

FIRST PAK 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 PAK 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

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

Lahore Branch Office

Office No. 318 3rd Floor, Lahore Stock
Exchange Building, 19 Khayaban-e-
Awan-e-Iqbal, Lahore,
Phone : 042-36311001-02

Islamabad Branch Office

Basement, 90-91,
Razia Sharif Plaza ,Jinnah Avenue,
Blue Area, F-7, Islamabad.
Phone: 051-2344422-24

FIRST PAK MODARABA

DIRECTORS' REPORT

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

With the deployment of excess liquidity in lending operations, the outstanding portfolio size increased to PKR 91.07 million at December 31, 2022 (June 30, 2022: PKR 68.13 million) with corresponding fall in liquid assets to PKR 13.48 million compared to Rs.45.04 million. There is strict emphasis on maintaining quality of portfolio. Portfolio build up is a challenge in FPM due to the limited per party exposure size which will be rectified by the proposed merger.

During the first half under review, overall revenues have been recorded at PKR 10.86 million compared to PKR 6.59 million in corresponding period last year. Total expenses for the period were contained at PKR 3.71 million. Excluding management fee, the Modaraba posted profit after tax for the period at PKR 1.13 million compared to Rs.1.30 million in the corresponding period.

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

INDEPENDENT AUDITORS' REVIEW REPORT TO THE CERTIFICATE HOLDERS OF FIRST PAK MODARABA

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Pak Modaraba** (the Modaraba) as at **December 31, 2022** and the related condensed interim profit or loss, condensed interim statement of comprehensive income, condensed interim cash flow statement, 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 to as "the interim financial statements"). The Modaraba Management Company [Awwal Modaraba Management Company Limited] is responsible for the preparation and presentation of the interim financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these 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 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 interim financial information is 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 of the condensed interim financial statement, which states, the management has principally decided to merge the three Modarabas i.e First Pak Modaraba, First Prudential Modaraba and KASB Modaraba in to one Modaraba to operate as single unit. Legal and other formalities to effect the proposed merger are in process of completion. Our conclusion is not modified in respect of this matter.

Other Matter

The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2022.

The engagement partner on the review resulting in this independent auditors' review report is **Muhammad Shaukat Naseeb**.

Grant Thornton Anjum Rahman

Chartered Accountants

Date:

Karachi

UDIN:

FIRST PAK MODARABA
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT DECEMBER 31, 2022

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	----- Rupees -----	
ASSETS			
Current Assets			
Cash and bank balances	4	13,484,712	45,038,250
Investments	5	-	-
Current portion of diminishing musharakah	9	29,889,498	23,780,751
Advances, deposits, prepayments and other receivables	6	3,324,330	1,022,014
Taxation - net		5,466,666	5,359,849
		<u>52,165,206</u>	<u>75,200,864</u>
Non - Current Assets			
Ijarah Assets	7	14,619,450	5,876,739
Fixed assets- in own use	8	-	69,456
Long term portion of Diminishing Musharakah	9	61,176,106	44,352,092
Long term advances		127,383	92,124
Deferred tax asset	10	473,739	218,298
		<u>76,396,678</u>	<u>50,608,709</u>
TOTAL ASSETS		<u>128,561,884</u>	<u>125,809,573</u>
LIABILITIES			
Current Liabilities			
Short Term Finance	11	50,000,000	50,000,000
Accrued and other liabilities	12	3,415,171	3,762,024
Unclaimed profit distribution		6,681,987	5,895,284
Current portion of ijarah deposits		200,000	400,000
		<u>60,297,158</u>	<u>60,057,308</u>
Non-Current Liabilities			
Long term ijarah deposits		4,700,000	2,062,500
TOTAL LIABILITIES		<u>64,997,158</u>	<u>62,119,808</u>
NET ASSETS		<u>63,564,726</u>	<u>63,689,765</u>
REPRESENTED BY			
Authorized certificate capital			
15,000,000 (June 30 2022:15,000,000) modaraba certificates of Rs.10/- each	13	150,000,000	150,000,000
Issued, subscribed and paid-up certificate capital			
12,540,000 modaraba certificates of rupees 10/- each		125,400,000	125,400,000
Statutory reserve		26,897,311	26,897,311
Accumulated loss		(83,857,585)	(83,732,546)
		<u>68,439,726</u>	<u>68,564,765</u>
Deficit on revaluation of investments	5.3	(4,875,000)	(4,875,000)
		<u>63,564,726</u>	<u>63,689,765</u>
CONTINGENCIES AND COMMITMENT	14		

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

42

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 HALF YEAR ENDED DECEMBER 31, 2022

	Note	Half Year Ended		Quarter Ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Rupees					
INCOME					
Income from deposits with Banks		2,465,618	1,079,314	1,022,504	396,560
Income from Modaraba term deposit		-	483,190	-	244,221
Income from Investment in Sukuk		-	436,076	-	224,538
Income from Diminishing Musharakah Finance		5,806,473	3,060,995	3,101,383	1,893,550
Ijarah rentals		1,843,821	1,018,574	1,412,160	547,295
Other income		744,200	512,034	410,458	480,034
		10,860,112	6,590,183	5,946,505	3,786,198
Reversal against doubtful receivable-net		-	119,542	-	119,542
		10,860,112	6,709,725	5,946,505	3,905,740
EXPENDITURE					
Administrative expenses	15	(3,713,670)	(3,290,425)	(2,019,721)	(1,685,820)
Financial charges	16	(4,368,141)	(1,024,467)	(2,252,937)	(670,782)
Depreciation on Ijarah assets	7	(1,644,789)	(823,959)	(1,066,665)	(426,042)
		(9,726,600)	(5,138,851)	(5,339,323)	(2,782,644)
Profit for the period		1,133,512	1,570,874	607,182	1,123,096
Management Company's Remuneration	17	-	-	-	-
Provision for sales tax on Management Company's remuneration		-	-	-	-
Provision for Sindh Workers' Welfare Fund	18	(22,225)	(30,801)	(11,905)	(22,021)
Profit before taxation		1,111,287	1,540,073	595,277	1,101,075
Provision for taxation					
- Current	19	17,674	(241,490)	184,237	(114,181)
- Prior		-	-	-	-
Profit after taxation		1,128,961	1,298,583	779,514	986,894
Earnings per certificate - Basic and diluted	20	0.09	0.10	0.06	0.08

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 PAK MODARABA
 CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Half Year Ended		Quarter Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	----- Rupees -----			
Profit after taxation	1,128,961	1,298,583	779,514	986,894
<i>Other comprehensive income/(loss)</i>				
-Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income	-	360,000	-	45,342
Total comprehensive income for the period	1,128,961	1,658,583	779,514	1,032,236

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

62

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 (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Certificate Capital	Capital Statutory reserve	Revenue Accumulated loss	Total
	----- Rupees -----			
Balance at July 01, 2021 (Audited)	125,400,000	26,570,182	(85,041,063)	66,929,119
Net profit for the period	-	-	1,298,583	1,298,583
Transfer to statutory reserve (20%)	-	259,717	(259,717)	-
Balance at December 31, 2021 (Un-Audited)	125,400,000	26,829,899	(84,002,197)	68,227,702
Balance at July 01, 2022 (Audited)	125,400,000	26,897,311	(83,732,546)	68,564,765
Total comprehensive income for the period	-	-	1,128,961	1,128,961
Distribution @ 0.10% declared for the year ended June 30, 2022			(1,254,000)	(1,254,000)
Balance at December 31, 2022 (Un-Audited)	125,400,000	26,897,311	(83,857,585)	68,439,726

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

52

For Awwal Modaraba Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Director

FIRST PAK MODARABA
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

		December 31, 2022	December 31, 2021
	Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,111,287	1,540,073
Adjustments for non-cash changes and other items:			
-Gain on disposal-ijarah assets		(128,123)	-
-Financial Charges	16	4,368,141	1,024,467
-Depreciation on ijarah assets	7	1,644,789	823,959
-Reversal against doubtful receivable		-	(119,542)
-Amortization on intangible assets		69,456	80,832
		<u>5,954,263</u>	<u>1,809,716</u>
Cash flows before movements in working capital		<u>7,065,550</u>	<u>3,349,789</u>
Decrease / (Increase) in operating assets			
-Diminishing Musharakah	9	(22,932,761)	(31,376,982)
-Ijarah rentals receivable		-	162
-Advances, prepayments and other receivables	6	(2,337,575)	(5,788,945)
		<u>(25,270,336)</u>	<u>(37,165,765)</u>
Increase / (Decrease) in operating liabilities			
-Long term ijarah deposits		2,437,500	(1,588,080)
-Musharaka finance		-	(50,000,000)
-Short term Finance		-	50,000,000
-Accrued and other liabilities	12	(346,853)	2,971,833
		<u>2,090,647</u>	<u>1,383,753</u>
Cash generated from / (used in) operations		<u>(16,114,139)</u>	<u>(32,432,223)</u>
-Income tax paid / adjusted		(344,584)	(280,612)
-Financial Charges paid		(4,368,141)	(1,024,467)
Net cash generated / (used in) from operating activities		<u>(20,826,864)</u>	<u>(33,737,302)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
-Purchase of Ijarah assets	7	(12,500,000)	(2,250,000)
-Receipts from settlement of ijarah		-	119,542
-Sale proceeds from Ijarah assets		2,240,622	1,681,500
Net cash (used in)/generated from investing activities		<u>(10,259,378)</u>	<u>(448,958)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Profit distribution		(1,254,000)	-
Dividend Payable		786,704	-
Net cash flow generated from financing activities		<u>(467,296)</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>(31,553,538)</u>	<u>(34,186,260)</u>
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	4	<u>13,484,712</u>	<u>21,773,436</u>

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 PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 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 Pak Modaraba effective from February 03, 2020.

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

- 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. The court order is still awaited in respect of approval of the scheme of merger.

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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, issued by the International Accounting Standards Board (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.
- Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulation 2021 issued by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the relevant laws).

Where the provisions of relevant laws differ with the requirements of IAS 34, IFASs and Companies act, 2017, the provisions of and directives of relevant laws have been followed. The financials for the half year ended December 31, 2022 have, however, been subjected to limited scope review.

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 annual audited financial statements for the year ended June 30, 2022. Comparative condensed financial position is extracted from annual audited financial statements for the year ended June 30, 2022 whereas comparative profit or loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from unaudited interim financial statements for the half year ended December 31, 2021. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Modaraba's financial position and performance since the last annual financial statements.

2.3 These condensed interim financial statements are unaudited; however, a limited scope review has been performed by the external auditors as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019.

2.4 Accounting estimates and judgement

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.

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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.

2.5 Functional and presentation currency

These condensed interim un-audited financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.

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 except for the adoption of any new amended standards as setout in 3.1.

3.1 Standards, Amendments And Interpretations to approved accounting standards

There are certain adoptions, amendments and interpretations with respect to the approved accounting standards that are not yet effective and are not expected to have any material impact on the Company's condensed interim financial statements in the period of initial application. Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by Modaraba. The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

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

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

New or Revised Standard or Interpretation	(annual periods beginning on or after)
IAS 16 - Proceeds before intended use	January 1, 2022
IAS 37 - Onerous Contracts- Cost of Fulfilling a contract	January 1, 2022

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

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	(annual periods beginning on or after)
IAS 12 - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 1, 2023
IAS 1 - 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

Standard or Interpretation	(annual periods beginning on or after)
IAS 8 - 'Definition of Accounting Estimates	January 1, 2023
IAS 1 - Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 16 - Lease liability in a sale and leaseback	January 1, 2024
IAS 1 - Non-current liabilities with covenants	January 1, 2024

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

Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	(annual periods beginning on or after)
IFRS 17 'Insurance Contracts' and ammendments to IFRS 17	January 1, 2023

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
4 CASH AND BANK BALANCES	Note	----- Rupees -----	
Cash in hand		-	-
Cash at banks-			
current accounts		3,013,220	2,237,469
saving accounts	4.1	10,471,492	42,800,781
	4.2	13,484,712	45,038,250
		<u>13,484,712</u>	<u>45,038,250</u>

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

4.2 The cash at bank includes Rs. 6,681,987 (June 30, 2022: 5,895,284) in respect of unclaimed dividend.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
5 INVESTMENTS	Note	----- Rupees -----	
Fair Value Through Other Comprehensive Income			
-in Unquoted securities	5.1	-	-
Fair Value Through Profit or Loss (FVTPL)			
-Investment in Quoted securities	5.2	-	-
		<u>-</u>	<u>-</u>

5.1 Investment in Unquoted securities

Fully paid ordinary shares of Rs 10 each.

December 31, June 30,
2022 2022

Number of Shares	Name of company		
Unquoted securities	<i>Prudential Securities Limited</i>		
<u>487,500</u>	Cost	4,875,000	4,875,000
	Less: Loss on re-measurement	<u>(4,875,000)</u>	<u>(4,875,000)</u>
		<u>-</u>	<u>-</u>

5.1.1 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.

5.2 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.

December 31, 2022	June 30, 2022		(Un-audited) December 31, 2022	(Audited) June 30, 2022
Number of Certificates / Shares		Name of Company	----- Rupees -----	
120,000	120,000	Prudential Investment Bank Ltd	-	-
		Pakistan Industrial & Commercial		
279,749	279,749	Leasing Limited	-	-
			<u>-</u>	<u>-</u>

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
5.3 Deficit on revaluation of investments classified as fair value through OCI investments	Note	----- Rupees -----	
Deficit on re-measurement of unquoted securities	5.1	(4,875,000)	(4,554,402)
Unrealised gain on remeasurement of Sukuk Certificates		-	39,402
Reversal of unrealised gain on disposal of Sukuk Certificate		-	(360,000)
		<u>(4,875,000)</u>	<u>(4,875,000)</u>

6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good

Profit Receivable on Diminishing Musharakah		636,296	541,816
Advance against purchase of assets		2,130,000	-
Deposits		37,500	37,500
Advance to staff - current portion - Secured	6.1	125,352	70,029
Prepayments		205,254	100,809
Profit receivable on bank deposits		184,255	266,187
Others		5,673	5,673
		<u>3,324,330</u>	<u>1,022,014</u>

Considered doubtful

Amount due from PSL	6.2	11,476,377	11,476,377
Amount due from PCML	6.3	999,832	999,832
Amount due from Royal Management Services (Private) Limited	6.4	886,442	886,442
Profit receivable on Morabaha finance		4,028,913	4,028,913
		<u>17,391,564</u>	<u>17,391,564</u>
		<u>20,715,894</u>	<u>18,413,578</u>
Less: Provision for doubtful receivables		<u>(17,391,564)</u>	<u>(17,391,564)</u>
		<u>3,324,330</u>	<u>1,022,014</u>

- 6.1** The balances are secured against Provident Fund (PF) balances of employees.
- 6.2** This represents amount receivable from Prudential Securities Limited (PSL) on account of advance for purchase of securities amounting to Rs. 1.0 million (June 2022: 1.0 million) and other receivable of Rs. 10.476 million (June 2022: 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.
- 6.3** 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.
- 6.4** 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 CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

7 PROPERTY AND EQUIPMENT - IJARAH

	Cost			Depreciation			Carrying value at December 31, 2022	Rate %
	As at July 1, 2022	Additions/ (Disposals)	As at December 31, 2022	Accumulated at July 1, 2022	For the period/(related to disposal)	Accumulated at December 31, 2022		
	-----Rupees-----							
Vehicle	8,250,000	12,500,000 (3,250,000)	17,500,000	2,373,261	1,644,789 (1,137,500)	2,880,550	14,619,450	25-33.33
	8,250,000	9,250,000	17,500,000	2,373,261	1,644,789 (1,137,500)	2,880,550	14,619,450	
	Cost			Depreciation				
	As at July 1, 2021	Additions/ (disposals)	As at June 30, 2022	Accumulated at July 1, 2021	For the period/(related to disposal)	Accumulated at June 30, 2022	Carrying value at June 30, 2022	Rate %
	-----Rupees-----							
Vehicle	11,719,000	2,250,000 (5,719,000)	8,250,000	4,801,402	1,609,359 (4,037,500)	2,373,261	5,876,739	25-33.33
	11,719,000	(3,469,000)	8,250,000	4,801,402	1,609,359 (4,037,500)	2,373,261	5,876,739	

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
8 PROPERTY AND EQUIPMENT - OWNED	Note	----- Rupees -----	
Tangible assets	8.1	-	-
Intangible assets	8.1	-	69,456
		<u>-</u>	<u>69,456</u>

8.1 These tangible and intangible assets having cost of Rs. 959,526 and Rs. 485,000 respectively are completely depreciated and still in the use of Modaraba.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
9 DIMINISHING MUSHARIKA	Note	----- Rupees -----	
Considered good	9.1	91,243,066	68,132,843
Less: Suspended diminishing musharaka income		(177,462)	-
Diminishing musharaka due after one year		<u>(61,176,106)</u>	<u>(44,352,092)</u>
Current Portion of Diminishing Musharakah		<u>29,889,498</u>	<u>23,780,751</u>

9.1 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.

10 DEFERRED TAXATION - NET

The defferred tax asset / (liability) is attributable to the following items

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Deductable temporary differences	----- Rupees -----	
Property & Equipment	<u>473,739</u>	218,298
Opening	218,298	-
For the year	<u>255,441</u>	218,298
Closing	<u>473,739</u>	218,298

11 SHORT TERM FINANCE

The Modaraba has availed finance facility of Rs. 50 million under Wakala Agreement dated December 29, 2022 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 28, 2023 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.

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
12 ACCRUED AND OTHER LIABILITIES	Note	----- Rupees -----	
Workers welfare fund		254,421	232,196
Management Company's remuneration	12.1	26,995	207,864
Auditors' remuneration		94,221	181,371
Shariah Advisor fee		167,998	168,000
Charity payable	12.2	-	3,987
Takaful		424,595	628,460
Advance against customer's share in financing		644,000	428,750
Other payables		1,802,941	1,911,396
		3,415,171	3,762,024

12.1 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) December 31, 2022	(Audited) June 30, 2022
12.2 Movement of charity payable	----- Rupees -----	
Opening balance	3,987	215,810
Add: Amount credited during the period	57,382	53,987
	61,369	269,797
Less: Paid during the period	61,369	(265,810)
Closing balance	-	3,987

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(Un-audited) December 31, 2022	(Audited) June 30, 2022		(Un-audited) December 31, 2022	(Audited) June 30, 2022
Number of Certificates			----- Rupees -----	
15,000,000	15,000,000	Authorised Modaraba certificates of Rs.10/- each	150,000,000	150,000,000
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	25,400,000	25,400,000
12,540,000	12,540,000		125,400,000	125,400,000

As at December 31, 2022, Awwal Modaraba Management Limited held 1,254,000 (June 2022: 1,254,000) certificates of Rs. 10 each.

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

14 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 NBFI & Modaraba Association of 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) December 31, 2022	(Un-audited) December 31, 2021
	Note	----- Rupees -----	
15 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits		944,121	861,403
Fees and subscription		595,960	571,824
Repair and maintenance		44,466	67,154
Rent, rates and taxes		103,828	101,393
Registrar services		248,487	170,056
Telephone and postage		60,465	39,517
Travelling and conveyance		2,640	1,115
Ammortisation		69,456	80,832
Auditor's remuneration		127,500	173,827
Electricity, water and gas		43,502	35,784
Printing and stationary		102,731	43,187
Legal and professional		49,140	112,505
Entertainment		90,197	-
Advertisement		213,500	96,800
Insurance		85,908	92,677
Reimbursement of common expenses		421,938	352,386
Shared service cost- PBICL		497,454	486,630
Miscellaneous		12,377	3,335
		<u>3,713,670</u>	<u>3,290,425</u>
16 FINANCIAL CHARGES			
Bank Charges		894	4,529
Financial charges on short term finance		4,367,247	1,019,938
		<u>4,368,141</u>	<u>1,024,467</u>
17 MANAGEMENT COMPANY'S REMUNERATION			

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 at the rate of 10% per annum of the annual profits of the Modaraba and hence no accrual is made in Condensed half yearly financial statements.

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

18 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) December 31, 2022	(Un-audited) December 31, 2021
	----- Rupees -----	
19 PROVISION FOR TAXATION		
Current	237,767	241,490
Prior	-	-
Deferred	(255,441)	-
	(17,674)	241,490
Relationship between tax expense and accounting profit		
Profit before tax	1,111,287	1,540,073
Tax at the applicable rate of 29%	322,273	446,621
Tax effect of permanent differences due to tax losses	(339,947)	(205,131)
	(17,674)	241,490

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.

The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 has been withdrawn through the Tax Laws (Second amendment), 2021 dated March 21, 2021 which is subsequently adopted in Finance Act, 2021.

	(Un-audited) December 31, 2022	(Un-audited) December 31, 2021
	----- Rupees -----	
20 EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
Profit for the period (Rupees)	1,128,961	1,298,583
	----- Number -----	
Weighted average number of ordinary certificates	12,540,000	12,540,000
	----- Rupees -----	
Earnings / (Loss) per certificate -basic and diluted*	0.09	0.10

*The Modaraba does not have any dilutive potential shares in issue as at the period end December 31, 2021:
 Nil)

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

21 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 Parent 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:

Name of the company / individual	Relationship with the Modaraba	Nature of Balances	December 31, 2022	June 30, 2022
Balances with related parties:			-----Rupees-----	
- Pak Brunei Investment Company Limited	-Holding Company of the Management Company	-Short Term Finance -Accrued shared service cost	(50,000,000) (83,741)	(50,000,000) (80,979)
- Awwal Modaraba Management Limited	-Modaraba management company	-Management Company's remuneration	(26,995)	(207,864)
- Awwal Modaraba	- Modaraba under common management	-Payable against sharing of common expenses	(141,876)	(448,058)
- KASB Modaraba	-Modaraba under common management	-Payable against sharing of common expenses	(197,295)	(138,186)
- First Prudential Modaraba	-Modaraba under common management	-Payable against sharing of common expenses	(80,321)	14,323

FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

Name of the company / individual	Relationship with the Modaraba	Nature of transaction	December 31, 2022	December 31, 2021
Transactions with related parties:			-----Rupees-----	
- First Pak Modaraba - Provident Fund Trust	- Staff provident fund	- Contribution made	49,692	45,343
- Pak Brunel Investment Company Limited	- Holding Company of the Management Company	- Return on modaraba term deposit	-	(483,190)
		- Return on musharaka finance	-	1,019,938
		- Return on short term finance	4,367,247	-
		- Shared services cost	497,454	486,630
- Awwal Modaraba	- Modaraba under common management	- Sharing of common expenses	283,752	178,072
- KASB Modaraba	- Modaraba under common management	- Sharing of common expenses	266,388	338,176
- First Prudential Modaraba	- Modaraba under common management	- Sharing of common expenses	80,321	36,100
- Jubilee Life Insurance Co. Ltd	- Other related party	- Takaful premium	85,908	92,677

**FIRST PAK MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

22 CORRESPONDING FIGURES

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

23 GENERAL

Figures have been rounded off to the nearest Rupee.

24 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
3rd Floor, Horizon Vista,
Plot No: Commercial 10,
Block-4, Clifton, Karachi
Phone : 021- 35374273-74,
Fax: 021-35374275

**HALF YEARLY
REPORT
DECEMBER 31,
2022**