

FIRST PRUDENTIAL MODARABA

QUARTERLY REPORT
MARCH 31, 2022

MANAGED BY
AWWAL MODARABA MANAGEMENT LIMITED

Vision

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 Sharia compliant modes; to viable projects in high growth, capital starved sectors of the economy.

Mission

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.

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. 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

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

Directors' Report

For the nine months period ended 31 March 2022

On behalf of the Board of Directors of Awwal Modaraba Management Limited, the management company of First Prudential Modaraba, we are pleased to present Directors' Report together with the unaudited financial results of First Prudential Modaraba for the nine months period ended 31 Mar 2022.

Economy

Our economy faces several challenges this year arising from necessary monetary tightening to recent political turmoil in the country. According to Pakistan Bureau of Statistics, during 9MFY22, exports are up 25% to US\$23.298 billion while imports have risen by 49% to US\$58.691 billion, which has pushed trade deficit up by 70% to US\$35.39 billion. Oil prices remain high on back of Russia-Ukraine conflict fuelling both inflation and creating pressure on trade balance. Foreign exchange reserves fell to US\$18.5 billion in March 2022, with significant decline in SBP reserves to US\$12bn largely due to debt repayments and government payments pertaining to settlement of an arbitration award related to a mining project. Some of this decline in reserves is expected to be reversed as official creditors renew their loans. Currency pressures led PKR to depreciate to all time low of PKR 186 a US\$, taking cumulative depreciation to 15.3% since start of fiscal year.

The recent political crisis has added to the uncertainty in the economic environment on policy direction and stability. According to SBP, heightened domestic political uncertainty contributed to a 5 percent depreciation in the rupee and a sharp rise in domestic secondary market yields as well as Pakistan's Eurobond yields and CDS spreads since the last MPC meeting. Pakistan is undergoing its seventh review under the IMF's Extended Fund Facility program, which has disbursed USD 3 billion out of the total USD 6 billion. The future of continuity of program now depends on policies of new government and political situation of the Country in coming days.

State Bank of Pakistan increased the Policy Rate to 250 basis points in the last Monetary Policy meeting on April 07, 2022. Average inflation forecasts have been revised upwards to slightly above 11 percent in FY22 before moderating in FY23. The current account deficit is still expected to be around 4 percent of GDP in FY22. While the non-oil current account balance has continued to improve, the overall current account remains dependent on global commodity prices.

Financial Performance

The outstanding portfolio size witnessed strong growth amounting to PKR 240.04 million at March 31, 2022 (June 30, 2021: PKR 84.55 million) with sound recovery from outstanding portfolio. Liquid assets dipped to PKR 211 million as on March 31, 2022 compared to PKR 367 million at end of FY2021 as funds were channelized in lending activities. During the period under review, overall revenues have been recorded at PKR 36.30 million compared to PKR 31.92 million in corresponding period last year. Total expenses for the period were contained at PKR 21.73 million. The Modaraba incurred tax incidence for the first time of PKR 1.16 Million due to change in tax regime and posted profit after tax for the period at PKR 10.98 million compared to Rs. 7.26 million in the corresponding period.

Future Plans

As apprised earlier, the Board of Directors has decided to merge First Pak Modaraba and KASB Modaraba with and into First Prudential Modaraba. The intention is to cut costs and achieve an economic size to make the merged Modaraba more competitive in the current business and tax environment. Currently regulatory and legal formalities are being complied with and we expect the merger to conclude during the next few months.

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. We 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



Saiyid Najam Rizvi
Director

Date: 21st April, 2022

ڈائریکٹر رپورٹ:

31 مارچ 2022 کو ختم ہونے والی نومبر کی مدت کے لیے

فرسٹ پروڈیوشنل مضاربہ کی انتظامی کمپنی اول مضاربہ بینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہمیں 31 مارچ 2022 کو ختم ہونے والی نومبر کی مدت کے لیے فرسٹ پروڈیوشنل مضاربہ کے غیر آڈٹ شدہ مالیاتی نتائج کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

معیشت:

ہماری معیشت کو اس سال کئی چیلنجوں کا سامنا ہے جو کہ ضروری مالیاتی کھچاؤ سے ملک میں حالیہ سیاسی بحران سے پیدا ہوئے ہیں۔ پاکستان پیرو آف سٹیٹسٹکس کے مطابق، 9MFY22 کے دوران، برآمدات %25 بڑھ کر 23.298 بلین امریکی ڈالر جبکہ درآمدات %49 اضافے سے 58.691 بلین امریکی ڈالر تک پہنچ گئی ہیں، جس سے تجارتی خسارہ %70 بڑھ کر 35.39 بلین امریکی ڈالر تک پہنچ گیا ہے۔ روس، یوکرین تنازعہ کی وجہ سے تیل کی قیمتیں بلند ہیں جس سے افراط زر میں اضافہ ہوا ہے اور تجارتی توازن پر دباؤ پڑا ہے۔ مارچ 2022 میں غیر ملکی زرمبادلہ کے ذخائر کم ہو کر US\$18.5bn ہو گئے، SBP کے ذخائر نمایاں کمی کے ساتھ US\$12bn ہو گئے جس کی بڑی وجہ قرضوں کی ادائیگی اور کان کنی کے منصوبے سے متعلق ثالثی کے فیصلے سے حکومتی ادائیگی ہے۔ سرکاری قرض دہندگان کے قرضوں کی تجدید کے نتیجے میں ذخائر میں اس کمی میں سے کچھ واپسی کی توقع ہے۔ کرنسی کے دباؤ کی وجہ سے 186PKR فی امریکی ڈالر کی کم ترین قدر پر آ گیا، جس سے مالی سال کے آغاز سے مجموعی فرسودگی %15.3 ہو گئی۔

حالیہ سیاسی بحران نے معاشی ماحول میں پالیسی کی سمت اور استحکام کے حوالے سے غیر یقینی صورتحال کو مزید بڑھا دیا ہے۔ SBP کے مطابق، بڑھتی ہوئی سیاسی غیر یقینی صورتحال نے روپے کی قدر میں 5 فیصد کمی اور مقامی ثانوی مارکیٹ کی شرح میں تیزی سے اضافے کے ساتھ ساتھ پاکستان کی یورو بانڈ کی شرح اور CDS کی آخری MPC میٹنگ کے بعد سے اضافہ میں اہم کردار ادا کیا۔ پاکستان آئی ایم ایف کے توسیعی فنڈ سہولت پروگرام کے تحت اپنے ساتویں جائزے سے گزر رہا ہے، جس نے کل 6 بلین امریکی ڈالر میں سے 3 بلین امریکی ڈالر ادا کیے ہیں۔ پروگرام کے تسلسل کا مستقبل اب نئی حکومت کی پالیسیوں اور آنے والے دنوں میں ملک کی سیاسی صورتحال پر منحصر ہے۔

اسٹیٹ بینک آف پاکستان نے 07 اپریل 2022 کو آخری مانیٹری پالیسی میٹنگ میں پالیسی ریٹ کو 250 پیسے پوائنٹس تک بڑھا دیا۔ 2023 میں متوقع اعتدال سے پہلے 2022 میں اوسط افراط زر کا تخمینہ 11 فیصد سے تھوڑا اوپر کر دیا گیا ہے۔ مالی سال 22 میں کرنٹ اکاؤنٹ خسارہ اب بھی جی ڈی پی کے 4 فیصد کے قریب رہنے کی توقع ہے۔ جبکہ نان آئل کرنٹ اکاؤنٹ بیلنس میں مسلسل بہتری آئی ہے، مجموعی کرنٹ اکاؤنٹ کا انحصار عالمی اجناس کی قیمتوں پر ہے۔

مالیاتی کارکردگی:

بقایا پورٹ فولیو کے سائز میں 31 مارچ 2022 (30 جون 2021: PKR 84.55 ملین) کو بقایا پورٹ فولیو سے اچھی بحالی کے ساتھ PKR 240.04 ملین کی مضبوط نمود دیکھی گئی۔ 31 مارچ 2022 تک نقد اثاثے کم ہو کر PKR 211 ملین ہو گئے جبکہ مالی سال 2021 کے آخر میں PKR 367 ملین تھے کیونکہ اضافی فنڈز کو قرض دینے کی سرگرمیوں میں استعمال کیا گیا تھا۔ زیر جائزہ مدت کے دوران مجموعی آمدنی PKR 36.30 ملین ریکارڈ کی گئی جو گزشتہ سال کی اسی مدت میں PKR 31.92 ملین تھی۔ اس مدت کے کل اخراجات PKR 21.73 ملین تھے۔ مضاربہ نے ٹیکس کے نظام میں تبدیلی کے بعد پہلی دفعہ ٹیکس کی مد میں 1.16 ملین روپے کی فراہمی کے بعد 7.26 ملین روپے کے مقابلے PKR 10.98 ملین روپے کے بعد از ٹیکس منافع کمایا۔

مستقبل کے منصوبے

جیسا کہ پہلے بتایا جا چکا ہے، بورڈ آف ڈائریکٹرز نے فرسٹ پاک مضاربہ اور کے اے ایس بی مضاربہ کو فرسٹ پروڈیشنل مضاربہ کے ساتھ ضم کرنے کا فیصلہ کیا ہے موجودہ کاروبار اور ٹیکس کے ماحول میں ضم شدہ مضاربہ کو مزید مسابقتی بنانے کے لئے اخراجات کو کم کرنا اور معاشی حجم حاصل کرنا مقصود ہے۔ فی الحال ریگولیٹری اور قانونی ضابطوں کی تعمیل کی جارہی ہے اور ہم توقع رکھتے ہیں کہ انضمام اگلے چند مہینوں میں مکمل ہو جائے گا۔

گورننس

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

اعتراف

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا اعتراف کرنا چاہتا ہے۔ ہم مضاربہ پر اعتماد کرنے کے لیے اس کے صارفین اور سرمایہ کاروں کا شکریہ ادا کرنے کے لیے اس موقع سے فائدہ اٹھانا چاہتے ہیں۔

بورڈ کی جانب سے

کریم حاتم

چیف ایگزیکٹو

سید نجم رضوی

ڈائریکٹر

تاریخ: 21 اپریل، 2022

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022**

	Note	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment - own use	6	2,215,969	2,723,644
Property, plant and equipment - Ijarah	7	17,707,292	10,350,262
Intangible assets	8	118,195	164,445
Investment properties	9	46,200,000	46,200,000
Diminishing Musharika Finance	10	116,141,336	39,893,900
Long term investments	11	20,533,912	19,608,230
Long term advances and deposits	12	319,836	227,500
		203,236,540	119,167,981
CURRENT ASSETS			
Musharika, Murabaha and other finance - net	13	-	-
Investment against repurchase agreement	14	22,946,707	-
Current portion of Diminishing Musharika Finance	10	83,239,596	34,304,232
Investments	15	3,984,083	121,095,565
Modaraba term deposit	16	-	84,000,000
Ijarah rentals receivable	17	227,463	156,923
Receivable against sale of agriculture produce - net	18	-	-
Advances, prepayments and other receivables	19	25,136,513	15,852,927
Taxation recoverable		12,039,284	12,039,284
Cash and bank balances	20	207,149,238	162,187,832
		354,722,884	429,636,763
		557,959,424	548,804,744
TOTAL ASSETS			
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	21	872,176,600	872,176,600
Statutory reserve		155,819,438	153,622,591
Accumulated loss		(594,041,742)	(595,851,717)
		433,954,296	429,947,474
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income	22	7,769,197	10,486,051
		441,723,493	440,433,525
NON CURRENT LIABILITIES			
Ijarah deposits	23	182,500	320,000
CURRENT LIABILITIES			
Musharaka finance	24	-	50,000,000
Short term finance	25	50,000,000	-
Current portion of Ijarah deposits	23	7,528,781	8,542,081
Accrued and other liabilities	26	22,236,159	16,807,929
Provision for taxation		3,023,722	1,858,981
Unclaimed profit distribution		33,264,770	30,842,228
		116,053,432	108,051,219
		557,959,424	548,804,744
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	27		

The annexed notes from 1 to 34 form an integral part of these financial statements.


CHIEF FINANCIAL OFFICER

For Awwal Modaraba Management Limited
(Management Company)


CHIEF EXECUTIVE OFFICER



DIRECTOR


DIRECTOR

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2022**

	Note	Nine months ended March 31, 2022 (Un-audited) Rupees	Nine months ended March 31, 2021 (Un-audited) Rupees	Quarter ended March 31, 2022 (Un-audited) Rupees	Quarter ended March 31, 2021 (Un-audited) Rupees
Income					
Ijarah rentals earned		1,915,980	4,372,276	996,909	1,002,789
Income from deposits with banks		5,993,987	11,045,728	2,776,058	4,211,767
Income from investment in sukuk		5,978,961	-	564,660	-
Income from Modaraba term deposit		3,088,211	-	81,701	-
Income from Diminishing Musharika Finance		13,996,931	12,924,261	7,218,535	3,798,540
Income from investment against repurchase agreement		1,434,170	-	736,207	-
Dividend income		1,078,390	239,968	351,399	22,500
Rental income from investment properties		2,537,874	2,486,604	845,958	845,958
Other income		274,939	854,827	39,948	112,425
		<u>36,299,442</u>	<u>31,923,664</u>	<u>13,611,374</u>	<u>9,993,979</u>
Unrealized (loss) / gain on investments classified as fair value through profit or loss		(468,946)	708,831	13,754	28,399
Reversal of provision against doubtful receivables		2,468,004	-	364,200	-
		<u>38,298,500</u>	<u>32,632,495</u>	<u>13,989,328</u>	<u>10,022,378</u>
Expenses					
Depreciation on Ijarah assets		(1,743,170)	(3,589,856)	(1,055,640)	(684,273)
Administrative expenses		(21,733,654)	(21,363,455)	(6,913,689)	(7,229,295)
Finance charges		(2,429,720)	(270,723)	(1,553,221)	(201,718)
		<u>(25,906,544)</u>	<u>(25,224,034)</u>	<u>(9,522,550)</u>	<u>(8,115,286)</u>
		<u>12,391,957</u>	<u>7,408,461</u>	<u>4,466,778</u>	<u>1,907,092</u>
Management Company's remuneration		-	-	-	-
Provision for service sales tax on Management Company's remuneration		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Provision for Workers' Welfare Fund		(242,981)	(145,264)	(87,586)	(37,394)
Profit before taxation		<u>12,148,976</u>	<u>7,263,197</u>	<u>4,379,192</u>	<u>1,869,698</u>
Provision for taxation	30	(1,164,741)	-	(419,840)	-
Profit after taxation		<u>10,984,235</u>	<u>7,263,197</u>	<u>3,959,352</u>	<u>1,869,698</u>
Earnings per certificate - basic and diluted		<u>0.13</u>	<u>0.08</u>	<u>0.05</u>	<u>0.02</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.


CHIEF FINANCIAL OFFICER

For Awwal Modaraba Management Limited
(Management Company)

CHIEF EXECUTIVE OFFICER

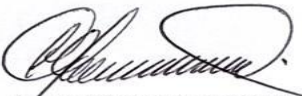

DIRECTOR


DIRECTOR

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2022**

		Nine months ended March 31, 2022 (Un-audited) Rupees	Nine months ended March 31, 2021 (Un-audited) Rupees	Quarter ended March 31, 2022 (Un-audited) Rupees	Quarter ended March 31, 2021 (Un-audited) Rupees
Profit for the period		10,984,235	7,263,197	3,959,352	1,869,698
Other comprehensive income for the period:					
Items that will be reclassified subsequently to profit and loss					
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income	22	925,682	9,261,097	-	-
Total comprehensive income for the period		<u>11,909,917</u>	<u>16,524,294</u>	<u>3,959,352</u>	<u>1,869,698</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.


CHIEF FINANCIAL OFFICER

For Awwal Modaraba Management Limited
(Management Company)


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2022**

	Nine months ended March 31, 2022 (Un-audited) Rupees	Nine months ended March 31, 2021 (Un-audited) Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,148,976	7,263,197
Adjustments for:		
Dividend income	(1,078,390)	(239,968)
Capital gain on sale of investments	-	-
Unrealised (gain) / loss on investments	468,946	(708,832)
Gain on disposal - own assets	(50,000)	-
Depreciation - own use assets	507,675	524,082
Depreciation - Ijarah assets	1,743,170	3,589,856
Amortization on intangible assets	46,250	-
	<u>1,637,651</u>	<u>3,165,138</u>
Cash flows before movements in working capital	13,786,626	10,428,335
(Increase) / decrease in current assets		
Diminishing Musharika Finance	(125,182,800)	14,273,337
Investment against repurchase agreement	(22,946,707)	-
Ijarah rentals receivable	(70,540)	(135,018)
Asset acquired in satisfaction of financing facility	-	2,375,000
Advances, prepayments and other receivables	(6,747,001)	8,927,626
	<u>(154,947,048)</u>	<u>25,440,945</u>
Increase / (decrease) in current liabilities		
Ijarah deposits	(1,150,800)	(4,994,903)
Musharaka finance	(50,000,000)	50,000,000
Short term finance	50,000,000	-
Accrued and other liabilities	7,850,772	1,489,311
	<u>6,699,972</u>	<u>46,494,408</u>
Cash (used in) / generated from operations	(134,460,450)	82,363,688
Taxes paid	(2,628,920)	(1,959,135)
Net cash (used in) / generated from operating activities	<u>(137,089,370)</u>	<u>80,404,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,078,390	239,968
Proceeds from disposal - ijarah assets	1,150,800	5,177,403
Proceeds from disposal - own assets	50,000	-
Proceeds from disposal - sukuk certificates	113,000,000	-
Proceeds from disposal - modaraba term deposit	84,000,000	-
Purchase of intangible assets	-	(185,000)
Purchase of ijarah assets	(10,251,000)	(1,825,000)
Net cash (used in) / generated from investing activities	<u>189,028,190</u>	<u>3,407,371</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(6,977,413)	-
Net cash used in financing activities	<u>(6,977,413)</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents	44,961,406	83,811,924
Cash and cash equivalents at beginning of the period	162,187,832	248,179,611
Cash and cash equivalents at end of the period	<u>207,149,238</u>	<u>331,991,535</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.


CHIEF FINANCIAL OFFICER

For Awwal Modaraba Management Limited
(Management Company)

CHIEF EXECUTIVE OFFICER


DIRECTOR



DIRECTOR

**FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2022**

	Issued, subscribed, and paid up certificate capital	*Statutory reserve	Accumulated loss	Total
	----- (Rupees) -----			
Balance at July 1, 2020 (Audited)	872,176,600	151,747,338	(603,352,728)	420,571,210
Total comprehensive income for the period				
Profit for the period	-	-	7,263,197	7,263,197
Transfer to statutory reserve	-	1,452,639	(1,452,639)	-
Balance at March 31, 2021 (Un-audited)	<u>872,176,600</u>	<u>153,199,977</u>	<u>(597,542,170)</u>	<u>427,834,407</u>
Balance at July 1, 2021 (Audited)	872,176,600	153,622,591	(595,851,717)	429,947,474
Total comprehensive income for the period				
Profit for the period	-	-	10,984,235	10,984,235
Profit distribution @ Re.0.08 per certificate for the year ended June 30, 2021	-	-	(6,977,413)	(6,977,413)
Transfer to statutory reserve	-	2,196,847	(2,196,847)	-
Balance at March 31, 2022 (Un-audited)	<u>872,176,600</u>	<u>155,819,438</u>	<u>(594,041,742)</u>	<u>433,954,296</u>

*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 34 form an integral part of these financial statements.


CHIEF FINANCIAL OFFICER

For Awwal Modaraba Management Limited
(Management Company)

CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

**FIRST PRUDENTIAL MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2022**

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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 3rd floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5, Clifton, Karachi. The Modaraba is listed on Pakistan Stock Exchange (PSX).

- 1.2 The management has principally decided to merge the three modarabas i.e. First Pak Modaraba, First Prudential Modaraba and KASB Modaraba into one modaraba to operate as single unit. Legal and other formalities to effect the proposed merger are in process of completion. Since there will be no change in operational activities of First Pak Modaraba, First Prudential Modaraba and KASB Modaraba pursuant to scheme of amalgamation, no adjustments are expected to the carrying amount of the assets and liabilities. It is further decided that the surviving entity would be First Prudential Modaraba

2 STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities & Exchange Commission of Pakistan (SECP). In case where requirements differ, the requirements of Modaraba Companies and Modaraba (Floatation & Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended June 30, 2021.

2.3 The comparative condensed balance sheet, presented in this condensed interim financial statements as at June 30, 2021 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2021 whereas the comparative condensed interim statement of profit or loss , condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the period ended March 31, 2021 have been extracted from the condensed interim financial statements for the period ended March 31, 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial statements are the same as those applied in preparing the financial statements of the Modaraba for the year ended June 30, 2021.

4 SIGNIFICANT ACCOUNTING ESTIMATES , JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Modaraba as at and for the year ended June 30, 2021.

5 BASIS OF PREPARATION

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

6 **PROPERTY AND EQUIPMENT - OWN USE**

The following are the details of operating fixed assets - own use at the reporting date:

Description	March 31, 2022 (Un-audited)					
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	Vehicles	Total
	Rupees					
At July 01, 2021 (Audited)						
Cost	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Cost / revalued amount	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(503,750)	(870,071)	(2,155,920)	(865,588)	(3,061,310)	(7,456,639)
Carrying amount	2,000,300	-	-	-	723,344	2,723,644
Period ended March 31, 2022						
Opening carrying amount	2,000,300	-	-	-	723,344	2,723,644
Depreciation charge for the period	(101,226)	-	-	-	(406,449)	(507,675)
Closing carrying amount	1,899,074	-	-	-	316,895	2,215,969
At March 31, 2022						
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(604,976)	(870,071)	(2,155,920)	(865,588)	(3,467,759)	(7,964,314)
Carrying amount	1,899,074	-	-	-	316,895	2,215,969
Depreciation rate (% per annum)	5	33	20	33	20	
Description	June 30, 2021 (Audited)					
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	Vehicles	Total
	Rupees					
At July 01, 2020						
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Accumulated impairment	-	-	(2,102,716)	-	-	(2,102,716)
Accumulated depreciation	(348,750)	(870,071)	(2,155,920)	(865,588)	(2,517,996)	(6,758,325)
Carrying amount	2,751,250	-	-	-	1,266,658	4,017,908
Year ended June 30, 2021						
Opening carrying amount	2,751,250	-	-	-	1,266,658	4,017,908
Unrealized loss for the year	(595,950)	-	-	-	-	(595,950)
Depreciation charge for the year	(155,000)	-	-	-	(543,314)	(698,314)
Closing carrying amount	2,000,300	-	-	-	723,344	2,723,644
At June 30, 2021						
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(503,750)	(870,071)	(2,155,920)	(865,588)	(3,061,310)	(7,456,639)
Carrying amount	2,000,300	-	-	-	723,344	2,723,644
Depreciation rate (% per annum)	5	33	20	33	20	

7 PROPERTY, PLANT & EQUIPMENT - IJARAH

Description	March 31, 2022 (Un-audited)			
	Plant and machinery	Office equipment	Vehicles	Total
	Rupees			

As at July 01, 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>

Period ended March 31, 2022

Opening carrying amount	7,208,781	-	3,141,481	10,350,262
Additions - at cost	-	-	10,251,000	10,251,000
Disposal - carrying amount	-	-	(1,150,800)	(1,150,800)
Depreciation charge for the period	-	-	(1,743,170)	(1,743,170)
Closing carrying amount	<u>7,208,781</u>	<u>-</u>	<u>10,498,511</u>	<u>17,707,292</u>

As at March 31, 2022

Cost	47,978,781	801,000	81,511,000	130,290,781
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(53,870,012)	(86,384,150)
Carrying amount	<u>7,208,781</u>	<u>-</u>	<u>10,498,511</u>	<u>17,707,292</u>
Useful life (months)	<u>36 to 60</u>	<u>24 to 60</u>	<u>24 to 60</u>	

Description	June 30, 2021 (Audited)			
	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>	

		March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
8	INTANGIBLE ASSETS		
	Computer Software	118,195	164,445
	PSX - Trading rights entitlement certificates (TREC)	-	-
		<u>118,195</u>	<u>164,445</u>
8.1	Computer software		
	Opening balance	2,012,847	1,827,847
	Addition / (disposal)	-	185,000
		<u>2,012,847</u>	<u>2,012,847</u>
	Amortization		
	Opening balance	(1,848,402)	(1,827,847)
	Charge for the period (rate 33.33%)	(46,250)	(20,555)
		<u>(1,894,652)</u>	<u>(1,848,402)</u>
	Closing balance	<u>118,195</u>	<u>164,445</u>
8.2	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>

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:

- (a) 843,975 ordinary shares of face value of Rs. 10 each of LSE; and
- (b) Trading Right Entitlement Certificate (TREC).

As per the mechanism prescribed by the LSE, the carrying value of the membership card is allocated as follows:

		March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
	Trading Right Entitlement Certificate (TREC).	5,344,352	5,344,352
	Broker's room	4,217,500	4,217,500
	Ordinary shares of face value of Rs. 10/- each of LSE	12,764,715	12,764,715
		<u>22,326,567</u>	<u>22,326,567</u>

8.2.1 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.

8.2.2 The carrying amount of the Broker's room is included in "property and equipment - own use" under office premises (refer note 6).

8.2.3 The carrying amount of ordinary shares is included in "long term investment" (refer note 11).

9 INVESTMENT PROPERTIES - CARRIED AT FAIR VALUE

The following are the details of investment properties at the reporting date:

Description	Office suite	Four shops	Total
	Rupees		
Net carrying value basis			
period ended March 31, 2022 (Un-audited)			
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			
period ended March 31, 2022 (Un-audited)			
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, 2021 (Audited)			
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 (Audited)			
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

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

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

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

		March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
10	DIMINISHING MUSHARIKA		
	Diminishing Musharika		
	Principal	198,676,204	74,017,203
	Profit	704,728	180,929
		<u>199,380,932</u>	<u>74,198,132</u>
	Less: Current portion of diminishing musharika	<u>(83,239,596)</u>	<u>(34,304,232)</u>
		<u>116,141,336</u>	<u>39,893,900</u>

10.1 This represent diminishing musharaka financing for a term of 3 to 5 years. These carry profit rate ranging from 10.16% and 19.00% (June 30, 2021: 11.85% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

		March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
11	LONG TERM INVESTMENTS		
	Investment classified as 'fair value through other comprehensive income		
	Unlisted Companies	20,533,912	19,608,230

11.1 **Unlisted companies**

	March 31, 2022 (Un-Audited)	June 30, 2021 (Audited)	
	Number of shares		

1,107,244	1,107,244	Prudential Securities Ltd. (refer note 11.1.1)		
		Cost	4,173,703	4,173,703
		Less: Impairment	(4,173,703)	(4,173,703)
			-	-
191,700	191,700	Prudential Discount & Guarantee House Ltd. (refer note 11.1.1)		
		Cost	1,041,815	1,041,815
		Less: Impairment	(1,041,815)	(1,041,815)
843,975	843,975	LSE Financial Services Ltd. (refer note 11.1.2)		
		Cost	12,764,715	12,764,715
		Fair value adjustment	7,769,197	6,843,515
			<u>20,533,912</u>	<u>19,608,230</u>

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

11.1.2 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, 2021, the break up value of which is Rs. 24.33 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.

12	LONG TERM ADVANCES AND DEPOSITS	Note	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
12.1	Long term advances			
	Secured and interest free			
	To employees - considered good		183,800	58,625
	Less: Due within one year shown under current assets		(91,464)	(58,625)
			<u>92,336</u>	<u>-</u>
12.2	Long term deposits			
	Margin deposit	12.2.1	3,000,000	3,000,000
	Other deposits		227,500	227,500
			3,227,500	3,227,500
	Less: Provision against doubtful amounts	12.2.2	(3,000,000)	(3,000,000)
			<u>227,500</u>	<u>227,500</u>
			<u>319,836</u>	<u>227,500</u>

12.2.1 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.

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

13	MUSHARIKA, MURABAHA AND OTHER FINANCE	Note	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
	Musharaka and morabaha finance			
	Considered doubtful	13.1	352,230,694	352,230,694
	Less: Provision against doubtful debts		(352,230,694)	(352,230,694)
			-	-
	Other finance - unsecured			
	Considered doubtful	13.2	5,259,509	7,363,313
	Less: Provision against doubtful debts	13.2.1	(5,259,509)	(7,363,313)
			<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>

13.1 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.

		March 31, 2022	June 30, 2021
		(Un-audited)	(Audited)
		Rupees	Rupees
13.2	Movement of provision for other finance		
	Opening balance	7,363,313	11,002,281
	(Reversal) of provision during the period/year	(2,103,804)	(3,638,968)
	Closing balance	<u>5,259,509</u>	<u>7,363,313</u>

13.2.1 During year 2020, 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.

Provision against the receivable is reversed to the extent of actual recovery up to December 31, 2021.

		March 31, 2022	June 30, 2021
		(Un-audited)	(Audited)
		Rupees	Rupees
14	INVESTMENT AGAINST REPURCHASE AGREEMENT		
	Investment against repurchase agreement - secured	<u>22,946,707</u>	<u>-</u>

14.1 On October 18, 2021, the Modaraba has entered into an agreement with the shareholder of a Company (Investee Company) for the purchase of 690,108 shares of the Investee Company. Concurrently, the Modaraba entered into a separate agreement with another shareholder of the Investee Company for the sale of underlying shares after a period of eight months from the date of purchase at an agreed price. The underlying shares have been transferred in the name of the Modaraba.

		March 31, 2022	June 30, 2021
		(Un-audited)	(Audited)
		Rupees	Rupees
15	INVESTMENTS		
	Amortised cost		
	Term Deposits Receipts - considered doubtful	-	-
	Fair value through other comprehensive income		
	Investment in Sukuk certificates	-	116,642,536
	Fair value through profit or loss		
	Quoted securities	<u>3,984,083</u>	<u>4,453,029</u>
		<u>3,984,083</u>	<u>121,095,565</u>

15.1 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:

		March 31, 2022	June 30, 2021
		(Un-audited)	(Audited)
		Rupees	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 / year	(3,219,433)	(3,219,433)
	Net receivable	4,780,567	4,780,567
	Less: provision against doubtful recoveries	(4,780,567)	(4,780,567)
		<u>-</u>	<u>-</u>

15.1.1 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.

15.2 Quoted securities

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

March 31, 2022 (Un-audited)	June 30, 2021 (Audited)	Name of Investee Company / Fund	Note	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
525	525	Nishat Mills Limited*		44,982	48,983
54,367	54,367	The Hub Power Company Limited		3,891,590	4,331,419
1,495	1,495	Sui Northern Gas Pipeline Limited*		47,511	72,627
348	348	Hussain Industries Limited*	15.2.1	-	-
1,670,720	1,670,720	Prudential Stock Fund	15.2.1	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	15.2.1	-	-
<u>2,087,455</u>	<u>2,087,455</u>			<u>3,984,083</u>	<u>4,453,029</u>

15.2.1 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 (June 30, 2021: 25) shares (Second Prudential Modaraba), Sui Northern Gas Pipeline Limited 254 (June 30, 2021: 254) shares and Hussain Industries Limited 348 (2021: 348) shares (Third Prudential Modaraba).

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

	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
Weighted average cost of investments	4,453,029	4,064,190
Unrealized gain / (loss) on changes in fair value	(468,946)	388,839
Market value of investments	<u>3,984,083</u>	<u>4,453,029</u>

	Note	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
16	MODARABA TERM DEPOSIT	-	84,000,000
17	IJARAH RENTAL RECEIVABLE		
	Considered good	227,463	156,923
	Considered doubtful	48,620,090	49,083,826
		48,847,553	49,240,749
	Less: provision for doubtful receivables	17.1 (48,620,090)	(49,083,826)
		227,463	156,923
		March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
17.1	Movement of provision		
	Opening balance	49,083,826	49,083,826
	Provision made during the period / year	(463,736)	-
		48,620,090	49,083,826
18	RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE - SECURED		
	Considered doubtful	18.1 27,811,518	27,811,518
	Less: provision for doubtful receivables	(27,811,518)	(27,811,518)
		-	-

18.1 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)
	18,200,140	27,811,518	46,011,658
Provision for doubtful receivable against sale of agriculture produce	#REF! (18,200,140)	(27,811,518)	(46,011,658)
	-	-	-

19 **ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

Note	Considered good		Considered doubtful		Total	
	March 31, 2022	June 30, 2021	March 31, 2022	June 30, 2021	March 31, 2022	June 30, 2021
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	----- Rupees -----					
Advance						
Income tax	12,383,707	9,754,787	-	-	12,383,707	9,754,787
To staff - Secured	91,464	58,625	1,814,000	1,814,000	1,905,464	1,872,625
Against purchase of assets	8,950,000	2,000,000	-	-	8,950,000	2,000,000
Prepayments	498,108	455,306	-	-	498,108	455,306
Other receivables from						
Brokers on account						
- of sale of shares	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks	1,259,144	661,799	-	-	1,259,144	661,799
Return on investment in Sukuk / TDR	-	1,278,291	-	-	-	1,278,291
Others	1,954,090	1,644,119	13,466,235	13,466,235	15,420,325	15,110,354
Sub total	25,136,513	15,852,927	109,573,414	109,573,414	134,709,927	125,426,341
Provision for doubtful receivables	-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
	25,136,513	15,852,927	-	-	25,136,513	15,852,927

19.1 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.

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

19.2.1 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.

19.3 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

- 19.4 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.

- 19.5 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.

	Note	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
20 CASH AND BANK BALANCES			
Cash in hand		10,000	10,000
Balances with banks:			
Current accounts		15,853,995	13,502,199
Saving accounts	20.1	191,285,242	148,675,633
		<u>207,139,238</u>	<u>162,177,832</u>
		<u>207,149,238</u>	<u>162,187,832</u>

- 20.1 The balance in saving accounts carry profit at an average rates ranging from 2.75% to 9.00% (June 30, 2021: 2% to 6.43%) per annum.

21 CERTIFICATE OF CAPITAL

March 31, 2022 (Un-audited)	June 30, 2021 (Audited)	No. of certificates	March 31, 2022 (Un-audited)	June 30, 2021 (Audited)
<u>87,217,660</u>	<u>87,217,660</u>		<u>872,176,600</u>	<u>872,176,600</u>
		Authorised		
		Modaraba certificates of Rs.10 each		
		Issued, subscribed and paid-up		
13,451,650	13,451,650	Modaraba certificates of Rs.10 each fully paid in cash		
8,864,716	8,864,716	Modaraba certificates of Rs.10/- each fully paid bonus certificates		
64,901,294	64,901,294	Modaraba certificates of Rs.10/- issued under scheme of arrangement for amalgamation with Second and Third Prudential Modaraba		
<u>87,217,660</u>	<u>87,217,660</u>		<u>872,176,600</u>	<u>872,176,600</u>

As at March 31, 2022, Awwal Modaraba Management Limited, the management company, held 8,721,766 (June 30, 2021: "nil") certificates of Rs. 10/- each.

		March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
22	UNREALISED GAIN / (LOSS) ON REMEASUREMENT OF INVESTMENTS CLASSIFIED AS 'FVTOCI'	Note	
	Market value of investments	11.1.2 20,533,912	136,250,766
	Less: cost of investments	11.1.2 <u>(12,764,715)</u>	<u>(125,764,715)</u>
		<u>7,769,197</u>	<u>10,486,051</u>
	Unrealised gain / (loss) on remeasurement at the beginning of the period / year	10,486,051	(2,417,582)
	(Loss)/Gain on remeasurement during the period / year	925,682	9,261,097
	Reversal of un-realized gain on disposal of sukuk certificates	(3,642,536)	3,642,536
	Unrealised gain on remeasurement at the end of the period / year	<u>7,769,197</u>	<u>10,486,051</u>
23	IJARAH DEPOSITS		
	Ijarah deposits	7,711,281	8,862,081
	Less: current portion ijarah deposit	<u>(7,528,781)</u>	<u>(8,542,081)</u>
		<u>182,500</u>	<u>320,000</u>
		Note	
24	MUSHARAKA FINANCE	24.1	<u>-</u> <u>50,000,000</u>
24.1	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 terms of the Agreement Rs.50 million was disbursed on January 28, 2021, which was fully repaid along with return on the date of maturity i.e., December 31, 2021.		
	The return on finance was based on sharing of profit before tax and management remuneration 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 was secured by way of hypothecation charge on all movable assets and receivables and mortgage of immovable property of the Modaraba.		
		Note	
25	SHORT TERM FINANCE	25.1	<u>50,000,000</u> <u>-</u>

The Modaraba has availed finance facility of Rs. 50 million under Wakala Agreement dated December 31, 2021 from Pak Brunei Investment Company Ltd (PBICL). As per terms of the agreement, PBICL acts as Muwakkil (the principal) and Modaraba is the Wakil (the agent) to execute the Shariah Compliant transactions through and as a part of the Wakil's pool of assets for deployment of funds under the extended facility.

The facility shall be matured on December 31, 2022 and may thereafter be extended by a further period or periods of one year each if approved by both parties. Return to the Muwakkil on investment is expected at 3 Month KIBOR+2% per annum.

The facility is secured by way of First Hypothecation charge on all present and future assets of the Modaraba equivalent to PKR. 66,666,667/- with 25% margin.

			March 31, 2022	June 30, 2021
			(Un-audited)	(Audited)
			Rupees	Rupees
26	ACCRUED AND OTHER LIABILITIES	Note		
	Accrued expenses		822,377	1,624,055
	Management Company's remuneration	28	121,891	1,059,517
	Share in common expenses		3,876,235	3,462,042
	Takaful		5,385,294	5,517,869
	Workers' welfare fund	26.1	1,771,731	1,528,750
	Charity payable	26.2	317,344	1,304,466
	Others		9,941,287	2,311,230
			<u>22,236,159</u>	<u>16,807,929</u>

26.1 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 period an amount of Rs. 242,981 (March 31, 2021: Rs.145,264) have been provided.

26.2 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.

		March 31, 2022	June 30, 2021
		(Un-audited)	(Audited)
		Rupees	Rupees
	Charity payable		
	Opening balance	1,304,466	667,513
	Add: amount credited during the period / year	437,344	1,026,953
		<u>1,741,810</u>	<u>1,694,466</u>
	Less: paid during the period / year	(1,424,466)	(390,000)
	Closing balance	<u>317,344</u>	<u>1,304,466</u>

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 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.

27.1.2 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 NBF 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.

27.2 Commitment

There was no commitment as at the reporting date.

28 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.

29 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.

30 **PROVISION FOR TAXATION**

The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 had been withdrawn through Tax Laws (Second amendment), 2021 dated March 21, 2021 which was subsequently adopted in Finance Act, 2021. By virtue of withdrawal of exemption, provision for taxation has been recorded in these condensed interim financial statements.

Provision for current taxation is based on taxable income for the period at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

	March 31, 2022	March 31, 2021
	(Un-audited)	(Un-audited)
	Rupees	Rupees
31 EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED		
Basic		
Profit for the period	<u>10,984,235</u>	<u>7,263,197</u>
Weighted average number of ordinary certificates	<u>87,217,660</u>	<u>87,217,660</u>
Earnings per certificate	<u>0.13</u>	<u>0.08</u>

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.

32 **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.

Amounts outstanding as at period / year end

Name of the company / individual	Relationship with the Modaraba	Nature of Transactions	March 31, 2022	June 30, 2021
			(Un-audited) Rupees	Audited Rupees
Balances with related parties				
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Modaraba Term Deposit	-	84,000,000
		Accrued return on modraba term deposit	-	392,153
		Short term finance	(50,000,000)	-
		Musharika Finance	-	(50,000,000)
		Return on musharaka finance	-	(674,861)
		Payable shared service cost	(485,872)	(485,872)
Awwal Modaraba Management Limited	Modaraba Management Company	Management remuneration	(121,891)	(1,059,517)
	Awwal Modaraba	Modaraba under common management	Payable against sharing of common expenses	(842,247)
KASB Modaraba	Modaraba under common management	Payable against cost of deputed employee	(1,775,211)	(586,270)
	First Pak Modaraba	Modaraba under common management	Payable against sharing of common expenses	(1,547,652)
		Receivable against sharing of common expenses	(14,323)	69,347

Expenses/(income) during the period			March 31, 2022	March 31, 2021
			(Un-audited) Rupees	(Un-audited) Rupees
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	141,228	408,540
	Pak Brunei Investment Company Limited	Holding Company of the Management Company	Return on modraba term deposit	(3,088,211)
Awwal Modaraba	Modaraba under common management	Return on short term finance	1,546,027	-
		Return on musharaka finance	1,536,290	185,146
		Shared services cost	4,377,384	1,536,749
		Sharing of common expenses	382,892	-
KASB Modaraba	Modaraba under common management	Staff cost of deputed employee	4,672,445	-
	First Pak Modaraba	Modaraba under common management	Sharing of common expenses	1,131,749
Jubilee Life Insurance Co. Ltd	Modaraba under common management	Sharing of common expenses	(21,777)	(251,250)
	Other related party	Takaful premium	250,377	436,904

Payments/(receipts) made during the period


First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	141,228	408,540		
		Pak Brunei Investment Company Limited	Receipt against novation of diminishing musharaka finance facility	(64,000,000)	-	
Awwal Modaraba Management Limited	Modaraba Management Company	Modaraba Term Deposit	(84,000,000)	-		
		Return on modraba term deposit	(3,480,364)	-		
		Short term finance	(50,000,000)	-		
		Musharika Finance	50,000,000	(50,000,000)		
		Return on short term finance	1,536,290	-		
		Return on musharaka finance	2,211,151	-		
		Shared service cost	4,377,384	1,229,399		
		Management remuneration	937,626	-		
		Awwal Modaraba	Modaraba under common management	Sharing of common expenses	776,064	-
		Awwal Modaraba	Modaraba under common management	Staff cost of deputed employee	3,483,504	-
KASB Modaraba	Modaraba under common management	Sharing of common expenses	1,527,647	2,011,928		
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	(105,447)	(323,609)		
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	250,377	436,904		

33 **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.

34 **DATE OF AUTHORISATION**

These financial statements were authorised for issue on April 21, 2022 by the Board of Directors of the Management Company.



CHIEF FINANCIAL OFFICER

For Awwal Modaraba Management Limited
(Management Company)



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

FIRST PRUDENTIAL MODARABA

First Prudential Modaraba
3rd Floor, Horizon Vista, Plot
No: Commercial 10, Block-4,
Clifton, Karachi
Phone : 021- 35374273-74,
Fax: 021-35374275

**QUARTERLY
REPORT
MARCH 31, 2022**