

26th ANNUAL REPORT JUNE 30, 2015

First Prudential Modaraba

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Managed by :
KASB Invest (Private) Limited

First Prudential Modaraba

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CORPORATE INFORMATION

Board of Directors	Syed Waseem -ul- Haq Haqqie Syed Muhammad Rehmanullah Farrukh S. Ansari Rashid K. Siddiqui	Chairman Director Director Chief Executive Officer
Audit Committee	Farrukh S. Ansari Syed Muhammad Rehmanullah Syed Waseem -ul- Haq Haqqie	Chairman Member Member
Human Resource and Remuneration Committee	Farrukh S. Ansari Syed Waseem -ul- Haq Haqqie Syed Muhammad Rehmanullah Rashid K. Siddiqui	Chairman Member Member Member
Chief Financial Officer	Aftab Afroz Mahmoodi	
Company Secretary	Zia - ul - Haq	
Head of Internal Audit	Syed Shahid Owais	
Management Company	KASB Invest (Private) Limited	
Registered & Head Office	8-C, Block-6, PECHS, Off. Sharah-e-Faisal, Karachi. Tel: 021-34398852-5, 021-34370141	
Auditors	RSM Avais Hyder Liaquat Nauman Chartered Accounts	
Legal Advisor	Ahmed & Qazi	
Shariah Advisor	Mufti Muhammad Ibrahim Essa	
Bankers	Habib Bank Limited (Islamic Banking) Sindh Bank Limited Burj Bank Limited	
Share Registrar	Shares & Corporate Services (Pvt.) Limited Mehersons Estate, Talpur Road, Karachi. 74000 Tel: 021-32401634	

Social values of Islam provide the faithful with a large measure of spiritual peace and serenity, and this contentment can be reaped while pursuing business aspirations within the confines of Islamic law. We visualize creating an institution where society can seek a just and fair advantage from the richness of Islamic system of trade finance.

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DIRECTOR'S REPORT

The Board of Directors of KASB Invest (Private) Limited, the Management Company of First Prudential Modaraba are pleased to present Annual Report of First Prudential Modaraba together with Audited Accounts and Auditors' Report thereon for the year ended 30th June 2015 before the certificate holders. This is the second financial year after KASB Invest (Private) Limited took over management of the Modaraba.

KEY OPERATING / FINANCIAL HIGHLIGHTS

	(Rupees in millions)	
	June 30	
	2015	2014
Total Income from Operations	55.90	64.44
Operating Expenses	(31.16)	(46.44)
Operating Profit for the period	24.74	18.00
Unrealized gain / (loss) on changes in fair value of held for trading investments - at fair value through profit and loss	2.52	(3.26)
(Loss) gain arising on changes in fair value of Investment properties	Nil	(14.11)
Impairment (losses) and (Provision) / Reversal against doubtful receivables-net	3.56	(72.89)
Net (loss) profit after tax for the year	30.29	(72.26)
Earning Per Certificate – Re.	0.31	(0.83)

REVIEW OF OPERATIONS

Dividend

The Board of Directors is pleased to announce the final cash dividend @ 2.3% (Re. 0.23 per Certificate) for the year ended June 30, 2015 to the certificate holders of First Prudential Modaraba.

During the year ended on 30th June 2015, the overall operating performance of the First Prudential Modaraba reflects management commitment towards the good standing, sustainability and growth of the Modaraba. The Net profit for the year was Rs. 30.29 million recorded as against loss of Rs. 72.26 million last year which is a major break through and a sign of a good stewardship. The earning per Modaraba Certificate stands at Re.0.31 during the year as against the loss of Re.(0.83) during last year. Operating expenses reduced from 46.44 million last year to Rs. 31.16.

There is a reversal of provision against doubtful receivable of Rs. 3.56 million against 72.89 million provision last year. This was achieved by rigorous follow ups towards recovery of long outstanding. However, there are impediments for recovery due to non availability of records and short falls in security documents of credits handed over from the previous management.

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.

Sharia Compliance and Sharia Audit Mechanism

The Board is committed to comply with the requirements of circular No. 08 of 2012 Shari'ah Compliance and Shariah Audit Mechanism for Modarabas under the direction of its Sharia Advisor.

Corporate and financial reporting framework

The Board of Directors is fully aware of its duties & responsibilities under Code of Corporate Governance issued by Securities & Exchange Commission of Pakistan.

- The financial statements, prepared by the management of the Modaraba, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations except for those reported in Auditors' review report on compliance of code of corporate governance.
- The Modaraba operates a provident fund for its permanent employees having value of Rs. 142,604/- as on June 30, 2015.
- Key operating and financial data of last six years in a summarized form is annexed.
- During the year three meetings of Board of Directors were held. Below is the summary of attendance by the directors in the Board meetings

S.No	Name of Director	Meetings attended
1	Syed Waseem ul HaqHaqqie	3
2	Mr. FarrukhShauket Ansari	3
3	Syed Muhammad Rehmanullah	3
4	Mr. Rashid K. Siddiqui (CEO)	3

- The Statement of pattern of certificate holding of the Modaraba as at 30th June 2015 as per code of corporate governance is annexed.

Compliance with Code of Corporate Governance

Statement of compliance with the Code of Corporate Governance is annexed with the financial statements for the year ended June 30, 2015.

Future outlook

The management of the Modaraba is in the process of exploring different ventures of investments and presently considering agricultural business proposal with a reputable corporate to earn higher profit through Sharia compliant investment.

The current economic situation, alongwith a very competitive environment for Islamic financial products, has resulted in a very challenging outlook for the Modaraba.

The Management of your Modaraba is proactively studying available options which would best protect and preserve certificate holders' interest in the future.

First Prudential Modaraba

We are making all possible efforts to do the best to augment the system and special emphasis are being placed on recoveries and careful risk assessment to safeguard any adverse impact in future. We are fully geared to achieve better result and to regularly pay progressive rate of return to the certificate holders of the Modaraba.

The Modaraba also intends to increase its efforts for the recoveries from the defaulted clients through increased interaction & negotiation and expediting & accelerating legal recourse. This will result in increased liquidity and profitability through reversal of provisions.

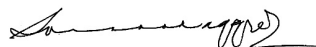
Auditors

On the recommendation of Audit Committee, the Board has approved the re-appointment of M/s AvaisHyder Liaquat Nauman, Chartered Accountants, as the statutory auditors for the year ended June 30, 2016, subject to approval by the Registrar Modaraba.

Acknowledgement

The Board of Directors would like to thank for continuous guidance and support extended by the Registrar Modaraba, Securities and Exchange Commission of Pakistan, the Karachi, Lahore and Islamabad Stock Exchanges. The Board is also thankful to its valued customers, Certificate Holders for reposing their confidence in the Management of the Modaraba.

For & on behalf of the
Board of Directors



Syed Waseem-ul-Haq Haqqie
Chairman

Karachi.
Dated: October 07, 2015

First Prudential Modaraba

Summary of key Operating and Financial data of the
Modaraba for last six years.
Year ended June 30, 2015
.....Rupees in millions.....

Year	2015	2014	2013	2012	2011	2010
Paid-up Capital	872.177	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	144.084	138.651	138.651	133.493	126.899	120.245
Certificate Holders' Equity	450.946	422.989	515.677	519.608	512.996	505.487
Certificate	87.217	87.217	87.217	87.217	87.217	87.217
Current Liabilities	54.842	57.555	45.089	38.758	32.278	45.413
Non-Current Assets	140.436	158.376	241.070	150.437	109.642	139.590
Current Assets	371.534	326.186	343.815	440.827	462.481	430.375
Profit / (Loss) before taxation	27.166	(72.263)	25.957	32.969	33.270	32.835
Taxation	-	-	(0.166)	-	-	0.457
Earning / (Loss) per Certificate (Rs.)	0.31	(0.83)	0.30	0.38	0.38	0.38

First Prudential Modaraba

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited & Islamabad Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Regardless of the fact that KASB Invest (Private) Limited, the management company of the First Prudential Modaraba (the Modaraba), is a Private Limited Company, the Board of Directors of management company are pleased to confirm that the Code of Corporate Governance is being complied with in all material respects. Modaraba Management Company (hereafter referred as Company) has applied the principles contained in the Code in the following manner.

1. The Modaraba Management Company encourages representation of independent non-Executive directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Furrugh S. Ansari
Independent Director	Syed Waseem-ul-Haq Haqqie
Independent Directors	Syed Muhammad Rehmanullah
Executive Directors	Mr. Rashid K. Siddiqui

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. No casual vacancy occurred on the Board during the year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non- Executive Directors have been taken by the Board.

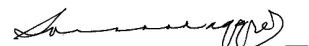
8. The meetings of the Board were presided by the Chairman. The Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Two Directors are certified and one director is exempted from the Director's training program by virtue of his experience as prescribed by SECP in the CCG.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this period has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the major corporate and financial reporting requirements to the CCG. All related parties transactions has been reviewed and approved by the Board and are carried out as per agreed terms.
15. The Board has formed an Audit Committee. It comprises three members; of whom all are independent Directors.
16. The Meeting of Audit Committee was held prior to approval of final result of the modaraba. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom all are independent directors.
18. The Modaraba has setup an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim / final results and business decisions, which may materially affect the market price of Modaraba 's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the Board



Syed Waseem-ul-Haq Haqqie
Karachi
Dated: October 07, 2015



REVIEW REPORT TO THE MEMBERS ON
STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road,
Karachi, 75530-Pakistan.
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We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of KASB Invest (Private) Limited (the Management Company) for the year ended June 30, 2015 to comply with the requirements of listing regulation No. 35(Chapter XI) of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited where the Modaraba is listed

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provision of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risk and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Other Offices at:
Lahore : 92(42) 3587 2731-3
Islamabad : 92(51) 211 4096-8
Rawalpindi : 92(51) 5193135
Faisalabad : 92(41) 854 1165/854 1965
Peshawar : 92(91) 527 8310/527 7205
Quetta : 92(81) 282 9809
Kabul : 93(799) 058155

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Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all materials respects, which the best practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2015.

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Karachi

Dated: October 07, 2015

Engagement Partner: Adnan Zaman



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road,
Karachi, 75530-Pakistan.
T: +92 (21) 35655975-61 F: +92 (21) 3565-5977
W: www.ahh.com.pk

We have audited the annexed Balance Sheet of FIRST PRUDENTIAL MODARABA as at June 30, 2015 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's (KASB Invest (Private) Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of First Pak Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and

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Rawalpindi : 92(51) 5193135
Faisalabad : 92(41) 854 1165/854 1965
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- iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2015 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- (e) Without qualifying our opinion we draw attention to note 16.1 of the condensed financial information that the Modaraba has acquired certain properties against settlement of Morhaba facility and from defaulted parties, in prior years.

Other matter

The financial statements of the Modaraba for the year ended June 30, 2014 were audited by another firm of chartered accountants who expressed unmodified opinion on the financial statements of the Modaraba for the year ended June 30, 2014 vide their audit report dated April 24, 2015.

RSM Avais Hyder Liaquat Nauman

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Karachi
Dated: October 07, 2015

Engagement Partner: Adnan Zaman

SHARIAH ADVISOR'S REPORT

I have reviewed the affairs of First Prudential Modaraba for the Year ended June 30, 2014 in accordance with the requirements of the Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shariah Compliance and Shariah Audit Mechanism for Modarabas.

SHARIAH COMPLIANCE:

The Modaraba effectively has a mechanism to strengthened the *Shariah* compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the *Shariah* principles;

REVIEW OF OPERATIONS:

Based on my review, the following were the major activities / developments in respect of Shariah that took place during this period:

BANK ACCOUNTS:

After implementation of circular # 8 of 2012, Modaraba has closed all saving accounts maintained with conventional banks.

Further, for investment and operational purposes, Modaraba is operating the Bank accounts maintained with Islamic Banks only.

FRESH DISBURSEMENTS:

IJARAH:

Modaraba has disbursed Ijarah Facility to one of its clients. I confirm that this transaction was in line with Shariah and Modaraba got Shariah Approval of undersigned before execution of this transaction.

DIVIDEND PURIFICATION:

Modaraba has effectively performed process of dividend purification of equities and transferred charitable amount into charity payable account.

CHARITY:

I confirm that Modaraba has transferred all charitable amounts such as charity of late payment, dividend purification etc. into charity payable account.

TAKAFUL:

For risk mitigation, Generally Modaraba adopts Takaful coverage, but for the specific request of a client, Modaraba got the policy of Insurance for some vehicles from Insurance Company.

EQUITY SHARES:

Modaraba's entire equity investments were made in approved Shariah compliant scripts, except for the following shares:

Non Shariah Compliant Shares (Table.1)

S.No	Name of Shares	Quantity
1.	Prudential Discount & Guarantee House – CDC Freeze	191,700
2.	Zeal Pak Cement Factory– CDC Freeze	360,000
3.	Prudential Stocks Fund Ltd – Physical	1,670,720
4.	Prudential Securities Limited (unlisted)– Physical	1,107,244
5.	Hussain Industries – Physical	348
6.	Lahore Stock Exchange	843,975

The values of serial 1 to 5 have been fully provided in the books of account

In this year Modaraba did not dispose off the shares of Lahore stock Exchange, however non Shariah portion of the dividend received on these shares have been transferred into charity account.

Undisclosed and Non Shariah Compliant Shares (Table # 2)

S.No	Name of Shares	Quantity
1.	Zeal Pak Cement Factory– CDC Freeze	10,400,000
2.	Usman Textile Limited	700,000
3.	Investec Modaraba	500,000
4.	Investec Securities	200,000

The shares mentioned in table no 2 are undisclosed shares, these shares were transferred by a defaulted party, as the payment of claim, into the name of First Prudential Modaraba, but Modaraba refused to accept these shares till date as satisfaction of its claim.

OBSERVATIONS:

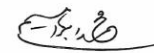
- Shares as mentioned in Table No. 1 above are in the holding of Modaraba. However, these shares are not in the approved list of NBFIs & Modaraba Association of Pakistan.
- Modaraba took the insurance coverage for some vehicles from Insurance Company.

RECOMMENDATION(S):

- Modaraba should dispose-off all non Shariah Compliant shares subject to the clearance of legal and availability of the buyers specially the shares of Lahore Stock Exchange where Lahore Stock Exchange has determined its value in the period under review.
- In respect of the shares of Table No. 2, Modaraba should settle the dispute with the defaulted broker as soon as possible.
- Modaraba should replace the coverage of insurance with Takaful as leading insurance companies have started their Window Takaful Operations

CONCLUSION:

Generally, the Management of First Prudential Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit; therefore, I am of the view that the business operations of First Prudential Modaraba are Shariah compliant up to the best of my knowledge.



Mufti Ibrahim Essa
Shariah Advisor
Date: 22 September, 2015



First Prudential Modaraba

**BALANCE SHEET
AS AT JUNE 30, 2015**

ASSETS	Note	2015 Rupees	2014 Rupees
Current Assets			
Cash and bank balances	5	315,062,081	190,144,619
Investments	6	9,893,503	80,824,460
Musharaka, morabaha and other finance	7	-	-
Diminishing musharaka	8	29,672,069	31,553,643
Ijarah rentals receivable	9	1,011,291	1,569,362
Receivable against sale of shares - net		-	6,666,393
Advances, prepayments and other receivables	10	15,895,384	15,427,549
Total Current Assets		371,534,328	326,186,026
Non - Current Assets			
Long term investments	11	20,553,052	14,188,377
Long term portion of diminishing musharaka	8	29,351,232	55,770,669
Long term deposits	12	66,192	66,192
Loan and receivables	6.1	-	-
Intangible assets	13	41,713	541,716
Property and equipment - own use	14	21,118,286	22,525,317
Property, plant and equipment - ijarah	15	42,755,944	38,204,179
Investment property	16	26,550,000	27,080,000
Total Non - Current Assets		140,436,419	158,376,450
TOTAL ASSETS		511,970,747	484,562,476
LIABILITIES			
Current Liabilities			
Ijarah deposits	17	17,360,122	26,831,162
Accrued and other liabilities	18	12,597,394	5,441,098
Unclaimed profit distribution		24,884,016	25,282,315
Total Current Liabilities		54,841,532	57,554,575
Non - Current Liabilities			
Long term portion of ijarah deposits	17	6,183,000	4,019,350
TOTAL LIABILITIES		61,024,532	61,573,925
NET ASSETS		450,946,215	422,988,551
REPRESENTED BY			
Issued, subscribed and paid up capital	19	872,176,600	872,176,600
Statutory reserves		144,083,929	138,650,648
Accumulated losses		(565,314,314)	(587,838,697)
		450,946,215	422,988,551
Contingencies and commitments	20		

The annexed notes from 1 to 32 form an integral part of these financial statements.


CHIEF EXECUTIVE

For KASB Invest (Private) Limited
(Management Company)


DIRECTOR


DIRECTOR

First Prudential Modaraba
**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
INCOME			
Ijarah rentals earned		11,942,533	22,448,109
Return on deposits with bank		17,427,525	16,575,398
Income on diminishing musharaka		9,642,456	10,245,053
Capital gain on sale of investments		13,082,519	12,139,601
Dividend		3,053,416	2,939,081
Rental income from investment property		235,000	270,000
Other income / (loss)	21	513,667	(179,840)
		<u>55,897,116</u>	<u>64,437,402</u>
Unrealised gain / (loss) on investments - held for trading at fair value through profit or loss	6.4	2,519,918	(3,255,191)
Impairment of property and equipment - own use	14	-	(21,587,035)
Impairment of an intangible asset	15	-	(5,344,352)
Loss arising on changes in fair value of investment properties	16	(530,000)	(14,114,500)
Reversal / (Provision) and (impairment losses) against doubtful receivables-net	22	3,562,642	(45,956,891)
		<u>61,449,676</u>	<u>(25,820,567)</u>
EXPENDITURE			
Depreciation on ijarah assets	15	(10,164,373)	(25,013,063)
Impairment on ijarah assets	15	-	(3,348,043)
Administrative expenses	23	(20,373,542)	(18,038,788)
Workers' welfare fund		(543,328)	-
Bank and other charges		(77,891)	(42,067)
		<u>(31,159,134)</u>	<u>(46,441,961)</u>
Profit / (loss) for the year		<u>30,290,542</u>	<u>(72,262,528)</u>
Modaraba company's management fee		(2,716,641)	-
Sales tax on management fee	24	(407,496)	-
Profit / (loss) before taxation		<u>27,166,405</u>	<u>(72,262,528)</u>
Provision for taxation	25	-	-
Profit / (loss) after taxation		<u>27,166,405</u>	<u>(72,262,528)</u>
Other comprehensive income			
Gain/ (deficit) on revaluation of investments available for sale		791,259	(365,420)
Total comprehensive income / (loss) for the year		<u><u>27,957,664</u></u>	<u><u>(72,627,948)</u></u>
Earnings / (loss) per certificate	26	<u>0.31</u>	<u>(0.83)</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


First Prudential Modaraba
**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		27,166,405	(72,262,528)
Adjustments for non-cash changes and other items:			
Gain on sale of investments		(13,082,519)	(12,139,601)
Dividend income		(3,053,416)	(2,939,081)
Unrealised (gain) / loss on changes in fair value of held for trading investments - at fair value through profit and loss		(2,519,918)	3,255,191
Reversal / (provisions and impairment losses) against doubtful receivables-net	22	(3,562,642)	45,956,891
Impairment on property and equipment - own use		-	21,587,035
Impairment of an intangible asset		-	5,344,352
Impairment of an ijarah asset		-	3,348,043
Loss on remeasurement of investment property		530,000	14,114,500
Gain on disposal-own use assets		-	(483,059)
Gain / (loss) on disposal-ijarah assets		(66,036)	1,420,558
Depreciation-own use assets		1,534,531	2,927,228
Depreciation on ijarah assets		10,164,373	25,013,063
Amortization - intangibles		500,003	663,822
Unwinding of interest - term deposit receipt		-	(567,209)
		<u>(9,555,624)</u>	<u>107,501,733</u>
Cash flows before movements in working capital		<u>17,610,781</u>	<u>35,239,205</u>
Decrease / (Increase) in operating assets			
Musharaka, morabaha and other finance		2,890,162	5,556,550
Diminishing musharaka		28,301,011	(23,388,202)
Ijarah rentals receivable		558,071	(1,576,149)
Receivable against sale of shares - net		6,666,393	(6,666,393)
Advances, prepayments and other receivables		(437,952)	(412,118)
		<u>37,977,685</u>	<u>(26,486,312)</u>
(Decrease) / increase in operating liabilities			
Ijarah deposits		(7,307,390)	(9,947,468)
Accrued and other liabilities		7,156,296	(260,296)
		<u>(151,094)</u>	<u>(10,207,764)</u>
Cash used in operations		<u>55,437,372</u>	<u>(1,454,871)</u>
Income tax paid		(150,143)	(180,102)
Net cash generated from / (used in) operating activities		<u><u>55,287,229</u></u>	<u><u>(1,634,973)</u></u>

	2015 Rupees	2014 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	3,173,676	2,939,081
Investments encashed / (purchased) - net	80,959,978	(28,325,755)
Proceeds from disposal - own use assets		2,157,500
Proceeds from disposal - ijarah assets	16,022,378	13,711,682
Purchase of own use assets	(127,500)	(120,100)
Purchase of ijarah assets	(30,000,000)	(5,615,000)
Net cash generated from / (used in) investing activities	<u>70,028,532</u>	<u>(15,252,592)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution and net cash used in financing activities	<u>(398,299)</u>	<u>(17,487,351)</u>
Net increase / (decrease) in cash and cash equivalents (A+B+C)	124,917,462	(34,374,916)
Cash and cash equivalents at July 01, 2014	190,144,619	224,519,535
Cash and cash equivalents at June 30, 2015	<u>315,062,081</u>	<u>190,144,619</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.


CHIEF EXECUTIVE

For KASB Invest (Private) Limited
(Management Company)

DIRECTOR


DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Reserves				Total
	Certificate capital	Capital reserve	Revenue	Accumulated losses	
Balance at July 01, 2013	872,176,600	138,650,648	(3,210,918)	(491,939,769)	515,676,561
Comprehensive income	-	-	-	(72,262,528)	(72,262,528)
Profit for the year ended June 30, 2013	-	-	-	(365,420)	(365,420)
Other comprehensive loss for the year ended June 30, 2013	-	-	-	(365,420)	(365,420)
Total comprehensive loss for the year	-	-	-	(72,262,528)	(72,262,528)
Transfer to statutory reserve	-	-	-	-	-
Distribution @ 2.3 % declared for the year ended June 30, 2013	-	-	-	-	-
Balance at June 30, 2014	872,176,600	138,650,648	(3,576,338)	(584,262,359)	422,988,511
Comprehensive income	-	-	-	27,166,405	27,166,405
Profit for the year ended June 30, 2015	-	-	-	27,166,405	27,166,405
Other comprehensive income for the year ended June 30, 2015	-	-	791,259	-	791,259
Total comprehensive income for the year	-	-	791,259	-	791,259
Transfer to statutory reserve	-	5,433,281	-	(5,433,281)	-
Balance at June 30, 2015	872,176,600	144,083,929	(2,785,079)	(562,529,235)	450,946,215

*Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year, the Modaraba has transferred an amount of Rs. 5,433,281/- which represents 20% of the profit after tax.
The annexed notes from 1 to 32 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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) a company incorporated in Pakistan under the Companies Ordinance 1984. In pursuance of a show cause notice dated June 9, 2010 issued to the PCML and after taking approval from the Securities and Exchange Commission of Pakistan (SECP) under 20 (2) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Registrar Modarabas passed an order dated October 28, 2010 under section 20 (1)(a)(iii) to remove the Modaraba Company, PCML and appointed another Modaraba Management Company as Administrator to takeover and manage the affairs of the Modaraba in place of PCML. PCML had challenged the order in the Sindh High Court (SHC) and SHC gave a verdict against the appeal dated May 22, 2014. PCML instituted a case against this order of SHC in the Supreme Court of Pakistan. On October 23, 2014, the Supreme Court of Pakistan upheld the verdict of the Sindh High Court on removal of the existing management of Prudential Capital Management Limited. Accordingly, the orders of the Registrar Modaraba dated October 28, 2010 stood restored and effective on the basis of which KASB Invest (Private) Limited (formerly KASB Modaraba Management (Private) Limited) took over the management and control of First Prudential Modaraba from November 13, 2014.

1.2 The registered office of KASB Invest (Private) Limited is situated at 8 C Block 6, PECHS, Shahrah-e-Faisal, Karachi. The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in musharaka, morabaha and investment in securities.

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

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

a) Standards that became effective but not relevant to the company or do not have material effect

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company.

IAS 19 - Employee Benefits (Amendment) - Defined benefit plans: Employee contributions

IAS 32 - Financial Instruments - Presentation - (Amendment)
Offsetting financial assets and financial liabilities

IAS 36 - Impairment of Assets - (Amendment)
Recovery Amount Disclosures for Non-Financial Assets

IAS 36 - Impairment of Assets - (Amendment)
Recovery Amount Disclosures for Non-Financial Assets

IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment)
Novation of Derivative and Continuation of hedge Accounting

IFRIC 21 - Levies

b) Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments - Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above improvements to accounting standards and interpretations did not have any material effect on the financial statements.

c) Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

	Description	Effective for periods beginning on or after
IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 10, 12 & IAS 27	Investment Entities (Amendment)	January 01, 2015
IFRS 10, 12 & IAS 27	Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 11	Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12	Disclosure of interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015
IAS 1	Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 & 38	Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)	January 01, 2016
IAS 16 & 41	Agriculture Bearer Plants (Amendment)	January 01, 2016
IAS 27	Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

First Prudential Modaraba

Standards issued

	Description	Effective for periods beginning on or after
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018

Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSSs:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- IFRS 13 'Fair Value Measurement'

2.3 Islamic Financial Accounting Standard - 1

During the year ended June 30, 2005, the Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard 1 issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transaction undertaken by a bank / financial institution, effective for financial periods beginning on or after January 1, 2006. The Modaraba adopted this standard effective from July 1, 2006.

2.4 Islamic Financial Accounting Standard - 2

During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the Securities and Exchange Commission of Pakistan vide an SRO 431(1)/ 2007 dated May 5, 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Mujir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.
- SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after July 1, 2008.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for;

- certain investments carried at fair value;
- investment property which have been measured at fair value;
- certain loan and receivables - measured at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

First Prudential Modaraba

4.1 Property and equipment

(i) Ijarah and depreciation

Ijarah assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to income applying the straight line method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of lease.

(ii) In own use and depreciation

Operating assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit and loss account applying the straight-line method in accordance with the rates specified in note 14 to these financial statements. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

Gain or loss on disposal of assets is recognised as income or expense.

Assets' residual values and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred.

4.2 Investment property

Investment property, which are held for rentals and capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, it is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

4.3 Intangibles

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of the item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 13 to these financial statements. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed off, it is charged till the month preceding the month of disposal.

Indefinite life

The useful life of an intangible asset that is not being amortised is reviewed at the end of each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

4.4 Investments

i) Held for trading "at fair value through profit or loss"

Such investments are initially recognised at fair value and subsequently measured at fair value. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investment held for trading is to be included in profit and loss account.

ii) Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently measured at fair value. The investments, for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised in other comprehensive income.

iii) Held to maturity

These are investments with fixed or determinable payments and fixed maturity, and which, the Modaraba has positive intent and ability to hold till maturity. Held to maturity investments are initially recognised at fair value plus transaction cost and are subsequently measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

iv) Loan and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized at fair value upon origination and are subsequently measured at amortized cost by the effective interest method. Short term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

v) Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

vi) Investment in associates

These investments are accounted for using equity method of accounting and initially are recognized at cost.

4.5 Ijarah rentals receivable, morabaha and musharaka and diminishing musharaka finances

Receivables considered doubtful are provided for in accordance with the requirements of the Prudential Regulations for Modarabas. Specific provision is also made for receivables considered doubtful.

4.6 Staff retirement benefits

Defined contribution plan

The Modaraba operates a defined contribution provident fund for all employees who opt for deductions. Equal monthly contributions are made both by the Modaraba and the employees to the fund at the rate of 10% of basic salary.

4.7 Accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

4.8 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.9 Impairment

Financial Assets

Impairment is recognised by the Modaraba on the basis of requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an on-going basis.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Available-for-sale financial investments

For available-for-sale financial investments, the Modaraba assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account - is removed from equity and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment properties may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

First Prudential Modaraba

4.10 Revenue recognition

4.10.1 Ijarah rentals

Income from ijarah is recognised as and when lease rentals become due on a systematic basis over the lease and ijarah period.

Documentation charges, front end fees and other ijarah related income are taken to profit and loss account when they are realised.

4.10.2 Hire purchase transactions

For hire purchase transactions, the unearned finance income is deferred and taken to income over the period of hire purchase, applying the annuity method to produce a constant rate of return on the net investment.

4.10.3 Morabaha and musharaka transactions

Profit from musharaka transactions is recognised on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from morabaha finance is accounted for on culmination of morabaha transaction. However, the profit on that portion of morabaha finance not due for payment is deferred by accounting for "Deferred Morabaha Income" with a corresponding credit to "Unearned Morabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.

4.10.4 Diminishing musharaka

Profit on diminishing musharaka is recognised as and when profits become due on a systematic basis over the term of diminishing musharaka period.

4.10.5 Rental Income

Rental Income arising from investment properties is accounted for on accrual basis.

4.10.6 Dividend income

Dividend is recognised as income when the right of receipt is established.

4.10.7 Return on finance

Return on finance is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4.10.8 Other income

Other income is recognised on accrual basis.

4.10.9 Income from Shariah non-compliant avenues

Income from Shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.

4.10.10 Mark-up income

Mark-up / return on deposits / investments is recognised on accrual basis using the effective interest rate method.

First Prudential Modaraba

4.11 Taxation

Current

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

The income of non-trading Modaraba is exempt from taxation under clause 100 of Part 1 of the Second schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of the total profits in the year as reduced by the amount transferred in statutory reserve are distributed amongst the certificate holders.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is generally recognised for all taxable temporary differences. Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.12 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Foreign currency transactions are converted into Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income currently.

4.13 Financial assets

Financial assets comprise of Ijarah rentals receivable, investments, musharaka, diminishing musharaka and morabaha finances, deposits, other receivables, excluding taxation. Ijarah rentals receivable, musharaka, morabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

4.14 Financial liabilities

Financial liabilities are classified according to the substance of contractual arrangements entered into. Financial liabilities include ijarah deposits, accrued and other liabilities and unclaimed profit distribution.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off-set.

First Prudential Modaraba

4.17 Profit distribution

Profit distribution to the Modaraba's certificate holders is recognised as a liability in the financial statements in the period in which the distributions are approved by the board of the Modaraba Company.

4.18 Earning per certificate

The Modaraba presents basic and diluted earnings per certificate data for its certificate holders. Basic earning per certificate is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates.

4.19 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows: -

- i) classification of investments (Note 6)
- ii) provision for doubtful recovery against investments (Note 6)
- iii) amortisation of intangible assets (Note 13)
- iv) depreciation on property and equipment (Note 15 & 16)
- v) impairment losses / provision for doubtful receivables (Note 23)
- vi) contingencies (Note 20)

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
5. CASH AND BANK BALANCES			
Cash in hand		10,000	6,399
Cash at banks			
Current accounts		8,978,754	187,431,407
Saving accounts	5.1	306,073,327	2,706,813
		315,052,081	190,138,220
		315,062,081	190,144,619

5.1 Effective mark-up rate in respect of saving accounts ranges from 4.25% to 9.00% (2014: 3.5% to 8.85%) per annum.

First Prudential Modaraba

		June 30, 2015 Rupees	June 30, 2014 Rupees
6. INVESTMENTS			
Loans and receivables			
Receivable against TDR - considered good	6.1	702,490	1,035,824
Held for trading at fair value through profit or loss			
Quoted securities	6.2	<u>9,191,013</u>	<u>79,788,636</u>
		<u>9,893,503</u>	<u>80,824,460</u>

6.1 Modaraba had entered into an agreement dated December 06, 2012, with the Invest Capital Investment Bank Limited (ICIBL) for settlement of the term deposit receipt of Rs.10 million. As per the terms, the entire mark-up/profit/penalties accrued till date of settlement agreement was waived off by the Modaraba. The balance was receivable in 60 equal monthly instalments of Rs. 166,667 beginning from December 10, 2012 at Nil profit. Rescheduled amount was as follows:

Term Deposit Receipt as at December 06, 2012	10,000,000	10,000,000
Less: Amortization charge	(2,000,000)	(2,000,000)
Less: Received in earlier period	(2,183,609)	(807,508)
Total receivable	<u>5,816,391</u>	<u>7,192,492</u>
Instalments received during the year	<u>(333,334)</u>	<u>(1,376,101)</u>
Net receivable	5,483,057	5,816,391
Provision against doubtful recoveries	<u>(4,780,567)</u>	<u>(4,780,567)</u>
	<u>702,490</u>	<u>1,035,824</u>

6.1.1 During the course of due diligence conducted as of November 30, 2014 and on the basis of correspondence provided by ICIBL it was revealed that the Modaraba had entered into an arrangement of Portfolio Management Services with ICIBL and a limited liability company was incorporated for this purpose in 2010, under which ICIBL incurred an expenditure of Rs. 5.78 million on account of bidding for Karachi Stock Exchange (KSE) membership as authorised by previous Board of Directors of the Modaraba Management Company in their meeting held on April 25, 2010. The Modaraba filed an application to SECP for relaxation of Regulation 7(7) of the Prudential Regulations for Modarabas for investing in an unlisted entity which was rejected. This resulted in forfeiture of amount paid for bidding for purchase of membership card by KSE. These facts were not on record nor reflected in the books of accounts of the Modaraba in subsequent years before incorporated in financial statements for the year ended June 30, 2014.

First Prudential Modaraba

6.2 Quoted securities

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

	June 2015	June 2014	June 2015 Rupees	June 2014 Rupees
Number of Certificates / Shares/ Units				
162,000	-		1,652,400	-
	-	31,000	-	6,580,990
	-	22,000	-	4,738,140
	-	7,000	-	2,721,950
	-	37,200	-	8,345,448
	-	15,600	-	4,309,968
	-	100,000	-	11,225,000
	-	100,000	-	719,000
	-	355,000	-	6,830,200
	-	17,500	-	1,539,300
	-	15,000	-	981,900
	-	5,000	-	150,250
	-	35,000	-	2,826,250
	-	117,500	-	12,047,275
	-	72,000	-	2,260,800
	525	525	59,971	58,758
	79,500	183,000	7,438,815	10,749,420
	-	125,000	-	2,255,000
	1,495	1,495	39,827	33,862
	-	25,000	-	243,750
	-	40,000	-	1,168,800
	348	348	-	2,575
	1,670,720	1,670,720	-	-
	360,000	360,000	-	-
	<u>2,274,588</u>	<u>3,335,888</u>	<u>9,191,013</u>	<u>79,788,636</u>

* These shares are not in the name of the Modaraba : Nishat Mills Limited 25 (2014: 25) shares (Second Prudential Modaraba), Sui Northern Gas Pipeline Limited 254 (2014: 254) shares and Hussain Industries Limited 348 shares (2014: 348) (Third Prudential Modaraba).

First Prudential Modaraba

6.3	This represents non-shariah compliant investments.					
	Note	June 30, 2015 Rupees	June 30, 2014 Rupees			
6.4	Unrealised gain / (loss) on investments - held for trading at fair value through profit or loss					
		Weighted average cost of investments	6,671,095	83,043,827		
		Changes in fair value for the year	2,519,918	(3,255,191)		
	6.2	Market value of investments	<u>9,191,013</u>	<u>79,788,636</u>		
7.	MUSHARIKA, MORABAHA AND OTHER FINANCE					
	Musharika and morabaha finance					
	- considered good					
			354,015,406	356,905,568		
			(354,015,406)	(356,905,568)		
	7.1		<u>-</u>	<u>-</u>		
	Other finance - unsecured					
	- considered good					
			-	-		
			11,002,281	11,002,281		
			(11,002,281)	(11,002,281)		
	7.2		<u>-</u>	<u>-</u>		
	Less: Provision against doubtful amounts					
			-	-		
			-	-		
			<u>-</u>	<u>-</u>		
7.1	Musharika and morabaha finance					
		Considered Good	Considered Doubtful	Total		
	Note	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	
	Unsecured					
	Musharika finance					
		-	-	105,172,201	105,172,201	105,172,201
		-	-	45,238,105	45,238,105	45,238,105
		-	-	150,410,306	150,410,306	150,410,306
		-	-			
	Secured					
	Morabaha finance					
		-	-	82,518,261	85,408,423	82,518,261
		-	-	121,086,839	121,086,839	121,086,839
		-	-	203,605,100	206,495,262	203,605,100
	7.1.1	-	-	<u>203,605,100</u>	<u>206,495,262</u>	<u>203,605,100</u>
	Less: Provision against doubtful receivables					
		-	-	(354,015,406)	(356,905,568)	(354,015,406)
		-	-	<u>-</u>	<u>-</u>	<u>(356,905,568)</u>

7.1.1 This include amount of Musharaka and Morabaha finance receivable from various parties, outstanding since many years. As per terms of the agreements, the profit against these finances ranged from 14% to 21%. These finances were secured against equitable mortgage of immovable properties and charge on vehicles, machineries, other assets and personal guarantee of sponsor directors. However, based on the guidelines of Prudential Regulations for Modarabas, principal and profit receivable against these finances have been fully provided and suspended accordingly.

7.1.2 Movement of provision for doubtful receivables

	Note	June 30, 2015			June 30, 2014		
		Principal	Profit	Total	Principal	Profit	Total
Opening balance		190,580,624	166,324,944	356,905,568	178,832,495	167,844,137	346,676,632
Provision / (reversal of provision) during the year		(2,890,162)	-	(2,890,162)	11,748,129	(1,519,193)	10,228,936
Closing balance		<u>187,690,462</u>	<u>166,324,944</u>	<u>354,015,406</u>	<u>190,580,624</u>	<u>166,324,944</u>	<u>356,905,568</u>

First Prudential Modaraba

7.2	Movement of provision for doubtful receivables		Note	June 30, 2015 Rupees	June 30, 2014 Rupees
		Opening balance		11,002,281	2,211,076
		For the year		-	8,791,205
		Closing balance		<u>11,002,281</u>	<u>11,002,281</u>
7.2.1	The finance was provided to Invest Capital Investment Bank Limited (ICIBL) against certain ijarah assets under a funded risk participation agreement. It carried return at the rate 17.16 % (2014: 17.16%) per annum.				
8.	DIMINISHING MUSHARIKA				
		Principal		57,871,991	86,823,244
		Profit		1,151,310	501,068
				<u>59,023,301</u>	<u>87,324,312</u>
		Less: long term portion		(29,351,232)	(55,770,669)
				<u>29,672,069</u>	<u>31,553,643</u>
8.1	These carry profit rate ranging from 12.8% to 14.68% (2014: 12.8% to 13.11%) per annum and are repayable on monthly basis over a maximum period of three years.				
9.	IJARAH RENTALS RECEIVABLE				
		Considered good		1,011,291	1,569,362
		Considered doubtful		23,321,547	23,994,027
				<u>24,332,838</u>	<u>25,563,389</u>
		Less: Provision for doubtful receivables	9.1	(23,321,547)	(23,994,027)
				<u>1,011,291</u>	<u>1,569,362</u>
9.1	Movement in provision for doubtful receivables				
		Opening balance		23,994,027	23,115,511
		Charge for the year	9.1.1	-	1,180,455
		Reversal during the year		(672,480)	(301,939)
		Closing balance		<u>(672,480)</u>	<u>878,516</u>
				<u>23,321,547</u>	<u>23,994,027</u>
9.2	Future minimum ijarah rentals receivable				
		Within one year		8,334,779	6,079,497
		After one year but not more than five years		17,297,606	4,548,373
				<u>25,632,385</u>	<u>10,627,870</u>

10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	Considered Good		Considered Doubtful		Total	
		June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Advance							
Income tax		13,523,899	13,373,756	-	-	13,523,899	13,373,756
To staff	10.1	328,299	100,659	1,814,000	1,814,000	2,142,299	1,914,659
Prepayments		274,799	265,715	-	-	274,799	265,715
Other receivables from							
Brokers on account							
of sale of shares	10.2	-	-	65,619,559	65,619,558	65,619,559	65,619,558
of advance for shares	10.3	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	10.4	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits							
with banks		1,436,005	1,313,486	-	-	1,436,005	1,313,486
Others		332,382	373,933	13,177,944	13,177,945	13,510,326	13,551,878
Sub total		15,895,384	15,427,549	109,285,123	109,285,123	125,180,507	124,712,672
Provision for doubtful receivables	10.5	-	-	(109,285,123)	(109,285,123)	(109,285,123)	(109,285,123)
		15,895,384	15,427,549	-	-	15,895,384	15,427,549

10.1 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 for the purchase of a motor vehicle. The Modaraba has initiated criminal proceedings for the recovery of said amount from the ex-managing director.

10.2 The doubtful amount includes claim of Rs.64.62 million receivable from a defaulted stock broker – Investec Securities Limited. The said broker, through its various correspondences with the Modaraba has offered / transferred shares and certificates of following entities on various dates which are not acknowledged by the Modaraba. Owing to the weak financial position of the entities and significance of the amount of claim, the 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

10.3 This amount includes Rs. 17.89 million paid as advance for purchase of securities to Prudential Securities Limited (PSL). Remaining amount of Rs. 0.54 million is blocked in CDC-sub account of the said broker against various shares as under:

Name of companies	No. of Shares	Value as per investor's claim
Al-Ghazi Tractors Limited	500	112,095
Javed Omer Vohra & Company Limited	1,000	8,460
Pakistan Petroleum Limited	2,100	422,478

Operations of PSL has been ceased by Karachi Stock Exchange Limited (KSE) and the Modaraba has filed a claim with the KSE for the whole amount. Subsequent events' review confirmed existence of event of default as on reporting date and therefore, the provision has been made accordingly.

10.4 This represents an unauthorized 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 with a banking court 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	June 30, 2015	June 30, 2014
		Rupees	Rupees
10.5 Movement in provision for doubtful receivables			
Opening balance		109,285,123	90,852,850
Provision for the year		-	18,432,273
Closing balance		<u>109,285,123</u>	<u>109,285,123</u>

11. LONG TERM INVESTMENTS

		June 30, 2015	June 30, 2014
Available for sale			
Listed entity	11.1	11,125,851	4,870,302
Unlisted companies	11.2	<u>9,427,201</u>	<u>9,318,075</u>
		<u>20,553,052</u>	<u>14,188,377</u>

11.1 Listed entities

	June 30, 2015	June 30, 2014	Note	June 30, 2015	June 30, 2014
Number of Units of Rs. 100 each					
50,747	48,116	UBL Al-Ameen Islamic Preservation Fund III-A			
		Cost		5,284,606	5,000,000
		Unrealized gain / (Unrealized loss)		255,402	(129,698)
				<u>5,540,008</u>	<u>4,870,302</u>
380,766	-	Meezan Balanced Fund			
		Cost		5,288,810	-
		Unrealized gain		297,033	-
				<u>5,585,843</u>	-
				<u>11,125,851</u>	<u>4,870,302</u>

11.2 Unlisted companies

	June 30, 2015	June 30, 2014	Note	June 30, 2015	June 30, 2014
Number of Shares of Rs. 10 each					
1,107,244	1,107,244	Prudential Securities Limited			
		Cost		4,173,707	4,173,707
		Less: Impairment	11.2.1 & 11.2.2	(4,173,707)	(4,173,707)
				-	-
191,700	191,700	Prudential Discount and Guarantee House Limited	11.2.2	-	-
843,975	843,975	Lahore Stock Exchange Limited	11.2.3		
		Cost		12,764,715	12,764,715
		Less: Fair value adjustment		(3,337,514)	(3,446,640)
				<u>9,427,201</u>	<u>9,318,075</u>
				<u>9,427,201</u>	<u>9,318,075</u>

First Prudential Modaraba

	Note	2015 Rupees	2014 Rupees
11.2.1 Movement of impairment			
Opening balance		4,173,707	4,173,707
Impairment charge during the year		-	-
Closing balance		<u>4,173,707</u>	<u>4,173,707</u>

The breakup value of shares of Prudential Securities Limited was Rs. 3.77 per share based on last available audited financial statements for the year ended June 30, 2008.

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

11.2.3 This represents shares acquired against the surrender of Lahore Stock Exchange Limited membership card (refer note 13.1). Under the current circumstances the active market is not available for such shares, therefore the net asset 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 audited financial statements of the investee company for the year ended June 30, 2014, the breakup value of which is Rs. 11.17 per share.

12. LONG TERM DEPOSITS

Margin deposit	12.1	3,000,000	3,000,000
Other deposits		<u>66,192</u>	<u>66,192</u>
		3,066,192	3,066,192
Less: Provision against doubtful amounts	10.3&12.2	<u>(3,000,000)</u>	<u>(3,000,000)</u>
		<u>66,192</u>	<u>66,192</u>

12.1 This margin deposit was held with a defaulted broker, Prudential Securities Limited, whose operations has been ceased by Karachi Stock Exchange Limited (KSE) and the Modaraba has filed a claim with the KSE for the amount. (Refer note 10.3)

12.2 On confirmed existence of event of default, the provision was made accordingly.

13. INTANGIBLE ASSETS

LSE - Trading right entitlement certificate (TREC)	13.1	5,344,352	5,344,352
Computer software	13.2	<u>41,713</u>	<u>541,716</u>
		5,386,065	5,886,068
Impairment of TREC	13.1.2	<u>(5,344,352)</u>	<u>(5,344,352)</u>
		<u>41,713</u>	<u>541,716</u>

First Prudential Modaraba

13.1 LSE membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance receivable against a defaulted party.

Pursuant to demutualization of LSE, the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the membership card had been surrendered to LSE against the following:

(a) 843,975 ordinary shares of face value of Rs. 10 each of LSE; and

(b) Trading Right Entitlement Certificate (TREC).

The Institute of Chartered Accountants of Pakistan in its opinion dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

Out of total shares issued to the modaraba by LSE, the Modaraba had received 40% equity shares i.e. 337,590 shares in its CDC account. The remaining 60% shares had been transferred to CDC sub-account in the Modaraba's name under LSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Modaraba.

LSE had determined the fair value of shares on the basis of the fair valuation of the underlying assets and liabilities of LSE in accordance with the requirement of the Demutualization Act. The breakup value of share of Rs. 11.04 per share, based on latest available financial information for the quarter ended March 31, 2014, is considered as the closest estimates of the fair value of the shares. Further, the board of directors of LSE in the meeting held on July 22, 2013 had determined the Notional Value of the TREC as Rs. 4 millions.

Therefore, based on the above estimates of fair values of LSE shares (Rs. 9.554 million) and TREC (Rs. 4 million), the Modaraba had allocated its carrying value of the membership card in the ratio of 0.71 to shares and 0.29 to TREC after deducting the value of broker room based on its fair value determined through valuation carried out by independent valuer. The allocation is as follows:

	Note	Rupees
Membership card and a room as at July 01, 2012		22,326,567
Less: Broker's room at fair value		<u>4,217,500</u>
Amount attributable to LSE shares and TREC	13.1.1	<u>18,109,067</u>

13.1.1 Allocation made on the said ratio:

Trading right entitlement certificate (TREC)	5,344,352
Ordinary shares	<u>12,764,715</u>
	<u>18,109,067</u>

13.1.2 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.

13.2 Computer softwares

Particular	COST			AMORTIZATION			Rate of Amortization %	
	As at July 01, 2015	Additions during the year	As at June 30, 2015	As at July 01, 2014	Charge for the year	As at June 30, 2015		Book value as at June 30, 2015
Management information system (MIS)	1,500,000	-	1,500,000	958,284	500,003	1,458,287	41,713	33
Windows operating licenses	327,744	-	327,744	327,744	-	327,744	-	50
Total	1,827,744	-	1,827,744	1,286,028	500,003	1,786,031	41,713	

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For comparative period

Particular	COST			AMORTIZATION			Rate of Amortization %	
	As at July 01, 2013	Additions during the year	As at June 30, 2014	As at July 01, 2013	Charge for the year	As at June 30, 2014		Book value as at June 30, 2014
Management information system (MIS)	1,500,000	-	1,500,000	458,334	499,950	958,284	541,716	33
Windows operating licenses	327,744	-	327,744	163,872	163,872	327,744	-	50
Total	1,827,744	-	1,827,744	622,206	663,822	1,286,028	541,716	

14 PROPERTY AND EQUIPMENT - OWN USE

Note	Additions/ (Disposals)	Cost		Depreciation		Impairment	Rate %			
		at July 01, 2014	at June 30, 2015	At July 01, 2014	For the year / (on disposals) 2014			Accumulated at June 30, 2015	For the year	
Office premises	14.1	46,761,122	-	46,761,122	3,507,087	1,171,190	4,678,277	21,587,035	20,495,810	5
Office equipment		797,071	115,000	912,071	588,551	110,118	698,669	-	213,402	33
Furniture and fixture		1,311,144	-	1,311,144	948,898	111,640	1,060,538	-	250,606	20
Computer equipment		815,688	12,500	828,188	590,255	124,881	715,136	-	113,052	33
Motor vehicles		2,261,575	-	2,261,575	2,199,457	16,702	2,216,159	-	45,416	20
		51,946,600	127,500	52,074,100	7,834,248	1,534,531	9,368,779	21,587,035	21,118,286	

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- For comparative period

Note	Additions/ (Disposals)	Cost		Depreciation		Impairment	Rate %			
		at July 01, 2013	at June 30, 2014	At July 01, 2013	For the year / (on disposals) 2013			Accumulated at June 30, 2014	For the year	
Office premises	14.1	46,761,122	-	46,761,122	1,169,028	2,338,059	3,507,087	21,587,035	21,667,000	5
Office equipment		892,971	99,100	797,071	693,497	90,054	588,551	-	208,520	33
Furniture and fixture		1,290,144	21,000	1,311,144	807,928	140,970	948,898	-	362,246	20
Computer equipment		894,788	(79,100)	815,688	524,022	144,542	590,255	-	225,433	33
Motor vehicles		5,035,360	(2,773,785)	2,261,575	3,085,989	213,603	2,199,457	-	62,118	20
		54,874,385	(3,047,885)	51,946,600	6,280,464	2,927,228	7,834,248	21,587,035	22,525,317	

14.1 This represent two offices in Lalson Square, Karachi, acquired through a settlement agreement. It includes cost of Rs. 1.02 million incurred in transferring the ownership of the said offices in the name of the Modaraba.

15 PROPERTY, PLANT AND EQUIPMENT - IJARAH

	Cost		Depreciation		Impairment		Useful Life	
	at July 1, 2014	at June 30, 2015	For the year / (on disposals) at July 1, 2014	Accumulated at June 30, 2015	Accumulated at July 1, 2014	For the year at June 30, 2015		Carrying value at June 30, 2015
Plant and machinery	770,000	-	572,500	572,500	197,500	-	197,500	- 24 to 60 months
Office equipment	801,000	-	512,150	512,150	288,850	-	288,850	- 24 to 60 months
Vehicles	153,255,727	30,000,000	10,164,373	84,153,457	14,711,484	(415,857)	14,295,627	42,755,944 24 to 60 months
	154,826,727	30,000,000	10,164,373	85,238,107	15,197,834	-	14,781,977	42,755,944
	(42,050,699)	(42,050,699)	(26,350,980)	(26,350,980)	(415,857)	(415,857)		

- For comparative period

	Cost		Depreciation		Impairment		Useful Life	
	at July 1, 2013	at June 30, 2014	For the year / (on disposals) at July 1, 2013	Accumulated at June 30, 2014	Accumulated at July 1, 2013	For the year at June 30, 2014		Carrying value at June 30, 2014
Plant and machinery	5,355,000	770,000	4,209,999	572,500	197,500	-	197,500	- 24 to 60 months
Office equipment	801,000	801,000	512,150	512,150	288,850	-	288,850	- 24 to 60 months
Vehicles	183,056,100	153,255,727	96,557,635	100,340,064	11,363,441	3,348,043	14,711,484	38,204,179 24 to 60 months
	189,212,100	154,826,727	101,279,784	101,424,714	11,849,791	3,348,043	15,197,834	38,204,179
	(40,000,373)	(40,000,373)	(24,868,133)	(24,868,133)				

16. INVESTMENT PROPERTIES CARRIED AT FAIR VALUE

	Note	at July 01, 2014	Additions at cost	Unrealised loss	Fair values at June 30, 2015	Independent valuer's name	Valuation date
Office suite	16.1	8,400,000	-	(150,000)	8,250,000	Ocean Surveyors (Private) Limited	September 28, 2015
Lahore Stock Exchange broker's room	16.2	3,000,000	-	-	3,000,000	Ocean Surveyors (Private) Limited	September 28, 2015
Four shops	16.3	15,680,000	-	(380,000)	15,300,000	Ocean Surveyors (Private) Limited	September 28, 2015
		27,080,000	-	(530,000)	26,550,000		
- For comparative period							
Office premise	16.1	10,815,000	-	(2,415,000)	8,400,000	Iqbal A. Nanjee & Co. (Private) Limited	April 10, 2015
Lahore Stock Exchange broker's room	16.2	4,217,500	-	(1,217,500)	3,000,000	Iqbal A. Nanjee & Co. (Private) Limited	April 10, 2015
Four shops	16.3	26,162,000	-	(10,482,000)	15,680,000	Iqbal A. Nanjee & Co. (Private) Limited	April 10, 2015
		41,194,500	-	(14,114,500)	27,080,000		

16.1 In pursuance of execution of the decree the office suite in Fayyaz Center, Sharah-e-Faisal, Karachi, mortgaged with the Modaraba as security against a morabaha facility, were assigned by the Sindh High Court in 1999. This property is in name of the Second Prudential Modaraba.

16.2 Due to demutualization of the Lahore Stock Exchange Limited (refer note 13.1) the Modaraba has classified the broker's room as an investment property.

16.3 This represent four shops in Zarkoon Plaza, Sadar, Rawalpindi acquired through a settlement agreement. It includes cost of Rs. 50,000 incurred in transferring the ownership of the said offices in the name of the Modaraba.

16.4 These valuations have been arrived at by reference to market evidence of transaction price for similar properties.

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	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
17. IJARAH DEPOSITS			
Ijarah deposits		23,543,122	30,850,512
Long term portion		<u>(6,183,000)</u>	<u>(4,019,350)</u>
		<u>17,360,122</u>	<u>26,831,162</u>
18. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		1,080,959	1,278,250
Management fee		3,124,137	-
Share in common expenses		1,496,686	-
Insurance on ijarah assets		208,493	374,340
Workers welfare fund	18.1	3,129,001	2,585,673
Charity Payable	18.2	566,601	220,790
Others		<u>2,991,517</u>	<u>982,045</u>
		<u>12,597,394</u>	<u>5,441,098</u>

18.1 The Finance Act 2008, introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers' Welfare Fund (WWF) is payable @ 2% of the profit before taxation as per the financial statements or taxable income which ever is higher.

During the year 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

The Management Company, being prudent, has made the provision for WWF amounting to Rs. 2.58 million in these financial statements.,

18.2 This includes amounts relating to charity accrued on various non-Shariah compliant avenues. The management utilises the balances as per the requirements of Clause VI of circular no 8 of 2012 (Shari'ah Compliance and Shari'ah Audit Mechanism) for Modarabas.

Movement in charity payable

Opening balance	220,790	645,131
Add : amount credited during the year	345,811	1,225,659
	<u>566,601</u>	<u>1,870,790</u>
Less : Paid during the year	-	(1,650,000)
Closing balance	<u>566,601</u>	<u>220,790</u>

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19. CERTIFICATE CAPITAL

June 2015	June 2014		June 2015 Rupees	June 2014 Rupees
Number of Certificates		Authorised		
<u>87,217,660</u>	<u>87,217,660</u>	Modaraba certificates of Rs.10/- each	<u>872,176,600</u>	<u>872,176,600</u>
13,451,650	13,451,650	Issued, subscribed and paid-up Modaraba certificates of Rs.10/- each fully paid in cash	134,516,500	134,516,500
8,864,716	8,864,716	Modaraba certificates of Rs.10/- each fully paid bonus certificates	88,647,160	88,647,160
64,901,294	64,901,294	Modaraba certificates of Rs.10/- issued under scheme of arrangement for amalgamation with Second and Third Prudential Modaraba	649,012,940	649,012,940
<u>87,217,660</u>	<u>87,217,660</u>		<u>872,176,600</u>	<u>872,176,600</u>

As at June 30, 2015, the Prudential Capital Management Company Limited (The ex-management company) held 10,521,305 (2014: 10,521,305) certificates of Rs. 10 each.

20. CONTINGENCIES AND COMMITMENTS

Contingencies

The 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.

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

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.

21. OTHER INCOME / (LOSS)

	June 30, 2015	June 30, 2014
Gain on disposal of property and equipment -own use	-	483,059
Gain / (loss) on disposal of property, plant and equipment- Ijarah	66,036	(1,420,558)
Front end fee, documentation charges and others	447,631	190,450
Unwinding of interest - term deposit receipt	-	567,209
	<u>513,667</u>	<u>(179,840)</u>

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Note	June 30, 2015 Rupees	June 30, 2014 Rupees
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22. (REVERSAL) / PROVISION AND IMPAIRMENT LOSSES AGAINST DOUBTFUL RECEIVABLES-NET

(Reversal) / Provision against doubtful receivables

Investments - loan and receivables (term deposit receipt)	6.1	-	4,780,567
Musharaka and morabaha finance	7.1.2	(2,890,162)	10,228,936
Other finance	7.2	-	8,791,205
Ijarah finance	9.1	(672,480)	878,516
Advances, prepayments and other receivables	10.5	-	18,432,273
Long term deposits	12	-	3,000,000
Others		-	(154,606)
		<u>(3,562,642)</u>	<u>45,956,891</u>
		<u>(3,562,642)</u>	<u>45,956,891</u>

23. ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits	23.1	6,578,197	5,828,688
Transaction cost on investments		364,988	469,234
Fees and subscription		1,098,855	859,577
Repairs and maintenance		1,134,245	998,979
Rent, rates and taxes		95,634	22,992
Registrar services		900,000	900,000
Telephone and postage		392,348	898,949
Travelling and conveyance		262,315	441,625
Depreciation-own use assets	14	1,534,531	2,927,228
Amortization - intangibles	13.2	500,003	663,775
Auditors' remuneration	23.2	528,750	775,000
Electricity, water and gas		585,849	815,736
Printing and stationery		504,350	630,295
Vehicles running		346,011	563,658
Legal and professional		3,710,000	749,883
Entertainment		149,492	197,285
Advertisement		118,360	50,200
Newspapers and periodicals		14,630	24,716
Insurance		24,168	158,224
Reimbursement of common expenses		1,496,686	-
Miscellaneous		34,130	62,744
		<u>20,373,542</u>	<u>18,038,788</u>

23.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2015			2014		
	Officers	Other employees	Total	Officers	Other employees	Total
Rupees.....		Rupees.....		
Remuneration	1,200,000	4,750,427	5,950,427	1,327,549	3,904,565	5,232,114
Provident fund	-	142,604	142,604	28,000	182,727	210,727
Medical	-	198,730	198,730	31,500	171,928	203,428
Fuel	146,286	65,450	211,736	137,669	-	137,669
Others	3,360	71,340	74,700	490	44,260	44,750
	<u>1,349,646</u>	<u>5,228,551</u>	<u>6,578,197</u>	<u>1,525,208</u>	<u>4,303,480</u>	<u>5,828,688</u>
No. of persons	1	13		2	16	

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	June 30, 2015 Rupees	June 30, 2014 Rupees
23.2 AUDITORS' REMUNERATION		
Statutory audit	450,000	450,000
Half year review	30,000	220,000
Review of code of corporate governance	20,000	50,000
CDC certification	26,250	10,000
Out of pocket expenses	2,500	45,000
	<u>528,750</u>	<u>775,000</u>

24. MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba Management Company is entitled to remuneration for 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.

25. PROVISION FOR 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 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.

26. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

(Loss) / profit for the year (Rupees)	27,166,405	(72,262,528)
Weighted average number of ordinary certificates	87,217,660	87,217,660
Earnings per certificate (Rupee)	0.31	(0.83)

27. RELATED PARTY TRANSACTIONS

The related parties comprise of associated undertakings and directors of the Modaraba Management Company. The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows

Relationship with the Modaraba	Nature of Transactions	June 30, 2015 Rupees	June 30, 2014 Rupees
Modaraba Management Company	Management fee	3,124,137	-
Chief Executive Officer	Perquisites	-	110,669
Provident fund	Contributions made	142,604	210,727
Modaraba company (Previous Management Company)	Dividend paid	-	2,419,877
Employee	Sale of motor vehicle	-	350,000
Modaraba under common management	Sharing of common expenses	1,496,686	-

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28. FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks entered: liquidity risk entered, credit risk entered and market risk entered (including currency risk, fair value profit rate risk and price risk). The board of directors' of the Management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Modaraba's financial performance.

The Modaraba's principal financial liabilities comprise ijarah deposits and accrued and other liabilities. The Modaraba's principal financial assets comprise of ijarah rentals receivable, musharika, morabaha and other finance and cash and bank balances that arrive directly from its operations. The Modaraba also holds investments classified as held for trading and available-for-sale investments.

28.1 Liquidity risk management

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Modaraba holds total current assets of Rs. 371.53 million against its current liabilities of Rs. 54.90 million which lead to total surplus of Rs. 316.63 million.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. However, Modaraba has surplus funds to pay off its liabilities. The amounts in the table are the contractual undiscounted cash flows.

	Total	Up to three months	More than three months and up to one year	More than one year
Rupees				
2015				
Ijarah deposits	23,543,122	14,382,022	2,978,100	6,183,000
Accrued and other liabilities	9,468,393	9,468,393	-	-
Unclaimed profit distribution	24,884,016	24,884,016	-	-
	<u>57,895,531</u>	<u>48,734,431</u>	<u>2,978,100</u>	<u>6,183,000</u>
2014				
Ijarah deposits	30,850,512	10,603,150	16,228,012	4,019,350
Accrued and other liabilities	2,855,425	2,855,425	-	-
Unclaimed profit distribution	25,282,315	25,282,315	-	-
	<u>58,988,252</u>	<u>38,740,890</u>	<u>-</u>	<u>-</u>

The Modaraba do not expose to any interest rate risk against its financial liabilities.

28.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (morabaha and musharika finance, diminishing musharika, ijarah rental receivables), deposits with bank and financial institutions and other receivables.

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The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2015 and June 30, 2014 is the carrying amounts of following financial assets.

	June 30, 2015 Rupees	June 30, 2014 Rupees
Balances with banks	315,052,081	190,138,220
Musharika, morabaha and other finance	-	-
Diminishing musharika	59,023,301	87,324,312
Ijarah rentals receivable	1,011,291	1,569,362
Receivable against sale of shares - net	-	6,666,393
Advances and other receivables	2,096,686	1,788,078
	<u>377,183,359</u>	<u>287,486,365</u>

The analysis below summarises the quality rating of the major Banks in which the Modaraba deals.

Banks	Short Term	Long Term	June 30, 2015 Rupees	June 30, 2014 Rupees
BankIslami Pakistan Limited	A1	A+	10,509,042	-
Burj Bank Limited	A-2	A-	1,265,841	2,701,890
HBL Islamic Banking Limited	A-1+	AAA	275,258,275	185,932,785
Sindh Bank Limited	A-1+	AA	26,500,377	-
Albaraka Bank (Pakistan) Limited	A1	A	1,488,539	1,488,538

Past due but not impaired financings are those for which contractual profit or principal payments are past due, but the Modaraba believes that impairment is not appropriate on the basis of the level of security/collateral available to the Modaraba.

An analysis of the financial assets that are individually impaired as per the accounting policy is as under:

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	As at June 30, 2015				Total
	QAEM	Substandard	Doubtful	Loss	
		Rupees.....		
Ijarah rental receivable	-	-	-	23,321,547	23,321,547
Musharika, morabaha and other finance	-	-	-	354,015,406	354,015,406

	As at June 30, 2014				Total
	QAEM	Substandard	Doubtful	Loss	
		Rupees.....		
Ijarah rental receivable	-	-	-	23,994,027	23,994,027
Musharika, morabaha and other finance	-	-	-	356,905,568	356,905,568

Total impairment against these assets as at June 30, 2015 is Rs. 377.34 million (2014: Rs. 380.90 million).

The outstanding portfolio of diminishing musharaka Rs. 59.02 million (2014: Rs.87.33 million) represents exposure in transport and communication sector.

28.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. All such activities are carried out with the approval of the Board. The Modaraba is exposed to interest rate and currency risks.

28.3.1 Equity price risk

The Modaraba's investment in listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Modaraba manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Modaraba's senior management on a regular basis. The Modaraba's Investment Committee reviews and approves all equity investment decisions.

The carrying amount of investment is as follows:

	June 30, 2015 Rupees	June 30, 2014 Rupees
In listed securities carried at fair value through profit or loss	9,191,013	79,788,636
In unlisted security available for sale	9,427,201	9,318,075
In mutual funds available for sale	11,125,851	4,870,302
	<u>29,744,065</u>	<u>93,977,013</u>

Sensitivity analysis

The table below summarises the impact of increase/decrease in market value of investments on the Modaraba's profit after tax and on equity. The analysis is based on the assumption that the market price had increased/decreased by 5% with all other variables held constant and all Modaraba's equity instruments moved on perfect correlation with the market.

Index	Impact on profit after tax and equity	
	2015 Rupees	2014 Rupees
Increase in market value - 5%	459,551	3,989,432
Decrease in market value - 5%	(459,551)	(3,989,432)

28.3.2 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the profit rate exposure arises from short term deposits with banks, ijarah finance, diminishing musharika and musharika and morabaha finance. At the balance sheet date the profit rate risk profile of the Modaraba's profit bearing financial instruments is:

	Effective yield / profit rate %	Total	June 30, 2015						Not exposed to yield / profit risk
			Up to one month	Over one month to three months	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	
Cash and bank balances	4.25% - 8.85%	315,052,081							8,978,754
Investments		9,893,503	306,073,327						9,893,503
Musharaka, morabaha and other finance	1.4% - 2.1%	59,023,301	8,254,390	4,948,322	22,267,449	23,553,140			-
Diminishing musharaka	12.8 - 14.68 %	1,011,291							1,011,291
Ijarah rentals receivable		2,096,686							-
Receivable against sale of shares - net		387,076,862	314,327,717	4,948,322	22,267,449	23,553,140			2,096,686
Advances and other receivables									21,980,234
Total financial assets as at June 30, 2015		315,052,081	306,073,327	4,948,322	22,267,449	23,553,140			23,543,122
Ijarah deposit		23,543,122							9,468,393
Accrued and other liabilities		9,468,393							24,884,016
Unclaimed profit distribution		24,884,016							57,895,531
Total financial liabilities as at June 30, 2015		57,895,531							-
Total yield / profit risk sensitivity gap			314,327,717	4,948,322	22,267,449	23,553,140			-
Cumulative yield / profit risk sensitivity gap			314,327,717	319,276,039	341,543,488	365,096,628	365,096,628		

June 30, 2014

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit risk
		Rupees.....					
Cash and bank balances	3.5 % - 8.5 %	190,138,220	2,706,813	-	-	-	-	187,431,407
Investments		80,824,460	-	-	-	-	-	80,824,460
Musharaka, morabaha and other finance	14% - 21%	-	-	-	-	-	-	-
Diminishing musharaka	12.8%-14.68%	87,324,312	1,815,956	2,629,776	11,833,992	71,044,588	-	-
Ijarah rentals receivable		1,569,362	-	-	-	-	-	1,569,362
Receivable against sale of shares - net		6,666,393	-	-	-	-	-	6,666,393
Advances, prepayments and other receivables		1,788,078	-	-	-	-	-	1,788,078
Total Financial Assets as at June 30, 2014		368,310,825	4,522,769	2,629,776	11,833,992	71,044,588	-	278,279,700
Ijarah deposit		30,850,512	-	-	-	-	-	30,850,512
Accrued and other liabilities		2,855,425	-	-	-	-	-	2,855,425
Unclaimed profit distribution		25,282,315	-	-	-	-	-	25,282,315
Total Financial Liabilities as at June 30, 2014		58,988,252	-	-	-	-	-	58,988,252
Total yield / profit risk sensitivity gap			4,522,769	2,629,776	11,833,992	71,044,588	-	
Cumulative yield / profit risk sensitivity gap			4,522,769	7,152,545	18,986,537	90,031,125	90,031,125	

28.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values. The fair values of these financial assets/liabilities cannot be reasonably estimated due to absence of market for such assets/liabilities.

28.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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	Level 1	Level 2	Level 3	Total
Rupees.....			
Financial assets at FVTPL				
Quoted companies	9,191,013	-	-	9,191,013
Available-for-sale financial assets				
Listed entities	11,125,851	-	-	11,125,851
Unlisted entities	-	-	9,427,201	9,427,201

28.5 Financial instrument by category

	As at June 30, 2015			
	Loan and receivables	Assets at fair value through profit & loss	Available for sale	Total
Rupees.....			
ASSETS				
Cash and bank balances	315,062,081	-	-	315,062,081
Investments	702,490	9,191,013	20,553,052	30,446,555
Musharika, morabaha and other finance	-	-	-	-
Diminishing musharika	59,023,301	-	-	59,023,301
Ijarah rentals receivable	1,011,291	-	-	1,011,291
Receivable against sale of shares - net	-	-	-	-
Advances and other receivables	2,096,686	-	-	2,096,686
	<u>377,895,849</u>	<u>9,191,013</u>	<u>20,553,052</u>	<u>407,639,914</u>
LIABILITIES				
Ijarah deposits	23,543,122	-	-	23,543,122
Accrued and other liabilities	9,468,393	-	-	9,468,393
Unclaimed profit distribution	24,884,016	-	-	24,884,016
	<u>57,895,531</u>	<u>-</u>	<u>-</u>	<u>57,895,531</u>

	As at June 30, 2014			
	Loan and receivables	Assets at fair value through profit & loss	Available for sale	Total
Rupees.....			
ASSETS				
Cash and bank balances	190,144,619	-	-	190,144,619
Investments	1,035,824	79,788,636	14,188,377	95,012,837
Musharika, morabaha and other finance	-	-	-	-
Diminishing musharika	87,324,312	-	-	87,324,312
Ijarah rentals receivable	1,569,362	-	-	1,569,362
Advances, prepayments and other receivables	6,666,393	-	-	6,666,393
	<u>1,788,078</u>	<u>-</u>	<u>-</u>	<u>1,788,078</u>
Long term deposits	<u>288,528,588</u>	<u>79,788,636</u>	<u>14,188,377</u>	<u>382,505,601</u>
LIABILITIES				
Ijarah deposits	30,850,512	-	-	30,850,512
Accrued and other liabilities	2,855,425	-	-	2,855,425
Unclaimed profit distribution	25,282,315	-	-	25,282,315
	<u>58,988,252</u>	<u>-</u>	<u>-</u>	<u>58,988,252</u>

First Prudential Modaraba

29. CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As at balance sheet date Modaraba do not have any exposure in short term and long term borrowing and it has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further Modaraba has very positive current ratio of 6.77:1 (2014: 5.68:1).

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During the current year, the Modaraba's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio to zero.

30. SEGMENT INFORMATION

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief decision-maker. The Board of Directors of the Management Company has been identified as the chief decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Board of Directors of the Management company for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

31. DATE OF AUTHORISATION OF ISSUE

These financial statements has been authorised for issue on October 07, 2015 by the Board of Directors of the KASB Invest (Private) Limited.

32.1 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The board of directors have approved dividend for the year ended June 30, 2015 of Re. 0.23 per certificate (2014:Re. Nil per certificate), amounting to Rs. 20,060,062 (2014:Rs. Nil) at their meeting held on October 07, 2015. The financial statements for the year ended June 30, 2015 do not include the effect of the above which will be accounted for in the period in which it is declared.

32.2. GENEALRL

Figures have been rounded off to the nearest Rupee.

For KASB Invest (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

First Prudential Modaraba

CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2015

	NO OF CERTIFICATE HOLDER	NO OF CERTIFICATES	PERCENTAGE
ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES	-	-	-
NIT AND ICP	2	81352	0.09
NATIONAL BANK OF PAKISTAN TRUSTEE WING INVESTMENT CORPORATION OF PAKISTAN		38,449 42,903	
DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN		-	-
CHIEF EXECUTIVE OFFICER	-	-	-
SPOUSE	-	-	-
EXECUTIVES.	-	-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS.	1	1,929,159	2.21
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD.		1,929,159	
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	21	2,357,223	2.70
HABIB BANK LIMITED		828	
THE BANK OF PUNJAB		2,974	
HABIB BANK LTD. LSE BRANCH		848	
NATIONAL DEVELOPMENT FINANCE CORPORATION		10,625	
CRESCENT INVESTMENT BANK LTD.		100	
FIDELITY INVESTMENT BANK LTD.		9,428	
PARAMOUNT INVESTMENT BANK LTD.		1,638	
GULF INSURANCE COMPANY LTD.		13,653	
DELTA INSURANCE COMPANY LTD.		164	
CRESCENT STAR INSURANCE COMPANY LTD.		154	
NATIONAL INSURANCE COMPANY LTD.		2,275,232	
FIRST INTER FUND MODARABA		1,122	
UNI CAP MODARABA		136	
INDUSTRIAL CAPITAL MODARABA		100	
FIRST MEHRAN MODARABA		7,935	
GENERAL MODARABA		3,306	
MODARABA AL MALI		47	
FIRST PROVIDENCEMODARABA		449	
FIRST HAJVERI MODARABA		3,000	
FIRST EQUITY MODARABA		16,484	
PRUDENTIAL DISCOUNT & GUARANTEE HOUSE LIMITED		9,000	

First Prudential Modaraba

CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2015

	<u>NO OF CERTIFICATE HOLDER</u>	<u>NO OF CERTIFICATES</u>	<u>PERCENTAGE</u>
SHAREHOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANIES.	3	37,553,263	43.06
PRUDENTIAL CAPITAL MANGEMENT LTD	10,521,205		
RASHIDULLAH YACOOB	15,214,322		
PASHTOON RASHIDULLAH	11,817,736		
INDIVIDUAL	10761	29,414,918	33.73
OTHER CORPORATE SHAREHOLDERS	55	15,881,745	7.87
	<u>10,843</u>	<u>87,217,660</u>	<u>100.00</u>

First Prudential Modaraba

PATTERN OF SHARE HOLDING AS AT 30 - 06 - 2015

<u>NUMBER OF SHARE HOLDERS</u>	<u>SHARE HOLDINGS</u>			<u>TOTAL SHARES HELD</u>
3,409	1	-	100	169,897
2,615	101	-	500	619,542
2,123	501	-	1000	1,775,655
1,851	1001	-	5000	4,000,252
317	5001	-	10000	2,399,029
274	10001	-	15000	1,196,161
69	15001	-	20000	1,207,222
32	20001	-	25000	742,793
10	25001	-	30000	277,894
19	30001	-	35000	612,403
12	35001	-	40000	444,300
13	40001	-	45000	553,421
9	45001	-	50000	441,624
8	50001	-	55000	421,540
6	55001	-	60000	346,853
4	60001	-	65000	249,936
4	65001	-	70000	203,262
2	70001	-	75000	73,327
4	75001	-	80000	317,381
5	85001	-	90000	440,289
2	90001	-	95000	184,640
2	95001	-	100000	200,000
1	100001	-	105000	104,002
2	105001	-	110000	216,000
2	110001	-	115000	221,277
1	115001	-	120000	120,000
2	120001	-	125000	244,571
1	135001	-	140000	140,000
3	145001	-	150000	446,000
1	150001	-	155000	150,624
1	155001	-	160000	160,000
1	165001	-	170000	170,000
1	170001	-	175000	171,000
4	175001	-	180000	703,091
2	180001	-	185000	363,200
2	200001	-	205000	409,000
1	210001	-	215000	211,168
1	220001	-	225000	223,073
1	225001	-	230000	227,523
1	245001	-	250000	246,000
1	250001	-	255000	250,009
1	265001	-	270000	268,500
1	300001	-	305000	303,461

PATTERN OF SHARE HOLDING AS AT 30 - 06 - 2015

<u>NUMBER OF SHARE HOLDERS</u>	<u>SHARE HOLDINGS</u>			<u>TOTAL SHARES HELD</u>
1	315001	-	320000	317,290
1	330001	-	335000	331,500
1	350001	-	355000	353,521
1	400001	-	405000	405,000
1	475001	-	480000	477,932
1	495001	-	500000	500,000
1	595001	-	600000	600,000
1	695001	-	700000	700,000
1	1110001	-	1115000	1,114,000
1	1475001	-	1480000	1,478,500
1	1700001	-	1705000	1,700,500
1	1775001	-	1780000	1,777,082
1	1925001	-	1930000	1,929,159
1	2100001	-	2105000	2,101,228
1	2275001	-	2280000	2,275,232
1	3310001	-	3315000	3,313,843
1	4220001	-	4225000	4,220,500
1	4315001	-	4320000	4,320,000
1	5995001	-	6000000	6,000,000
1	9715001	-	9720000	9,716,508
1	10520001	-	10525000	10,521,205
1	10835001	-	10840000	10,838,740
	<u>10,843</u>			<u>87,217,660</u>

NOTICE OF THE ANNUAL REVIEW MEETING

Notice is hereby given that the 16th Annual Review Meeting of the Certificate Holders of First Prudential Modaraba will be held on Saturday, October 31, 2015 at 7:45 p.m. at KASBIT Auditorium, 84-B, S.M.C.H.S., off Shakra-e-Faisal, Karachi to review the performance of Modaraba for the year ended June 30, 2015 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular No. 5/2000 by Registrar Modaraba.

By Order of the Board

Place: Karachi.
Date: October 10, 2015

Zia-ul-Haq
Company Secretary

Notes:

- The Modaraba Certificates transfer Book shall remain closed from October 24., 2015 to October 30., 2015 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the Registrar Office of the First Prudential Modaraba (Whose address is given below) upto the close of business hours on October 23, 2015 will be treated in time.
- The Certificate Holders are advised to notify the Registrar of First Prudential Modaraba of any change in their addresses to ensure prompt delivery of mails. Further, any Certificates for transfer etc, should be lodged with the Registrar, Shares & Corporate Services (Private) Limited, Mehersons Estate Block-E, Talpur Road, Near NBP Building Karachi (Phone: 0300 2061853).
- Account Holders holding book entry securities of the First Prudential Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in addition, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 25, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.
- Pursuant to the provisions of the Finance Act 2015 effective July 01, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

a)	Rate of tax deduction for filers of income tax returns	12.5%
b)	Rate of tax deduction for non-filers of income tax returns	17.5%

All the certificate holders of First Prudential Modaraba who hold certificates in physical form are therefore requested to send a valid copy of their CNIC and NTN Certificate, to First Prudential Modaraba Registrar, Shares & Corporate Services (Private) Limited, at the above mentioned address to allow First Prudential Modaraba to ascertain the status of certificate holders.