



FIRST PRUDENTIAL MODARABA

HALF YEARLY REPORT
FOR THE PERIOD ENDED
DECEMBER 31, 2017 (UN-AUDITED)
(REVIEWED BY EXTERNAL AUDITORS)

If undelivered please return to :

First Prudential Modaraba

16-C, Main Khayaban-e-Bukhari, Phase VI, DHA, Karachi.
Tel. 021-35171766-89

Managed by :
KASB Invest (Private) Limited

CORPORATE INFORMATION

Board of Directors	Farrukh S. Ansari Muzaffar Ali Shah Bukhari Amer Maqbool Aftab Afroz Mahmoodi	Director Director Director Chief Executive Officer
Audit Committee	Farrukh S. Ansari Muzaffar Ali Shah Bukhari Amer Maqbool	Chairman Member Member
Human Resource and Remuneration Committee	Farrukh S. Ansari Muzaffar Ali Shah Bukhari Amer Maqbool Aftab Afroz Mahmoodi	Chairman Member Member Member
Chief Financial Officer	Syed Shahid Owais	
Company Secretary	Syed Shahid Owais	
Head of Internal Audit	Zia - ul - Haq	
Management Company	KASB Invest (Private) Limited	
Registered & Head Office	16-C, Main Khayaban-e-Bukhari, Phase VI, DHA, Karachi. Tel: 021-35171786-89	
Auditors	RSM Avais Hyder Liaquat Nauman Chartered Accountants	
Legal Advisor	Ahmed & Qazi	
Shariah Advisor	Mufti Muhammad Ibrahim Essa	
Bankers	Habib Bank Limited Sindh Bank Limited Summit Bank Limited	
Share Registrar	C & K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi. Tel: 35687839, 35685930	

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DIRECTOR'S REPORT

The Board of Directors of KASB Invest (Private) Limited, the Management Company of First Prudential Modaraba is pleased to present the half yearly unaudited financial statements of the Modaraba for the half year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

Financial highlights for the period under review are summarized as under:-

BALANCE SHEET	December 31, 2017	June 30, 2017
Cash & Bank balance	Rs "000"	Rs "000"
Investments	85,515	95,328
Diminishing Musharaka Finance	24,085	27,128
Ijarah Assets	167,085	163,019
MusharakaMurabaha& Other finances	78,701	76,199
Total Assets	18,658	18,838
	506,126	514,959
	July-December 31, 2017	July-December 31, 2016
PROFIT & LOSS ACCOUNT	Rs "000"	Rs "000"
Gross Income	27,860	56,500
Unrealized gain/(loss) on investments	(2,187)	363
Decrease in value of inventories held for sale under Murabaha arrangement	(5,022)	-
Operating & Financial Charges	(23,712)	(50,425)
Management Company Fee	-	(577)
Net Profit / (Loss) for the year	(3,061)	5,774
Earning per Modaraba Certificate (Rupees)	(0.04)	0.07

OPERATIONS AND PERFORMANCE

The half year ended December 31, 2017 closed with net loss of Rs.3.06 million as compared to net profit of Rs.5.77 million for the corresponding period of last year. The loss is mainly due to the decrease in market value of the inventories held for sale under one of Murabaha arrangement. The decrease in market value has been accounted for in the financial statements to comply with the applicable Regulations & Standards on Morabaha Finance. However, management is optimistic about the improvement of commodity rates and realization of the exposure as per contractual agreement with the borrower. The operating & financial charges have been reduced as compared with the previous half year.

The management is committed towards continuous improvement of the operating and financial performance of the Modaraba for its long term sustainability and to meet the expectations of the stakeholders especially the certificate holders.

FUTURE PROSPECTS

Our business strategy & approach is steady and sound, planned to capitalize on available funds through secure investments in Shariah compliant products. Subsequent to the Balance Sheet date, the management has also filed an application with the Registrar Modaraba to merge and amalgamate First Pak Modaraba with and into the Modaraba. We believe that the combined resources and efforts would culminate better results for the Certificate holders.

BOARD OF DIRECTORS

Syed Waseem-ul-Haq Haqqie, Director, KASB Invest (Pvt) Limited resigned from the Board and Mr. Muzaffar Ali Shah Bukhari wasco-opted as Director. Mr. Muzaffar Ali Shah Bukhari's nomination is subject to approval of Securities & Exchange Commission of Pakistan.

ACKNOWLEDGEMENT

The Board greatly appreciates the support co-operation of the regulatory authorities, certificate holders, customers and bankers and looks forward to their continued support and advice in future.

We pray to Almighty Allah for the success of your Modaraba.

For & on behalf of the
Board of Directors

Chief Executive

Karachi.
Dated: February 28, 2018

انتظامی کارکردگی

ششماہی برائے دسمبر 2017، 31 کا اختتام 3.06 بلین روپے کے نقصان کے ساتھ ہوا جب کہ سال گزشتہ کی مدت میں 5.77 بلین روپے منافع کے ساتھ تھا۔ اس نقصان کی بنیادی وجہ مارجن کے تحت ذخائر کی بازار میں مروجہ قیمتوں میں کمی تھی۔ بازار کی قیمتوں میں اس کمی کا احاطہ ان مالیاتی گوثواروں میں تمام مروجہ توجہ و ادب و احوال برائے مارجن کے تحت کیا گیا ہے۔ انتظامیہ پرامید ہے کہ اجناس کی قیمتوں میں بہتری اور مارجن کے تحت معاہدوں کی پاسداری کے ساتھ قرضہ کی ادائیگی انجام پائے گی۔ انتظامی اخراجات میں کچھ مدت کے مقابلے میں کمی واقع ہوئی ہے۔ انتظامیہ مالیاتی اور انتظامی کارکردگی میں بہتری کیلئے پرعزم ہے۔ مضاربہ کا دیرپا استحکام تمام متعلقین بالخصوص حصص یافتگان کی امیدوں پر پورا اترے گا۔

مستقبل کے امکانات

ہماری کاروباری حکمت عملی اور نظریہ منہمک اور واضح ہے اور اس بات کا احاطہ کرتا ہے کہ دستیاب ذرائع کا استعمال تمام شرعی فائنانسنگ میں کیا جائیگا۔ نظر گواشاہ کے لیے مدت اختتام کے بعد انتظامیہ نے فرسٹ پاک مضاربہ کے ساتھ مجوزہ انتظام کی درخواست رجسٹرڈ مضاربہ کے پیش نظر رکھی ہے۔ ہمیں اُمید ہے کہ مشترکہ ذرائع حصص یافتگان کے لئے بہتر معاوضہ کا باعث بنیں گے۔

بورڈ آف ڈائریکٹرز

سید وسیم الحق حقی، ڈائریکٹر کے اے۔ ایس۔ بی انوسٹ (پرائیویٹ) لمیٹڈ، مستعفی ہوئے اور جناب مظفر علی شاہ بخاری کا چناؤ مجوزہ ڈائریکٹری حیثیت سے کیا گیا جو سیکورٹیز اینڈ ایکسچینج کمیشن کی منظوری سے مشروط ہے۔

اعتراف

بورڈ ریگولیٹری اتھارٹی، حصص یافتگان، اڈورٹیکران کی معاونت اور تعاون کو بے حد سراہتا ہے اور مستقبل میں بھی ان کی معاونت اور مشورے کا منتظر رہیگا۔ ہم اللہ تعالیٰ کے حضور آپ کے مضاربہ کی کامیابی کے لئے دعا گو ہیں۔

چیف ایگزیکٹو

کراچی

28 فروری 2018

ڈائریکٹرز رپورٹ

کے اے۔ ایس۔ بی انوسٹ (پرائیویٹ) لمیٹڈ، انتظامی کمیٹی برائے فرسٹ پروڈینشل مضاربہ، کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کی 31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کا غیر آڈٹ شدہ مالیاتی گوشوارہ پیش کر رہا ہے۔

مالیاتی جھلکیاں

زیر جائزہ مدت کیلئے مالیاتی جھلکیاں درج ذیل ہیں۔

نیلنس شیٹ	31 دسمبر 2017 (000) روپے	30 جون 2017 (000) روپے
نقد اور بینک میں رقم	85,515	95,328
سرمایہ کاری	24,085	27,128
شرکت متناقصہ	167,085	163,019
اجارہ اثاثہ جات	78,701	76,199
مشارکہ، مارجن و دیگر مالیات	18,658	18,838
کل اثاثہ جات	506,126	514,959

نفع و نقصان کا حساب	31 دسمبر 2017 (000) روپے	31 دسمبر 2016 (000) روپے
مجموعی آمدنی	27,860	56,500
سرمایہ کاری پر غیر ادا شدہ نفع نقصان	(2,187)	363
مارجین کے تحت رکھی گئی انویسٹری میں تنزیل	(5,022)	-
انتظامی و مالیاتی اخراجات	(23,712)	(50,425)
میجمنٹ کمیٹی فیس	-	(577)
خالص منافع/نقصان برائے موجودہ مدت	(3,061)	5,774
فی حصہ آمدنی (روپے)	(0.04)	0.07



RSM Avais Hyder Liaquat Nauman
Chartered Accountants

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**INDEPENDENT AUDITORS' REPORT TO THE
CERTIFICATE HOLDERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of FIRST PRUDENTIAL MODARABA (the Modaraba) as at December 31, 2017, the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period ended (here-in-after referred to as the "interim financial information"). Management of Modaraba Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information 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 information 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 as at December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended December 31, 2017 and December 31, 2016 in the condensed interim profit and loss account has not been reviewed and we do not express a conclusion on them



RSM Avais Hyder Liaquat Nauman
Chartered Accountants

Karachi

Dated: 28 February, 2018

Engagement Partner: Adnan Zaman

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Avais Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2017**

	Note	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
ASSETS			
Current assets			
Cash and bank balances	6	85,515,406	95,327,554
Investments	7	7,454,430	10,344,116
Musharika, morabaha and other finance	8	18,657,541	18,837,534
Current portion of diminishing musharika	9	71,456,218	63,428,579
Ijarah rentals receivable	10	279,450	396,060
Receivable against sale of agriculture produce	11	27,811,518	27,811,518
Advances, prepayments and other receivables	12	29,577,908	27,425,159
Other assets	13	9,984,750	17,102,760
Tax refundable - considered good		12,913,879	12,913,879
Total current assets		263,651,100	273,587,159
Non - current assets			
Long term investments	14	16,630,803	16,784,182
Long term portion of diminishing musharika	9	95,629,188	99,590,166
Long term deposits	15	37,500	66,192
Intangible assets	16	-	-
Property and equipment - own use	17	2,781,730	236,843
Property, plant and equipment - ijarah	18	78,700,602	76,198,801
Capital work in progress	19	1,795,336	1,595,336
Investment properties	20	46,900,000	46,900,000
Total Non - Current Assets		242,475,159	241,371,520
TOTAL ASSETS		506,126,259	514,958,679
LIABILITIES			
Current liabilities			
Current portion of ijarah deposits		6,351,750	7,560,531
Accrued and other liabilities		14,855,213	14,895,898
Unclaimed profit distribution		31,376,927	29,065,618
Total current liabilities		52,583,890	51,522,047
Non-current liabilities			
Long term portion of ijarah deposits		15,936,183	11,277,403
TOTAL LIABILITIES		68,520,073	62,799,450
NET ASSETS		437,606,186	452,159,229
REPRESENTED BY			
Certificate capital			
Authorized certificate capital			
87,217,660 modaraba certificates of rupees 10/- each		872,176,600	872,176,600
Issued, subscribed and paid-up certificate capital			
87,217,660 modaraba certificates of rupees 10/- each		872,176,600	872,176,600
Statutory reserve		151,282,924	151,282,924
Accumulated loss		(585,853,338)	(571,300,295)
		437,606,186	452,159,229
Contingencies and commitments	21		

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

For KASB Invest (Private) Limited
(Management Company)

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

Note	Half year ended		Quarter ended	
	December 31 2017 Rupees	December 31 2016 Rupees	December 31 2017 Rupees	December 31 2016 Rupees
INCOME				
Ijarah rentals earned	11,166,138	38,401,551	5,785,907	16,197,142
Return on deposits with bank	2,491,864	4,899,986	1,293,550	2,060,694
Income on diminishing musharika	11,075,466	1,987,093	5,264,236	1,193,974
Income on morabaha	1,080,000	5,537,126	540,000	3,428,414
Capital gain on sale of investments	-	-	-	-
Dividend income	409,744	568,744	210,994	330,244
Rental income from investment property	1,210,860	72,000	597,060	27,000
Other income	426,272	2,447,875	281,500	1,801,516
	27,860,344	53,914,375	13,973,247	25,038,984
Unrealized (loss)/gain on investments - held for trading at fair value through profit or loss	(2,187,197)	362,877	(1,710,764)	395,633
Decrease in value of inventories due to re measurement (held for sale under morabaha arrangement)	13 (5,022,341)	-	(5,022,341)	-
Reversal of provision against workers' welfare fund	-	2,585,673	-	2,585,673
	20,650,806	56,862,925	7,240,142	28,020,290
EXPENDITURE				
Depreciation on ijarah assets	(12,498,199)	(35,881,630)	(6,409,516)	(15,082,171)
Administrative expenses	(11,178,652)	(14,371,530)	(5,832,017)	(8,140,550)
Workers welfare fund	-	(115,475)	34,455	(83,989)
Bank and other charges	(35,323)	(56,555)	(15,293)	(31,183)
	(23,712,174)	(50,425,190)	(12,222,371)	(23,337,893)
Profit for the year	(3,061,368)	6,437,735	(4,982,229)	4,682,397
Modaraba company's management fee	22 -	(577,375)	-	(419,946)
Sales tax on management fee	-	(86,606)	-	(62,992)
Profit before taxation	(3,061,368)	5,773,754	(4,982,229)	4,199,459
Provision for taxation	23 -	-	-	-
Profit after taxation	(3,061,368)	5,773,754	(4,982,229)	4,199,459
Other comprehensive income				
Unrealized (loss)/gain on remeasurement of investments classified as 'available for sale'	(153,378)	943,716	(264,401)	704,850
Total comprehensive income for the year	(3,214,747)	6,717,470	(5,246,631)	4,904,309
(Loss) / earnings per certificate	(0.04)	0.07	(0.06)	0.05

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

For KASB Invest (Private) Limited
(Management Company)

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Half year ended	
	December 31, 2017 Rupees	December 31, 2016 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(3,061,368)	5,773,754
Adjustments for non-cash changes and other items:		
-Dividend income	(409,744)	(568,744)
-Unrealised loss / (gain) on changes in fair value of held for trading investments - at fair value through profit and loss	2,187,197	(362,877)
-Decrease in value of inventories due to re measurement (held for sale under morabaha arrangement)	5,022,341	-
-Gain on disposal-own assets	(13,500)	(16)
-Depreciation-own use assets	164,768	712,953
-Depreciation on ijarah assets	12,498,199	35,881,630
	19,449,261	35,662,946
Cash flows before movements in working capital	16,387,893	41,436,700
Decrease / (Increase) in operating assets		
-Musharika, morabaha and other finance	179,993	(81,571,256)
-Diminishing musharika	(4,066,661)	(24,872,729)
-Other assets	2,095,669	-
-Ijarah rentals receivable	116,610	(17,252,438)
-Advances, prepayments and other receivables	(1,916,347)	(21,425,417)
	(3,590,736)	(145,121,840)
Increase / (Decrease) in operating liabilities		
-Ijarah deposits	3,449,999	(1,097,350)
-Accrued and other liabilities	(40,685)	2,572,512
	3,409,314	1,475,162
	16,206,471	(102,209,978)
-Income tax paid	(407,710)	(335,010)
Net cash generated from / (used in) operating activities	15,798,761	(102,544,988)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
-Dividend received	409,743	568,744
-Investments - net	702,489	-
-Proceeds from disposal - ijarah assets	-	2,379,254
-Purchase of own use assets	(2,709,655)	(37,400)
-Purchase of ijarah assets	(15,000,000)	(9,319,000)
-Proceeds from disposal - own use assets	13,500	21,243
Net cash used in investing activities	(16,583,923)	(6,387,159)

Note	Half year ended	
	December 31, 2017 Rupees	December 31, 2016 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(9,026,987)	(9,026,987)
Net cash used in financing activities	(9,026,987)	(9,026,987)
Net decrease in cash and cash equivalents (A+B+C)	(9,812,148)	(9,812,148)
Cash and cash equivalents at July 1	95,327,554	95,327,554
Cash and cash equivalents at December 31	85,515,406	85,515,406

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

For KASB Invest (Private) Limited
(Management Company)

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF-YEAR ENDED DECEMBER 31, 2017

	Reserves					Total A+B
	Capital		Revenue			
	Certificate capital	Statutory Reserve	Sub total	Unrealized gain / (loss) on available for sale investments	Accumulated loss	
Balance at July 1, 2016 (Audited)	872,176,600	148,247,223	1,020,423,823	(2,097,039)	(568,033,162)	452,390,661
Comprehensive income	-	-	-	943,716	5,773,754	5,773,754
Profit for the half year ended December 31, 2016	-	-	-	943,716	943,716	943,716
Other comprehensive income for the half year ended December 31, 2016	-	-	-	943,716	5,773,754	6,717,470
Total comprehensive income for the half year ended December 31, 2016	-	-	-	943,716	(15,699,179)	(15,699,179)
Final dividend @ Rs. 0.18 per certificate for the year ended June 30, 2016	-	1,154,751	1,154,751	-	(1,154,751)	-
Transfer to statutory reserve	-	149,401,974	1,024,578,574	(1,153,323)	(577,016,299)	(578,189,622)
Balance at December 31, 2016 (Unaudited)	872,176,600	151,282,924	1,023,459,524	(1,807,797)	(569,492,498)	452,159,229
Comprehensive income	-	-	-	(153,378)	(3,061,368)	(3,061,368)
Profit for the half year ended December 31, 2017	-	-	-	(153,378)	-	(153,378)
Other comprehensive income for the half year ended December 31, 2017	-	-	-	(153,378)	(3,061,368)	(3,214,747)
Total comprehensive income for the half year ended December 31, 2017	-	-	-	(153,378)	(11,338,296)	(11,338,296)
Final dividend @ Rs. 0.13 per certificate for the year ended June 30, 2017	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-
Balance at December 31, 2017 (Unaudited)	872,176,600	151,282,924	1,023,459,524	(1,961,175)	(585,892,162)	437,606,186

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

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

For KASB Invest (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

**CONDENSED NOTES TO INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

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 (the Management Company) has taken over the management and administrative control of First Prudential Modaraba effective from November 13, 2014.

1.2 The registered office of the Modaraba is situated at 16-C, Main Khayaban-e-Bukhari, Phase VI, DHA, Karachi. The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange post demutualization of all Stock Exchanges). The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in musharika, morabaha and investment in securities.

1.3 These financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

1.4 Subsequent to the period ended December 31, 2017, the board of directors of the Management Company has decided to merge and amalgamate First Pak Modaraba with and into the Modaraba and the application has been filed to the Registrar Modaraba in this regard.

2. STATEMENT OF COMPLIANCE

2.1 The condensed interim financial statements for the six months period ended December 31, 2017 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). The 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 Modaraba's annual Financial Statements for the year ended June 30, 2017. The figures for the half year ended December 31, 2017 have been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.2 This condensed interim financial statements comprises of the condensed interim balance sheet as at December 31, 2016 and the 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 and the notes forming part thereof for the half year ended December 31, 2016 which have been subjected to a review but not audited.

2.3 The comparative condensed balance sheet, presented in this condensed interim financial statements, as at June 30, 2017 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2017 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 half year ended December 31, 2016 have been extracted from the condensed interim financial statements for the half year ended December 31, 2016 which were subjected to a review but not audited.

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, 2017.

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, 2017.

5. BASIS OF PREPARATION

These condensed interim financial statements have been prepared under the historical cost convention, except for certain investments which have been measured at fairvalue.

	Note	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
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6. CASH AND BANK BALANCES

Cash in hand		340	2,135
Cash at banks			
Current accounts		13,968,205	11,656,895
Saving accounts	6.1	71,546,861	83,668,524
		<u>85,515,066</u>	<u>95,325,419</u>
		<u>85,515,406</u>	<u>95,327,554</u>

6.1 Effective mark-up rate in respect of saving accounts ranges from 2.00 % to 6.00 % per annum (Jun 2017: 2.00% to 6.50%) per annum.

7. INVESTMENTS

Held for trading at fair value through profit or loss - in quoted securities	7.1 & 7.2	7,454,430	9,641,626
Loan and receivables		-	702,490
		<u>7,454,430</u>	<u>10,344,116</u>
Receivable against TDR - considered good			<u> </u>

7.1 Held for trading 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.

Un-Audited 31 December 2017	Audited 30 June 2017		Un-Audited 31 December 2017	Audited 30 June 2017
Number of Certificates / shares/ Units		Name of investee	Rupees	Rupees
525	525	Personal Goods (Textile) Nishat Mills Limited	78,488	83,306
79,500	79,500	Electricity The Hub Power Company Limited	7,234,500	9,335,685
1,495	1,495	Multiutilities (Gas and Water) Sui Northern Gas Pipeline Limited	141,442	222,635
348	348	Suspended/ Delisted Companies Hussain Industries Limited	-	-
1,670,720	1,670,720	Prudential Stock Fund	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	-	-
<u>2,112,588</u>	<u>2,112,588</u>		<u>7,454,430</u>	<u>9,641,626</u>

7.2 Unrealized Gain on changes in fair value of held for trading investments

Weighted average cost of investments	9,641,627	9,655,671
Unrealized gain on changes in fair value of held for trading investments	(2,187,197)	(14,045)
Market value of investments	<u>7,454,430</u>	<u>9,641,626</u>

8. MUSHARIKA, MORABAHA AND OTHER FINANCE

Musharika and morabaha finance

- considered good	18,657,541	18,837,534
- considered doubtful	341,455,540	341,455,540
	360,113,081	360,293,074
Less: Provision against doubtful amounts	(341,455,540)	(341,455,540)
	18,657,541	18,837,534
Other finance - unsecured		
- considered good	-	-
- considered doubtful	11,002,281	11,002,281
	11,002,281	11,002,281
Less: Provision against doubtful amounts	(11,002,281)	(11,002,281)
	-	-
	<u>18,657,541</u>	<u>18,837,534</u>

8.1 Movement in provision

	December 31, 2017			June 30, 2017		
	Principal	Profit	Total	Principal	Profit	Total
Opening balance	178,574,997	162,880,543	341,455,540	178,770,745	162,933,344	341,704,089
Reversal of provision / provision during the period / year	-	-	-	(195,748)	(52,801)	(248,549)
Closing balance	<u>178,574,997</u>	<u>162,880,543</u>	<u>341,455,540</u>	<u>178,574,997</u>	<u>162,880,543</u>	<u>341,455,540</u>

	Unaudited December 31, 2017	Audited June 30, 2017
	Rupees	Rupees
9. DIMINISHING MUSHARIKA		
Diminishing musharika		
Principal	165,787,589	161,689,306
Profit	<u>1,297,817</u>	<u>1,329,439</u>
	167,085,406	163,018,745
Less: Long term portion of diminishing musharika	(95,629,188)	(99,590,166)
	<u>71,456,218</u>	<u>63,428,579</u>

9.1 These carry profit rate ranging from 10.06% to 18.00% (June 2017: 10.18% to 18.00%) per annum and are repayable on monthly basis over a maximum period of three years.

10. IJARAH RENTALS RECEIVABLE

Considered good	279,450	396,060
Considered doubtful	<u>49,083,826</u>	<u>49,083,826</u>
	49,363,276	49,479,886
Less: Provision for doubtful receivables	10.1 (49,083,826)	(49,083,826)
	<u>279,450</u>	<u>396,060</u>

10.1 Movement in provision for doubtful receivables

Opening balance	49,083,826	23,102,607
Charge during the period	-	25,981,219
Reversal during the period	-	-
Closing balance	<u>49,083,826</u>	<u>49,083,826</u>

11. RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE

Receivable against sale of agriculture produce	11.1	<u>27,811,518</u>	<u>27,811,518</u>
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11.1 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 (Private) Limited (PPIPL) 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, 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 receivables against sale of agriculture produce & Ijarah rentals, the management of Modaraba has filed criminal compliant & recovery suits against receivable of Ijarah Rentals in the Banking court, Karachi and a recovery suit against receivable of Agriculture Produce in Banking Court, Lahore. The PPIPL has also filed a banking suit along with stay application in the Banking Court Multan to avoid its financial obligations towards Modaraba.

12. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Considered Good		Considered Doubtful		Total	
	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
Advance			-----Rupees-----			
Income tax	3,362,237	2,954,527	-	-	3,362,237	2,954,527
To staff - Secured	490,589	138,944	1,814,000	1,814,000	2,304,589	1,952,944
Against purchase of assets	22,345,750	20,262,250	-	-	22,345,750	20,262,250
Deposits	680,000	680,000			680,000	680,000
Prepayments	942,741	2,414,686	-	-	942,741	2,414,686
Other receivables from Brokers on account						
- of sale of shares	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares						
shares 12.1	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank 12.2	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks	414,168	528,454	-	-	414,168	528,454
Others	1,342,423	446,298	12,775,284	13,466,235	14,117,707	13,912,533
Sub total	29,577,908	27,425,159	108,882,463	109,573,414	138,460,371	136,998,573
Provision for doubtful receivables 12.3	-	-	(108,882,463)	(109,573,414)	(108,882,463)	(109,573,414)
	29,577,908	27,425,159	-	-	29,577,908	27,425,159

12.1 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 Karachi Stock Exchange Limited (KSE) and the Modaraba has filed a claim with the KSE of Rs. 18 million along with margin deposit of Rs. 3 million included in long term deposits.

12.2 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.

Note	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
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12.3 Movement in provision for doubtful receivables

Opening balance	109,573,414	109,573,414
Provision made	-	-
Reversal of provision	-	-
Closing balance	109,573,414	109,573,414

13. Other assets

Opening carrying amount	17,102,760	-
Addition	-	17,102,760
Deletion	(2,095,669)	-
Decrease in value due to remeasurement	(5,022,341)	-
Closing balance	9,984,750	17,102,760

13.1 This represents stock held for trading under spot morabaha arrangement.

	Un-Audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
14. Long term investments		
Available for sale	14.1 6,283,670	7,002,512
Listed entity	14.2 10,347,133	9,781,670
Unlisted companies	16,630,803	16,784,182

14.1 Listed entities

	Un-Audited 31 December 2017	Audited 30 June 2017		Un-Audited 31 December 2017	Audited 30 June 2017
391,583	391,583	Meezan Balance Fund			
		Carrying value	7,002,512	6,202,685	
		Purchase during the year	-	367,109	
		Unrealized gain	(718,842)	432,718	
			6,283,670	7,002,512	

14.2 Unlisted companies

Number of shares of Rs. 10

1,107,244	1,107,244	Prudential Securities Limited (PSL)			
		Cost	4,173,707	4,173,707	
		Less: Impairment	(4,173,707)	(4,173,707)	
			-	-	
		Prudential Discount and Guarantee			
191,700	191,700	House Limited			
		Cost	1,041,815	1,041,815	
		Less: Impairment	(1,041,815)	(1,041,815)	
			-	-	
843,975	843,975	Lahore Stock Exchange Limited			
		Cost	12,764,715	12,764,715	
		Less: Fair value adjustment	(2,417,582)	(2,417,582)	
			10,347,133	10,347,133	
			10,347,133	10,347,133	

14.2.1 Movement of impairment

Opening balance	5,215,522	5,215,522
Impairment charge during the period / year	-	-
Closing balance	5,215,522	5,215,522

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

14.2.2 This represent non-Shari'ah compliant shares acquired against the surrender of Lahore Stock Exchange Limited (LSE) membership card. Under the current circumstances the active market is not available for such shares as LSE has not listed yet, 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 latest available financial information of the investee company.

	Note	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
15. Long term deposits			
Margin deposit		3,000,000	3,000,000
Other deposits		<u>37,500</u>	<u>66,192</u>
		3,037,500	3,066,192
Less: Provision against doubtful amounts		<u>(3,000,000)</u>	<u>(3,000,000)</u>
		<u>37,500</u>	<u>66,192</u>
16. INTANGIBLE ASSETS			
LSE - Trading right entitlement certificate (TREC)	16.1	5,344,352	5,344,352
		<u>(5,344,352)</u>	<u>(5,344,352)</u>
Impairment of TREC		-	-
16.1 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 TREC. The impairment was recorded as the Modaraba did not register itself as a broker before the expiry of the said date.			
17. PROPERTY AND EQUIPMENT - OWNED		<u>2,781,730</u>	<u>236,843</u>
17.1 Details of addition / (disposal) during the period			
Addition			
-Computer equipment		-	37,400
-Vehicle		<u>2,709,655</u>	-
		<u>2,709,655</u>	<u>37,400</u>
Disposal			
-Office premises		-	46,761,122
-Equipment		42,000	-
-Vehicle		-	83,500
		<u>42,000</u>	<u>46,844,622</u>
18. PROPERTY, PLANT AND EQUIPMENT - IJARAH		<u>78,700,602</u>	<u>76,198,801</u>
18.1 Details of addition / (disposal) during the period			
Addition			
- Plant and machinery		12,000,000	15,392,514
-Vehicle		<u>3,000,000</u>	-
		<u>15,000,000</u>	<u>15,392,514</u>
Disposal			
-Vehicle		-	17,417,700
		-	<u>17,417,700</u>
19. Capital work in progress			
Office renovation	19.1	<u>1,795,336</u>	<u>1,595,336</u>

19.1 This represents advance for office renovation expense that will be transferred to the fixed assets after the completion of renovation work.

	Note	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
20. INVESTMENT PROPERTIES			
Opening balance	20.1	46,900,000	19,200,000
Addition			28,200,000
Unrealized gain / (loss) on measurement of investment property		-	<u>(500,000)</u>
Closing balance		<u>46,900,000</u>	<u>46,900,000</u>

20.1 These includes properties which are acquired by the Modaraba against settlement of Morhaba facility and from defaulted parties, in prior years.

21. CONTINGENCIES AND COMMITMENTS

The taxation officer while making assessment in respect of the 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.

The Modaraba had filed appeals with CIT (Appeals) against the said order, which is pending.

No provision has been made in the financial statements in this regard as management is confident that ultimate outcome of the appeals in question will be in favor of the Modaraba.

22. MODARABA COMPANY'S MANAGEMENT FEE

The management fee is calculated @ 10% on profit before tax.

23. 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.

24. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise the modaraba management company [KASB Invest (Private) Limited], modaraba under common management (KASB Modaraba) First Prudential Modaraba staff provident fund, directors and key management personnel. 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: -

Relationship with Modaraba	Nature of Transactions	Un-Audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
Balances with related parties		-	-
Staff provident fund	Contribution made	-	832,792
Modaraba management company	Management fee	-	1,125,666
Modaraba under common management	Sharing of common expenses	3,856,971	
		Un-Audited December 31, 2017 Rupees	Un-Audited December 31, 2016 Rupees
Expense for the period			
Staff provident fund	Contribution made	92,972	132,552
Modaraba management company	Management fee	-	832,792
Modaraba under common management	Sharing of common expenses	2,731,305	2,537,709
Payments made during the period			
Staff provident fund	Contribution made	92,972	132,552
Modaraba management company	Management fee	832,792	-
Modaraba under common management	Sharing of common expenses	-	2,466,710

25. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial statements have been authorised for issue on 28 February, 2018 by the Board of Directors of the KASB Invest (Pvt) Limited.

26. FIGURES

Figures have been rounded off to the nearest Rupee.

For KASB Invest (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

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