

KASB 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.

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 Asjid

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

Grant Thornton Anjum Rehman, Chartered Accountants

Bankers

Dubai Islamic Bank
Soneri 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-Hilal Shariah Advisors (Private) 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

KASB MODARABA

DIRECTORS' REPORT

The Board of Directors of Awwal Modaraba Management Limited, the management company of KASB Modaraba, is pleased to present the Directors' Report together with Audited Financial Statements of KASB 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 portfolio size witnessed strong growth which amounted to PKR 147.47 million at December 31, 2022 (June 30, 2022: PKR 88.92 million) as excess liquidity was deployed in lending operations to support profitability while maintaining asset quality.

During the first half under review, overall revenues have been recorded at PKR 23.22 million compared to PKR 12.46 million in corresponding period last year. Total expenses for the period were contained at PKR 6.06 million. Excluding management fee, the company posted profit after tax for the period of PKR 9.38 million nearly doubling from PKR 4.22 million in the corresponding period last year. The full impact of increased portfolio size is expected in second half of the year. Management is also considering options to leverage in view of the healthy transaction pipeline.

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

Abdul Jaleel Shaikh
Director

February 28, 2023

INDEPENDENT AUDITORS' REVIEW REPORT TO THE CERTIFICATE HOLDERS OF KASB MODARABA

Introduction

We have reviewed the accompanying condensed interim balance sheet of **KASB 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 1.1 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 2020 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:

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

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
----- Rupees -----			
ASSETS			
Current assets			
Cash and bank balances	4	19,002,694	10,336,507
Short term investment	5	3,182,606	4,440,102
Current portion of long term diminishing musharaka finance	6	61,289,935	53,122,595
Ijarah rentals receivable	7	1,555,045	367,476
Advances, prepayments and other receivables	8	4,290,754	4,975,422
Taxation - net		2,311,806	3,796,938
		91,632,840	77,039,040
Non-current assets			
Fixed assets - owned		-	-
Ijarah assets	9	65,239,284	35,797,940
Long-term diminishing musharaka finance	6	86,183,638	119,236,835
		151,422,922	155,034,775
TOTAL ASSETS		243,055,762	232,073,815
LIABILITIES			
Current liabilities			
Redeemable capital - participatory and unsecured		1,315,000	1,315,000
Short term finance	10	50,000,000	50,000,000
Ijarah deposit		3,579,900	3,579,900
Creditors, accrued and other liabilities	11	6,615,741	12,754,063
Unclaimed profit distribution		5,528,588	3,493,568
		67,039,229	71,142,531
Non-current liabilities			
Long term portion of ijarah deposit		18,100,749	8,100,749
Deferred liabilities - staff gratuity		1,478,382	1,307,550
Deferred taxation	12	734,550	387,022
		20,313,681	9,795,321
TOTAL LIABILITIES		87,352,910	80,937,852
NET ASSETS		155,702,852	151,135,963
REPRESENTED BY			
CAPITAL AND RESERVES			
Authorized certificate capital		500,000,000	500,000,000
50,000,000 (2022 : 50,000,000) certificates of Rs. 10/- each			
Issued, subscribed and paid-up capital	13	480,664,800	480,664,800
Revenue reserve		(316,579,952)	(321,146,841)
Capital reserve		(8,381,996)	(8,381,996)
Certificate holder's equity		155,702,852	151,135,963
TOTAL CERTIFICATE HOLDERS' EQUITY		155,702,852	151,135,963
CONTINGENCIES AND COMMITMENTS			
	14		

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

KASB MODARABA
CONDENSED INTERIM PROFIT OR LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Note	Half Year Ended		Quarter Ended	
		December 31, December 31,		December 31, December 31,	
		2022	2021	2022	2021
		Rupees -----			
Income from:					
Deposit with Banks		760,382	3,628,498	100,758	1,487,287
Investment in sukuk		-	969,062	-	499,768
Term deposit		-	966,378	-	493,693
Diminishing musharaka finance		14,752,681	3,954,175	7,130,188	2,391,055
Ijarah finance		7,709,988	119,403	5,244,242	119,403
Gain on sale of shares - realised		-	2,727,298	-	22,997
Dividend on shares		-	94,984	-	94,984
		23,223,051	12,459,798	12,475,188	5,109,187
Financial charges	15	(4,373,829)	(1,697,752)	(2,256,744)	(375,309)
Depreciation on assets under ijarah arrangements	9.1	(5,558,656)	(99,600)	(4,168,216)	(99,600)
		(9,932,485)	(1,797,352)	(6,424,960)	(474,909)
		13,290,566	10,662,446	6,050,228	4,634,278
Other income		599,594	232,615	306,612	115,459
Unrealized loss on investment - at FVTPL		(1,257,496)	(660,202)	(1,331,438)	(93,209)
Reversal of provision against murabaha finance		5,050,000	265,000	4,910,000	140,000
Reversal of provision against ijarah assets		-	3,377,832	-	-
Administrative and operating expenses	16	(6,064,220)	(8,919,292)	(2,556,603)	(3,749,509)
		11,618,444	4,958,399	7,378,799	1,047,019
Management Company's remuneration	17	-	-	-	-
Sales tax on Management Company's remuneration		-	-	-	-
Sindh Worker's Welfare Fund	18	(227,813)	(97,224)	(144,680)	(20,530)
		(227,813)	(97,224)	(144,680)	(20,530)
Profit before taxation		11,390,631	4,861,175	7,234,119	1,026,489
Taxation	19	(2,017,094)	(637,416)	(1,159,495)	(541,178)
Net Profit for the period		9,373,537	4,223,759	6,074,624	485,311
Earning per certificate - basic and diluted	20	0.20	0.09	0.13	0.01

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

KASB MODARABA
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	<u>Half Year Ended</u>		<u>Quarter Ended</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	----- Rupees -----			
Net Profit for the period	9,373,537	4,223,759	6,074,625	485,311
<i>Other comprehensive income/(loss)</i>	-	-	-	-
Items that will be subsequently reclassified to profit or loss account				
- Unrealized loss on remeasurement of sukuk certificates	-	87,359	-	712,440
Total comprehensive income for the period	<u>9,373,537</u>	<u>4,311,118</u>	<u>6,074,625</u>	<u>1,197,751</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

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

	Half year ended December 31, 2022	Half year ended December 31, 2021
Note	----- Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,390,631	4,223,759
Adjustments for non-cash charges and other items:		
Depreciation for the period - own asset	-	9,725
Depreciation for the period - ijarah	5,558,656	99,600
Unrealized gain / (loss) on investment - at FVTPL	1,257,496	660,202
Reversal of provision against morabaha finance	(5,050,000)	(265,000)
Reversal of provision against ijarah	-	(3,377,832)
Gain on sale of fixed assets	-	(56,959)
Gain on sale of investments	-	(2,727,298)
Financial charges	4,373,829	1,697,752
Provision for worker's welfare fund	227,813	97,224
Provision against gratuity	85,416	170,832
	17,843,841	532,005
Decrease / (increase) in assets		
Diminishing musharaka finance	24,885,857	(76,604,790)
Ijarah rentals receivable	(1,187,569)	(119,403)
Advances, prepayments and other receivables	684,669	(5,322,405)
	24,382,957	(82,046,598)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	(6,280,718)	1,618,145
Musharaka finance	-	(50,000,000)
Short term finance	-	50,000,000
Ijarah deposit	10,000,000	1,992,000
Unclaimed profit distribution	2,035,020	7,681,603
	5,754,302	11,291,748
Financial charges paid	(4,373,829)	(7,459,939)
Tax paid/adjusted	(184,436)	(774,004)
Staff gratuity paid	-	(181,712)
	(4,558,265)	(8,415,655)
Net cash (used in) / generated from operating activities	43,422,835	(78,638,501)
CASH FLOW FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of fixed assets	-	150,900
Receipt from settlement of morabaha finance	5,050,000	265,000
Receipt from settlement of ijarah	-	3,377,832
Sale proceeds from investments	-	4,487,762
Purchase of ijarah assets	(35,000,000)	(7,968,000)
Net cash generated from/(used in) investing activities	(29,950,000)	313,494
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(4,806,648)	(23,071,910)
Net cash flow generated from financing activities	(4,806,648)	(23,071,910)
Net (decrease)/ increase in cash and cash equivalents	8,666,187	(101,396,916)
Cash and cash equivalents at the beginning of the period	10,336,507	147,114,654
Cash and cash equivalents at the end of the period	19,002,694	45,717,738

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

KASB MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Certificate capital	Capital reserves		Revenue reserve	Certificate holder's equity
		Discount on Issuance of certificates	Statutory reserve	Accumulated losses	
----- Rupees -----					
Balance as at July 01, 2021 (Audited)	480,664,800	(98,960,400)	89,345,743	(303,005,573)	168,044,570
Net profit for the period	-	-	-	4,223,759	4,223,759
Profit distribution @ Re.0.48 per certificate for the year ended June 30, 2021	-	-	-	(23,071,910)	(23,071,910)
Transfer to statutory reserve (20%)	-	-	844,752	(844,752)	-
Balance as at December 31, 2021 (un-audited)	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>90,190,495</u>	<u>(322,698,476)</u>	<u>149,196,419</u>
Balance as at July 1, 2022 (Audited)	480,664,800	(98,960,400)	90,578,404	(321,146,841)	151,135,963
Net Profit for the period	-	-	-	9,373,537	9,373,537
Profit distribution @ Re. 0.10 per certificate for the year ended June 30, 2022	-	-	-	(4,806,648)	(4,806,648)
Balance as at December 31, 2022 (Un-audited)	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>90,578,404</u>	<u>(316,579,952)</u>	<u>155,702,852</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

KASB MODARABA

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

1 LEGAL STATUS AND NATURE OF BUSINESS

KASB Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and was managed by KASB Invest (Private) Limited (the Management Company) - KIPL, a company incorporated in Pakistan.

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

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

The registered office of KASB Modaraba is situated at 3rd floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No. 5, Clifton, Karachi. The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharaka financing, murabaha financing, modaraba financing, diminishing musharaka and investing in sukuk bonds, mutual funds and listed securities. The Modaraba is listed on the Pakistan Stock Exchange.

- 1.1** 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 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 SECP, Petition for merger 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, the 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.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Modaraba for the half year ended on December 31, 2022 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 financial 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.

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (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 Modaraba'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

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (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 the 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

KASB 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 at bank in :			
Current accounts		5,628,499	3,593,479
Saving accounts	4.1	13,354,195	6,743,028
	4.2	18,982,694	10,336,507
Cash in hand		20,000	-
		<u>19,002,694</u>	<u>10,336,507</u>

4.1 Effective profit rates on these accounts range between 4.10% and 13% (June 30, 2022: 3.74% and 12%) per annum.

4.2 The cash at bank includes Rs. 5,528,588 (June 30, 2022: 3,493,568) in respect of unclaimed dividend.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
5 SHORT TERM INVESTMENT	Note	----- Rupees -----	
Fair Value Through Profit or Loss (FVTPL)			
-Investment in Quoted securities	5.1	3,182,606	4,440,102
		<u>3,182,606</u>	<u>4,440,102</u>

5.1 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.

(Un-audited) December 2022	(Audited) June 30, 2022	Name of Company	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Number of Certificates / Shares		<i>-Automobile Parts & Accessories</i>		----- Rupees -----	
16,468	16,468	Thal Limited		3,182,606	4,440,102
<u>16,468</u>	<u>16,468</u>			<u>3,182,606</u>	<u>4,440,102</u>

6 DIMINISHING MUSHARKA FINANCE

Diminishing musharaka finance - considered good	6.1	190,340,422	222,409,691
Diminishing musharaka finance - doubtful		666,134	666,134
Unearned income		(42,695,608)	(50,050,261)
		<u>148,310,948</u>	<u>173,025,564</u>
Less: provision for non-performing diminishing musharaka		(666,134)	(666,134)
Suspended diminishing musharaka income		(171,241)	-
		<u>147,473,573</u>	<u>172,359,430</u>
Diminishing musharaka due after one year		(86,183,638)	(119,236,835)
Current portion of diminishing musharaka		<u>61,289,935</u>	<u>53,122,595</u>

6.1 The profit rates on these diminishing musharaka arrangements range between 11.66% and 19.77% (June 2022: 11.66% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

KASB 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	
7 IJARAH RENTALS RECEIVABLE	Note	----- Rupees -----	
Ijarah rental receivable	25,445,209	24,257,640	
Less: provision for doubtful receivable	<u>(23,890,164)</u>	<u>(23,890,164)</u>	
	<u>1,555,045</u>	<u>367,476</u>	
8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to other employees - unsecured	402,095	433,385	
Prepayments	986,107	365,240	
Short term security deposits	223,300	223,300	
Accrued profit on bank deposit	312,456	240,526	
Receivable from associated entities-considered good	2,032,732	3,390,973	
Others	<u>334,064</u>	<u>321,997</u>	
	<u>4,290,754</u>	<u>4,975,422</u>	
9 IJARAH ASSETS			
Plant and machinery	35,802,124	3,579,900	
Vehicles	<u>29,437,160</u>	<u>32,218,040</u>	
	9.1 <u>65,239,284</u>	<u>35,797,940</u>	
9.1 Assets held under Ijarah arrangement			
Description	<u>Vehicle</u>	<u>Plant and machinery</u>	<u>Total</u>
	----- Rupees -----		
For the period ended December 31, 2022			
<i>Net carrying value basis</i>			
Opening - NBV	32,218,040	3,579,900	35,797,940
Addition / deletion	-	35,000,000	35,000,000
Depreciation charge	<u>(2,780,880)</u>	<u>(2,777,776)</u>	<u>(5,558,656)</u>
Closing - NBV	<u>29,437,160</u>	<u>35,802,124</u>	<u>65,239,284</u>
<i>Gross carrying value basis</i>			
Cost	34,693,000	68,848,819	103,541,819
Accumulated depreciation and impairment	<u>(5,255,840)</u>	<u>(33,046,695)</u>	<u>(38,302,535)</u>
Closing - NBV	<u>29,437,160</u>	<u>35,802,124</u>	<u>65,239,284</u>
Depreciation rate % per annum	<u>20 to 66</u>	<u>14 to 33</u>	
Year ended June 30, 2022			
<i>Net carrying value basis</i>			
Opening - NBV	-	3,579,900	3,579,900
Addition / deletion	34,693,000	-	34,693,000
Depreciation charge	<u>(2,474,960)</u>	-	<u>(2,474,960)</u>
Closing - NBV	<u>32,218,040</u>	<u>3,579,900</u>	<u>35,797,940</u>
<i>Gross carrying value basis</i>			
Cost	34,693,000	33,848,819	-
Accumulated depreciation and impairment	<u>(2,474,960)</u>	<u>(30,268,919)</u>	<u>35,797,940</u>
Closing NBV	<u>32,218,040</u>	<u>3,579,900</u>	<u>35,797,940</u>
Depreciation rate % per annum	<u>20 to 66</u>	<u>14 to 33</u>	

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

10 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.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
		----- Rupees -----	
11 CREDITORS, ACCRUED AND OTHER LIABILITIES	Note		
Management Company's remuneration	11.1	480,605	1,257,265
SWWF Payable	18	1,886,442	1,658,629
Sundry creditors		832,673	5,632,673
Payable to associated entities		606,846	980,810
Accrued expenses		984,608	1,159,674
Charity payable	11.2.	-	232,474
Insurance premium received in advance		923,167	923,167
Other liabilities		901,400	909,371
		6,615,741	12,754,063

11.1 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	
		----- Rupees -----	
11.2 Movement of charity payable			
Opening balance	232,474	1,483,194	
Add: Amount credited during the year	303,066	262,474	
	535,540	1,745,668	
Less: Amount paid during the year	(535,540)	(1,513,194)	
	-	232,474	

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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	(Un-audited) December 31, 2022	(Audited) June 30, 2022
	----- Rupees -----	
12 DEFERRED TAXATION		
The deferred tax is attributable to the following items:		
Deductible temporary differences		
Provision for gratuity	(49,541)	(96,420)
Investments	(188,624)	(378,336)
Tax Losses & alternate corporate tax	(2,110,730)	(2,110,730)
Chargeable temporary differences on		
Ijarah assets	<u>3,083,445</u>	<u>2,972,507</u>
	<u>734,550</u>	<u>387,022</u>

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
	----- Certificates -----			----- Rupees -----	
			Modaraba Certificates of Rs. 10/- each fully paid in cash	249,584,000	249,584,000
24,958,400	24,958,400		Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates	33,160,000	33,160,000
3,316,000	3,316,000		Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800	197,920,800
<u>19,792,080</u>	<u>19,792,080</u>			<u>480,664,800</u>	<u>480,664,800</u>
<u>48,066,480</u>	<u>48,066,480</u>				

13.1 As at December 31, 2022, Awwal Modaraba Management Limited, the management company, held 4,806,648 (June 30, 2022: 4,806,648) certificates of Rs.10/- each.

14 CONTINGENCIES AND COMMITMENTS

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 KASB 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
	----- Rupees -----	
15 FINANCIAL CHARGES		
Bank charges	6,582	19,151
Financial charges on musharaka finance	-	1,678,601
Financial charges on short term finance	4,367,247	-
	<u>4,373,829</u>	<u>1,697,752</u>

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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	(Un-audited) December 31, 2022	(Un-audited) December 31, 2021
16 ADMINISTRATIVE AND OPERATING EXPENSES	----- Rupees -----	
Salaries and benefits	1,064,060	3,067,783
Transaction cost	-	22,794
Utilities	66,382	115,642
Takaful	184,341	394,038
Postage	53,137	48,852
Repairs and maintenance	191,760	188,932
Entertainment	140,178	93,086
Printing and stationery	99,218	263,547
Travelling and conveyance	313,006	125,997
Fee and subscriptions	769,923	904,731
Auditors' remuneration	242,500	216,318
Legal and professional charges	776,621	1,380,431
Depreciation - owned assets	-	9,725
Advertisements	216,060	133,624
Rent, rate and taxes	261,427	181,058
CIB charges	-	9,245
Security services	186,648	186,648
Shared services expense	1,484,073	1,459,884
Others	14,886	116,957
	<u>6,064,220</u>	<u>8,919,292</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.

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.

19 PROVISION FOR TAXATION

	(Un-audited) December 31, 2022	(Un-audited) December 31, 2021
	----- Rupees -----	
Current	1,669,568	637,416
Deferred	347,526	-
	<u>2,017,094</u>	<u>637,416</u>

Relationship between tax expense and accounting profit

Profit before taxation	11,390,631	4,861,175
Tax @ 29% (June 30, 2022: 29%)	3,303,283	1,409,741
Tax effect of permanent differences due to reversal of provision and unallocated expenses in computation of the alternative corporate tax	(1,288,452)	(772,325)
	<u>2,014,831</u>	<u>637,416</u>

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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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
20 EARNING / (LOSS) PER CERTIFICATE - BASIC AND DILUTED	----- Rupees -----	
Profit for the period	<u>9,373,537</u>	<u>4,223,759</u>
	----- Number -----	
Weighted average number of certificates	<u>48,066,480</u>	<u>48,066,480</u>
	----- Rupees -----	
Earnings per certificate -basic and diluted*	<u>0.20</u>	<u>0.09</u>

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

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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21 TRANSACTIONS AND BALANCE WITH RELATED PARTIES

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the 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 year 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
-----Rupees-----				
Balances with related parties:				
- Pak Brunei Investment Company Limited	-Holding Company of the Management Company	-Short term finance	(50,000,000)	(50,000,000)
		-Accrued markup on short term finance	(56,754)	-
		-Accrued shared service cost	(242,936)	(242,936)
-Awwal Modaraba Management Limited	-Modaraba Management Company	-Management Company's remuneration	(480,605)	(1,257,265)
-Awwal Modaraba	-Modarabas under common management	-Receivable / Payable against sharing of common expenses	305,416	(16,415)
-First Prudential Modaraba	-Modarabas under common management	-Receivable against sharing of common expenses	1,136,241	972,680
-First Pak Modaraba	-Modarabas under common management	-Receivable against sharing of common expenses	197,295	138,186

KASB 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 transactions	December 31, 2022	December 31, 2021
Transactions with related parties:			-----Rupees-----	
- Pak Brunei Investment Company Limited	-Holding Company of the Management Company	-Return on modaraba term deposit	-	(966,378)
		-Return on musharaka finance	-	1,678,601
		-Return on short term finance	4,367,247	-
		-Shared services cost	1,484,073	1,459,884
-Awwal Modaraba	-Modarabas under common management	-Staff cost of deputed employee	-	1,651,134
		Reimbursement of expenses	(141,569)	(302,103)
-First Prudential Modaraba	-Modarabas under common management	-Reimbursement of expenses	(1,554,835)	(266,205)
-First Pak Modaraba	-Modarabas under common management	-Reimbursement of expenses	(266,388)	(338,176)

**FIRST PAK MODARABA
NOTES TO THE FINANCIAL STATEMENTS
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 28th February,2023 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

KASB MODARABA

KASB MODARABA

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Karachi**

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**HALF YEARLY
REPORT
DECEMBER 31,
2022**