

# FIRST PRUDENTIAL MODARABA

Quarterly Report  
September, 2020

MANAGED BY

AWWAL MODARABA MANAGEMENT LIMITED

# FIRST PRUDENTIAL MODARABA

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

### **Audit Committee**

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

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

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

### **Company Secretary**

Ms. Iqra Sajjad

### **Chief Financial Officer**

Mr. Aftab Afroz Mahmoodi

### **Auditor**

BDO Ebrahim & Co, Chartered Accountants

### **Bankers**

Habib Bank Limited  
Summit Bank

### **Certificate Registrar**

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

### **Legal Advisor**

Ahmed & Qazi  
S & B Durrani Law Associates

### **Shariah Advisor**

Al-Hamd Shariah Advisory Services (Pvt) Limited

### **Registered Office & Head Office**

Office No:- B, 5th Floor, Lakson Square  
Building No: 1, Sarwar Shaheed Road,  
Karachi  
Phone : 021- 35630621,021-35630623

### **Lahore Branch Office**

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

### **Islamabad Branch Office**

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

## DIRECTORS' REPORT

The Board of Directors of Awwal Modaraba Management Limited, the management company of First Prudential Modaraba, is pleased to present the Directors' Report together with unaudited Financial Statements of First Prudential Modaraba for the quarter ended 30 September 2020.

### Economy

The Government of Pakistan has taking several measures for revival of the economy. These measures have been fully supported and expanded by regulators; the Policy Rate has been kept stable by the State Bank of Pakistan and at the current level of 7%, provides room to businesses to manage their cash flows. Different relief packages, including subsidized financing lines, deferment of loans, salary loans and specific schemes for the health sector, have helped direct the economy towards revival.

### Financial Performance

During the period under review, overall revenues were recorded at PKR 11.48 million inclusive of return on deposit of PKR 3.25 million, compared to PKR 19.70 million in corresponding period last year. Admin and operating expenses for the period amounted to PKR 8.05 million. The Modaraba posted profit of PKR 3.35 million compared to the profit of PKR 1.97 million of corresponding period.

### Governance

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

### Acknowledgement

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

On behalf of the Board

Sd  
Karim Hatim  
Chief Executive

sd  
Abdul Jaleel Shaikh  
Director

Date: 29 October 2020

## ڈائریکٹر رپورٹ

فرسٹ پروڈینشل مضاربہ کی منجمنٹ کمپنی اول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والے سہ ماہی کے لئے فرسٹ پروڈینشل مضاربہ کے غیر آڈٹ شدہ مالی نتائج کے ساتھ ڈائریکٹر رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### معیشت:

حکومت پاکستان معیشت کی بحالی کے لئے متعدد اقدامات کر رہی ہے۔ ان اقدامات کو ریگولیٹرز کے ذریعہ مکمل تائید اور توسیع دی گئی ہے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو 7% کی موجودہ سطح پر مستحکم رکھا ہے اور کاروباری اداروں کو ان کے نقد بہاؤ کو سنبھالنے کے لئے جگہ فراہم کی ہے۔ مختلف ریلیف پیکجز، بشمول سبسڈی سے متعلق مالی اعانت کی لائسنز، قرضوں کی التواء، تنخواہ کے قرضوں اور صحت کے شعبے کے لئے مخصوص اسکیموں نے معیشت کو حیات نو کی سمت لے جانے میں مدد فراہم کی ہے۔

### مالیاتی کارکردگی:

زیر جائزہ مدت کے دوران، مجموعی طور پر محصولات پاکستانی 11.48 ملین روپے ریکارڈ کی گئی جس میں پاکستانی 3.25 ملین روپے کا بینک ڈیپازٹ پر منافع شامل ہے۔ جبکہ پچھلے سال کے اسی عرصے میں محصولات پاکستانی 19.70 ملین روپے تھے۔ اس مدت کے انتظامی اور کاروباری اخراجات 8.05 ملین پاکستانی روپے تھے۔ مضاربہ نے اسی مدت کے 3.35 ملین روپے کے منافع کے مقابلے میں پاکستانی 1.97 ملین روپے کا منافع دیا۔

### گورننس:

زیر نظر مدت کے دوران اول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں کی گئی ہے۔

### تسلیمات:

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرڈ مضاربہ کی مستقل رہنمائی اور مدد کے لئے ان کی تسلیمات اور تعریف کرنا چاہتا ہے نیز اس موقع سے فائدہ اٹھانا چاہیں گے کہ وہ مضاربہ پر اعتماد کرنے کے لئے اپنے صارفین اور سرمایہ کاروں کا شکریہ ادا کریں۔

بورڈ کی جانب سے

-Sd-

عبدالجلیل شیخ

ڈائریکٹر

-Sd-

کریم حاتم

چیف ایگزیکٹو

**FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM BALANCE SHEET ( UN-AUDITED)  
AS AT SEPTEMBER 30, 2020**

		(Unaudited) September 30, 2020	(Audited) June 30, 2020
	Note	-----Rupees-----	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	6	254,254,483	248,179,611
Investments	7	4,988,903	4,451,565
Musharika, morabaha and other finance	8	-	-
Current portion of diminishing musharika	9	58,723,707	57,937,244
Ijarah rentals receivable	10	54,552	58,331
Receivable against sale of agriculture produce	11	-	-
Advances, prepayments and other receivables	12	13,356,403	19,860,408
Asset acquired in satisfaction of financing facility	13	-	2,375,000
Tax refundable - considered good		<u>12,039,284</u>	<u>12,039,284</u>
<b>Total current assets</b>		<b>343,417,332</b>	<b>344,901,443</b>
<b>Non - current assets</b>			
Long term investments	14	<u>10,347,133</u>	10,347,133
Long term portion of diminishing musharika	9	<u>60,539,421</u>	54,131,699
Long term advances		-	12,176
Long term deposits		<u>235,500</u>	235,500
Intangible assets	15	-	-
Property and equipment - own use	16	<u>3,842,292</u>	4,017,908
Property, plant and equipment - ijarah	17	<u>15,536,604</u>	17,493,911
Investment properties	18	<u>46,200,000</u>	46,200,000
<b>Total Non - Current Assets</b>		<b>136,700,950</b>	<b>132,438,327</b>
<b>TOTAL ASSETS</b>		<b>480,118,282</b>	<b>477,339,770</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current portion of ijarah deposits		<u>11,359,581</u>	13,536,984
Accrued and other liabilities		<u>14,042,149</u>	12,627,949
Provision for taxation		<u>1,858,981</u>	1,858,981
Unclaimed profit distribution		<u>30,842,228</u>	30,842,228
<b>Total current liabilities</b>		<b>58,102,939</b>	<b>58,866,142</b>
<b>Non-current liabilities</b>			
Long term portion of ijarah deposits		<u>502,500</u>	320,000
<b>TOTAL LIABILITIES</b>		<b>58,605,439</b>	<b>59,186,142</b>
<b>NET ASSETS</b>		<b>421,512,843</b>	<b>418,153,628</b>
<b>REPRESENTED BY</b>			
Certificate capital			
<b>Authorized certificate capital</b>			
87,217,660 modaraba certificates of rupees 10/- each		<u>872,176,600</u>	<u>872,176,600</u>
<b>Issued, subscribed and paid-up certificate capital</b>			
87,217,660 modaraba certificates of rupees 10/- each		<u>872,176,600</u>	872,176,600
Statutory reserve		<u>152,419,181</u>	151,747,338
Accumulated loss		<u>(600,665,356)</u>	(603,352,728)
		<u>423,930,425</u>	420,571,210
Deficit on revaluation of investment classified as 'fair value through OCI Investments'		<u>(2,417,582)</u>	(2,417,582)
		<u>421,512,843</u>	<u>418,153,628</u>
Contingencies and commitments	19		

The annexed notes form an integral part of these condensed interim financial statements.

<u>-sd-</u>	<u>-sd-</u>	<u>-sd-</u>	<u>-sd-</u>
<b>Chief Financial Officer</b>	<b>Chief Executive Officer</b>	<b>Director</b>	<b>Director</b>

**FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER  
COMPREHENSIVE INCOME(UN-AUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

	Note	July 1, 2020 to September 30, 2020	July 1, 2019 to September 30, 2019
		----- Rupees -----	
<b>INCOME</b>			
Ijarah rentals earned - net		1,733,872	7,594,431
Return on deposits with bank		3,255,323	2,013,288
Income on diminishing musharika		4,628,204	7,543,180
Dividend income		-	691,004
Rental income from investment property		769,053	699,130
Other income		561,002	1,616,726
		<u>10,947,454</u>	<u>20,157,759</u>
Unrealized gain/(loss) on investments - FVTPL		537,338	(451,410)
		<u>11,484,792</u>	<u>19,706,349</u>
<b>EXPENDITURE</b>			
Depreciation on ijarah assets		(1,604,904)	(8,036,538)
Administrative expenses		(6,406,426)	(9,611,765)
Bank and other charges		(47,063)	(44,605)
		<u>(8,058,393)</u>	<u>(17,692,908)</u>
Profit for the period		3,426,399	2,013,441
Modaraba company's management fee	20	-	-
Sales tax on management fee		-	-
Provision for workers welfare fund		(67,184)	(39,479)
Profit before taxation		<u>3,359,215</u>	<u>1,973,962</u>
Provision for taxation	21	-	-
Profit after taxation		<u>3,359,215</u>	<u>1,973,962</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<u>3,359,215</u>	<u>1,973,962</u>
<b>Earnings per certificate</b>		<u>0.04</u>	<u>0.02</u>

The annexed notes form an integral part of these condensed interim financial statements.

-sd-	-sd-	-sd-	-sd-
_____ Chief Financial Officer	_____ Chief Executive Officer	_____ Director	_____ Director

**FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

	Period ended	
	September 30, 2020	September 30, 2019
	-----Rupees-----	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,359,215	2,013,441
<b>Adjustments for non-cash changes and other items:</b>		
Dividend income	-	(691,004)
Unrealised (gain)/loss on investments - FVTPL trading investments - through profit and loss	(537,338)	451,410
Depreciation-own use assets	175,616	177,347
Depreciation on ijarah assets	1,604,904	8,036,538
	<u>1,243,182</u>	<u>7,974,291</u>
<b>Cash flows before movements in working capital</b>	<b>4,602,397</b>	<b>9,987,732</b>
<b>(Increase) / decrease in operating assets</b>		
Diminishing musharika	(7,194,185)	(69,808,617)
Ijarah rentals receivable	3,779	(1,497,482)
Asset acquired in satisfaction of financing facility	2,375,000	-
Advances, prepayments and other receivables	7,092,854	(21,152,582)
	<u>2,277,448</u>	<u>(92,458,681)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Ijarah deposits	(1,994,903)	9,150,000
Accrued and other liabilities	1,414,200	3,408,828
	<u>(580,703)</u>	<u>12,558,828</u>
Income tax paid	(576,674)	-
<b>Net cash (used in) operating activities</b>	<b>5,722,469</b>	<b>(69,912,121)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	-	691,004
Proceeds from disposal - ijarah assets	2,177,403	-
Purchase of ijarah assets	(1,825,000)	-
<b>Net cash (used in) / generated from investing activities</b>	<b>352,403</b>	<b>691,004</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
Net (decrease) in cash and cash equivalents (A+B+C)	6,074,872	47,420,518
Cash and cash equivalents at July 1	248,179,611	96,876,829
<b>Cash and cash equivalents at March 31</b>	<b>254,254,483</b>	<b>144,297,347</b>

The annexed notes form an integral part of these condensed interim financial statements.

-sd-	-sd-	-sd-	-sd-
_____ Chief Financial Officer	_____ Chief Executive Officer	_____ Director	_____ Director

**FIRST PRUDENTIAL MODARABA  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

	Reserves		Total	
	Capital	Statutory reserve		
	Certificate capital	Accumulated loss		
----- Rupees -----				
Balance at July 1, 2019 (Audited)	872,176,600	151,747,338	(597,950,606)	425,973,332
<b>Comprehensive income</b>				
Profit for the period ended September 30, 2019	-	-	1,973,962	1,973,962
Other comprehensive income for the period ended September 30, 2019	-	-	-	-
Total comprehensive income for the period ended September 30, 2019	-	-	1,973,962	1,973,962
<b>Transfer to statutory reserves</b>	-	394,792	(394,792)	-
Balance at September 30, 2019 (Unaudited)	<u>872,176,600</u>	<u>152,142,130</u>	<u>(596,371,436)</u>	<u>427,947,294</u>
Balance at July 1, 2020 (Audited)	872,176,600	151,747,338	(603,352,728)	420,571,210
<b>Comprehensive income</b>				
Profit for the period ended September 30, 2020	-	-	3,359,215	3,359,215
Other comprehensive income for the period ended September 30, 2020	-	-	-	-
Total comprehensive income for the period ended September 30, 2020	-	-	3,359,215	3,359,215
<b>Transfer to statutory reserves</b>	-	671,843	(671,843)	-
Balance at September 30, 2020 (Unaudited)	<u>872,176,600</u>	<u>152,419,181</u>	<u>(600,665,356)</u>	<u>423,930,425</u>

\* Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by SECP.

The annexed notes form an integral part of these condensed interim financial statements.

-sd-  
\_\_\_\_\_  
Chief Financial Officer

-sd-  
\_\_\_\_\_  
Chief Executive Officer

-sd-  
\_\_\_\_\_  
Director

-sd-  
\_\_\_\_\_  
Director

**FIRST PRUDENTIAL MODARABA  
CONDENSED NOTES TO INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 First Prudential Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and was managed by Prudential Capital Management Limited (PCML). In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited (KIPL) had taken over the management and administrative control of First Prudential Modaraba effective from November 13, 2014.
- 1.2 The Registrar (Modarabas), with the approval of the SECP, vide order dated April 03, 2019 appointed an Administrator 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.
- 1.3 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 has taken over the management and administrative control of First Prudential Modaraba effective from February 03, 2020.
- 1.4 The registered office of First Prudential Modaraba is situated at 6th floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5, Clifton, Karachi. The Modaraba is listed on Pakistan Stock Exchange. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in Musharakah, morabaha and investment in securities.
- 1.5 These financial statements are presented in Pak rupees, which is the Modaraba's functional and presentation currency.

**2. STATEMENT OF COMPLIANCE**

- 2.1 The condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modaraba and directives issued by Securities and Exchange Commission of Pakistan (the Modaraba regulations).
- 2.2 This condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended June 30, 2020.
- 2.3 The comparative condensed balance sheet, presented in this condensed interim financial statements, as at June 30, 2020 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2020 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the period ended September 30, 2019 have been extracted from the condensed interim financial statements for the period ended September 30, 2019.

**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, 2020.

**4. ACCOUNTING ESTIMATES AND JUDGMENTS**

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

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Modaraba as at and for the year ended June 30, 2020.

**5. BASIS OF PREPARATION**

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

- Certain investments carried at fair value
- Investment properties which have been measured at fair value
- Certain loans and receivables which have been measured at amortized costs

**FIRST PRUDENTIAL MODARABA  
CONDENSED NOTES TO INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

	Note	Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
<b>6. CASH AND BANK BALANCES</b>			
Cash in hand		8,440	10,000
Cash at banks			
Current accounts		13,444,595	13,449,457
Saving accounts	6.1	240,801,448	234,720,154
		254,246,043	248,169,611
		254,254,483	248,179,611

6.1 Effective mark-up rate in respect of saving accounts ranges from 2.00 % to 5.50 % per annum (Jun 2020: 2.00% to 11.50%) per annum.

	Note	Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
<b>7. INVESTMENTS</b>			
<b>Amortised cost</b>			
Receivable against TDR	7.1	-	-
<b>Fair value through profit or loss</b>			
Quoted securities	7.2	4,988,903	4,451,565
		4,988,903	4,451,565
7.1			
Term deposit receipts as at December 31, 2012		10,000,000	10,000,000
Less: Amortization charge		(2,000,000)	(2,000,000)
Less: received in earlier period		(3,219,433)	(3,219,433)
Net receivable		4,780,567	4,780,567
Provision against doubtful recoveries		(4,780,567)	(4,780,567)
		-	-

**7.2 At fair value through profit or loss - in quoted securities**

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

Unaudited September 30, 2020	Audited June 30, 2020	Name of investee company	Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
		<b>Personal Goods (Textile)</b>		
525	525	Nishat Mills Limited	53,062	40,955
		<b>Electricity</b>		
54,367	54,367	The Hub Power Company Limited	4,265,635	3,941,608
		<b>Multiutilities (Gas and Water)</b>		
1,495	1,495	Sui Northern Gas Pipeline Limited	92,406	81,627
		<b>Engineering</b>		
7,500	7,500	International Steel Ltd	577,800	387,375
		<b>Suspended/ Delisted Companies</b>		
348	348	Hussain Industries Limited	-	-
1,670,720	1,670,720	Prudential Stock Fund	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	-	-
2,094,955	2,094,955		4,988,903	4,451,565

**7.2.1 Unrealized gain on changes in fair value of held for trading investments**

Weighted average cost of investments	4,451,565	5,503,177
Unrealized (loss) on changes in fair value of held for trading investments	537,338	(1,051,612)
Market value of investments	4,988,903	4,451,565

**8. MUSHARIKA , MORABAHA AND OTHER FINANCE**

**Musharika and morabaha finance**

- considered good	-	-
- considered doubtful	352,230,694	352,230,694
Less: Provision against doubtful amounts	(352,230,694)	(352,230,694)
	-	-

**Other finance - unsecured**

- considered good	-	-
- considered doubtful	11,002,281	11,002,281
Less: Provision against doubtful amounts	(11,002,281)	(11,002,281)
	-	-

## 8.1 Movement in provision

	September 30, 2020			June 30, 2020		
	Principal	Profit	Total	Principal	Profit	Total
	----- Rupees -----					
Opening balance	189,350,151	162,880,543	352,230,694	189,800,678	162,880,543	352,681,221
Provision / (reversal) of provision during the period / year	-	-	-	(450,527)	-	(450,527)
<b>Closing balance</b>	<b>189,350,151</b>	<b>162,880,543</b>	<b>352,230,694</b>	<b>189,350,151</b>	<b>162,880,543</b>	<b>352,230,694</b>

## 9. Diminishing musharika

	Note	Un-audited	Audited
		September 30, 2020	June 30, 2020
		----- Rupees -----	
Diminishing musharika			
Principal		118,845,311	110,637,956
Profit		417,817	1,430,987
		<b>119,263,128</b>	112,068,943
Less: long term portion of diminishing musharika		<b>(60,539,421)</b>	(54,131,699)
		<b>58,723,707</b>	57,937,244

9.10 These carry profit rate ranging from 11.22% to 19.00% (June 2020: 13.00% to 19.00%) per annum and are repayable on monthly basis over a maximum period of three years.

## 10. Ijarah rental receivable

	Note	Un-audited	Audited
		September 30, 2020	June 30, 2020
		----- Rupees -----	
Considered good		54,552	58,331
Considered doubtful		49,083,826	49,083,826
		<b>49,138,378</b>	<b>49,142,157</b>
Provision for doubtful receivables		<b>(49,083,826)</b>	<b>(49,083,826)</b>
		<b>54,552</b>	<b>58,331</b>

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

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

## 11.1 Movement of provision

	Note	Un-audited	Audited
		September 30, 2020	June 30, 2020
		----- Rupees -----	
Opening balance		27,811,518	16,119,387
Provision during the year		-	11,692,131
		<b>27,811,518</b>	<b>27,811,518</b>

## 12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	September 30, 2020	June 30, 2020	September 30, 2020	June 30, 2020	September 30, 2020	June 30, 2020
Rupees							
<b>Advance</b>							
Income tax	12.1	7,218,862	6,642,188	-	-	7,218,862	6,642,188
To staff - Secured	12.2 & 12.2.1	123,941	175,002	1,814,000	1,814,000	1,937,941	1,989,002
Against purchase of assets		3,563,500	11,201,500	-	-	3,563,500	11,201,500
<b>Deposits</b>		-	-	-	-	-	-
<b>Prepayments</b>		882,733	495,729	-	-	882,733	495,729
<b>Other receivables from</b>							
Brokers on account							
- of sale of shares	12.3	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares	12.4	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	12.5	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks		1,074,662	1,153,265	-	-	1,074,662	1,153,265
Others		492,705	192,724	13,466,235	13,466,235	13,958,940	13,658,959
<b>Sub total</b>		13,356,403	19,860,408	109,573,414	109,573,414	122,929,817	129,433,822
<b>Provision for doubtful receivables</b>		-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
		13,356,403	19,860,408	-	-	13,356,403	19,860,408

**12.1** This includes an amount of Rs. 1,673,957 forcefully withdrawn from bank by the Taxation Authorities on 14th March, 2016 against which the Modaraba has filed an application for refund due to the fact that the amount was wrongly withdrawn on the ground that original return filed for the year 2009 was erroneous. The withdrawal was based on the original return filed whereas the revised return filed and order passed by the Addl Commissioner IR in favor of the Modaraba has been ignored. The management is confident that the amount will be recovered from the Authority.

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

**12.2.1** The doubtful amount of Rs.1.8 million was paid to an ex-managing director of the Modaraba without prior approval of the board of directors of previous management company (Prudential Capital Management Limited) for the purchase of a motor vehicle. The Modaraba has initiated Legal proceedings for the recovery of said amount from the ex-managing director.

**12.3** The doubtful amount includes claim of Rs.64.62 million receivable from a defaulted stock broker – Investec Securities Limited. Various proposals were initiated in past but none of them was materialized for settlement. In one of the proposal, the said broker has offered / transferred shares and certificates of following entities which were not acknowledged by the than Management of Modaraba, owing to the weak financial position of the entities and significance of the amount of claim. Accordingly, the than management of the Modaraba has not accepted the shares / certificates as satisfaction of claim and same is not recorded in the books of accounts. Detail of shares / certificates offered / transferred is as under:

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

**12.4** This amount includes Rs. 17,889,240/- paid as advance for purchase of securities to Prudential Securities Limited (PSL). Remaining amount of Rs. 543,033/- is blocked in CDC-sub account of the said broker against various shares.

Operations of PSL had been ceased by Pakistan Stock Exchange Limited (PSX) and the Modaraba has filed a claim with the PSX of Rs. 18 million along with margin deposit of Rs. 3 million included in long term deposits.

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

## 13. ASSET ACQUIRED IN SATISFACTION OF FINANCING FACILITY

During previous year, the Modaraba acquired possession of a vehicle (market value: Rs.2,375,000/-) from the guarantor against the settlement of diminishing musharaka facility extended to a client who was in default. In the current quarter, the vehicle is sold in the open market for Rs.2,500,000/- resulting in gain of Rs.125,000/-

	Note	Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
<b>14. Long term investments</b>			
Fair value through other comprehensive income			
Unlisted company	14.1	10,347,133	10,347,133
		10,347,133	10,347,133

				<b>Un-audited September 30, 2020</b>	Audited June 30, 2020
			<b>Note</b>	<b>Rupees</b>	Rupees
<b>14.1 Unlisted companies</b>					
	<b>Number of Shares of Rs. 10 each</b>				
	<b>1,107,244</b>	1,107,244	Prudential Securities Limited (PSL) Cost	<b>4,173,707</b>	4,173,707
			Less: Impairment	<b>(4,173,707)</b>	(4,173,707)
			14.1.1	-	-
	<b>191,700</b>	191,700	Prudential Discount and Guarantee House Limited Cost	<b>1,041,815</b>	1,041,815
			Less: Impairment	<b>(1,041,815)</b>	(1,041,815)
			14.1.1	-	-
	<b>843,975</b>	843,975	LSE Financial Services Limited Cost	<b>12,764,715</b>	12,764,715
			Less: Fair value adjustment	<b>(2,417,582)</b>	(2,417,582)
			14.1.2	<b>10,347,133</b>	10,347,133
				<b>10,347,133</b>	10,347,133
<b>14.1.1 Movement of impairment</b>					
	Opening balance			<b>5,215,522</b>	5,215,522
	Impairment charge during the period / year			-	-
	Closing balance			<b>5,215,522</b>	5,215,522

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

- 14.1.2** This represent shares acquired against the surrender of Pakistan Stock Exchange (PSX) formerly Lahore Stock Exchange Limited (LSE) membership card. Under the current circumstances the active market is not available for such shares, therefore the net asset value based valuation has been considered as the closest estimate of the fair value of the shares. The Modaraba has recognized a fair value adjustment based on audited financial statements of the investee company for the year ended June 30, 2017, the break up value of which is Rs.12.26.

				<b>Un-audited September 30, 2020</b>	Audited June 30, 2020
			<b>Note</b>	<b>Rupees</b>	Rupees
<b>15. Intangible assets</b>					
	PSX - Trading rights entitlement certificates (TREC)		15.1	<b>5,344,352</b>	5,344,352
				<b>5,344,352</b>	5,344,352
	Impairment of TREC			<b>(5,344,352)</b>	(5,344,352)
				-	-

- 15.1 LSE membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance of a defaulted party. Pursuant to demutualization of LSE, the ownership rights in Stock Exchange were segregated from the right to trade on an Exchange. As a result of demutualization, the membership card valuing Rs.22,326,567 as on July 1, 2012 was surrendered to LSE and on the basis of fair value determined by independent valuer following assets were recorded:

				<b>Un-audited September 30, 2020</b>	Audited June 30, 2020
			<b>Note</b>	<b>Rupees</b>	Rupees
(a)	843,975 ordinary shares of face value of Rs. 10 each of LSE; and		14.1.2	<b>12,764,715</b>	12,764,715
(b)	Broker's room			<b>4,217,500</b>	4,217,500
(c)	Trading Right Entitlement Certificate (TREC).			<b>5,344,352</b>	5,344,352
				<b>22,326,567</b>	22,326,567

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

				<b>Un-audited September 30, 2020</b>	Audited June 30, 2020
			<b>Note</b>	<b>Rupees</b>	Rupees
<b>16. Property and equipment - owned</b>				<b>3,842,292</b>	4,017,908
<b>16.1</b>	Details of addition / (disposal) during the period				
	Addition			-	-
	Disposal			-	-

	Note	Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
<b>17. Property, plant and equipment - ijarah</b>		<b>15,536,604</b>	17,493,911
<b>17.1</b> Details of addition / (disposal) during the period			
<b>Addition</b>			
-Vehicle		1,825,000	17,800,000
		<b>1,825,000</b>	17,800,000
<b>Disposal</b>			
-Machinery		(15,700,514)	-
-Vehicle		-	(35,400,000)
		<b>(15,700,514)</b>	(35,400,000)
<b>18. Investment properties</b>			
Opening balance	18.1	46,200,000	46,200,000
Closing balance		<b>46,200,000</b>	46,200,000

**18.1** These represents properties which were acquired by the Modaraba against settlement of Morahaba facility from defaulted parties, in prior years.

## 19. CONTINGENCIES AND COMMITMENTS

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

The Modaraba received a letter dated October 01, 2018 from the Assistant Commissioner (Unit-12) of the Sindh Revenue Board (SRB), wherein, it is mentioned that through scrutiny of the financial statements of the Modaraba (for the periods from July 2011 to March 2018 fiscal year years 2012-2017), it came to their notice that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding which aggregated to Rs.29.527 million. Such letters were also received by some other Modarabas and it was collectively decided that under the supervision of NBFI & Modaraba Association Pakistan, a petition against the same was filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rentals/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the HCS. stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the HCS and the merits of the matter involved, no provision for any sales tax liability is required to be maintained in the financial statements.

## 20. MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba management company is entitled to remuneration of services rendered to the Modaraba under the provisions of the Modaraba Ordinance, 1980, up to a maximum of 10% per annum of the net profit before tax of the Modaraba.

## 21. TAXATION

The income of the Modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. The management intends to distribute the profit and accordingly no provision for tax has been made in the current period. The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance, 2001.

## 22. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise the Management Company (Awwal Modaraba Management Limited), Ex-modaraba Management Company [KASB Invest (Pvt.) Ltd.] to the extent of their control, Ex-Administrator to the extent of his control, modaraba under common management (KASB Modaraba & First Pak Modaraba), directors and key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Modaraba.

Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Significant transactions with related parties are as follows:-

Name of the company / individual	Relationship with the Modaraba	Nature of Transactions	Un-Audited	Audited
			September 30, 2020	June 30, 2020
			-----Rupees-----	
<b>Balances with related parties</b>				
KASB Invest (Pvt) Ltd	Ex- Modaraba management company	Management fee	(169,872)	(169,872)
KASB Modaraba	Modaraba under common management	Payable against sharing of common expenses	(1,818,564)	(1,170,594)
First Pak Modaraba	Modaraba under common management	Receivable against sharing of common expense	217,370	109,820
			Un-Audited	Un-Audited
			September 30, 2020	September 30, 2019
			-----Rupees-----	
<b>Expense for the period</b>				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	165,930	165,930
KASB Modaraba	Modaraba under common management	Sharing of common expenses	647,970	2,092,713
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	(107,550)	(107,301)
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	153,490	-
Khawaja Waheed Raza	Administrator (Note 1)	Salaries & other benefits	-	525,000
<b>Payments made during the period</b>				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	165,930	165,930
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	153,490	-
Khawaja Waheed Raza	Administrator (Note 1)	Salaries & other benefits	-	858,000

### 23. DATE OF AUTHORISATION OF ISSUE

These financial statements has been authorized for issue on October 29, 2020 by the Board of Directors of Awwal Modaraba Management Limited.

### 24. GENERAL

Figures have been rounded off to the nearest Rupee.

-sd-	- sd-	-sd-	-sd-
_____ Chief Financial Officer	_____ Chief Executive Officer	_____ Director	_____ Director