

FIRST PRUDENTIAL MODARABA

HALF YEARLY REPORT
DECEMBER 31, 2020

MANAGED BY
AWWAL MODARABA MANAGEMENT LIMITED

Vision Statement

To contribute towards the development of Islamic Financial Products which are commensurate with modern commercial concepts

Mission Statement

Our mission is to create and maintain a progressive position in the Modaraba sector in Pakistan and endeavor to promote interest-free economy in the country. This will be achieved through quality services using innovative Sharia compliant products, financial discipline and good corporate governance with high levels of professional and ethical standards being maintained at all times.

FIRST PRUDENTIAL MODARABA

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Audit Committee

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

Human Resource and Remuneration Committee

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

Company Secretary

Ms. 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

Ahmed & Qazi
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

Lahore Branch Office

Office No. 318 3rd Floor, Lahore Stock
Exchange Building, 19 Khayaban-e-
Awan-e-Iqbal, Lahore,

Phone : 042-36311001-02

Islamabad Branch Office

Basement, 90-91,
Razia Sharif Plaza ,Jinnah Avenue,
Blue Area, F-7, Islamabad.

Phone: 051-2344422-24

Directors' Report

On behalf of the Board of Directors (Board) of Awwal Modaraba Management Limited, the management company of First Prudential Modaraba, we are pleased to present the Directors' Report together with unaudited financial results of First Prudential Modaraba, for the six months period ended 31 Dec 2020.

Economy

The State Bank of Pakistan (SBP) remained positive about economic recovery in its recent Monetary Policy Statement issued on January 22, 2021. The Central Bank has kept the policy rate unchanged at 7% since June 2020, while also hinting that the status quo would be maintained barring any unexpected development.

Economic recovery has strengthened since November 2020 as signalled by growth in large-scale manufacturing; though this growth is still well below its FY19 level indicating spare capacity in the economy. Construction activity has picked up pace driven by strong incentives while service sector is also coming back to life following ease in lockdown and resumption of economic activity. Inflation has been under the estimated levels while exchange rate has also been relatively stable. Although economy still remains vulnerable to possible fallouts from second wave of Covid-19, potential availability of vaccines should be able to contain the pandemic.

Financial Performance

The financing portfolio of the Modaraba is performing satisfactorily with sound recovery performance. The outstanding portfolio size amounted to PKR 113.60 million at December 31, 2020 (June 30, 2020: PKR 112.69 million). During the first half under review, overall revenues have been recorded at PKR 21.93 million compared to PKR 41.13 million in corresponding period last year. There have been no provisions during the period under review as compared to provision of Rs.20.26 million in corresponding period. Total expenses for the period were contained at PKR 14.13 million. The Modaraba posted profit before tax for the period at PKR 5.39 million compared to loss of Rs.12.73 million in the corresponding period. Management follows cautious approach in underwriting new business to preserve the asset quality. Subsequent to December 31, 2020, Pak Brunei Investment Company Limited has injected Rs.50 million through a callable convertible Musharaka facility. Our team continues to build secured financing portfolio which shall support the profitability in second half of the year.

Governance

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

Acknowledgement

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

On behalf of the Board



Karim Hatim
Chief Executive
Date: 23 Feb 2021



Ahmed Ateeq
Director

ڈائریکٹر رپورٹ

چھ ماہ کی مدت کے لئے 31 دسمبر 2020 کو ختم ہوا

اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز (بورڈ) کی جانب سے، فرسٹ پروڈیٹشل مضاربہ کی انتظامیہ کمپنی نے 31 دسمبر 2020 کو ختم ہونے والے چھ ماہ کی مدت کے لئے فرسٹ پروڈیٹشل مضاربہ کے غیر سود مند مالی نتائج کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرنے پر خوشی محسوس کر رہے ہیں۔

معیشت

اسٹیٹ بینک آف پاکستان (SBP) 22 جنوری 2021 کو جاری کردہ حالیہ مالیاتی پالیسی کے بیان میں معاشی بحالی کے بارے میں مثبت رہا۔ سینٹرل بینک نے جون 2020 سے اب تک پالیسی شرح میں 7 فیصد کی شرح کو بدلا ہے، جبکہ یہ بھی اشارہ دیا ہے کہ جمود برقرار رہے گا کسی غیر متوقع ترقی کو چھوڑ کر برقرار رکھا جائے۔ نومبر 2020 کے بعد معاشی بحالی مضبوط ہوئی ہے جو بڑے پیمانے پر مینوفیکچرنگ میں اضافے کا اشارہ ہے حالانکہ یہ نموا بھی بھی مالی سال 19 کے سطح سے بھی کم ہے جس کی نشاندہی معیشت میں فالتو صلاحیت کی ہے۔ تعمیری سرگرمی نے مضبوط مراعات سے کام لیا ہے جبکہ لاک ڈاؤن اور معاشی سرگرمیوں کی بحالی میں آسانی کے بعد سروس سیکٹر بھی زندگی میں واپس آ رہا ہے۔ افراط زر متوقع سطح کے نیچے رہا ہے جبکہ زرمبادلہ کی شرح بھی نسبتاً مستحکم رہی ہے۔ اگرچہ کوویڈ 19 کی دوسری لہر سے معیشت اب بھی ممکنہ خرابی کے خطرے سے دوچار ہے، ویکسینوں کی ممکنہ فراہمی وبائی مرض پر قابو پانے کے قابل ہو رہی ہے۔

مالیاتی کارکردگی

مضاربہ کا اثابہ پورٹ فولیو آواز کی بازیابی کی کارکردگی کے ساتھ اطمینان بخش کارکردگی کا مظاہرہ کر رہا ہے۔ پورٹ فولیو کا بقایا سائز 31 دسمبر 2020 (30 جون، 2020: پاکستانی روپے 112.69 ملین) میں پاکستانی روپے 113.60 ملین تھا۔ زیر جائزہ پہلی سہ ماہی کے دوران، مجموعی طور پر محصولات پاکستانی روپے 21.93 ملین ریکارڈ کی گئیں جبکہ گذشتہ سال کے اسی عرصے میں پاکستانی روپے 41.13 ملین ڈالر تھے۔ جائزہ لینے کے دوران اس مدت میں 20.26 ملین روپے کی فراہمی کے مقابلے میں کوئی دفعات موجود نہیں ہیں۔ اس مدت کے کل اخراجات پاکستانی روپے میں 14.13 ملین تھے۔ مضاربہ نے اس عرصے میں ٹیکس سے پہلے منافع 5.39 ملین ڈالر تک کر دیا جس کے مقابلے میں اسی مدت میں 12.73 ملین روپے کا نقصان ہوا۔ مینجمنٹ اثاثوں کے معیار کو برقرار رکھنے کے لئے نئے کاروبار کو لکھنے میں محتاط انداز اپنائے۔ 31 دسمبر، 2020 کے بعد، پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ نے قابل طلب تبادلہ مشارق سہولت کے ذریعہ 50 ملین روپے ٹیکس لگائے۔ ہماری ٹیم نے مالی اعانت کے لئے محفوظ پورٹ فولیو تیار کرنا جاری رکھا ہے جو سال کے دوسرے نصف حصے میں منافع کی حمایت کرے گی۔

گورننس

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

تسلیمات

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

بورڈ کی جانب سے

احمد شفیق

ڈائریکٹر

کریم حاتم

چیف ایگزیکٹو

تاریخ: 23 فروری 2021

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE CERTIFICATE HOLDERS OF FIRST PRUDENTIAL MODARABA**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **FIRST PRUDENTIAL MODARABA** ("the Modaraba") as at December 31, 2020 and the related condensed Interim profit and loss account and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred as the "condensed interim financial statements"). The Modaraba Management Company (Awwal Modaraba Management Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at and for the half year ended December 31, 2020 is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the quarter ended December 31, 2020 and December 31, 2019 in the condensed Interim profit and loss account and other comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Modaraba for the year ended June 30, 2020 were audited and condensed interim financial statements for the half year ended December 31, 2019 were reviewed by another firm of chartered accountants who through their report dated September 24, 2020, and February 26, 2020 expressed an unmodified opinion and conclusion thereon, respectively.

KARACHI**DATED:****CHARTERED ACCOUNTANTS**
Engagement Partner: Zulfikar Ali Causer

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2020**

	Note	(Unaudited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	263,527,256	248,179,611
Investments	5	5,131,997	4,451,565
Musharika and Murabaha	6	-	-
Current portion of Diminishing Musharika Finance	7	55,396,769	57,937,244
Ijarah rentals receivable	8	116,596	58,331
Receivable against sale of agriculture produce	9	-	-
Advances, prepayments and other receivables	10	10,476,324	19,860,408
Asset acquired in satisfaction of financing facility	11	-	2,375,000
Taxation recoverable		12,039,284	12,039,284
TOTAL CURRENT ASSETS		346,688,226	344,901,443
NON CURRENT ASSETS			
Long term investments	12	19,608,230	10,347,133
Long term portion of Diminishing Musharika Finance	7	58,206,895	54,131,699
Long term advances and deposits		235,500	247,676
Intangible assets	13	-	-
Property and equipment - own use	14	3,668,060	4,017,908
Property, plant and equipment - Ijarah	15	11,235,925	17,493,911
Investment properties	16	46,200,000	46,200,000
TOTAL NON CURRENT ASSETS		139,154,610	132,438,327
TOTAL ASSETS		485,842,836	477,339,770
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of Ijarah deposits		8,359,581	13,536,984
Accrued and other liabilities		11,471,322	12,627,949
Provision for taxation		1,858,981	1,858,981
Unclaimed profit distribution		30,842,228	30,842,228
		52,532,112	58,866,142
NON CURRENT LIABILITIES			
Long term portion of Ijarah deposits		502,500	320,000
TOTAL LIABILITIES		53,034,612	59,186,142
CERTIFICATE HOLDERS' EQUITY			
Certificate capital:			
Authorized certificate capital			
87,217,660 modaraba certificates of rupees 10/- each		872,176,600	872,176,600
Issued, subscribed and paid-up certificate capital			
87,217,660 modaraba certificates of rupees 10/- each		872,176,600	872,176,600
Statutory reserve		152,826,038	151,747,338
Accumulated loss		(599,037,929)	(603,352,728)
		425,964,709	420,571,210
Unrealised gain / (loss) on remeasurement of investment classified as 'fair value through other comprehensive income'		6,843,515	(2,417,582)
TOTAL EQUITY		432,808,224	418,153,628
TOTAL LIABILITIES AND EQUITY		485,842,836	477,339,770
CONTINGENCIES AND COMMITMENTS			

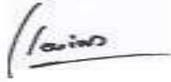
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The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2020

		Half year ended December 31, 2020	Half year ended December 31, 2019	Quarter ended December 31, 2020	Quarter ended December 31, 2019
	Note	Rupees	Rupees	Rupees	Rupees
Income					
Ijarah rentals earned		3,369,487	15,055,848	1,635,615	7,461,417
Income from deposits with banks		6,833,961	6,082,820	3,578,637	4,069,532
Income from Diminishing Musharika Finance		9,125,721	13,901,399	4,497,517	6,358,219
Dividend income		217,468	952,398	217,468	261,394
Rental income from investment properties		1,640,646	1,468,183	871,593	769,053
Other income		742,402	3,666,117	181,400	2,049,391
		<u>21,929,685</u>	<u>41,126,765</u>	<u>10,982,230</u>	<u>20,969,006</u>
Unrealized gain on investments classified as 'fair value through profit or loss		680,432	946,815	143,094	1,398,225
Provision for doubtful receivable against sale of agriculture produce		-	(11,692,131)	-	(11,692,131)
Impairment on ijarah assets		-	(8,570,512)	-	(8,570,512)
		<u>22,610,117</u>	<u>21,810,937</u>	<u>11,125,324</u>	<u>2,104,588</u>
Expenses					
Depreciation on Ijarah assets		(2,905,583)	(15,677,601)	(1,300,679)	(7,641,063)
Administrative expenses		(14,134,160)	(18,763,491)	(7,727,734)	(9,151,726)
Bank and other charges		(69,005)	(97,954)	(21,942)	(53,349)
		<u>(17,108,748)</u>	<u>(34,539,046)</u>	<u>(9,050,355)</u>	<u>(16,846,138)</u>
		<u>5,501,369</u>	<u>(12,728,109)</u>	<u>2,074,970</u>	<u>(14,741,550)</u>
Management Company's remuneration	18	-	-	-	-
Provision for Sales Tax on Management ' Company's remuneration		-	-	-	-
		-	-	-	-
Provision for Workers' Welfare Fund		(107,870)	-	(40,686)	39,479
Profit / (loss) before taxation		<u>5,393,499</u>	<u>(12,728,109)</u>	<u>2,034,284</u>	<u>(14,702,071)</u>
Provision for taxation	19	-	-	-	-
Profit / (loss) after taxation		<u>5,393,499</u>	<u>(12,728,109)</u>	<u>3,359,215</u>	<u>(14,702,071)</u>
Other comprehensive income		-	-	-	-
Items that will not be reclassified subsequently to profit and loss account:					
Unrealised gain on remeasurement of investment classified as 'fair value through other comprehensive income'		9,261,097	-	-	-
Total comprehensive income / (loss) for the period		<u><u>14,654,596</u></u>	<u><u>(12,728,109)</u></u>	<u><u>3,359,215</u></u>	<u><u>(14,702,071)</u></u>
Earnings / (loss) per certificate - basic and diluted		<u><u>0.06</u></u>	<u><u>(0.15)</u></u>	<u><u>0.04</u></u>	<u><u>(0.17)</u></u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited
(Management Company)



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020**

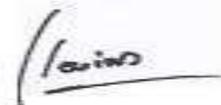
	December 31, 2020 Rupees	December 31, 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,393,499	(12,728,109)
Adjustments for:		
Dividend income	(217,468)	(952,398)
Unrealised gain on investments	(680,433)	(946,815)
Provision for doubtful receivable against sale of agriculture produce	-	11,692,131
Impairment on Ijarah assets	-	8,570,512
Depreciation - own use assets	349,849	353,654
Depreciation - Ijarah assets	2,905,583	15,677,601
	<u>2,357,531</u>	<u>34,394,685</u>
Cash flows before movements in working capital	7,751,030	21,666,576
Decrease / (increase) in current assets		
Diminishing Musharika Finance	(1,534,721)	52,658,285
Ijarah rentals receivable	(58,265)	(74,174)
Asset acquired in satisfaction of financing facility	2,375,000	-
Advances, prepayments and other receivables	10,762,845	23,775,838
	<u>11,544,859</u>	<u>76,359,949</u>
(Increase) / decrease in current liabilities		
Ijarah deposits	(4,994,903)	(5,900,000)
Accrued and other liabilities	(1,156,627)	(3,393,283)
	<u>(6,151,530)</u>	<u>(9,293,283)</u>
Taxes withheld	13,144,359	88,733,242
	<u>(1,366,585)</u>	<u>(1,034,222)</u>
Net cash generated from operating activities	11,777,774	87,699,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	217,468	952,398
Proceeds from disposal - ijarah assets	5,177,403	8,025,002
Purchase of ijarah assets	(1,825,000)	-
Net cash generated from investing activities	<u>3,569,871</u>	<u>8,977,400</u>
Net increase in cash and cash equivalents	15,347,645	96,676,421
Cash and cash equivalents at beginning of the period	248,179,611	96,876,829
Cash and cash equivalents at end of the period	<u>263,527,256</u>	<u>193,553,250</u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020**

	Reserves				Total
	Issued, subscribed, and paid up certificate capital	*Statutory reserve	Accumulated loss	Unrealised gain / (loss) on remeasurement of investment classified as 'fair value through other comprehensive income'	
	----- (Rupees) -----				
Balance at July 1, 2019	872,176,600	151,747,338	(597,950,606)	(2,417,582)	423,555,750
Total comprehensive income for the period					
Loss for the period	-	-	(12,728,109)	-	(12,728,109)
Other comprehensive income for the period	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-
Balance at December 31, 2019	872,176,600	151,747,338	(610,678,715)	(2,417,582)	410,827,641
Balance at July 1, 2020	872,176,600	151,747,338	(603,352,728)	(2,417,582)	418,153,628
Total comprehensive income for the period					
Profit for the period	-	-	5,393,499	-	5,393,499
Other comprehensive income for the period	-	-	-	9,261,097	9,261,097
Transfer to statutory reserve	-	1,078,700	(1,078,700)	-	-
Balance at December 31, 2020	872,176,600	152,826,038	(599,037,929)	6,843,515	432,808,224

*Statutory reserve represents profit set aside to comply with the Prudential Regulation for Modarabas issued by Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

**FIRST PRUDENTIAL MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2020**

1 LEGAL STATUS AND NATURE OF BUSINESS

First Prudential Modaraba (the Modaraba) is currently engaged in various modes of Islamic fundings and businesses which include Ijarah financing, deployment of fund in Musharika, Murabaha and investment in securities. 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 the Modaraba effective from November 13, 2014.

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

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 affairs of the Modaraba. AMML has taken over the management and administrative control of the Modaraba effective from February 03, 2020.

The registered office of the Modaraba is situated at 6th floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5, Clifton, Karachi. The Modaraba is listed on Pakistan Stock Exchange (PSX).

2 BASIS OF PREPARATION

2.1 Statement of Compliance

- 2.1.1 These condensed interim financial statements has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34 - Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act,

2017 and made applicable to Modarabas, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) ['the Modaraba Regulations'].

Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, requirements of 'the Modaraba Regulations' have been followed.

- 2.1.2 The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2020.
- 2.1.3 The comparative year presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2020, whereas the comparative condensed profit and loss account and other comprehensive income, condensed interim cash flows statement, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial statements for the period ended December 31, 2019.
- 2.1.4 The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of these condensed interim financial statements by Companies and Modarabas while accounting for Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.
- 2.1.5 These condensed interim financial statements is being submitted to the certificate holders if requested as required by listing 'regulations of PSX vide section 237 of the Companies Act, 2017.

2.2 Basis of measurement

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

These condensed interim financial statements has been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees which is the

Modaraba's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise stated.

2.4 Critical accounting estimates and judgements

In preparing these condensed interim 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.

The significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimating the uncertainty were the same as those that apply to the audited financial statements as at and for the year ended June 30, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Modaraba as at and for the year ended June 30, 2020.
- 3.2 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2020. These standards, interpretations and amendments are either not relevant to the Modaraba's operations or are not expected to have a significant effect on these condensed interim financial statement.
- 3.3 The Modaraba's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Modaraba for the year ended June 30, 2020.

		(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
4	CASH AND BANK BALANCES		
	Cash in hand	322	10,000
	Balances with banks		
	Current accounts	13,444,595	13,449,457
	Saving accounts	250,082,339	234,720,154
		263,526,934	248,169,611
		<u>263,527,256</u>	<u>248,179,611</u>

4.1 The balance in saving accounts carry profit at an average rates ranging from 2% to 6% per annum (2020: 2% to 11.5% per annum).

5 INVESTMENTS

	Amortised cost		
	Term Deposits Receipts	5.1	-
	Fair value through profit or loss		
	Quoted securities	5.2	4,451,565
		<u>5,131,997</u>	<u>4,451,565</u>
5.1	Term deposit receipts as at December 31, 2012	10,000,000	10,000,000
	Less: Amortization charge	(2,000,000)	(2,000,000)
	Less: received in earlier period	<u>(3,219,433)</u>	<u>(3,219,433)</u>
	Net receivable	4,780,567	4,780,567
	Less: provision	<u>(4,780,567)</u>	<u>(4,780,567)</u>
		<u>-</u>	<u>-</u>

5.2 At fair value through profit or loss - in quoted securities

Shares of listed companies - Fully paid up ordinary shares of Rs. 10/- each, unless stated otherwise:

(Un-audited) December 31, 2020	(Audited) June 30, 2020		(Un-audited) December 31, 2020	(Audited) June 30, 2020
Number of Shares / Units	Name of Investee Company / Fund	Note	Rupees	Rupees
525	Nishat Mills Limited		53,430	40,955
54,367	The Hub Power Company Limited		4,312,934	3,941,608
1,495	Sui Northern Gas Pipeline Limited		66,408	81,627
7,500	International Steel Limited		699,225	387,375
348	Hussain Industries Limited	5.2.1	-	-
1,670,720	Prudential Stock Fund	5.2.1	-	-
360,000	Zeal-Pak Cement Factory Limited	5.2.1	-	-
<u>2,094,955</u>			<u>5,131,997</u>	<u>4,451,565</u>

5.2.1 These Investee Companies / Fund are suspended / delisted in prior years.

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
5.3 Net unrealized gain / (loss) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net			
Weighted average cost of investments		4,451,565	5,503,177
Unrealized gain / (loss) on changes in fair value		680,432	(1,051,612)
Market value of investments		<u>5,131,997</u>	<u>4,451,565</u>

6 MUSHARIKA AND MURABAHA FINANCE

Considered good		-	-
Considered doubtful		363,232,975	363,232,975
		363,232,975	363,232,975
Less: Provision against doubtful debts	6.1	<u>(363,232,975)</u>	<u>(363,232,975)</u>
		<u>-</u>	<u>-</u>

6.1 The movement of provision is as follows:

	December 31, 2020 (Un-audited)			June 30, 2020 (Audited)		
	Principal	Profit	Total	Principal	Profit	Total
	----- Rupees -----					
Opening balance	200,352,432	162,880,543	363,232,975	200,802,959	162,880,543	363,683,502
Provision / (reversal) during the period /year	-	-	-	(450,527)	-	(450,527)
Closing balance	<u>200,352,432</u>	<u>162,880,543</u>	<u>363,232,975</u>	<u>200,352,432</u>	<u>162,880,543</u>	<u>363,232,975</u>

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
7 DIMINISHING MUSHARIKA			
Diminishing Musharika			
Principal		113,083,462	110,637,956
Profit	7.1	520,202	1,430,987
		113,603,664	112,068,943
Less: long term portion of Diminishing Musharika		<u>(58,206,895)</u>	<u>(54,131,699)</u>
		<u>55,396,769</u>	<u>57,937,244</u>

7.1 This represents Diminishing Musharika financing for a term of 1 to 5 years in order to provide residual value car financing on Diminishing Musharika basis. These carry profit rate ranging from 10.16% to 19.00% (June 30, 2020: 13.00% to 19.00%) per annum. These are secured against title of the financed vehicles.

8 IJARAH RENTAL RECEIVABLE

Considered good		116,596	58,331
Considered doubtful		49,083,826	49,083,826
		49,200,422	49,142,157
Less: provision for doubtful receivables		<u>(49,083,826)</u>	<u>(49,083,826)</u>
		<u>116,596</u>	<u>58,331</u>

9 RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE

During financial year 2016 KASB Modaraba (KASBM) and the Modaraba 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 and 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 still pending adjudication. The management and the legal counsel are optimistic on favorable outcome of the case. However, on prudence basis the management has fully provided the outstanding balance. The details of receivables are as under :-

	KASB Modaraba	First Prudential Modaraba	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	(18,200,140)	(27,811,518)	(46,011,658)
	<u>-</u>	<u>-</u>	<u>-</u>
	(Un-audited)	(Audited)	
	December 31,	June 30,	
	2020	2020	
	Rupees	Rupees	

9.1 The movement of provision is as follows:

Opening balance	27,811,518	16,119,387
Less: Provision during the period / year	-	11,692,131
	<u>27,811,518</u>	<u>27,811,518</u>

10 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Note	Considered good		Considered doubtful		Total	
	December 31, 2020 (Un-audited)	June 30, 2020 (Audited)	December 31, 2020 (Un-audited)	June 30, 2020 (Audited)	December 31, 2020 (Un-audited)	June 30, 2020 (Audited)
	----- Rupees -----					
Advance						
Income tax	8,008,773	6,642,188	-	-	8,008,773	6,642,188
To staff - secured	92,906	175,002	1,814,000	1,814,000	1,906,906	1,989,002
Against purchase of assets	-	11,201,500	-	-	-	11,201,500
Prepayments	1,186,828	495,729	-	-	1,186,828	495,729
Other receivables from						
Brokers on account of:						
Sale of shares	10.3	-	65,619,559	65,619,559	65,619,559	65,619,559
Advance for shares	10.4	-	18,432,273	18,432,273	18,432,273	18,432,273
Commercial bank	10.5	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on bank deposits	-	1,153,265	-	-	1,187,817	1,153,265
Others	-	192,724	13,466,235	13,466,235	13,466,235	13,658,959
Sub total	<u>10,476,324</u>	<u>19,860,408</u>	<u>109,573,414</u>	<u>109,573,414</u>	<u>120,049,738</u>	<u>129,433,822</u>
Provision for doubtful balances	-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
	<u>10,476,324</u>	<u>19,860,408</u>	<u>-</u>	<u>-</u>	<u>10,476,324</u>	<u>19,860,408</u>

- 10.1 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 authority.

- 10.2 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.
- 10.3 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 accounts. Detail of shares / certificates offered / transferred is as under:

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

- 10.4 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.

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

- 10.5 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.

11 ASSET ACQUIRED IN SATISFACTION OF FINANCING FACILITY

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

		(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
12 LONG TERM INVESTMENTS			
Investment classified as 'fair value through other comprehensive income			
Unlisted companies	12.1	19,608,230	10,347,133

12.1 Unlisted companies

(Un-audited) December 31, 2020	(Audited) June 30, 2020		(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
Number of Shares of Rs. 10 each				
1,107,244	1,107,244	Prudential Securities Limited		
		Cost	4,173,707	4,173,707
		Less: Impairment	(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)
			19,608,230	10,347,133
			19,608,230	10,347,133

12.1.1 Movement of impairment

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

Due to adverse financial condition of the Investee Companies, these investments have been fully impaired as of December 31, 2020.

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

		(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
13	INTANGIBLE ASSETS		
	PSX - Trading rights entitlement certificates (TREC)	5,344,352	5,344,352
	Impairment of TREC	(5,344,352)	(5,344,352)
		<u>-</u>	<u>-</u>

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

843,975 ordinary shares of face value of Rs. 10/- each of LSE	12,764,715	12,764,715
Broker's room	4,217,500	4,217,500
Trading Right Entitlement Certificate (TREC).	5,344,352	5,344,352
	<u>22,326,567</u>	<u>22,326,567</u>

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

14 **PROPERTY AND EQUIPMENT - OWNED**

Property and equipment - owned	<u>3,668,060</u>	<u>4,017,908</u>
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		(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
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15 **PROPERTY, PLANT AND EQUIPMENT - IJARAH**

Property, plant and equipment - Ijarah	<u>11,235,925</u>	<u>17,493,911</u>
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16 **INVESTMENT PROPERTIES**

Fair value through profit or loss Investment properties	46,200,000	46,200,000
	<u>46,200,000</u>	<u>46,200,000</u>

16.1 These represents properties which were acquired by the Modaraba against settlement of Murabaha Facility from defaulted customers, in prior years.

17 CONTINGENCIES AND COMMITMENTS

- 17.1 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. No provision has been made in these condensed interim financial statements in this regard as the management is confident that outcome of the appeals in question will be in favour of the Modaraba.
- 17.2 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 Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding which aggregated to Rs 29.527 million. Such letters were also received by some other Modarabas and it was collectively decided that under the supervision of NBFI 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 management of the Modaraba based on legal advise is of the view that in light of the stay order of the HCS and the merits of the matter involved, no provision for any sales tax liability is required to be maintained in the condensed interim financial statements.

18 MANAGEMENT COMPANY'S REMUNERATION

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.

Management records accrual in respect of remuneration of the Management Company out of the net annual profit of the Modaraba on the basis of annual audited accounts provided that 90% of the profit available for appropriation is also distributed to the certificate holders of the Modaraba after setting aside out of the profit of the Modaraba such sums as it thinks proper as reserve in accordance with the regulatory framework applicable for Modaraba. Therefore , no Management Company's Remuneration has been accrued in these condensed interim financial statements.

19 TAXATION

As per Clause 100 of Second Schedule to the Income Tax Ordinance, 2001, the income of a non trading modaraba is exempt from income tax provided that they distribute not less than 90% profit to certificate holders out of current year's total profit after making appropriation for statutory reserves. 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 condensed interim financial statements.

23. 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 condensed interim financial statements in the current period.

24. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 23, 2021 by the Board of Directors of the Management Company.

25. GENERAL

25.1 Amounts have been presented and rounded off to the nearest Pak rupees unless otherwise stated.

25.2 On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak “Public Health Emergency of International Concern”. Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is difficult to predict at this stage. As of the release date of this condensed interim financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Modaraba's financial condition or results of operations.

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

FIRST PRUDENTIAL MODARABA

First Prudential Modaraba

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**HALF YEARLY
REPORT
December , 2020**