

Vision Statement

Awwal Modaraba Management Limited (AMML) will play a role in the economic process and development of Pakistan by providing a range of advisory services and financial support, through Shariah compliant modes; to viable projects in high growth, capital starved sectors of the economy.

Mission Statement

Awwal Modaraba Management Limited (AMML) aims to be at the vanguard of innovation in Modaraba management services, offering the best solutions to our customers, value to our certificate holders and Modaraba investors, complemented with a challenging, equal opportunity to our employees.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Audit Committee

Mr. Shahid Ghaffar	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Jaleel Shaikh	Member
Mr. Saiyid Najam Rizvi	Member

Human Resource and Remuneration Committee

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

Company Secretary

Ms. Misbah Asjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

BDO Ebrahim & Co, Chartered Accountants

Bankers

Habib Bank Limited
Dubai Islamic Bank

Certificate Registrar

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

Legal Advisor:

S & B Durrani Law Associates

Shariah Advisor

Al-Hamd Shariah Advisory Services (Pvt) Limited

Registered & Head Office :

3rd Floor, Horizon Vista, Plot No:
Commercial 10, Block-4, Clifton, Karachi
Phone : 021- 35361215-9,
Fax: 021-35374275

CHAIRMAN’S REVIEW

I am pleased to present my review as Chairman of the Board of Directors of Awwal Modaraba Management Limited, the management company of First Prudential Modaraba.

Country’s GDP grew by 3.9% in FY2021 according to data released in the Monetary Policy Statement (MPS) State Bank of Pakistan (SBP) which is considerably higher than projected by International Monetary Fund (IMF) and the World Bank. This was also acknowledged by IMF in the recently released World Economic Update. SBP expects economic growth at around 4-5% this year. Inflation has reduced on an year to year basis in recent months to 9.7% in June 2021 and is expected to clock around 7-9% this year.

The aforementioned positive economic development have occurred as a result of several measures taken by the Government of Pakistan (GoP) and SBP. Pakistan’s National Assembly passed a growth oriented budget for 2021-2022 on June 29, 2021. SBP has maintained the policy rate at 7% per annum, unchanged since June 2020 as economy remains vulnerable under the fourth wave of Covid-19 and on the back of inflation being under check. Overall, SBP’s support to various economic sectors amounted to approximately PKR two trillion inclusive of interest rate reduction, loan deferrals and reschedulings, and support for new investment / BMR.

Imports are expected to grow with increase in economic activity and rebound in global commodity prices. SBP expects that the current account deficit will be contained in a sustainable range of 2–3% of GDP in FY2022 as a result of policy measures and positive export outlook. Foreign exchange reserves position is expected to remain strong with external support including financial assistance and loan deferrals.

The Modaraba has been able to maintain profitable position in FY2021 and maintain asset quality in challenging times. Income has declined on an year to year basis as expected due to lower interest rate scenario and conservative underwriting of new exposures. While economic activity is recovering, the distressed asset segment is still in a vulnerable situation. Further, there will be a significant impact from withdrawal of tax exemption on modaraba sector in the current budget on distribution of 90% or more dividend in an year. From next year onwards, modaraba income will be taxed on normal corporate rates.

The Board of Directors of the management company comprises of six members, including two Independent Non-Executive Directors and one female Director. The Board performs its statutory duties and fulfils its responsibilities by ensuring that the Modaraba has a capable leadership and an effective executive management team. The board, on quarterly basis, undertakes an overall review of business risks to ensure that Management maintains a sound system of risk identification, risk management and related systemic internal controls to safeguard assets, resources, reputation and interest of the company and its stakeholders.

On behalf of the Board, I take this opportunity to thank all our customers, investors, regulators and other stakeholders for placing their trust in the Modaraba.

KHF,
Khalid Aziz Mirza
Chairman

Dated: 27 August 2021

DIRECTORS’ REPORT

The Board of Directors of Awwal Modaraba Management Limited, the management company of First Prudential Modaraba, is pleased to present the Directors’ Report together with Audited Financial Statements of First Prudential Modaraba for the year ended 30 June 2021.

Economy

The Government of Pakistan (GoP) and the regulators have been taking several measures for the revival of the economy impacted by the pandemic which are reflected in the country’s economic growth and in performance of the stock exchange. The National Assembly passed the country’s 2021-2022 budget on June 29, 2021 which is a growth-oriented budget and GoP has introduced several incentive schemes to support and boost economic activity, including for construction sector and allied industries. The State Bank of Pakistan (SBP) has also maintained the policy rate at 7% per annum since June 2020, and the subsidized financing schemes including the Long Term Financing Facility (LTFF) and Temporary Economic Relief Facility have facilitated capital investments. Year-on-year inflation rate has been on a declining trend in recent months which has facilitated the ease in monetary policy. Notably, different measures taken by SBP has provided significant boost to Fintech in the past two years which has facilitated economic activity in the country particularly during covid-19 lockdowns.

Earlier in April 2021, the World Bank had projected GDP growth rate of 1.3% for FY2021 in the Pakistan Development Update, recovering to 4% in FY2022 while GDP growth clocked at 3.9% in FY2021. International Monetary Fund (IMF) has acknowledged Pakistan’s stronger economic activity in the recently issued World Economic Update. Pakistan has received USD 2 billion so far under the IMF program since May 2019. Tough economic measures have been taken in line with the program including increase in electricity tariff and withdrawal of income tax exemptions of nearly PKR 140 billion along with structural reforms of the Central Bank.

The risk of pandemic still exists with the country in the grip of the fourth wave of Covid-19 with intermittent lockdowns affecting economic activity. Further, tax exemption on income of Modaraba sector on declaration of 90% and above dividend has been withdrawn which will be a significant hit on profitability of the Modaraba sector.

Financial Performance

Operating Results

	30 June 2021 (Rupees ‘000’)	30 June 2020 (Rupees ‘000’)
Balance Sheet		
Certificate capital	872,177	872,177
Total equity	429,947	420,571
Diminishing Musharaka	74,198	112,069
Investment – equities/sukuk/Modaraba term deposit	205,096	4,452
Profit & Loss		
Revenue	45,524	49,614
Operating expenses	30,362	31,893
Profit/ (loss) before Management Fee	10,623	(3,705)
Net profit for the year	9,376	(5,402)
Appropriations		
Profit distribution @ 0.80% (2020: Nil)	6,977	Nil
Statutory reserve	1,875	Nil
Un-appropriated profit carried forward	7,501	(5,402)
Earnings per certificate	0.11	(0.06)

Financial snapshot

During the year under review, the management took concrete steps to streamline and integrate operations with the parent company and strengthen controls and recovery of old nonperforming loans. Fresh exposures are being taken on a conservative basis with the view to ensure asset quality and sustain operations of the Modaraba. Additionally, Pak Brunei Investment Company (PBIC) also injected callable convertible Musharaka facility of PKR 50 million in the Modaraba on January 28, 2021 in line with its commitment to SECP in anticipation of implementation of new business plan for revival of Modaraba activity. Due to the above measures, the Modaraba is operating with ample liquidity.

Withdrawal of tax exemption on income of the Modaraba on declaration of 90% and above dividend is a major setback. We are now working on new tax efficient business plans in consultation with SECP in this new scenario.

The outstanding portfolio reduced to PKR 74.20 million on June 30, 2021 (FY2020: PKR 112.07 million) with sound recoveries in performing portfolio. Of the excess liquidity of PKR 367.28 million, PKR 116.64 million was placed in sukuks while PKR 84 million was placed in Modaraba Term deposits to maximize returns, the remaining was maintained in bank balances. During the year under review, overall revenues have been recorded at PKR 45.52 million, from PKR 49.61 million during previous year with low deployment and new exposures being written at prevailing low market rates. Total expenses for the period were contained at PKR 30.36 million. With reversal of provisions of PKR 3.63 million along with lower depreciation of maturing Ijarah assets compared to last year, the Modaraba posted profit before tax for the period at PKR 9.38 million against loss of PKR 5.4 million in corresponding period last year.

Profit Distribution

The Board in its meeting held on 27 August 2021 has approved cash dividend of Re. 0.08 (0.80%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2021.

To comply with Modaraba Regulations 2021, the Board of Directors has transferred Rs. 1.87 million to statutory reserve. As per the Regulations the Modaraba is required to transfer not less than 20% and not more than 50% of the Modaraba’s after tax profit to statutory reserve till such time that the reserve equals 100% of the paid-up capital. Subsequently, a sum not less than 5% and not more than 20% of its after tax profit is to be transferred to such reserve.

Governance & Shariah Compliance

The Board of Directors is committed to ensure compliance with various requirements of the Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan (SECP). The Modaraba is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019, relevant for the year ended 30 June 2021.

Shariah Advisor is involved from the outset to ensure that prospective clients’ business and proposed transaction structure are in line with Shariah principles. Strong emphasis is placed on good governance and implementation of all policies in spirit. The Board of Directors comprise independent directors to ensure external oversight.

Corporate and Financial Reporting Framework

The Board of Directors is pleased to report that:

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, 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 to Modarabas in Pakistan, have been followed in preparation of financial statements.
- 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.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on 30 June 2021 except for those disclosed in the financial statements.

- During the year under review, four (4) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	No. of Meetings attended
Mr. Khalid Aziz Mirza	4
Mr. Shahid Ghaffar	4
Ms. Ayesha Aziz	4
Mr. Abdul Jaleel Shaikh	4
Mr. Ahmed Ateeq	4
Mr. Karim Hatim (CEO)	4

Change in Directors

Mr. Ahmed Ateeq resigned as a non-executive director of the Company with effect from June 30, 2021 and Mr. Saiyid Najam Rizvi was nominated on the Board of the Company by Pak Brunei Investment Company (Holding Company of Management Company) in place of Mr. Ahmed Ateeq with effect from July 01, 2021.

The Board has formed an Audit Committee in compliance with the requirements of the Code of Corporate Governance. The Committee comprises of four members. The head of the Audit Committee is an Independent Director. The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors.

- During the year under review, four (4) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Member	No. of Meetings attended
Mr. Shahid Ghaffar	4
Mr. Khalid Aziz Mirza	4
Mr. Abdul Jaleel Shaikh	4
Mr. Ahmed Ateeq	4

- One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation for the yearly staff compensation amounts.
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The value of investments of the Provident Fund as at 30 June 2021 was Rs 1,215,163

The Board of Directors

The total number of directors are 6 including CEO as per the following:

- a. Male: 5
- b. Female: 1

The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
Other Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Saiyid Najam Rizvi
Chief Executive Officer	Mr. Karim Hatim

Director's Remuneration

The remuneration of a Director for attending meetings of the Board or any Committee of the Board is determined under the Director's Compensation Policy adopted by Awwal Modaraba Management Limited. Under the said policy, an independent director is entitled to receive the prescribed fee as determined by the Board of Directors only for attending the Board Meeting. Further, the nominee directors / Chief Executive Officer / any other director in whole time remunerated service with the Company are not entitled to any payment for attending meetings of the Board or any Committee of the Board. However, all the directors are entitled to be paid all traveling, hotel and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of Directors or General Meeting of the company in connection with the business of the Company.

Auditors

On the recommendation of the Audit Committee, the Board has approved the present auditors M/s BDO Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed as external auditors of the Modaraba for the year ending 30 June 2022. However, their appointment will be subject to the approval of Registrar of Modaraba Companies and Modarabas.

Shari'ah Advisor's Report

The Modaraba continues to seek guidance from its Shari'ah Advisor, M/s Al-Hamad Shariah Advisors as and when required to ensure full compliance to Shari'ah Audit mechanism developed in consultation with Registrar Modaraba. The internal audit department has also been trained to handle the day-to-day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shari'ah Advisor Report issued for the affairs of the Modaraba for the year ended 30 June 2021 is attached in the Annual Financial Statements.

Acknowledgments

The Board of Directors would like to acknowledge and appreciate SECP and Registrar Modaraba for their continuous guidance and support. Also, we would like to avail this opportunity to thank our customers and investors for placing their trust in the Modaraba.

On behalf of the Board


Karim Hatim
Chief Executive
Date: 27 August 2021


Abdul Jaleel Shaikh
Director

ڈائریکٹری معاوضہ پالیسی:

بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کرنے کے لئے ایک ڈائریکٹر کا معاوضہ اول مضاربہ منجسٹ لمیٹڈ کے ذریعہ اختیار کردہ ڈائریکٹر معاوضہ پالیسی کے تحت طے کیا جاتا ہے۔ مذکورہ پالیسی کے تحت، آزاد/خود مختار ڈائریکٹر صرف بورڈ میٹنگ میں شرکت کے لئے بورڈ آف ڈائریکٹرز کے ذریعے طے شدہ فیس وصول کرنے کا حقدار ہے۔ مزید یہ کہ نامزد ڈائریکٹر/چیف ایگزیکٹو آفیسر کوئی دوسرا ڈائریکٹر جو کمیٹی کے ساتھ کل وقتی معاوضے میں خدمت کرتے ہیں، بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے کسی بھی ادائیگی کا حقدار نہیں ہے۔ تاہم، تمام ڈائریکٹرز کو بورڈ کی کسی کمیٹی اور کمیٹی کی جنرل میٹنگوں میں شرکت اور واپسی کے اجلاس میں شرکت اور کمیٹی کے کاروبار سے متعلق ہونے والے اجلاسوں میں شرکت اور واپسی میں ان کے ذریعے ہونے والے تمام سفر، ہوٹل اور دیگر اخراجات ادا کرنے کا حق ہے۔

آڈیٹرز:


آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز BDO چارٹرڈ اکاؤنٹینٹس کو منظوری دی ہے جو تقرری کے اہل ہیں اور آڈیٹرز کے طور پر کام کرنے کی ان کی رضامندی پر 30 جون 2022 کو ختم ہونے والے سال کے لئے مضاربہ کے بیرونی آڈیٹرز مقرر کئے گئے ہیں۔ تاہم ان کی تقرری مضاربہ کمیٹی اور مضاربہ کے رجسٹرار کی منظوری سے مشروط ہوں گی۔

شریہ مشیر کی رپورٹ:


مضاربہ رجسٹرار، مضاربہ کے مشورے سے تیار کردہ شریعت آڈٹ میکانزم کی مکمل تعمیل کو یقینی بنانے کی ضرورت کے مطابق، شریعہ کے مشیر، میسرز الحمد شری مشیر سے رہنمائی حاصل کرنا جاری رکھے ہوئے ہیں۔ داخلی آڈٹ کو یہ بھی تربیت دی گئی ہے کہ وہ مضاربہ کے روزمرہ کے امور کو حل کریں جو شرعی پالیسیوں اور اصولوں پر مکمل عمل پیرا ہیں۔ 30 جون 2021 کو ختم ہونے والے سال کے لئے مضاربہ کے امور کے لئے جاری کردہ شرعی مشیر رپورٹ سالانہ مالیاتی اسٹیٹمنٹ میں منسلک ہے۔

امتزات:

بورڈ آف ڈائریکٹرز SECP اور رجسٹرار مضاربہ کی مستقل رہنمائی اور مدد کے لئے ان کا معترف اور شکر گزار ہے۔ نیز ہم اس موقع سے فائدہ اٹھانا چاہتے ہیں کہ وہ مضاربہ پر اعتماد کرنے پر اپنے صارفین اور سرمایہ کاروں کا شکر یہ ادا کرتے ہیں۔



عبدالجلیل شیخ
ڈائریکٹر

بورڈ کی جانب سے


کریم حاتم
چیف ایگزیکٹو آفیسر

تاریخ: 27 اگست، 2021

ڈائریکٹرز میں تبدیلی:

جناب احمد شتیق نے 30 جون 2021 سے کمپنی کے نان ایگزیکٹو ڈائریکٹر کے عہدے سے استعفیٰ دے دیا ہے اور جناب سید نجم رضوی کو احمد شتیق کی جگہ پاک برہناتی انویسٹمنٹ کمپنی (ہولڈنگ کمپنی آف مینجمنٹ کمپنی) نے کمپنی کے بورڈ میں 1 جولائی 2021 کو نامزد کیا ہے۔

بورڈ نے کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کے لئے آڈٹ کمیٹی تشکیل دی ہے۔ کمپنی میں چار ممبران شامل ہیں۔ آڈٹ کمیٹی کے سربراہ خود جناب آزاد ڈائریکٹر ہیں۔ کمیٹی وقتاً فوقتاً مالی اسٹیٹمنٹ کا جائزہ لیتی ہے اور مالی پالیسیوں اور طریقوں کی وافرورتگی کی جانچ کرتی ہے تاکہ یہ یقینی بنایا جاسکے کہ داخلی کنٹرول کا ایک منسٹر اور مضبوط نظام موجود ہے۔ کمیٹی داخلی آڈٹ کے ذریعہ جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔

آڈٹ کمیٹی بیرونی آڈیٹرز کی تقرری کے لئے بورڈ آف ڈائریکٹرز کو سوارش کرنے کی بھی ذمہ داری عائد کرتی ہے۔

☆ زیر جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ممبر کی حاضری مندرجہ ذیل تھی:-

نام	اجلاسوں کی تعداد
جناب شاہد غفار	4
جناب خالد عزیز مرزا	4
جناب عبدالخلیل شیخ	4
جناب احمد شتیق	4

☆ سالانہ عملے کے معاوضے کی رقم کی سوارش کو حتمی شکل دینے کے لئے ہیومن ریسورس اور معاوضہ کمیٹی (HR&RC) کا ایک اجلاس منعقد ہوا۔

☆ سرٹیفکیٹ ہولڈرز اور ان کے ذریعہ ملکیت سرٹیفکیٹ کا زائچہ اس سالانہ رپورٹ میں شامل ہے۔

☆ زیر غور سال کے دوران ڈائریکٹرز، CFO، CEO، کمیٹی ممبر بٹری، ان کے شریک حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفکیٹ میں کوئی لین دین نہیں کیا۔

☆ 30 جون 2021 تک پروویڈینٹ فنڈ کی سرمایہ کاری کی قیمت 1,215,163 روپے ہے۔

بورڈ آف ڈائریکٹرز:

ڈائریکٹرز کی کل تعداد 6 ہیں جن میں CEO بھی شامل ہیں جو کہ درج ذیل ہیں:-

مرد	5
خاتون	1
بورڈ کی تشکیل مندرجہ ذیل ہے:-	

نمبر	عہدہ	نام
(1)	آزاد/ خود مختار ڈائریکٹر	جناب خالد عزیز مرزا
(2)	دوسرے نان ایگزیکٹو ڈائریکٹرز	جناب شاہد غفار محترمہ عائشہ عزیز جناب عبدالخلیل شیخ جناب سید نجم رضوی
(3)	چیف ایگزیکٹو آفیسر	جناب کریم حاتم

ریزرو ادا شدہ سرمائے کے 100 فیصد کے برابر ہو۔ اس کے بعد قبل از ٹیکس منافع کے بعد 5 فیصد سے کم نہیں اور اس کے 20 فیصد سے زیادہ نہیں رقم اس طرح کے ریزرو میں منتقل کی جائے گی۔

گورننس اور شریعت کی تعمیل:

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے مختلف احکامات کی تعمیل کو یقینی بنانے کے لئے پوزم ہے۔ مضاربہ 30 جون 2021 کو ختم ہونے والے سال کے لیے متعلقہ کمپنیاں (کوڈ آف پریکٹس گورننس) ریگولیشنز، 2019 کی ضروریات کے مطابق ہے۔

شرعی ایڈوائزرز شروع سے ہی اس بات کو یقینی بناتے ہیں کہ کمپنی کے کاموں کا کاروبار اور مجوزہ لین دین کا ذخیرہ شرعی اصولوں کے مطابق ہو۔ اچھی گورننس اور تمام پالیسیوں کو عملی طور پر نافذ کرنے پر زور دیا جاتا ہے۔ بورڈ آف ڈائریکٹرز بیرونی نگرانی کو یقینی بنانے کے لئے آزاد ڈائریکٹرز پر مشتمل ہے۔

کارپوریٹ اور مالی رپورٹنگ کا دائرہ کار:

بورڈ آف ڈائریکٹرز یہ اطلاع دیتے ہوئے خوشی محسوس کرتے ہیں کہ:

☆ مضاربہ کی انتظامیہ کے تیار کردہ مالی گوشوارے، اس کے امور کی منصفانہ حیثیت، اس کی کاروائیوں، نقد بہاؤ اور حصہ میں بدلاؤ کا واضح نتیجہ پیش کرتے ہیں۔

☆ مضاربہ کے حساب کتاب کے کھاتے باقاعدہ برقرار رکھے گئے ہیں۔

☆ مناسب اکاؤنٹنگ پالیسیاں مالی اسٹیٹمنٹ کی تیاری میں لاگو ہیں اور محاسبہ کا تخمینہ معقول اور متوازن فیصلے پر مبنی ہے۔

☆ مالی اسٹیٹمنٹ کی تیاری کے سلسلے میں بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں مضاربہ پر لاگو ہیں پر عمل کیا گیا ہے۔

☆ اندرونی کنٹرول کا نظام مستحکم ہے اور منسٹر احمد زین میں نافذ اور اس کی نگرانی کی جارہی ہے۔

☆ مضاربہ کی جاری حیثیت سے روانی کی اہلیت پر شکوک و شبہات موجود نہیں ہیں۔

☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی خاص مادی اجتناب ہے جیسا کہ کارپوریٹ گورننس میں تفصیل سے بتایا گیا ہے۔

☆ ٹیکس، ڈیوٹی، محصول اور محصولات کے معاوضے کے حساب سے 30 جون 2021 تک کوئی قانونی ادائیگی واجب نہیں ہے، سوا اس کے کہ مالی اسٹیٹمنٹ میں انکشاف کیا گیا ہو۔

☆ ایک سال کے دوران، بورڈ آف ڈائریکٹرز کے 4 اجلاس منعقد ہوئے۔ ہر ڈائریکٹرز کی حاضری کچھ تھی:-

ڈائریکٹر کے نام	اجلاسوں میں شرکت کی تعداد
جناب خالد عزیز مرزا	4
جناب شاہد غفار	4
محترمہ عائشہ عزیز	4
جناب عبدالخلیل شیخ	4
جناب احمد شتیق	4
جناب کریم حاتم (CEO)	4

ڈائریکٹرز رپورٹ:

اول مضاربہ اینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو، فرسٹ پروڈینشل مضاربہ کی اینجمنٹ کمپنی ہے 30 جون 2021 کو ختم ہونے والے سال کے لیے فرسٹ پروڈینشل مضاربہ کے آڈٹ شدہ مالی بیانات کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

محیبت:

حکومت پاکستان اور انتظامی ادارے و باء سے متاثر ہونے والی معیشت کی بحالی کے لیے کئی اقدامات کر رہے ہیں جو کہ ملک کی معاشی نمو اور اشاک ایچ پی جی کا رکردگی میں جھلکتے ہیں۔ قومی اسمبلی نے 29 جون 2021 کو ملک کا 2021-2022 کا بجٹ منظور کیا جو کہ ترقی پر مبنی بجٹ ہے اور حکومت نے معاشی سرگرمیوں کو مدد اور فروغ دینے کے لیے کئی ترغیبی منصوبے متعارف کرائے ہیں، بشمول تعمیراتی شعبے اور اس سے وابستہ صنعتوں کے۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے جون 2020 سے پالیسی شرح 7 فیصد سالانہ پر برقرار رکھی ہے اور سبسڈی والی فنڈنگ ایکسٹنشن کے تحت فنانسنگ سہولت (ایس بی پی ایف) اور عارضی اقتصادی سہولت کے تحت آسانی فراہم کی ہے۔ سال بہ سال افراط زر کی شرح حالیہ تینوں میں کمی کے رجحان پر رہی ہے جس نے مالیاتی پالیسی میں آسانی پیدا کی ہے۔ خاص طور پر اسٹیٹ بینک کے مختلف اقدامات نے پچھلے دو سالوں میں فن ٹیک (Fintech) کو نمایاں فروغ دیا ہے جس نے ملک میں معاشی سرگرمیوں کو خاص طور پر کوویڈ 19 لاک ڈاؤن کے دوران سہولت فراہم کی ہے۔

اس سے قبل اپریل 2021 میں عالمی بینک نے پاکستان ڈویلپمنٹ اپ ڈیٹ میں مالی سال 2021 کے لیے جی ڈی پی کی شرح نمو 1.3 فیصد کی پیش گوئی کی تھی، جو مالی سال 2022 میں 4 فیصد تک پہنچ گئی جبکہ مالی سال 2021 میں جی ڈی پی کی شرح نمو 3.9 فیصد رہی۔ بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) نے حال ہی میں جاری کردہ عالمی اقتصادی اپ ڈیٹ میں پاکستان کی مضبوط معاشی سرگرمیوں کو تسلیم کیا ہے۔ پاکستان نے مئی 2019 سے اب تک آئی ایم ایف پروگرام کے تحت 2 ارب ڈالر وصول کیے ہیں۔ پروگرام کے مطابق سخت اقتصادی اقدامات کیے گئے ہیں جن میں بجلی کے نرخوں میں اضافہ اور تقریباً 140 ارب روپے کے انکم ٹیکس کی چھوٹ واپس لینا اور مرکزی بینک کی بینک اصلاحات شامل ہیں۔

کوویڈ 19 کی چوتھی لہر کی گزرت میں ملک کے ساتھ وبائی امراض کا خطرہ اب بھی موجود ہے جس سے وقفے وقفے سے لاک ڈاؤن معاشی سرگرمیوں کو متاثر کرتے ہیں۔ مزید یہ کہ 90 فیصد اور اس سے زائد منافع کی تقسیم پر مضاربہ سیکورٹی آمدنی پر ٹیکس کی چھوٹ واپس لے لی گئی ہے جو مضاربہ سیکورٹی کے منافع پر نمایاں اثر ڈالے گی۔

مالیاتی کارکردگی:

کاروباری نتائج

2021	2020
(روپے "000")	(روپے "000")
872,177	872,177
429,947	420,571
74,198	112,069
205,096	4,452

تفصیلات

سرٹیفکیٹ سرمایہ	872,177
کل مساوات/ایکویٹی	429,947
تفصیلی مشارکہ	74,198
سرمایہ کاری-ایکویٹی/سکوک/مضاربہ بڑم ڈی پیازٹ	205,096

منافع اور نقصان

آمدنی	45,524	49,614
انتظامیہ اخراجات	30,362	31,893
منجھٹ فیس سے قبل منافع/ (نقصان)	10,623	(3,705)
سال کا خالص منافع	9,376	(5,402)
انحصال (Appropriations)		
منافع کی تقسیم % 0.80 (2020: Nil)	6,977	Nil
لازمی ذخائر/ریزرو	1,875	Nil
غیر مختص منافع کی اگلے سال منتقلی	7,501	(5,402)
آمدنی سرٹیفکیٹ	0.11	(0.06)

سرگرمی جائزہ:

زیر جائزہ سال کے دوران، انتظامیہ نے بنیادی کمپنی کے ساتھ آپریشن کو ہموار اور مربوط کرنے اور پرانے غیر فعال قرضوں کی وصولی اور کنٹرول کو مضبوط بنانے کے لئے ٹھوس اقدامات کیے۔ اثاثوں کے معیار کو یقینی بنانے اور مضاربہ کے کاموں کو برقرار رکھنے کے لئے روایتی بنیادوں پر سرمایہ کاری کی جارہی ہے۔ مزید برآں پاک برونائی انویسٹمنٹ کمپنی (پی بی آئی سی) نے مضاربہ سرگرمی کی بحالی کے لئے نئے کاروباری منصوبے پر عمل درآمد کی توقع کے مطابق 28 جنوری 2021 کو مضاربہ میں 50 ملین روپے کی قابل تبادلہ مشارکہ سہولت بھی فراہم کی۔ مذکورہ اقدامات کی وجہ سے مضاربہ بہتر لیکویڈٹی کے ساتھ کام کر رہا ہے۔

مضاربہ کی آمدنی پر 90 فیصد اور اس سے اوپر کے منافع پر ٹیکس چھوٹ واپس لینا ایک اہم جھجکے ہے۔ اب ہم اس نئے منظر نامے میں ایس ای سی پی کی مشاورت سے نئے ٹیکس موٹر کاروباری منصوبوں پر کام کر رہے ہیں۔

قرضہ جات کا پورٹ فولیو 30 جون 2021 میں 74.20 ملین روپے تک پہنچ گیا جس کی بنیادی وجہ مستعد وصولی ہے۔ 367.28 ملین روپے کی اضافی لیکویڈٹی میں سے تقریباً 116.64 ملین روپے سکوک میں رکھے گئے ہیں جبکہ 84 ملین روپے مضاربہ بڑم ڈپازٹس میں رکھے گئے تاکہ زیادہ سے زیادہ آمدنی حاصل کی جاسکے، باقی رقم بینک میں رکھی گئی۔ زیر جائزہ سال کے دوران، مجموعی آمدنی 45.52 ملین روپے ریکارڈ کی گئی ہے، جو پچھلے سال کے دوران 49.61 ملین روپے سے کم ہے جس بنیادی وجہ نئی سرمایہ کاری موجودہ کم مارکیٹ ریٹ پر ہے۔ اس مدت کے کل اخراجات 30.36 ملین روپے پر محدود کیے گئے ہیں۔ 3.63 ملین روپے کی سابقہ مشکوک قرار دی گئی وصولی کے ساتھ پچھلے سال کے مقابلے میں پختہ ہونے والے اجارہ اثاثوں کی کم فرسودگی کے ساتھ مضاربہ نے ٹیکس سے پہلے منافع 9.38 ملین روپے حاصل کیا جو گزشتہ سال کے اسی عرصے میں 5.4 ملین روپے کے نقصان کے مقابلے میں تھا۔

منافع کی تقسیم:

بورڈ نے 27 اگست 2021 کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2021 کو ختم ہونے والے سال کے لیے 10 روپے کے سرٹیفکیٹ 0.08 (% 0.80) کے نقد منافع کی منظوری دی ہے جو کہ زکوٰۃ اور ٹیکس کی کوٹنی کے ساتھ مشروط ہے۔

مضاربہ ریگولیشنز 2021 کی تعمیل کے لیے بورڈ آف ڈائریکٹرز نے 1.87 ملین روپے کو لازمی ریزرو میں منتقل کیا ہے۔ ریگولیشنز کے مطابق مضاربہ کو 20 فیصد سے کم نہیں اور 50 فیصد سے زیادہ نہیں قبل از منافع ٹیکس منافع کو لازمی ریزرو میں منتقل کرنے کی ضرورت ہے جب تک کہ

Summary of key operating and financial data of the Modaraba for last 6 years						
Year ended June 30, 2021						
.....Rupees in millions.....						
Year	2021	2020	2019	2018	2017	2016
Paid-up Capital	872.177	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	153.623	151.747	151.747	151.283	151.283	148.247
Certificate Holders Equity	429.947	420.571	425.973	423.065	452.159	452.391
Certificate	87.217	87.217	87.217	87.217	87.217	87.217
Current liabilities	107.869	58.866	51.769	52.951	51.522	50.115
Non-current Assets	119.168	132.438	234.746	279.404	241.372	154.096
Current Assets	429.637	344.901	258.657	215.299	273.587	357.991
Profit / (Loss) before Taxation	9.376	(3.705)	3.900	(19.564)	15.179	20.816
Taxation	-	(1.697)	(1.578)	-	-	-
Earning / (Loss) per Certificate (Rs)	0.11	(0.06)	0.03	(0.22)	0.17	0.24

**Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
Awwal Modaraba Management Limited
Year ended June 30, 2021**

This statement is being presented to comply with Listed Companies (Code of Corporate Governance) Regulations, 2019. Regardless of the fact that Awwal Modaraba Management Limited ('AMML' or 'the company'), the Management Company of First Prudential Modaraba, is an unlisted public limited company, the Board of Directors of the Management Company is pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

AMML has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are six (6) as per the following,-
 - a. Male: 05
 - b. Female: 01

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Saiyid Najam Rizvi
Executive Directors	Mr. Karim Hatim (Chief Executive Officer)
Female Director	Ms. Ayesha Aziz

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board meets the criteria of requirement of Directors' Training program.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Shahid Ghaffar (Chairman) Mr. Khalid Aziz Mirza Mr. Abdul Jaleel Shaikh Mr. Saiyid Najam Rizvi
HR and Remuneration Committee	Mr. Khalid Aziz Mirza (Chairman) Ms. Ayesha Aziz Mr. Karim Hatim

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee were as per following:-

S. No.	Name of the Committee	Frequency of the meetings held during the year
1.	Audit Committee	Quarterly
2.	HR and Remuneration Committee	Yearly

15. The Board has outsourced the internal audit function to the internal audit department of the parent company (Pak Brunei Investment Company Limited) who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

KHE, -

Khalid Aziz Mirza
Chairman

Dated: 27 August 2021

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST PRUDENTIAL MODARABA** ("the Modaraba") as at June 30, 2021 and the related profit and loss account, statement of comprehensive income, 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 ended June 30, 2021 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 purpose of our audit.

These financial statements are the Modaraba Management Company's [AWWAL Modaraba Management Company (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 Management 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 account have been kept by the Modaraba Management Company in respect of the 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 account 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
 - 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;

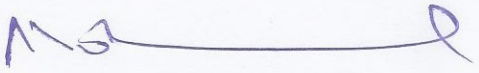
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved 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, 2021 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the Modaraba for the year ended June 30, 2020 were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those financial statements vide their report dated September 24, 2020.

KARACHI

DATED: 27 AUG 2021


CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer



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Pakistan

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF FIRST PRUDENTIAL MODARABA ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Awwal Modaraba Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of First Prudential Modaraba (the Modaraba) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems 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 risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Regulations require the Modaraba 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. 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.

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 Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2021.

KARACHI

DATED: AUGUST 27, 2021


CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali causer

BDO Ebrahim & Co. Chartered Accountants
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ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
نحمده و نصلى على رسوله الكريم
Annual Shariah Advisor's Report

For the period ended June 30, 2021

We have reviewed the affairs of **First Prudential Modaraba** for the year ended June 30, 2021 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 strengthen 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 our review, the following were the major activities/developments in respect of Shariah that took place during this period:

BANK ACCOUNTS:

We confirm that for investment and operational purposes, Modaraba is operating the Bank accounts maintained with Islamic Banks or Islamic windows of commercial banks.

FRESH DISBURSEMENTS:

DIMINISHING MUSHARAKAH

Modaraba disbursed number of Diminishing Musharaka facilities to its clients. We confirm that these transactions are in accordance with Shariah.

DIVIDEND PURIFICATION:

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

TAKAFUL:

For risk mitigation, all fixed assets whether own, Diminishing Musharakah or against any other financing facility are covered under takaful only.

EQUITY SHARES:

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

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ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

Non-Shariah Compliant Shares:

S.No	Name of Shares	Quantity
1.	Lahore Stock Exchange	843,975

In this year Modaraba did not dispose of the shares of Lahore Stock Exchange.

RECOMMENDATION:

Modaraba should dispose of non Shariah Compliant shares subject to the availability of the buyer.

CONCLUSION:

By the grace of Almighty ALLAH, after introduction of Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas by Securities & Exchange Commission of Pakistan (SECP), through Circular No. 8 of 2012 the Management of First Prudential Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit, therefore, the business operations of First Prudential Modaraba are Shari'ah compliant up to the best of our knowledge.



MUFTI UBAID UR RAHMAN ZUBAIRI

For and on behalf of
Alhamd Shariah Advisory Services Private Limited
Date: August 21, 2021



STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment - own use	5	2,723,644	4,017,908
Property, plant and equipment - Ijarah	6	10,350,262	17,493,911
Intangible assets	7	164,445	-
Investment properties	8	46,200,000	46,200,000
Long term portion of Diminishing Musharika Finance	9	39,893,900	54,131,699
Long term investments	10	19,608,230	10,347,133
Long term advances and deposits	11	227,500	247,676
		119,167,981	132,438,327
CURRENT ASSETS			
Musharika, Murabaha and other finance - net	12	-	-
Current portion of Diminishing Musharika Finance	9	34,304,232	57,937,244
Investments	13	121,095,565	4,451,565
Modaraba term deposit	14	84,000,000	-
Ijarah rentals receivable	15	156,923	58,331
Receivable against sale of agriculture produce - net	16	-	-
Advances, prepayments and other receivables	17	15,852,927	19,860,408
Asset acquired in satisfaction of financing facility	18	-	2,375,000
Taxation recoverable	19	12,039,284	12,039,284
Cash and bank balances	19	162,187,832	248,179,611
		429,636,763	344,901,443
TOTAL ASSETS		548,804,744	477,339,770
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
87,217,660 modaraba certificates of rupees 10/- each		872,176,600	872,176,600
Issued, subscribed and paid-up certificate capital			
87,217,660 modaraba certificates of rupees 10/- each	20	872,176,600	872,176,600
Statutory reserve		153,622,591	151,747,338
Accumulated loss		(595,851,717)	(603,352,728)
		429,947,474	420,571,210
Unrealised gain / (loss) on remeasurement of investment classified as fair value through other comprehensive income	21	10,486,051	(2,417,582)
		440,433,525	418,153,628
NON CURRENT LIABILITIES			
Long term portion of Ijarah deposits	22	320,000	320,000
CURRENT LIABILITIES			
Musharaka finance	23	50,000,000	-
Current portion of Ijarah deposits	22	8,542,081	13,536,984
Accrued and other liabilities	24	16,807,929	12,627,949
Provision for taxation		1,858,981	1,858,981
Unclaimed profit distribution		30,842,228	30,842,228
		108,051,219	58,866,142
TOTAL EQUITY AND LIABILITIES		548,804,744	477,339,770
CONTINGENCIES AND COMMITMENTS			
	25		

The annexed notes from 1 to 44 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

 Chief Financial Officer
  Chief Executive Officer
  Director
  Director

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Income			
Ijarah rentals earned	26	4,850,024	21,821,297
Income from deposits with banks		13,817,096	15,297,175
Income from investment in sukuk		1,493,187	-
Income from Modaraba term deposit		898,685	-
Income from Diminishing Musharika Finance		15,970,879	24,045,101
Capital gain on sale of investments		248,283	-
Dividend income		385,307	952,396
Rental income from investment properties		3,332,562	3,006,289
Other income	27	1,096,533	4,234,924
		42,092,556	69,357,182
Unrealized gain/(loss) on investments classified as 'fair value through profit or loss	13.3.2	388,839	(280,553)
Unrealized loss on remeasurement of property & equipment - own use	5	(595,950)	-
Provision for doubtful receivable against sale of agriculture produce	16	-	(11,692,131)
Impairment on Ijarah assets	6	-	(8,570,512)
Unrealized gain on investment properties	8	-	800,000
Reversal of provision against doubtful receivables - net	28	3,638,968	-
		45,524,413	49,613,986
Expenses			
Depreciation on Ijarah assets	6	(3,791,246)	(21,306,114)
Administrative expenses	29	(30,361,653)	(31,892,724)
Finance charges	30	(748,208)	(120,431)
		(34,901,107)	(53,319,269)
		10,623,306	(3,705,283)
Management company's remuneration	31	(937,626)	-
Provision for service sales tax on Management ' Company's remuneration		(121,891)	-
		(1,059,517)	-
Provision for Workers' Welfare Fund	24.1	(187,525)	-
Profit / (loss) before taxation		9,376,264	(3,705,283)
Provision for taxation	33	-	(1,696,839)
Profit / (loss) after taxation		9,376,264	(5,402,122)
Earnings / (loss) per certificate - basic and diluted	34	0.11	(0.06)

The annexed notes from 1 to 44 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

 Chief Financial Officer
  Chief Executive Officer
  Director
  Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Profit / (loss) for the year		9,376,264	(5,402,122)
Other Comprehensive income for the year:			
Items that will be reclassified subsequently to profit and loss			
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income	21	12,903,633	-
Total comprehensive income for the year		22,279,897	(5,402,122)

The annexed notes from 1 to 44 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

 Chief Financial Officer
  Chief Executive Officer
  Director
  Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,376,264	(3,705,283)
Adjustments for:		
Dividend income	(385,307)	(952,396)
Capital gain on sale of investments	(248,283)	-
Unrealised (gain) / loss on investments	(388,839)	280,553
Unrealised loss on revaluation of own use asset	595,950	-
Provision for doubtful receivable against sale of agriculture produce	-	11,692,131
Impairment on Ijarah assets	-	8,570,512
Gain on remeasurement of investment property	-	(800,000)
Gain on disposal - Ijarah assets	-	(351,419)
Gain on disposal - own assets	(15,500)	-
Depreciation - own use assets	698,314	706,292
Depreciation - Ijarah assets	3,791,246	21,306,114
Amortization on intangible assets	20,555	-
	4,068,136	40,451,787
Cash flows before movements in working capital	13,444,400	36,746,504
Decrease / (increase) in current assets		
Diminishing Musharika Finance	37,870,811	95,024,154
Ijarah rentals receivable	(98,592)	1,461,336
Asset acquired in satisfaction of financing facility	2,375,000	(2,375,000)
Advances, prepayments and other receivables	7,140,256	21,594,512
	47,287,475	115,705,002
Increase / (decrease) in current liabilities		
Ijarah deposits	(4,994,903)	(9,150,000)
Musharaka finance	50,000,000	-
Accrued and other liabilities	4,179,980	(1,510,787)
	49,185,077	(10,660,787)
	109,916,952	141,790,719
Taxes paid	(3,112,599)	(3,845,926)
Net cash flows from operating activities	106,804,353	137,944,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	385,307	952,396
Investments - net	(196,364,342)	-
Purchase of intangible assets	(185,000)	-
Proceeds from disposal - Ijarah assets	5,177,403	12,405,494
Proceeds from disposal - own assets	15,500	-
Purchase of Ijarah assets	(1,825,000)	-
Net cash (used in) / flows from investing activities	(192,796,132)	13,357,890
Net (decrease) / increase in cash and cash equivalents	(85,991,779)	151,302,782
Cash and cash equivalents at beginning of the year	248,179,611	96,876,829
Cash and cash equivalents at end of the year	162,187,832	248,179,611

The annexed notes from 1 to 44 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

 Chief Financial Officer
  Chief Executive Officer
  Director
  Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Issued, subscribed, and paid up certificate capital	*Statutory reserve	Accumulated loss	Total
	(Rupees)			
Balance at July 1, 2019	872,176,600	151,747,338	(597,950,606)	425,973,332
Total comprehensive income for the year				
Loss for the year	-	-	(5,402,122)	(5,402,122)
Other comprehensive income for the year	-	-	-	-
Transfer to statutory reserve	-	-	-	-
Balance at June 30, 2020	872,176,600	151,747,338	(603,352,728)	420,571,210
Balance at July 1, 2020	872,176,600	151,747,338	(603,352,728)	420,571,210
Total comprehensive income for the year				
Profit for the year	-	-	9,376,264	9,376,264
Other comprehensive income for the year	-	-	-	-
Transfer to statutory reserve	-	1,875,253	(1,875,253)	-
Balance at June 30, 2021	872,176,600	153,622,591	(595,851,717)	429,947,474

*Statutory reserve represents profit set aside to comply with the Modaraba Regulations, 2021 issued by Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 44 form an integral part of these financial statements.

**For Awwal Modaraba Management Limited
(Management Company)**


Chief Financial Officer


Chief Executive Officer


Director


Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30 2021**

1 LEGAL STATUS AND NATURE OF BUSINESS

First Prudential Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and was managed by Prudential Capital Management Limited (PCML). In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited (KIPL) had taken over the management and administrative control of First Prudential Modaraba effective from November 13, 2014.

The Registrar (Modarabas), with the approval of the SECP, vide order dated April 03, 2019 appointed an Administrator of the Modaraba to take over and manage the affair of the Modaraba in place of KIPL. As per terms of the order, all the powers and duties of the Modaraba Management Company as well as those of its Board of Directors assumed by the Administrator. The term of the Administrator, for holding the modaraba office, was initially for the period of six months which was gradually enhanced till February 03, 2020 as directed by the SECP. During 2020, the Registrar (Modarabas), with the approval of the SECP, vide order dated January 31, 2020 appointed Awwal Modaraba Management Limited (AMML) to take over and manage the affair of the Modaraba. AMML (the Management Company) has taken over the management and administrative control of First Prudential Modaraba effective from February 03, 2020

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as stated otherwise in these financial statements.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise stated.

2.4 Significant accounting estimates and judgments

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are included in the following notes:

- | | | |
|------|--|-----------------|
| i) | Classification of financial instruments | Note 4.4 |
| ii) | Provision for impairment | Note 4.6 |
| iii) | Provision for taxation | Note 4.12 & 33 |
| iv) | Determination and measurement of useful life and residual value of property and equipments, intangible assets and ijarah assets. | Note 4.1, 7 & 8 |
| v) | Contingencies | Note 4.10 & 25 |

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards / amendments that are effective in current year and are not relevant to the

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures:

**Effective date
(annual periods
beginning on or
after)**

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework. January 01, 2020

Amendments to IFRS 3 'Business Combinations' - Definition of a business January 01, 2020

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform January 01, 2020

**Effective date
(annual periods
beginning on or
after)**

Amendments to IFRS 16 'Leases' - Covid-19 related rent concessions June 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material January 01, 2020

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) January 01, 2021

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid-19 related rent concessions April 01, 2021

Certain annual improvements have also been made to a number of IFRSs.

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates January 01, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction January 01, 2023

	Effective date (annual periods beginning on or after)
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
The following new standards have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):	
IFRS 1 First Time Adoption of International Financial Reporting Standards; and IFRS 17 Insurance Contracts	
The Modaraba expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Modaraba's financial statements in the period of initial application.	
4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
The significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented unless otherwise stated.	
4.1 Property and equipment	
a) 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 ijarah lease.	
b) In own use and depreciation	
Operating assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit or loss applying the straight-line method in accordance with the rates specified in note 5 to these financial statements. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.	
Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the profit or loss in the period in which they arise.	
Assets' residual values, depreciation method and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.	
Maintenance and normal repairs are charged to income as and when incurred.	

4.2 Intangibles

An intangible asset is recognized 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.

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized 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. Amortization is charged to income using the straight line method in accordance with the rates specified in note 7 to these financial statements. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each reporting date. Amortization 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.

4.3 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.

4.4 Financial Instruments**4.4.1 Financial assets**

All financial assets are initially recognized on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprise musharakah, morabaha and ijarah rental receivable that are financial assets with fixed or determinable payments that are not quoted in active markets and includes investments, diminishing musharakah finance, long term advances, other receivables and bank balance.

The Modaraba derecognizes the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.4.2 Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

4.4.3 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in the statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in income statement. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

Surplus / (Deficit) on re-measurement of FVTOCI investment is presented separately from equity in order to comply with the Modaraba Regulations, 2021.

4.4.4 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

4.4.5 Financial liabilities

Financial liabilities are initially recognized on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Financial liabilities include musharaka finance and trade and other payables. The Modaraba derecognizes the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest rate method.

4.5 Impairment

4.5.1 Financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFIs & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and the Modaraba Regulations, 2021. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba and its own accounting policies.

During the reporting period, the SECP has deferred the applicability of all requirements of IFRS 9 for Modarabas up to June 30, 2022 via S.R.O. 800 (I)/2021 dated June 22, 2021.

4.5.2 Non-financial assets

The Modaraba assesses at the end of each reporting period whether there is any indication that assets 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 recognized in profit or loss. 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 recognized as income in profit or loss.

4.5.3 Financial assets classified under Islamic Financial Accounting

In case of assets classified under Islamic Financial Accounting Standards, the assets shall be reviewed and provided for according to the time based criteria mentioned in the Modaraba Regulations, 2021.

4.5.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Modaraba has a legally enforceable right to offset and the Modaraba intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the accounting and reporting standards as applicable in Pakistan.

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

Receivables considered doubtful are provided for in accordance with the requirements of the Modaraba Regulations, 2021. Specific provision is also made for receivables considered doubtful.

4.7 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.

4.8 Accrued and other liabilities

Accrued expense and other payables are initially recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Modaraba and is subsequently measured at amortised cost.

4.9 Provisions

Provisions are recognized 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 reporting date and adjusted to reflect the current best estimate.

4.10 Contingent liabilities

A contingent liability is disclosed when the Modaraba has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Modaraba; or the Modaraba has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.11 Revenue recognition**4.11.1 Ijarah rentals**

Income from ijarah is recognized 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 or loss, when they are realized, and are included in other income.

4.11.2 Morabaha and musharaka transactions

Profit from musharaka transactions is recognized 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 recognized on a time proportion basis.

4.11.3 Diminishing musharaka

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

4.11.4 Rental income

Rental income arising from investment properties is accounted for on accrual basis as per the agreement.

4.11.5 Dividend income

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

4.11.6 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.

4.11.7 Other income

Other income is recognized on accrual basis.

4.11.8 Income from Shariah non-compliant avenues

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

4.11.9 Mark-up income

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

4.12 Taxation**Current**

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.

The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 has been withdrawn through an amendment dated March 21, 2021 which is subsequently adopted in Finance Act, 2021. But a new section 242 has been added in the Income Tax Ordinance, 2001 through Finance Act, 2021 by virtue of which, the Modaraba may avail the exemption till June 30, 2021 subject to the fulfillment of condition that not less than 90 percent of its total profits, as reduced by the amount transferred to the mandatory reserve, as required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, are distributed amongst the certificate holders.

The Modaraba intends to avail the tax exemption by distributing at least 90% of its profits to 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 recognized 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.

However, the modaraba has not recognized any amount in respect of deferred tax in these financial statements as the Modaraba intends to avail the tax exemption up to June 30, 2021 by distributing at least 90% of its profits to its certificate holders.

4.13 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange approximating to those prevalent on the reporting 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.

4.14 Cash and cash equivalents

For the purposes of the statement of cash flows, 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).

4.15 Profit distribution

Profit distribution to the Modaraba's certificate holders is recognized as a liability in the financial statements of the year in which the distributions are approved by the Board of the Management Company.

4.16 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, if any.

5 Property and equipment - own use

The following is the statement of operating fixed assets - own use at the reporting date:

Description	2021				Total
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	
At July 01, 2020					
Cost	3,100,000	870,071	4,258,636	865,588	3,784,654
Cost / revalued amount	-	-	(2,102,716)	-	-
Accumulated depreciation	(348,750)	(870,071)	(2,155,920)	(865,588)	(2,517,996)
Carrying amount	2,751,250	-	-	-	1,266,658
Year ended June 30, 2021					
Opening carrying amount	2,751,250	-	-	-	1,266,658
Unrealized loss for the year	(595,950)	-	-	-	-
Depreciation charge for the year	(155,000)	-	-	-	(543,314)
Closing carrying amount	2,000,300	-	-	-	723,344
At June 30, 2021					
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-
Accumulated depreciation	(503,750)	(870,071)	(2,155,920)	(865,588)	(3,061,310)
Carrying amount	2,000,300	-	-	-	723,344
Depreciation rate (% per annum)	5	33	20	33	20

Description	2020				Total
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	
At July 01, 2019					
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654
Accumulated impairment	-	-	(2,102,716)	-	-
Accumulated depreciation	(193,750)	(870,071)	(2,155,902)	(864,545)	(1,967,765)
Carrying amount	2,906,250	-	18	1,043	1,816,889
Year ended June 30, 2020					
Opening carrying amount	2,906,250	-	18	1,043	1,816,889
Depreciation charge for the year	(155,000)	-	(18)	(1,043)	(550,231)
Closing carrying amount	2,751,250	-	-	-	1,266,658
At June 30, 2020					
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654
Accumulated impairment	-	-	(2,102,716)	-	-
Accumulated depreciation	(348,750)	(870,071)	(2,155,920)	(865,588)	(2,517,996)
Carrying amount	2,751,250	-	-	-	1,266,658
Depreciation rate (% per annum)	5	33	20	33	20

6 PROPERTY, PLANT AND EQUIPMENT - IJARAH

Description	2021			
	Plant and machinery	Office equipment	Vehicles	Total
	Rupees			
As at July 01, 2020				
Cost	75,679,295	801,000	69,435,000	145,915,295
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(53,129,624)	(512,150)	(48,580,271)	(102,222,045)
Carrying amount	<u>13,781,659</u>	<u>-</u>	<u>3,712,252</u>	<u>17,493,911</u>
Year ended June 30, 2021				
Opening carrying amount	13,781,659	-	3,712,252	17,493,911
Additions - at cost	-	-	1,825,000	1,825,000
Disposal - carrying amount	(5,177,403)	-	-	(5,177,403)
Depreciation charge for the year	(1,395,475)	-	(2,395,771)	(3,791,246)
Closing carrying amount	<u>7,208,781</u>	<u>-</u>	<u>3,141,481</u>	<u>10,350,262</u>
As at June 30, 2021				
Cost	47,978,781	801,000	71,260,000	120,039,781
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(50,976,042)	(83,490,180)
Carrying amount	<u>7,208,781</u>	<u>-</u>	<u>3,141,481</u>	<u>10,350,262</u>
Useful life (months)	<u>36 to 60</u>	<u>24 to 60</u>	<u>24 to 60</u>	

Description	2020			
	Plant and machinery	Office equipment	Vehicles	Total
	Rupees			
As at July 01, 2019				
Cost	75,679,295	801,000	122,235,000	198,715,295
Accumulated impairment	(197,500)	(288,850)	(17,142,477)	(17,628,827)
Accumulated depreciation	(45,465,668)	(512,150)	(75,683,938)	(121,661,756)
Carrying amount	<u>30,016,127</u>	<u>-</u>	<u>29,408,585</u>	<u>59,424,712</u>
Year ended June 30, 2020				
Opening carrying amount	30,016,127	-	29,408,585	59,424,712
Disposal - carrying amount	-	-	(12,054,175)	(12,054,175)
Impairment / adjustment for the year	(8,570,512)	-	-	(8,570,512)
Depreciation charge for the year	(7,663,956)	-	(13,642,158)	(21,306,114)
Closing carrying amount	<u>13,781,659</u>	<u>-</u>	<u>3,712,252</u>	<u>17,493,911</u>
As at June 30, 2020				
Cost	75,679,295	801,000	69,435,000	145,915,295
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(53,129,624)	(512,150)	(48,580,271)	(102,222,045)
Carrying amount	<u>13,781,659</u>	<u>-</u>	<u>3,712,252</u>	<u>17,493,911</u>
Useful life (months)	<u>36 to 60</u>	<u>24 to 60</u>	<u>24 to 60</u>	

	Note	2021 Rupees	2020 Rupees
7 INTANGIBLE ASSETS			
7.1 Computer software			
Opening balance		1,827,847	1,827,847
Addition / (disposal)		185,000	-
		<u>2,012,847</u>	<u>1,827,847</u>
Amortization			
Balance as at July 1, 2020		(1,827,847)	(1,827,847)
Charge for the year (rate 33.33%)		(20,555)	-
		<u>(1,848,402)</u>	<u>(1,848,402)</u>
Balance as at June 30, 2021		<u>164,445</u>	<u>-</u>
7.2 PSX - Trading rights entitlement certificates (TREC)		5,344,352	5,344,352
Impairment of TREC	7.2.1	(5,344,352)	(5,344,352)
		<u>-</u>	<u>-</u>
Lahore Stock Exchange (LSE) membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance of a defaulted party.			
Pursuant to demutualization of LSE, the membership card had been surrendered to the Exchange against the following:			
As per the mechanism prescribed by the LSE, the carrying value of the membership card is allocated as follows:			
Trading Right Entitlement Certificate (TREC).	7.2.1	5,344,352	5,344,352
Broker's room	7.2.2	4,217,500	4,217,500
Ordinary shares of face value of Rs. 10/- each of LSE	7.2.3	12,764,715	12,764,715
		<u>22,326,567</u>	<u>22,326,567</u>
7.2.1 As per section 16 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, every TREC holder was required to register itself as a broker within two years of the date of demutualization i.e. by August 26, 2014, failure to which would be 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.			
7.2.2 The carrying amount of the Broker's room is included in "property and equipment - own use" under office premises.			
7.2.3 The carrying amount of ordinary shares is included in "long term investment".			

8 INVESTMENT PROPERTIES - CARRIED AT FAIR VALUE

The following is the statement of investment property at the reporting date:

Description	Office suite	Four shops	Total
	Rupees		
Net carrying value basis year ended June 30, 2021			
Opening net book value	29,800,000	16,400,000	46,200,000
Closing net book value	29,800,000	16,400,000	46,200,000
Gross carrying value basis year ended June 30, 2021			
Cost / revalued amount	29,800,000	16,400,000	46,200,000
Closing net book value	29,800,000	16,400,000	46,200,000
Net carrying value basis year ended June 30, 2020			
Opening net book value	29,000,000	16,400,000	45,400,000
Change in fair value	800,000	-	800,000
Closing net book value	29,800,000	16,400,000	46,200,000
Gross carrying value basis year ended June 30, 2020			
Cost / revalued amount	29,000,000	16,400,000	45,400,000
Change in fair value	800,000	-	800,000
Closing net book value	29,800,000	16,400,000	46,200,000

8.1 Office suite represents two offices in Lakson Sqare, Karachi, acquired through a settlement agreement. The property is let on rent and therefore, disclosed as investment property.

8.2 Represents shops in Zarkoon Plaza, Sadar, Rawalpindi acquired through a settlement agreement.

8.3 Investment property is revalued by an independent valuer named Ocean Surveyors (Private) Limited as at June 30, 2021.

9 DIMINISHING MUSHARIKA

Note	2021 Rupees	2020 Rupees
	Diminishing Musharika	
	Principal	110,637,956
	Profit	1,430,987
9.1	74,017,203	74,198,132
	<u>Less: Current portion of diminishing musharika</u>	<u>(57,937,244)</u>
	<u>39,893,900</u>	<u>54,131,699</u>

9.1 This represent diminishing musharaka financing for a term of 3 to 5 years. These carry profit rate ranging from 11.85% and 19.00% (2020: 13.00% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

10 LONG TERM INVESTMENTS

Investment classified as 'fair value through other comprehensive income
Unlisted Companies

Note	2021 Rupees	2020 Rupees
10.1	<u>19,608,230</u>	<u>10,347,133</u>

10.1 Unlisted companies

2021	2020	Note	2021 Rupees	2020 Rupees
Number of Shares				
1,107,244	1,107,244			
		Prudential Securities Limited		
		Cost	4,173,707	4,173,707
		Less: Impairment	(4,173,707)	(4,173,707)
			-	-
		Prudential Discount and Guarantee House Limited		
191,700	191,700	Cost	1,041,815	1,041,815
		Less: Impairment	(1,041,815)	(1,041,815)
			-	-
843,975	843,975	LSE Financial Services Limited		
		Cost	12,764,715	12,764,715
		Fair value adjustment	6,843,515	(2,417,582)
			<u>19,608,230</u>	<u>10,347,133</u>
			<u>19,608,230</u>	<u>10,347,133</u>

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

10.1.2 This represent shares acquired against the surrender of Pakistan Stock Exchange (PSX) formerly Lahore Stock Exchange Limited (LSE) membership card. The Modaraba has recognized a fair value adjustment based on audited financial statements of the Investee Company for the year ended June 30, 2020, the break up value of which is Rs. 23.23 per share. Under the current circumstances, the active market is not available for such shares, therefore the net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

	Note	2021 Rupees	2020 Rupees
11 LONG TERM ADVANCES AND DEPOSITS			
11.1 Long term advances			
Secured and interest free			
To executives - considered good		-	37,560
To employees - considered good		58,625	149,618
		58,625	187,178
Less: Due within one year shown under current assets		(58,625)	(175,002)
		-	12,176
11.2 Long term deposits			
Margin deposit	11.2.1	3,000,000	3,000,000
Other deposits		227,500	235,500
		3,227,500	3,235,500
Less: Provision against doubtful amounts	11.2.2	(3,000,000)	(3,000,000)
		227,500	235,500
		227,500	247,676

11.2.1 This margin deposit was held with a defaulted broker, Prudential Securities Limited, whose operations have been ceased by PSX and the Modaraba has filed a claim with the PSX for the amount.

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

12 MUSHARIKA, MURABAHA AND OTHER FINANCE

Musharaka and morabaha finance			
Considered good		-	-
Considered doubtful	12.1	352,230,694	352,230,694
		352,230,694	352,230,694
Less: Provision against doubtful debts		(352,230,694)	(352,230,694)
		-	-

	Note	2021 Rupees	2020 Rupees
Other finance - unsecured			
Considered good		-	-
Considered doubtful	12.2	7,363,313	11,002,281
		7,363,313	11,002,281
Less: Provision against doubtful debts	28	(7,363,313)	(11,002,281)
		-	-

12.1 This include amount of Musharaka and Morabaha finance receivable from various parties, outstanding since many years. Based on the guidelines of Modaraba Regulations outstanding balances against these finances have been fully provided and suspended accordingly.

12.2 Movement of provision for other finance

Opening balance		11,002,281	11,002,281
(Reversal) of provision during the year	12.2.1	(3,638,968)	-
Closing balance		7,363,313	11,002,281

12.2.1 During the year the Modaraba concluded settlement agreement with a defaulted customer. The case was under litigation, therefore, compromise application has been submitted with the Court, which was duly allowed to effect the amicable settlement.

The customer is regular in payment of settlement amount as per schedule, therefore provision against the receivable is reversed to the extent of actual recovery up to June 30, 2021.

13 INVESTMENTS

Amortised cost

Term Deposits Receipts - considered doubtful	13.1	-	-
Fair value through other comprehensive income			
Investment in Sukuk certificates	13.2	116,642,536	-
Fair value through profit or loss			
Quoted securities	13.3	4,453,029	4,451,565
		121,095,565	4,451,565

13.1 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 upto the date of settlement agreement were 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:

	Note	2021 Rupees	2020 Rupees
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		(3,219,433)	(3,219,433)
Net receivable		4,780,567	4,780,567
Less: provision against doubtful recoveries	13.1.1	(4,780,567)	(4,780,567)
		<u>-</u>	<u>-</u>

13.1.1 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 Pakistan Stock Exchange (PSX) then Karachi Stock Exchange Limited (KSE) membership as authorized 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.

13.2 This represents investment in privately placed perpetual sukuk certificates, out rightly purchased from the related party. The details of investment is as under:

Meezan Bank Ltd-Additional Tier I Mudaraba Sukuk Certificate	13.2.1	65,244,186	-
Dubai Islamic Bank Pakistan Ltd - Additional Tier 1 Capital Sukuk	13.2.2	51,398,350	-
		<u>116,642,536</u>	<u>-</u>

Description	Investment Date	Number of Units	Amount in Rupees	Monthly Profit	Investment Agent	Maturity Date	Fair Value in Rupees
13.2.1 Meezan Bank Limited - Additional Tier 1 Capital	19-May-21	63	63,000,000	3 months KIBOR + 1.75% per annum	Al Baraka Bank Limited	01-Aug-28	65,244,186
13.2.2 Dubai Islamic Bank Limited - Additional Tier 1 Capital	19-May-21	10000	50,000,000	3 months KIBOR + 1.75% per annum	Central Depository Company Limited	04-Jan-29	51,398,350
			113,000,000				116,642,536

The fair value of the investment has been determined using rate notified by the Mutual Funds Association of Pakistan. Management is not intended to hold the investments till their respective maturities. The surplus funds were deployed to earn better return on short term investment, which shall be liquidated as per the financial need of the Modaraba.

13.3 Quoted securities

Following is the detail of shares of listed entities - held by the Modaraba at the reporting date:

2021 Number of Shares / Units	2020 Number of Shares / Units	Name of Investee Company / Fund	Note	2021 Rupees	2020 Rupees
525	525	Nishat Mills Limited*		48,983	40,955
54,367	54,367	The Hub Power Company Limited		4,331,419	3,941,608
1,495	1,495	Sui Northern Gas Pipeline Limited*		72,627	81,627
-	7,500	International Steel Limited		-	387,375
348	348	Hussain Industries Limited*	13.3.1	-	-
1,670,720	1,670,720	Prudential Stock Fund	13.3.1	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	13.3.1	-	-
<u>2,087,455</u>	<u>2,094,955</u>			<u>4,453,029</u>	<u>4,451,565</u>

13.3.1 These investee Companies and Fund are suspended or delisted in prior years, and have been provided in full.

* These shares are not in the name of the Modaraba: Nishat Mills Limited 25 (2020: 25) shares (Second Prudential Modaraba), Sui Northern Gas Pipeline Limited 254 (2020: 254) shares and Hussain Industries Limited 348 (2020: 348) shares (Third Prudential Modaraba).

13.3.2 Net unrealized gain / (loss) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net

Note	2021 Rupees	2020 Rupees
Weighted average cost of investments	4,064,190	4,732,118
Unrealized gain / (loss) on changes in fair value	388,839	(280,553)
Market value of investments	<u>4,453,029</u>	<u>4,451,565</u>

	Note	2021 Rupees	2020 Rupees
14 MODARABA TERM DEPOSIT	14.1	<u>84,000,000</u>	<u>-</u>

14.1 First Prudential Modaraba (Rabb-ul-Maal) invested in the General Pool created by a Related Party (Mudarib or Investment Manager) in accordance with the principles of Shariah. As per terms of the agreement, the term deposit shall be rolled over on monthly basis and the Related Party shall pay profit to the Modaraba on each maturity as per profit sharing ratio between Modaraba and the Related Party. The details of investments are as under:

Investment			Profit Sharing Ratio		Profit Rate (per anum)	
Date	Amount	Maturity	Rabb-ul -Maal	Mudarib	Rabb-ul -Maal	Mudarib
May 07, 2021	84,000,000	Monthly Rollover till May 07, 2022	77.34%	22.66%	7.10%	2.08%

15 IJARAH RENTAL RECEIVABLE

Considered good	156,923	58,331
Considered doubtful	49,083,826	49,083,826
	49,240,749	49,142,157
Less: provision for doubtful receivables	(49,083,826)	(49,083,826)
	<u>156,923</u>	<u>58,331</u>

15.1 Future minimum ijarah rentals receivable

Within one year	1,108,284	4,691,164
After one year but not more than five years	982,772	579,730
	<u>2,091,056</u>	<u>5,270,894</u>

16 RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE - SECURED

Considered doubtful	16.1	27,811,518	27,811,518
Less: Provision for doubtful receivables		(27,811,518)	(27,811,518)
		<u>-</u>	<u>-</u>

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

	KASBM	FPrM	Total
	Rupees		
Initial investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of agriculture produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of agriculture produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: Converted to Ijarah financing	(19,311,320)	(40,000,000)	(59,311,320)
Less: Consultancy charges	(194,950)	(305,050)	(500,000)
	<u>18,200,140</u>	<u>27,811,518</u>	<u>46,011,658</u>
Provision for doubtful receivable against sale of agriculture produce	16.2	(18,200,140)	(27,811,518)
	<u>-</u>	<u>-</u>	<u>-</u>

16.2 Movement of provision	Note	2021 Rupees	2020 Rupees
Opening balance		27,811,518	16,119,387
Provision made during the year		-	11,692,131
		<u>27,811,518</u>	<u>27,811,518</u>

17 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Note	Considered good		Considered doubtful		Total	
	2021	2020	2021	2020	2021	2020
	Rupees					
Advance						
Income tax	17.1	9,754,787	6,642,188	-	9,754,787	6,642,188
To staff- Secured	17.2 & 17.2.1	58,625	175,002	1,814,000	1,872,625	1,989,002
Against purchase of assets		2,000,000	11,201,500	-	2,000,000	11,201,500
Prepayments		455,306	495,729	-	455,306	495,729
Other receivables from						
Brokers on account						
- of sale of shares	17.3	-	-	65,619,559	65,619,559	65,619,559
- of advance for shares	17.4	-	-	18,432,273	18,432,273	18,432,273
A bank	17.5	-	-	10,241,347	10,241,347	10,241,347
Return on deposits with banks		661,799	1,153,265	-	661,799	1,153,265
Return on investment in Sukuk / TDR		1,278,291	-	-	1,278,291	-
Others		1,644,119	192,724	13,466,235	13,466,235	15,110,354
Sub total		<u>15,852,927</u>	<u>19,860,408</u>	<u>109,573,414</u>	<u>109,573,414</u>	<u>129,433,822</u>
Provision for doubtful receivables		-	-	(109,573,414)	(109,573,414)	(109,573,414)
		<u>15,852,927</u>	<u>19,860,408</u>	<u>-</u>	<u>15,852,927</u>	<u>19,860,408</u>

17.1 This includes an amount of Rs. 1.674 million forcefully withdrawn from bank by the Taxation Authorities on March 14, 2016 against which the Modaraba has filed an application for refund due to the fact that the amount was wrongly withdrawn on the ground that original return filed for the year 2009 was erroneous. The withdrawal was based on the original return filed whereas the revised return filed and order passed by the Additional Commissioner of Inland Revenue in favor of the Modaraba has been ignored. The management is confident that the amount will be recovered from the tax authority.

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

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

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

17.4 This amount includes Rs. 17.889 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.

Name of companies	No. of Shares
Al-Ghazi Tractors Limited	500
Javed Omer Vohra & Company Limited	1,000
Pakistan Petroleum Limited	2,100

Operations of PSL have been ceased by PSX and the Modaraba has filed a claim with the PSX for the whole amount. However on confirmed existence of event of default, the provision was made accordingly.

17.5 This represents an unauthorised amount debited to Modaraba's account by a scheduled commercial bank on behalf of a party considered to be a group Company. The Modaraba filed a suit for recovery under the Financial Institutions (Recovery of Finances) Ordinance, XLVI of 2001 which was decreed against the Modaraba only due to the reason that it was time-barred. Management of the Modaraba 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.

18 ASSET ACQUIRED IN SATISFACTION OF FINANCING FACILITY

	Note	2021 Rupees	2020 Rupees
Vehicle repossessed	18.1	-	2,375,000
		-	2,375,000

18.1 During 2020, the Modaraba acquired possession of a vehicle (market value: Rs. 2,375,000) from the guarantor against the settlement of Diminishing Musharika facility extended to a client who was in default. During the year, the vehicle is sold in the open market for Rs.2,500,000 resulting in gain of Rs.125,000.

19 CASH AND BANK BALANCES

		2021	2020
Cash in hand		10,000	10,000
Balances with banks			
Current accounts		13,502,199	13,449,457
Saving accounts	19.1	148,675,633	234,720,154
		162,177,832	248,169,611
		162,187,832	248,179,611

19.1 The balance in saving accounts carry profit at an average rates ranging from 2% to 6.43% per annum (2020: 2% to 11.5% per annum).

20 CERTIFICATE OF CAPITAL

2021	2020		2021	2020
No. of certificates			Rupees	
87,217,660	87,217,660	Authorised		
		Modaraba certificates of Rs.10 each	872,176,600	872,176,600
		Issued, subscribed and paid-up		
13,451,650	13,451,650	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
87,217,660	87,217,660		872,176,600	872,176,600

As at June 30, 2021, Pak Brunei Investment Company Limited, holding company of the management company, held 8,721,766 (2020: "nil") certificates of Rs. 10/- each.

	Note	2021 Rupees	2020 Rupees
21 UNREALISED GAIN / (LOSS) ON REMEASUREMENT OF INVESTMENTS CLASSIFIED AS 'FVTOCI'			
Market value of investments	10.1.2 & 13.2	136,250,766	10,347,133
Less: cost of investments	10.1.2 & 13.2	(125,764,715)	(12,764,715)
		<u>10,486,051</u>	<u>(2,417,582)</u>
Unrealised gain / (loss) on remeasurement at the beginning of the year		(2,417,582)	(2,417,582)
Gain on remeasurement during the year		12,903,633	-
Unrealised gain / (loss) on remeasurement at the end of the year		<u>10,486,051</u>	<u>(2,417,582)</u>
22 IJARAH DEPOSITS			
Ijarah deposits		8,862,081	13,856,984
Less: Current portion ijarah deposit		(8,542,081)	(13,536,984)
		<u>320,000</u>	<u>320,000</u>

	Note	2021 Rupees	2020 Rupees
23 MUSHARAKA FINANCE	23.1	<u>50,000,000</u>	<u>-</u>

23.1 The Pak Brunei Investment Company Limited (PBICL) extended callable / convertible financing line of Rs.250 million to the Modaraba under Musharaka arrangement. As per the Agreement the first tranche of Rs.50 million is disbursed on January 28, 2021.

The return on finance shall be payable after finalization of annual financial statements of the Modaraba by way of allocation of net profit before tax and management fee, in the ratio of PBICL investment to total Musharaka Capital (i.e., the sum of PBICL finance and Modaraba equity as on September 30, 2020).

The facility is secured by way of hypothecation charge on all movable assets and receivables and mortgage of immovable property of the Modaraba.

24	ACCRUED AND OTHER LIABILITIES		
	Note	2021 Rupees	2020 Rupees
Accrued expenses		1,624,055	709,250
Modaraba Company's Management fee	31	1,059,517	-
Share in common expenses		3,462,042	1,170,594
Takaful		5,517,869	5,838,309
Workers' welfare fund	24.1	1,528,750	1,341,225
Charity payable	24.2	1,872,291	1,217,576
Others		1,743,405	2,350,995
		<u>16,807,929</u>	<u>12,627,949</u>

24.1 The Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 (the SWWF Act) on June 4, 2015. As per the said SWWF Act the applicability of Sindh Worker's Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014. During the year an amount of Rs. 187,525 (2020: none) have been provided.

24.2 This includes amounts relating to charity accrued on various non-Shariah compliant avenues. The management utilizes 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.

	Note	2021 Rupees	2020 Rupees
Charity payable			
Opening balance		1,217,576	196,751
Add: Amount credited during the year		1,026,953	1,116,825
		<u>2,244,529</u>	<u>1,313,576</u>
Less: Paid during the year		(390,000)	(96,000)
Closing balance		<u>1,854,529</u>	<u>1,217,576</u>

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 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 filed an appeals and hence, no provision has been made in these financial statements in this regard as the management is confident that outcome of the appeals will be decided in favour of the Modaraba.

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

25.2 Commitment

There was no commitment as at the reporting date.

	Note	Rupees	Rupees
26 IJARAH RENTALS EARNED		<u>4,850,024</u>	<u>21,821,297</u>
27 OTHER INCOME			
Gain on disposal of property and equipment - Ijarah		-	351,419
Gain on disposal of property and equipment - Own		15,500	-
Gain on disposal of asset acquired in satisfaction of financing facility		125,000	-
Front end fee, documentation charges and others		<u>956,033</u>	<u>3,883,505</u>
		<u>1,096,533</u>	<u>4,234,924</u>
28 REVERSAL AGAINST DOUBTFUL RECEIVABLES-NET			
Musharaka and morabaha finance	12.2.1	<u>3,638,968</u>	<u>-</u>

29 ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits	29.1	12,498,754	13,929,403
Transaction cost		1,102	-
Fees and subscription		1,778,074	1,946,154
Repairs and maintenance		1,861,339	2,035,155
Rent, rates and taxes		2,823,328	2,319,137
Registrar services		284,760	271,200
Telephone and postage		558,709	571,478
Travelling and conveyance		117,790	381,132
Depreciation-own use assets	5	698,314	706,292
Amortization - Intangible assets		20,555	-
Auditors' remuneration	29.2	492,498	561,200
Electricity, water and gas		475,335	517,142
Printing and stationery		238,940	173,361
Vehicles running		54,214	52,228
Legal and professional		1,335,010	1,677,300
Entertainment		152,917	208,133
Advertisement		121,613	76,750
Takaful		746,841	569,868
Reimbursement of common expenses		3,216,858	5,865,591
Shared services expenses		2,815,843	-
Miscellaneous		68,859	31,200
		<u>30,361,653</u>	<u>31,892,724</u>

	2021			2020		
	Officers	Other employees	Total	Officers	Other employees	Total
	Rupees			Rupees		
Remuneration	7,741,109	2,757,053	10,498,162	9,206,783	3,004,993	12,211,776
Provident fund	294,324	175,684	470,008	472,824	190,896	663,720
Medical	471,394	196,932	668,326	657,627	212,144	869,771
Fuel	-	-	-	-	-	-
Others	567,703	294,555	862,258	58,080	126,056	184,136
	<u>9,074,530</u>	<u>3,424,224</u>	<u>12,498,754</u>	<u>10,395,314</u>	<u>3,534,089</u>	<u>13,929,403</u>
No. of persons	<u>3</u>	<u>8</u>		<u>3</u>	<u>8</u>	

	Note	2021 Rupees	2020 Rupees
29.2 Auditor's Remuneration			
Statutory audit		350,000	350,000
Half year review		38,400	38,400
Review of code of corporate governance		20,000	20,000
CDC certification		-	56,000
Out of pocket expenses		84,098	96,800
		<u>492,498</u>	<u>561,200</u>

30 FINANCIAL CHARGES

Bank charges		73,347	120,431
Return on musharaka finance		674,861	-
		<u>748,208</u>	<u>120,431</u>

31 MANAGEMENT COMPANY'S REMUNERATION

Management company's remuneration	31.1	937,626	-
		<u>937,626</u>	<u>-</u>

31.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba.

32 PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax (SST) on the Modaraba Management Company's remuneration with effect from 01 November 2011. However, certain modaraba management companies have approached the Honourable Sindh High Court (the Court) and Appellate Tribunal of SRB, challenging the levy of SST on management company's remuneration. The Modaraba Management Company has not received any demand notice from SRB for payment of SST on Management Company's remuneration and accordingly, based on legal advisor's opinion obtained by one of the Modaraba under common management, can neither file any petition challenging the levy of SST on Management Company's remuneration nor can join the proceedings of pending petition in the Court. As a matter of abundant caution the management is accruing SST on Management Company's remuneration and will discharge the liability on direction of the Court based on outcome of the petition filed by other Modaraba Management Companies.

	2021 Rupees	2020 Rupees
33 PROVISION FOR TAXATION		
Current	-	(1,858,981)
Prior	-	162,142
	<u>-</u>	<u>(1,696,839)</u>

Due to non-distribution of profit to the certificate holders during year 2020, the available tax exemption was ceased to exist, therefore, provision for taxation was made accordingly.

The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 has been withdrawn through an Tax Laws (Second amendment), 2021 dated March 21, 2021 which is subsequently adopted in Finance Act, 2021. But a new section 242 has been added in the Income Tax Ordinance, 2001 through Finance Act, 2021 by virtue of which, the Modaraba may avail the exemption till June 30, 2021 subject to the fulfillment of condition that not less than 90 percent of its total profits, as reduced by the amount transferred to the mandatory reserve, as required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, are distributed amongst the certificate holders. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ended June 30, 2021. Accordingly, no provision in respect of current and deferred taxation has been made in these financial statements.

	2021 Rupees	2020 Rupees
34 EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED		
Basic		
Profit / (Loss) for the year	9,376,264	(5,402,122)
Weighted average number of ordinary certificates	87,217,660	87,217,660
Earnings / (Loss) per certificate	0.11	(0.06)

Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at reporting date which would have any effect on the earnings per certificate if the option to convert is exercised.

35 CAPITAL MANAGEMENT

The Modaraba’s prime objective when managing capital is to safeguard the Modaraba’s ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders’ and benefits of other stake holders and to maintain a strong capital base to support the sustained development of its businesses.

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 reporting date Modaraba has musharaka finance facility and has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further, the Modaraba has very positive current ratio of 3.983:1 (2020: 5.859:1).

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. The Modaraba is not subject to externally exposed capital requirement.

36 FINANCIAL RISK MANAGEMENT

The Modaraba’s activities expose it to a variety of financial risks liquidity risk, credit risk and market risk (including currency risk, profit rate risk and other price risk). The Board 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 Musharaka finance and other liabilities. The Modaraba's principal financial assets comprise of ijarah rentals receivable, musharaka, morabaha and other finance and cash and bank balances that arrive directly from its operations. The Modaraba also holds investments classified as fair value through profit or loss, fair value through other comprehensive income and at amortised cost.

36.1 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. The Modaraba holds total current assets of Rs. 429.637 million against its current liabilities of Rs. 107.869 million which lead to total surplus of Rs. 321.768 million.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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 & up to one year	More than one year
	Rupees			
Musharaka Finance	50,000,000	-	50,000,000	-
Other liabilities	16,807,929	16,807,929	-	-
	<u>66,807,929</u>	<u>16,807,929</u>	<u>50,000,000</u>	<u>-</u>
Other liabilities	12,627,949	12,627,959	-	-
	<u>12,627,959</u>	<u>12,627,959</u>	<u>-</u>	<u>-</u>

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

36.2 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 musharaka finance, diminishing musharaka, ijarah rental receivables, investment in sukuks and modaraba term deposit), deposits with bank and financial institutions and other receivables.

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.

The Modaraba follows two sets of guidelines. It has its own operating policy and the Board of the Management Company also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2021 and June 30, 2020 is the carrying amounts of following financial assets.

	2021	2020
	Rupees	Rupees
Balances with banks	162,177,832	248,169,611
Investment in sukuk	116,642,536	-
Modraba term deposit	84,000,000	-
Musharaka, morabaha and other finance	-	-
Diminishing musharaka	74,198,132	112,068,943
Ijarah rentals receivable	156,923	58,331
Advances and other receivables	3,642,834	1,520,991
	<u>440,818,257</u>	<u>361,817,876</u>

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

Bank name	Short Term	Long Term	2021	2020
			Rupees	Rupees
HBL Islamic Banking Limited	A-1+	AAA	68,593,539	245,607,543
Dubai Islamic Bank Pakistan Ltd	A-1+	AA	90,063,469	
Sindh Bank Limited	A-1	A+	-	10,356
Albaraka Bank (Pakistan) Limited	A-1	A+	11,562	11,280
Summit Bank Limited	-	-	3,496,890	2,523,198

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 or collateral available to the Modaraba. Management of the Modaraba has determined that expected credit loss under Modaraba Regulation is higher than expected credit loss determined under IFRS 9.

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

	As at June 30, 2021				Total
	OAEM	Substandard	Doubtful	Loss	
	----- Rupees -----				
Ijarah rental receivable	-	-	-	49,083,826	49,083,826
Musharaka, morabaha and other finance	-	-	-	359,594,007	359,594,007
Receivable against sale of agriculture produce	-	-	-	27,811,518	27,811,518
	As at June 30, 2020				Total
	OAEM	Substandard	Doubtful	Loss	
	----- Rupees -----				
Ijarah rental receivable	-	-	-	49,083,826	49,083,826
Musharaka, morabaha and other finance	-	-	-	363,232,975	363,232,975
Receivable against sale of agriculture produce	-	-	-	27,811,518	27,811,518

Total impairment against these assets as at June 30, 2021 is Rs. 436.49 million (2020: Rs. 440.13 million).

36.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and other prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

36.3.1 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. 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:

	2021 Rupees	2020 Rupees
In listed securities carried at fair value through profit or loss	4,453,029	4,451,565
In unlisted security carried at fair value through other	136,250,766	10,347,133
	<u>140,703,795</u>	<u>14,798,698</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 and equity	
	2021 Rupees	2020 Rupees
Increase in market value - 5%	222,651	222,578
Decrease in market value - 5%	(222,651)	(222,578)

36.3.2 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 musharakah and musharakah and morabahah finance. At the reporting date the profit rate risk profile of the Modaraba's profit bearing financial instruments is:

	June 30, 2021							
	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
Cash and bank balances	2.00% - 6.43%	162,177,831	148,675,632	-	-	-	-	13,502,199
Investments	9.3% - 9.6%	121,095,565	-	-	116,642,536	-	-	4,453,029
Modaraba term deposit	7.10%	84,000,000	-	-	84,000,000	-	-	-
Musharakah, morabahah and other finance	11.85% - 19.0%	74,198,132	3,582,451	5,888,300	24,652,552	39,893,900	-	180,929
Diminishing musharakah		156,923	-	-	-	-	-	156,923
Ijarah rentals receivable		5,642,834	-	-	-	-	-	5,642,834
Advances and other receivables		447,271,285	152,258,083	5,888,300	225,295,088	39,893,900	-	23,955,914
Total financial assets as at June 30, 2021		50,000,000	-	-	50,000,000	-	-	-
Musharakah finance		15,279,179	-	-	-	-	-	15,279,179
Accrued and other liabilities		66,279,179	-	-	50,000,000	-	-	15,279,179
Total financial liabilities as at June 30, 2021		152,258,083	5,888,300	175,295,088	39,893,900	-	-	-
Total yield / profit risk sensitivity gap		158,146,383	158,146,383	333,441,471	373,335,371	373,335,371	-	-
Cumulative yield / profit risk sensitivity gap		-	-	-	-	-	-	-

	June 30, 2020							Not exposed to yield / profit risk
	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	
Cash and bank balances	2.00% - 11.50%	248,169,611	234,720,154	-	-	-	-	13,449,457
Investments		4,451,565	-	-	-	-	-	4,451,565
Musharaka, morabaha and other finance		-	-	-	-	-	-	-
Diminishing musharaka	10.06% - 19.0 %	112,068,943	5,123,189	9,513,033	49,585,269	46,416,465	-	1,430,987
Jarah rentals receivable		58,331	-	-	-	-	-	58,331
Advances and other receivables		12,722,491	-	-	-	-	-	12,722,491
Total financial assets as at June 30, 2020		377,470,941	239,843,343	9,513,033	49,585,269	46,416,465	-	32,112,831
Accrued and other liabilities		11,286,724	-	-	-	-	-	11,286,724
Total financial liabilities as at June 30, 2020		11,286,724	-	-	-	-	-	11,286,724
Total yield / profit risk sensitivity gap			239,843,343	9,513,033	49,585,269	46,416,465	-	
Cumulative yield / profit risk sensitivity gap			239,843,343	249,356,376	298,941,645	345,358,110	345,358,110	

Sensitivity analysis for financial instruments

The sensitivity of the profit for the year is the effect of the assumed changes in profit rates on the floating rate financial instruments held at the reporting date. The following table demonstrates the sensitivity of the Modaraba's profit for the year to a reasonably possible change in profit rates, with all other variables held constant.

Changes in basis point	Impact on profit or loss	
	2021	2020
+100	Rupees	Rupees
	3,733,354	3,453,581
-100	(3,733,354)	(3,453,581)

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Modaraba determine fair values using valuation techniques unless the fair value cannot be reliably measured.

For assets that are recognised in the financial statements at fair value on a recurring basis, the Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The table below shows the carrying amounts and fair values of a financial asset and financial liability including their fair value hierarchy for financial instruments measured at fair value. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

	Carrying Amount			Total
	As at June 30, 2021			
	Fair value through other comprehensive income	Fair value through profit or loss	Amortized cost	
Rupees in '000				
Financial assets				
Cash and bank balances	-	-	162,187,832	162,187,832
Investments	116,642,536	4,453,029	-	121,095,565
Modaraba term deposit	-	-	84,000,000	84,000,000
Diminishing Musharika Finance	-	-	74,198,132	74,198,132
Ijarah rentals receivable	-	-	156,923	156,923
Advances, prepayments and other receivables	-	-	3,642,834	3,642,834
Long term investments	19,608,230	-	-	19,608,230
Long term advances and deposits	-	-	227,500	227,500
	<u>136,250,766</u>	<u>4,453,029</u>	<u>324,413,221</u>	<u>465,117,016</u>
Financial liabilities				
Musharaka finance	-	-	50,000,000	50,000,000
Ijarah deposits	-	-	8,862,081	8,862,081
Accrued and other liabilities	-	-	10,723,316	10,723,316
	<u>-</u>	<u>-</u>	<u>69,585,397</u>	<u>69,585,397</u>
	Level 1	Level 2	Level 3	Total
Investment classified as 'fair value through profit or loss'				
Quoted securities	4,453,029	-	-	4,453,029
Investment classified as 'fair value through other comprehensive income'				
Unlisted companies	-	-	19,608,230	19,608,230
Investment in Sukuk certificates	-	116,642,536	-	116,642,536

	Carrying Amount			Total
	As at June 30, 2020			
	Fair value through other comprehensive	Fair value through profit or loss	Amortized cost	
Rupees in '000				
Financial assets				
Cash and bank balances	-	-	248,179,611	248,179,611
Investments	-	4,451,565	-	4,451,565
Diminishing Musharika Finance	-	-	112,068,943	112,068,943
Ijarah rentals receivable	-	-	58,331	58,331
Advances, prepayments and other receivables	-	-	19,860,408	19,860,408
Long term investments	10,347,133	-	-	10,347,133
Long term advances and deposits	-	-	247,676	247,676
	<u>10,347,133</u>	<u>4,451,565</u>	<u>380,414,969</u>	<u>477,327,109</u>
Financial liabilities				
Ijarah deposits	-	-	13,856,984	13,856,984
Accrued and other liabilities	-	-	9,359,898	9,359,898
	<u>-</u>	<u>-</u>	<u>23,216,882</u>	<u>23,216,882</u>
	Level 1	Level 2	Level 3	Total
Investment classified as 'fair value through profit or loss'				
Quoted securities	4,451,565	-	-	4,451,565
Investment classified as 'fair value through other comprehensive income'				
Unlisted companies	-	-	10,347,133	10,347,133

38 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2021			
	Amount in Rupees			
	At Amortised Cost	FVTPL	FVTOCI	Other liabilities
FINANCIAL ASSETS				
Cash and bank balances	162,187,832	-	-	-
Investments	84,000,000	4,453,029	116,642,536	-
Ijarah rental receivable	156,923	-	-	-
Musharaka, morabaha and other finance	-	-	-	-
Diminishing musharakah	74,198,132	-	-	-
Receivable against sale of agriculture produce	-	-	-	-
Advances, deposits and other receivables	3,642,834	-	-	-
Long term investments	-	-	19,608,230	-
Long term advances	-	-	-	-
Long term deposits	227,500	-	-	-
Total Financial Assets	<u>324,413,221</u>	<u>4,453,029</u>	<u>136,250,766</u>	<u>-</u>
FINANCIAL LIABILITIES				
Musharaka finance	50,000,000	-	-	-
Accrued and other liabilities	10,723,316	-	-	6,084,613
Total Financial Liabilities	<u>60,723,316</u>	<u>-</u>	<u>-</u>	<u>6,084,613</u>

	As at June 30, 2020			
	Amount in Rupees			
	At Amortised Cost	FVTPL	FVTOCI	Other liabilities
FINANCIAL ASSETS				
Cash and bank balances	248,179,611	-	-	-
Investments	-	4,451,565	-	-
Ijarah rental receivable	58,331	-	-	-
Musharaka, morabaha and other finance	-	-	-	-
Diminishing musharakah	112,068,943	-	-	-
Receivable against sale of agriculture produce	-	-	-	-
Advances, deposits, prepayments and other receivables	1,520,991	-	-	-
Long term investments	-	-	10,347,133	-
Long term advances	12,176	-	-	-
Long term deposits	235,500	-	-	-
Total Financial Assets	<u>362,075,552</u>	<u>4,451,565</u>	<u>10,347,133</u>	<u>-</u>
FINANCIAL LIABILITIES				
Accrued & other liabilities	9,359,898	-	-	3,268,051
Total Financial Liabilities	<u>9,359,898</u>	<u>-</u>	<u>-</u>	<u>3,268,051</u>

39 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, other associated companies, staff retirement funds, Directors and Key Management Personnel. Transactions with related parties are carried out at agreed rates.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Modaraba. The Modaraba considers its Chief Financial Officer and business heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement. Details of certificate holding of Holding Company, Management Company, Directors, Key Management Personnel and their family members are disclosed in pattern of certificate holding included in the annual report of the Modaraba.

First Prudential Modaraba

Amounts outstanding as at period/ year end	2021 Rupees	2020 Rupees
Name of the company / individual		
Balances with related parties		
Pak Brunei Investment Company Limited	84,000,000	-
	392,153	-
	(50,000,000)	-
	(674,861)	-
	(483,872)	-
	(1,059,517)	-
	(842,247)	-
	(586,270)	-
	(1,547,652)	(1,170,594)
	69,347	109,820
Expenses/(income) during the period		
First Prudential Modaraba - Provident Fund Trust		
Pak Brunei Investment Company Limited		
	470,008	663,720
	(898,685)	-
	674,861	-
	2,815,843	-
	1,059,517	-
	842,247	-
	1,157,065	-
	2,359,136	6,295,293
	(281,100)	(429,702)
	606,151	557,249
Payments/(receipts) made during the period		
First Prudential Modaraba - Provident Fund Trust		
Pak Brunei Investment Company Limited		
	470,008	663,720
	84,000,000	-
	(506,532)	-
	(50,000,000)	-
	2,329,971	-
	570,795	-
	1,982,078	7,082,179
	(321,573)	(427,183)
	606,151	557,249

First Prudential Modaraba

40 NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2021 are 5 (2020 : 11) and the average number of employees during the year equates to 10 (2020:11)

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in these financial statements.

42 IMPACTS OF COVID-19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had no major effect on the Modaraba's results of operations and financial position as of June 30, 2021. The Modaraba is continuously evaluating the impacts of COVID-19, which has had global implications. In response to these developments, the Modaraba has taken action to ensure the safety of its employees and other stakeholders, and has taken up a number of initiatives.

43 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors have proposed dividend for the year ended June 30, 2021 of Re.0.08 per certificate (2020: Re. "nil"), amounting to Rs. 6,917,413/- (2020: Rs."nil") at their meeting held on August 27, 2021. The financial statements for the year ended June 30, 2021 do not include the effect of the above which will be accounted for in the period in which it is declared.

44 DATE OF AUTHORISATION

These financial statements were authorised for issue on August 27, 2021 by the Board of Directors of the Management Company.

**For Awwal Modaraba Management Limited
(Management Company)**


Chief Financial Officer


Chief Executive Officer


Director


Director

Pattern of Certificates Holding
As At 30 June, 2021

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
3384	1	100	168,057
2599	101	500	624,168
2095	501	1,000	1,757,216
1869	1,001	5,000	4,158,669
342	5,001	10,000	2,641,891
130	10,001	15,000	1,609,859
90	15,001	20,000	1,621,198
50	20,001	25,000	1,155,000
26	25,001	30,000	740,901
28	30,001	35,000	918,697
14	35,001	40,000	529,954
9	40,001	45,000	386,255
17	45,001	50,000	842,274
41	50,001	75,000	2,454,620
36	75,001	80,000	3,222,877
41	100,001	300,000	6,631,414
4	300,001	350,000	1,302,251
2	350,001	400,000	778,500
3	400,001	500,000	1,475,432
3	500,001	700,000	1,809,065
1	700,001	800,000	720,000
2	800,001	900,000	1,621,500
1	900,001	1,000,000	975,000
1	1,000,001	1,300,000	1,293,000
1	1,300,001	1,400,000	1,387,000
1	1,400,001	1,500,000	1,500,000
1	1,800,001	1,900,000	1,805,000
1	1,900,001	2,000,000	1,929,159
1	2,000,001	2,500,000	2,275,232
1	4,000,001	4,300,000	4,220,500
1	4,300,001	4,500,001	4,320,000
1	8,500,001	9,000,000	8,721,766
1	10,500,001	11,000,000	10,521,205
1	11,000,001	11,100,000	11,100,000
10,798			87,217,660

Pattern of Certificates Holding
As At 30 June, 2021

S/No	Categories of Certificate Holders	Number of Certificates Held	Category Wise Certificates Held	%
1	INDIVIDUALS	10,718	61,918,121	70.99%
2	INVESTMENT COMPANIES	11	334,661	0.38%
3	INSURANCE COMPANIES	2	4,204,391	4.82%
4	JOINT STOCK COMPANIES	45	11,938,076	13.69%
5	FINANCIAL INSTITUTIONS	9	75,609	0.09%
7	MODARABA COMPANIES	12	25,036	0.03%
8	ASSOCIATED COMPANIES :			0.00%
	Pak Brunei Investment Company Limited	1	8,721,766	10.00%
	TOTAL	10,798	87,217,660	100.00%

Certificate Holding 5 % & above :

	Name of Certificate Holders	Number of Certificates Held	%
1	Ms. Pashtoon	12,126,500	13.90
2	Prudential Capital Management	10,521,205	12.06
3	Pak Brunei Investment Company Limited	8,721,766	10.00

First Prudential Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review meeting of the Modaraba's Certificate Holders of First Prudential Modaraba will be held on Thursday, 14th October, 2021 at 11:30 am, through (Zoom Application) to review the performance of the Modaraba for the year ended 30 June 2021.

On behalf of the Board

Misbah Asjad
Company Secretary

Karachi, 22 September, 2021

Notes:

1. Participation of Certificate holders through electronic means:

In view of prevailing situation due to the pandemic of COVID-19 and pursuant to the guidelines issued by the Securities and Exchange Commission of Pakistan, the Annual Review Meeting of Certificate holders of Modaraba will be held through zoom application only to ensure safety and well-being of Certificate holders.

Certificate holders interested in attending the Annual Review Meeting are requested to get themselves registered by providing the following information through our e-mail : arm2021.pmi@awwal.com.pk at earliest but not later than 48 hours before the time of meeting:-

Name of Certificate holders	CNIC	Folio/CDC Account No	E Mail Address	Cell No
-----------------------------	------	----------------------	----------------	---------

The Zoom login credentials will be shared with only those certificate holders whose emails, containing all the required particulars.

2. The certificate transfer books shall remain closed from Thursday 30 September, 2021 to Thursday 14 October 2021 (both days inclusive). Transfers received in order at the office of the Share Registrar of First Prudential Modaraba i.e. M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi, before the close of business hours on Wednesday, 29 September, 2021 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
3. The Certificate holders are advised to notify change in their address, if any, to M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi, Phone : 021-35687839
4. The Annual Report for the year ended 30 June 2021 will also be placed on Modaraba's website simultaneously with the dispatch of the same through CD to the certificate holders. Certificate holders who wishes to receive Annual Report of Modaraba by E-mail or printed copy at their registered address are advised to send Request form available on the web of Modaraba.
5. Dividend income is liable to deduction of withholding tax under Section 150, of the Income Tax Ordinance, 2001 withholding of tax on dividend based on 'Active' and 'Non-Active' status of certificate holders shall be @ 25% and 50% respectively where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (<http://www.fbr.gov.pk/>) and 'Non-Active' means a person whose name is not being appeared on the Active Taxpayers list.

- i. In case a Folio/CDS Account is jointly held, each joint-holder is to be treated separately as Active or Non-Active, In terms of the said clarification, tax of each joint-holder has been deducted on the gross dividend amount determined by bifurcating the certificate holding of each joint-holder on equal proportions, except where certificate holding proportion of joint-holder(s) is pre-defined as per the records of our Share Registrar and thus tax rates are applied in line with respective proportions, Those certificate holders who are holding Folio/CDS jointly: are requested to notify (in writing) any change in their certificate holding proportions to our Share Registrar (in case of physical certificate holding) or their Participants/CDC Investor Account Services so that their revised certificate holding proportions are considered by the Modaraba in all prospective dividend payouts, if any,

7. Certificate holders seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be to the Share Registrar of Modaraba.

1. Payment of Dividend through electronic mode (mandatory)

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. Therefore, all the certificate holders of Modaraba are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on the website of Modaraba. Certificate holders maintaining holding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant / CDC Investor Account Service. In the absence of bank account details or in case of incomplete details, Modaraba will be constrained to withhold the payment of cash dividend of those certificate holders who have not provided the same. For more information, contact our Registrar, M/s C.K .Management (Private) Limited.

1. Unclaimed Dividends and physical Modaraba Certificates

Certificate holders, who by any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi, Phone : 021-35687839 to enquire about their unclaimed dividend or pending Modaraba certificates.















0. Conversion of Physical Modaraba Certificates into Book-Entry Form:

As per requirement of Companies Act, 2017, all listed companies are required to replace the Certificates held in physical form with the Certificates to be issued in Book-Entry, all Certificate holders holding Certificates in physical form are requested to convert their shares in Book-Entry Form in order to comply with the provisions of the Companies Act, 2017. Certificate holders may contact the Modaraba's Share Registrar to understand the process of conversion of Certificates held in physical form, into the Book-Entry Form.




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