Rupees-----					
Advance							
To staff - Secured	12.1 & 12.2	237,962	248,804	1,814,000	1,814,000	2,051,962	2,062,804
Against purchase of assets		38,140,000	22,661,500	-	-	38,140,000	22,661,500
Prepayments		580,299	249,304	-	-	580,299	249,304
Other receivables from							
Brokers on account							
- of sale of shares	12.2	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares	12.2	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	12.2	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks		441,928	1,089,958	-	-	441,928	1,089,958
Others		4,571,403	2,959,691	13,466,235	13,466,235	18,037,638	16,425,926
Sub total	YA	43,971,592	27,209,257	109,573,414	109,573,414	153,545,006	136,782,671
Provision for doubtful receivables		-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
		43,971,592	27,209,257	-	-	43,971,592	27,209,257

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

12.2 There is no change in status of matters with regards to doubtful advances and other receivables as disclosed in notes 19.2.1, 19.3, 19.4 and 19.5 of the audited financial statements for the year ended June 30, 2022.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	—————Rupees—————	
<b>13</b>	<b>TAXATION- NET</b>		
	Income tax refundable	22,936,635	25,010,789
	Provision for taxation	(4,254,552)	(4,670,444)
		<u>18,682,083</u>	<u>20,340,345</u>
13.1	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 authority.		
<b>14</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	10,000	
	Balances with banks in local currency		
	Current accounts	22,344,082	15,019,362
	Saving accounts	19,200,970	75,672,537
		41,545,052	90,691,899
		<u>41,555,052</u>	<u>90,691,899</u>
14.1	The balance in saving accounts carry profit at an average rates ranging from 3.75% to 13.00% (June 30, 2022: 2.75% to 11.75%) per annum.		
<b>15</b>	<b>IJARAH DEPOSITS</b>		
	Ijarah deposits	18,898,781	7,711,281
	Less: current portion ijarah deposit	(7,711,281)	(7,528,781)
		<u>11,187,500</u>	<u>182,500</u>
<b>16</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
16.1	<b>Contingencies</b>		
	There is no change in the status of matters related to income tax assessment and sindh sales tax as disclosed in note 27.1 of the annual audited financial statements of the Modaraba for the year ended June 30, 2022.		

16.2 **Commitment**

There were no commitment-as at the reporting date.

17 **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.

The management records accrual in respect of Management Company out of the net annual profit of the Modaraba on the basis of annual audited accounts. Therefore, no Management Company's remuneration has been accrued in these condensed interim financial statements.

	December 31 2022	December 31 2021
	(Un-audited)	
	-----Rupees-----	
18 <b>TAXATION</b>		
Current	2,395,338	744,901
Deferred	(1,189,042)	-
	<u>1,206,296</u>	<u>744,901</u>

19 **EARNINGS PER CERTIFICATE - BASIC AND DILUTED**

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-audited)			
	-----Rupees-----			
19.1 <b>Basic earning per certificate</b>				
Profit for the period after taxation	<u>12,729,530</u>	<u>7,024,883</u>	<u>7,535,748</u>	<u>3,711,711</u>
	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-audited)			
	----- (Number) -----			
Weighted average number of certificates outstanding during the period	<u>87,217,660</u>	<u>87,217,660</u>	<u>87,217,660</u>	<u>87,217,660</u>
	----- (Rupee) -----			
Earnings per certificate	<u>0.15</u>	<u>0.08</u>	<u>0.09</u>	<u>0.04</u>
19.2 <b>Diluted earning per certifiacte</b>				

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

## 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.

	December 31, 2022 (Un-audited)							
	FVTPL	Carrying amount / cost		FVTOCI	Other liabilities	Fair value		
		At Amortised Cost				Level 1	Level 2	Level 3
<b>Financial assets</b>								
Cash and bank balances	-	41,555,052	-	-	-	-	-	-
Investments	3,514,478	-	-	-	3,514,478	-	-	-
Modaraba term deposit	-	-	-	-	-	-	-	-
Investment against repurchase agreement	-	-	-	-	-	-	-	-
Diminishing Musharaka Finance	-	340,018,807	-	-	-	-	-	-
Ijarah rentals receivable	-	10,918	-	-	-	-	-	-
Advances, prepayments and other receivables	-	5,251,293	-	-	-	-	-	16,407,320
Long term investments	-	-	-	-	-	-	-	-
Long term advances and deposits	-	430,510	-	-	-	-	-	-
	3,514,478	387,266,580	16,407,320	-	3,514,478	-	-	16,407,320
<b>Financial liabilities</b>								
Short term finance	-	50,000,000	-	-	-	-	-	-
Ijarah deposits	-	18,898,781	-	-	-	-	-	-
Accrued and other liabilities	-	15,853,312	-	-	-	-	-	-
	-	84,752,093	-	-	-	-	-	-



June 30, 2022 (Audited)

	Carrying amount / cost			Fair value			
	FVTPL	At Amortised Cost	FVTOCI	Other liabilities	Level 1	Level 2	Level 3
(Rupees)							
<b>Financial assets</b>							
Cash and bank balances		90,691,899	-	-	-	-	-
Investments	3,796,146	-	-	-	3,796,146	-	-
Modaraba term deposit	-	-	-	-	-	-	-
Diminishing Musharaka Finance	-	309,378,973	-	-	-	-	-
Investment against-repurchase agreement	-	23,624,891	-	-	-	-	-
Ijarah rentals receivable	-	336,608	-	-	-	-	-
Advances, prepayments and other receivable	-	4,298,452	-	-	-	-	-
Long term investments	-	-	20,533,912	-	-	-	20,533,912
Long term advances and deposits	-	537,790	-	-	-	-	-
	3,796,146	428,868,613	20,533,912	-	3,796,146	-	20,533,912
<b>Financial liabilities</b>							
Musharaka finance	-	50,000,000	-	-	-	-	-
Ijarah deposits	-	7,711,281	-	-	-	-	-
Accrued and other liabilities	-	19,207,102	-	-	-	-	-
	-	76,918,383	-	-	-	-	-

For financial assets and financial liabilities not measured at fair value, management consider that their carrying amounts approximate fair value because of their short term nature and credit quality of counterparties. For investment against repurchase agreement, Musharaka Finance and Diminishing Musharaka Finance, management considers that their carrying amount approximate fair value as the transaction is entered in to at negotiated rate considering market prevailing rates and also assessing credit standings of counter parties.

## 21 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, 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.

**FIRST PRUDENTIAL MODARABA**  
**Amounts outstanding as at period / year end**

Name of the company / individual	Relationship with the Modaraba	Nature of Transactions	December 31	June 30
			2022	2022
			Un-audited	Audited
			-----Rupees-----	
<b>Balances with related parties</b>				
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Short Term Finance	(50,000,000)	(50,000,000)
		Payable shared service cost	(502,447)	(485,872)
Awwal Modaraba Management Limited	Modaraba Management Company	Management Company's remuneration	(408,736)	(2,615,235)
Awwal Modaraba	Modaraba under common management	Payable against sharing of common expenses	(805,104)	(1,344,539)
		Payable against cost of deputed employee	(2,058,606)	(3,730,397)
KASB Modaraba	Modaraba under common management	Payable against sharing of common expenses	(1,136,241)	(972,680)
First Pak Modaraba	Modaraba under common management	Receivable against sharing of common expenses	80,321	14,323
			<b>December 31</b>	<b>December 31</b>
			<b>2022</b>	<b>2021</b>
			<b>Un-audited</b>	<b>Un-audited</b>
			-----Rupees-----	
<b>Expenses/(income) during the period</b>				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	167,777	94,152
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Return on modraba term deposit	-	(3,006,510)
		Return on musharaka finance	-	861,429
		Return on Short Term Finance	4,367,247	-
		Shared services cost	2,984,722	2,919,768
Awwal Modaraba	Modaraba under common management Company	Sharing of common expenses	1,472,594	807,978
		Staff cost of deputed employee	3,676,430	3,451,590
KASB Modaraba	Modaraba under common management	Sharing of common expenses	1,550,802	587,622
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	80,321	(61,767)
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	112,449	189,292
<b>Payments/(receipts) made during the period</b>				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	167,777	94,152
		Return on modraba term deposit		(2,973,832)
		Musharika Finance		50,000,000
		Return on musharaka finance		1,536,290
		Return on Short Term Finance	4,367,247	-
		Shared service cost	2,968,147	2,919,768
Awwal Modaraba Management Limited	Modaraba Management Company	Management Company's remuneration	2,206,499	1,059,517
Awwal Modaraba	Modaraba under common management	Sharing of common expenses	2,012,029	842,247
		Staff cost of deputed employee	5,348,221	586,270
KASB Modaraba	Modaraba under common management	Sharing of common expenses	1,387,241	1,547,652
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	14,323	(95,014)
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	112,449	189,292

22 **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.

23 **DATE OF AUTHORISATION**

These financial statements were authorised for issue on \_\_\_\_\_ by the Board of Directors of the Management Company.

24 **GENERAL**

Figures have been rounded off to nearest rupees unless otherwise stated. *Bn*

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

CHIEF FINANCIAL OFFICER    CHIEF EXECUTIVE OFFICER    DIRECTOR    DIRECTOR

# **FIRST PRUDENTIAL MODARABA**

**First Prudential Modaraba**  
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**HALF YEARLY  
REPORT  
DECEMBER 31,  
2022**