



KASB Modaraba
An Islamic Financial Institution



Managed By:

**Awwal Modaraba
Management Limited**

**HALF YEARLY REPORT
DECEMBER 2019**

صاف اور شفاف آمدنی،
سچا سکون ہے...

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. Iqra Sajjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

RSM Avais Hyder Liaquat Nauman, Chartered Accountants

Bankers

Habib Bank Limited
Soneri Bank
Summit 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-Hilal Shariah Advisors (Private) Limited

Registered Office & Head Office

Office No:- B, 5th Floor, Lakson Square
Building No: 1, Sarwar Shaheed Road,
Karachi
Phone : 021- 35630621,021-35630623

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

For the six months period ended 31 December 2019

On behalf of the Board of Directors of Awwal Modaraba Management Limited, the management company of KASB Modaraba, we are pleased to present the Directors' Report together with unaudited financial results of KASB Modaraba, for the half year ended 31 December 2019.

Change of Management Company

The Registrar Modaraba, Securities & Exchange Commission of Pakistan (SECP), vide order no. SC/M/RW/KASB/2020-35 under letter no. SC/M/PROD/KASB/2019/36 dated January 31, 2020, appointed Awwal Modaraba Management Limited (AMML) as the Management Company of KASB Modaraba with effect from February 3, 2020. Resultantly AMML has taken over the management control of KASB Modaraba with the same date. The Modaraba was previously managed by the Administrator, appointed by the SECP vide order dated April 03, 2019 issued by the Registrar Modaraba.

Economy

The first six months of FY2020 saw stability in interest rates as the State Bank of Pakistan (SBP) kept the Policy Rate unchanged since July 2019. SBP noted several positive developments including a massive reduction in current account deficit, exchange rate stability, and expected slowdown in inflation to targeted levels. The economy still faces several challenges as inflationary pressures during the last two years have substantially increased working capital requirements for companies in an environment of high interest rates. This is exacerbated by slowdown in demand and geo-political tensions creating uncertainty.

At the same time, many positive developments have taken place. On December 02, 2019 Moody's upgraded Pakistan's outlook from 'Negative' to 'Stable' and re-affirmed the B3 rating. Moreover, the Asian Development Bank also approved a USD 1.3 billion loan to support the domestic economy. Pakistan's status on FATF is relatively secure for now; however, a continuous fulfilment of FATF targets is a must in order to avoid any negative action. Monetary policy easing is expected during second half of 2020 in line with slowdown in future inflation. The Government is focusing on CPEC Phase II. While the first phase emphasized energy and roads, the second phase will focus on industrialization, agriculture, and socioeconomic development, with a particular emphasis on special economic zones. Global economic outlook is also favourable for next year which can help boost exports even though stress is still evident. Overall the next six months are expected to remain tight as the economy undergoes the stabilization phase.

Financial Performance

During the six months under review, overall revenues were recorded at PKR 5.52 million inclusive of return on deposit of PKR 1.87 Million, compared to PKR 27.36 million in corresponding period last year. Admin and operating expenses for the period amounted to PKR 20.99 million. The Modaraba posted loss before management fee expense and tax of PKR 100.50 million during Jul -Dec 2019 compared to the profit before management fee expense and tax of PKR 4.36 million in the corresponding period of last year.

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.

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Chief Executive

Director

ڈائریکٹر رپورٹ

برائے ششماہی اختتام پذیر 31 دسمبر 2019

کے اے ایس بی مضاربہ، انتظامی کمپنی اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم انتہائی مسرت کے ساتھ ڈائریکٹر رپورٹ اور اس کے ساتھ کے اے ایس بی مضاربہ کے غیر آڈٹ شدہ مالیاتی نتائج برائے ششماہی اختتام پذیر 31 دسمبر 2019 پیش کرتے ہیں۔

انتظامی کمپنی کی تبدیلی

رجسٹرار مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) نے، خط نمبر SC/M/PROD/KASB/2019/36 بتاریخ 31 جنوری 2020 کے تحت بذریعہ حکم نامہ نمبر SC/M/RW/KASB/2020-35 اول مضاربہ مینجمنٹ لمیٹڈ (AMML) کو 3 فروری 2020 سے کے اے ایس بی مضاربہ کی انتظامی کمپنی مقرر کیا ہے۔ نتیجتاً AMML نے اسی تاریخ سے کے اے ایس بی مضاربہ کا انتظامی کنٹرول حاصل کر لیا ہے۔ اس سے پہلے مضاربہ کا انتظام و انصرام ایڈمنسٹریٹر کی جانب سے کیا جا رہا تھا جن کا رجسٹرار مضاربہ نے SECP کے حکم نامہ بتاریخ 3 اپریل 2019 کے تقرر کیا تھا۔

معیشت

مالی سال 2020 کی پہلی ششماہی میں منافع کے تناسب میں استحکام دیکھا گیا ہے جیسا کہ اسٹیٹ بینک پاکستان نے جولائی 2019 سے پالیسی ریٹ میں تبدیلی نہ کرنے کا فیصلہ کیا ہے۔ اسٹیٹ بینک پاکستان کی جانب سے متعدد مثبت پہلو زریں غور لائے گئے ہیں جس میں حالیہ اکاؤنٹ خسارے میں قابل دید کمی کرنا، ایکسچینج ریٹ میں استحکام اور اہدائی درجوں تک مہنگائی میں کمی لانے کی توقعات وغیرہ شامل ہیں۔ معیشت کو ابھی بھی متعدد چیلنجز کا سامنا ہے جیسا کہ پچھلے دو سالوں سے مہنگائی کے سبب معیشت پر دباؤ برقرار ہے، نتیجتاً انتہا درجے کے منافع کے تناسب کی وجہ سے کاروباری سرمایہ کاری کی ضرورت میں اضافہ ہو گیا ہے۔ طلب میں کمی واقع ہونے اور جغرافیائی سیاسیات میں تناؤ کی کیفیت کے سبب، معیشت غیر یقینی صورتحال سے اب بھی دوچار ہے۔

اسی اثناء میں، متعدد مثبت ترقیاں عمل میں آئی ہیں۔ مورخہ 2 دسمبر 2019 کو موڈیز نے پاکستان کے مستقبل کو منفی سے مستحکم قرار دیا ہے اور دوبارہ B-3 ریٹنگ پر فائز کیا ہے۔ مزید برآں، ایشیائی ترقیاتی بینک نے بھی ملکی معیشت کو سہارا دینے کیلئے 1.3 بلین امریکی ڈالر کے قرض کی منظوری دی ہے۔ FATF پر پاکستان کی حیثیت میں بھی بہتری آئی ہے؛ تاہم FATF کے اہداف کی مسلسل بجا آوری کسی بھی منفی ردعمل سے بچنے کیلئے اب بھی لازم و ملزوم ہے۔ سال 2020 کی دوسری ششماہی کے دوران مانیٹری پالیسی میں نرمی متوقع ہے جس سے مستقبل میں مہنگائی میں کمی واقع ہونے کا امکان ہے۔ حکومت سی پیک کے فیئر II پر اپنی توجہ مرکوز کیے ہوئے ہے جبکہ پہلے فیئر میں توانائی اور سڑکوں پر زور دیا گیا، دوسرے فیئر میں مخصوص معاشی زون پر خصوصی توجہ کے ساتھ ساتھ صنعت، زراعت اور سماجی اقتصاد پر بھی زور دیا جائے گا۔ اگلے سال عالمی معاشی پیش بینی بھی مثبت ہے جو کہ برآمدات کے اضافہ میں مددگار ثابت ہوگی۔ مختصراً آئندہ چھ ماہ مزید سخت رہنے کا امکان ہے جیسا کہ معاشی صورتحال استحکام کے مراحل سے گزر رہی ہے۔

مالیاتی کارکردگی

زیر جائزہ ششماہی کے دوران، 1.87 ملین پاکستانی روپے ڈیپازٹ میں منافع کو شامل کرتے ہوئے منجملہ آمدن 5.52 ملین روپے پاکستانی ریکارڈ کیا گیا جبکہ گذشتہ سال مماثل دورانیہ میں 27.36 ملین پاکستانی روپے تھا۔ انتظامی اور عملیاتی اخراجات برائے دورانیہ ہذا 20.99 ملین پاکستانی روپے حساب لگائے گئے ہیں۔ مضاربہ نے انتظامیہ کی فیس اور ٹیکس کے اخراجات برائے دورانیہ جولائی تا دسمبر 2019 سے قبل مبلغ 100.50 ملین پاکستانی روپے کا نقصان کیا جبکہ اس کے مقابلے گذشتہ سال مماثل دورانیہ میں یہ منافع 4.36 ملین روپے پاکستانی تھے۔

تلیمات

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان اور رجسٹرڈ مضاربہ کی جانب سے ان کی مسلسل رہنمائی اور حمایت کو سراہتے ہیں اور انہیں تسلیم کرتے ہیں۔ اس کے علاوہ ہم مضاربہ کے صارفین اور سرمایہ کاروں کی جانب سے مضاربہ پر بھروسہ کرنے پر ان کا شکریہ ادا کرتے ہیں۔

Sd/-

ڈائریکٹر

Sd/-

چیف ایگزیکٹو

فروری 26، 2020

کراچی

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE CERTIFICATE HOLDERS OF KASB MODARABA
REPORT ON REVIEW ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

Introduction

We have reviewed the accompanying condensed interim balance sheet of **KASB MODARABA** (the Modaraba) as at December 31, 2019, the related condensed interim profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and notes to the interim financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management Company is responsible for the preparation and presentation of these interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matter

The figures for the quarters ended December 31, 2019 and December 31, 2018 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The name of the engagement partner on the engagement resulting in this independent auditor's review report is Adnan Zaman

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RSM Avais Hyder Liaquat Nauman,
Chartered Accountants
Dated:
Karachi

KASB MODARABA
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2019

	Note	December 31,	June 30,
		2019	2019
		Un-audited	Audited
		------(Rupees)-----	
ASSETS			
Current assets			
Cash and bank balances	5.	63,469,267	51,147,044
Short term Investments	6.	5,910,424	6,350,180
Short term modaraba finance	7.	-	-
Short term musharaka finance	8.	-	3,100,000
Murabaha finance	9.	-	83,796,155
Current portion of long term diminishing musharaka finance	10.	16,894,774	22,862,832
Receivable against sale of agricultural produce		-	7,651,449
Ijarah rentals receivable		-	52,003
Advances, prepayments and other receivables		6,901,035	14,393,609
Property acquired in satisfaction of financing facility		47,082,936	47,082,936
		140,258,436	236,436,209
Non-current assets			
Long-term diminishing musharaka finance	10.	10,616,889	19,045,539
Long-term advances		113,768	304,682
Long-term deposits		-	-
Ijarah assets	11.	3,579,900	9,097,408
Fixed assets	12.	1,717,298	5,699,672
		16,027,855	34,147,301
		156,286,291	270,583,511
TOTAL ASSETS			
LIABILITIES			
Current liabilities			
Redeemable capital	13.	1,315,000	1,315,000
Term finance	14.	-	12,566,727
Current portion of long term security deposits		100,000	100,000
Current portion of long term deferred murabaha income		-	-
Creditors, accrued and other liabilities		4,474,576	6,189,690
Unclaimed profit distribution		2,834,156	2,834,156
Total current liabilities		8,723,732	23,005,572
Non-current liabilities			
Long-term security deposits		3,479,899	3,479,900
Deferred liabilities - staff gratuity		3,880,821	3,389,955
		7,360,720	6,869,855
		16,084,452	29,875,427
		140,201,839	240,708,083
NET ASSETS			
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2019: 50,000,000) certificates of Rs. 10/- each			
		500,000,000	500,000,000
Issued, subscribed and paid-up capital	15.	480,664,800	480,664,800
Discount on issuance of certificates		(98,960,400)	(98,960,400)
Statutory reserve		83,505,138	83,505,138
Accumulated losses		(325,007,699)	(224,501,455)
		140,201,839	240,708,083
CONTINGENCIES AND COMMITMENTS			
	16.		
		140,201,839	240,708,083

The annexed notes form an integral part of these financial statements.

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Chief Executive

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Director

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Director

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Chief Financial Officer

KASB MODARABA
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	-----Rupees-----			
Income from:				
- Ijarah finance	-	2,010,620	-	1,296,034
- murabaha finance	95,330	1,410,653	(29,012)	480,507
- diminishing musharaka finance	1,914,476	5,588,651	428,310	2,924,958
- bank deposits	1,869,844	490,000	1,193,891	270,000
	3,879,650	9,499,924	1,593,190	4,971,499
Financial charges	(422,005)	(2,362,693)	3,411	(1,081,000)
Depreciation on assets under ijarah arrangements	(1,379,382)	(3,608,912)	(689,691)	(1,718,673)
	(1,801,387)	(5,971,605)	(686,280)	(2,799,673)
	2,078,263	3,528,319	906,910	2,171,826
Other income	742,691	2,291,533	515,732	1,785,264
Unrealized (loss) / gain on investments - at fair value through profit or loss	(439,756)	8,321,677	1,703,413	(11,230)
Impairment of ijarah asset	(4,138,125)	-	(4,138,125)	-
Provision / suspension against potential losses-Morabaha	(72,808,617)	-	(72,808,617)	-
Provision for receivable against sale of agriculture produce	(7,651,449)	-	(7,651,449)	-
Reversal of Provision	900,000	7,242,849	900,000	6,231,720
Administrative and operating expenses	(19,189,251)	(16,445,267)	(13,214,113)	(7,065,437)
	(102,584,507)	1,410,792	(94,693,160)	940,317
	(100,506,244)	4,939,111	(93,786,250)	3,112,143
Modaraba management fee	-	(435,933)	-	(274,683)
Sales tax on management fee	-	(56,671)	-	(35,708)
Provision for Workers' Welfare Fund	-	(87,187)	-	(54,927)
(Loss) / profit before taxation	(100,506,244)	4,359,319	(93,786,250)	2,746,824
Taxation	-	-	-	-
Net (loss) / profit after taxation	(100,506,244)	4,359,319	(93,786,250)	2,746,824
(Loss) / earnings per certificate	(2.09)	0.09	(1.95)	0.06

The annexed notes form an integral part of these financial statements.

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_____ Chief Executive	_____ Director	_____ Director	_____ Chief Financial Officer

KASB MODARABA
 CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	----- Rupees -----		----- Rupees -----	
Net (loss) / profit for the period	(100,506,244)	4,359,319	(93,786,250)	2,746,824
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(100,506,244)</u>	<u>4,359,319</u>	<u>(93,786,250)</u>	<u>2,746,824</u>

The annexed notes form an integral part of these financial statements.

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 Chief Executive

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 Director

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 Director

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 Chief Financial Office

KASB MODARABA
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Note	December 31, 2019	December 31, 2018
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(100,506,244)	4,359,319
Adjustments for non-cash charges and other items:		
Unrealized (loss) / gain on investments - at fair value through profit or loss	439,756	(8,321,677)
Provision/suspension against potential losses-Morabaha	72,808,617	
Depreciation	2,076,736	5,269,996
Impairment of ijarah assets	4,138,125	
Writeoff of own assets	3,215,645	
Provision for doubtful receivable against sale of agriculture produce	7,651,449	
Amortisation	69,375	138,750
Gratuity expense	490,866	232,206
Financial charges	422,005	2,362,693
	91,312,574	(318,032)
Decrease / (increase) in current assets		
Musharaka finance	3,100,000	2,700,000
Murabaha finance	10,987,538	16,971,550
Modaraba finance	-	112,000
Ijarah rentals receivable	52,003	(866,658)
Diminishing Musharaka	14,396,708	32,521,382
Advances, deposits, prepayments and other receivables	7,683,489	(3,091,509)
Long-term deposits	-	267,000
	36,219,738	48,613,765
Decrease in current liabilities		
Security deposits	-	(461,375)
Deferred murabaha income	-	(66,389)
Creditors, accrued and other liabilities	(1,715,114)	(5,521,409)
	(1,715,114)	(6,049,173)
Staff Gratuity paid	-	(760,101)
Financial charges paid	(422,005)	(2,362,693)
	(422,005)	(3,122,794)
Net cash generated from operating activities	24,888,950	43,483,086
CASH FLOW FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of Ijarah assets	-	461,375
Sales proceeds from disposal of fixed assets	-	7,209
Net cash generated from investing activities	-	468,584
CASH FLOW FROM FINANCING ACTIVITIES		
Term Financing	(12,566,727)	(12,566,726)
Deposits	-	(28,570,000)
Net cash used in financing activities	(12,566,727)	(41,136,726)
Net increase in cash and cash equivalents	12,322,223	2,814,944
Cash and cash equivalents at the beginning of the period	51,147,044	30,947,769
Cash and cash equivalents at the end of the period	63,469,267	33,762,713

The annexed notes form an integral part of these financial statements.

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Chief Executive

Director

Director

Chief Financial Officer

KASB MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Certificate Capital	Discount on Issuance of certificates	Statutory Reserve	Accumulated Loss	Total
	----- Rupees -----				
Balance as at July 01, 2018 (Audited)	480,664,800	(98,960,400)	83,505,139	(190,261,914)	274,947,625
Net profit for the period ended December 31, 2018	-	-	-	4,359,319	4,359,319
Transfer to statutory reserve	-	-	871,864	(871,864)	-
Balance as at December 31, 2018 (Un-audited)	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>84,377,003</u>	<u>(186,774,459)</u>	<u>279,306,944</u>
Balance as at July 01, 2019 (Audited)	480,664,800	(98,960,400)	83,505,138	(224,501,455)	240,708,083
Net loss for the period ended December 31, 2019	-	-	-	(100,506,244)	(100,506,244)
Transfer to statutory reserve	-	-	-	-	-
Balance as at December 31, 2019 (Un-audited)	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>83,505,138</u>	<u>(325,007,699)</u>	<u>140,201,839</u>

The annexed notes form an integral part of these financial statements.

-sd-	-sd-	-sd-	-sd-
_____ Chief Executive	_____ Director	_____ Director	_____ Chief Financial Officer

KASB MODARABA
NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 KASB Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and was managed by KASB Invest (Private) Limited (the Management Company) - KIPL, a company incorporated in Pakistan. The principal office of KASB Modaraba was situated at 16-C, Khayaban-e-Bukhari, Bukhari Commercial Area, Phase VI, DHA, Karachi. It has been relocated to Office # B, 5th Floor, Lakson Square Building 1, Sarwar Shaheed Road, Karachi, with effect from August 5, 2019.
- 1.2 The Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated April 03, 2019 appointed Mr.Khawaja Waheed Raza as Administrator of the Modaraba to take over and manage the affair of the Modaraba in place of KIPL (Management Company). 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.
- 1.3 The Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated January 31, 2020 appointed Awwal Modaraba Management Limited (AMML) to take over and manage the affair of the Modaraba. AMML has taken over the management and administrative control of KASB Modaraba effective from February 03, 2020,
- 1.4 The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharaka financing, murabaha financing, modaraba financing, diminishing musharaka and investing in sukuk bonds, mutual funds and listed securities. The Modaraba is listed on the Pakistan Stock Exchange.

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 issues 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, 2019. The figures for the half year ended December 31, 2019 have been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.
- 2.3 This condensed interim financial statements comprises of the condensed interim balance sheet as at December 31, 2019 and the condensed interim profit and loss account & condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and the notes forming part thereof for the half year ended December 31, 2019 which have been subjected to a review but not audited.
- 2.4 The comparative condensed balance sheet, presented in this condensed interim financial statements, as at June 30, 2019 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2019 whereas the comparative condensed interim profit and loss account & condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year ended December 31, 2018 have been extracted from the condensed interim financial statements for the half year ended December 31, 2018 which were subjected to a review but not audited.
- 2.5 These interim financial statements have been presented in pak rupees which is the functional currency of the modaraba.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis, except for investment classified as held for trading carried at fair value and certain staff retirement benefits that are carried at present value of defined benefit obligation.

4. 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, 2019 except those that stated in note 4.1 (a) below

4.1 Change in accounting standards, interpretations and amendments to published accounting and reporting standards

(a) Standards and amendments to published accounting and reporting standards which were effective during the half year ended December 31, 2019

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17: Leases. As the distinction between operating and finance lease is eliminated, it has resulted in leases being recognised on the statement of financial position except for short-term and low-value leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

However, the application of IFRS 16 does not have any material impact on the Modaraba's books of account.

The amendments that were mandatory for the half year ended December 31, 2019 are considered not to be relevant for the Modaraba's financial reporting process and hence have not been disclosed here.

(b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There is a new standard and certain amendments and interpretation to the accounting and reporting standards that will be mandatory for the Modaraba's annual accounting periods beginning on or after July 1, 2020. However, these standard, amendments and interpretation will not have any significant impact on the financial reporting of the Modaraba and, therefore, have not been disclosed in these condensed interim financial statements.

	Note	December 31, 2019 Un-audited	June 30, 2019 Audited
------(Rupees)-----			
5. CASH AND BANK BALANCES			
Cash at bank in :			
- current accounts		2,859,623	22,377,003
- saving accounts	5.1	<u>60,511,462</u>	<u>28,686,987</u>
		63,371,085	51,063,990
Cash in hand		<u>98,183</u>	<u>83,054</u>
		63,469,267	51,147,044

5.1 The expected profit rates on these accounts range between 4.00% and 11.00% (June 30, 2019: 4.00% to 10.25%)

6. INVESTMENTS

Fair value through profit or loss (FVTPL) - quoted securities

Quoted Securities	6.1	<u>5,910,424</u>	<u>6,350,180</u>
		5,910,424	6,350,180

During the year ended June 30, 2019, these shares were identified (through consultants) as the unrecorded investment in the books of modaraba. The claim for acquisition was lodged by the modaraba and upon receipt of the actual shares, investment has been initially recorded at nil cost and subsequently measured at its market value.

6.1 Quoted securities

December 31, 2019	June 30, 2019		December 31, 2019	June 30, 2019
Number of fully paid ordinary shares of Rs. 10 each		Name of Investee	Rupees	Rupees
Automobile Parts & Accessories				
16,468	16,468	Thal Limited	5,569,972	5,995,340
200	200	Indus Motor Company Limited	232,332	240,784
Textile & Weaving				
42,400	42,400	Service Fabrics Limited	108,120	114,056
<u>59,068</u>	<u>59,068</u>		<u>5,910,424</u>	<u>6,350,180</u>

7. MODARABA FINANCE

The Modaraba has provided funds under modaraba arrangements on profit and loss sharing basis to various entities. However, based on the guidelines of Prudential Regulations for Modarabas, the principal and profit against these finances have been fully provided and suspended accordingly.

	December 31, 2019	June 30, 2019
Modaraba finance	37,791,201	37,791,201
Less: Provision for non-performing modaraba arrangements	<u>(37,791,201)</u>	<u>(37,791,201)</u>
	<u>-</u>	<u>-</u>

8. MUSHARAKA FINANCE

Musharaka finance - considered good	-	3,100,000
- considered doubtful	<u>14,702,297</u>	<u>15,602,297</u>
	14,702,297	18,702,297
Less: Provision for non-performing musharaka arrangements	<u>(14,702,297)</u>	<u>(15,602,297)</u>
	<u>-</u>	<u>3,100,000</u>

8.1 This represents waiver given to a client as per settlement agreement dated December 24, 2016. The client has paid all dues as per the agreement and the residual amount is provided accordingly.

	December 31, 2019 Un-audited	June 30, 2019 Audited
	-----Rupees-----	
9. MURABAHA FINANCE		
Murabaha finance - considered good	72,808,617	83,796,155
- considered doubtful	88,819,848	88,682,898
	<u>161,628,465</u>	<u>172,479,053</u>
Less: provision for non-performing murabaha arrangements	<u>(161,628,465)</u>	<u>(88,682,898)</u>
	<u><u>-</u></u>	<u><u>83,796,155</u></u>

9.1 All murabaha arrangements are secured against hypothecation of assets, personal guarantees, promissory notes and in some cases mortgage of properties. Further, as mentioned in note # 1, new management company is appointed by Registrar Modaraba and they have reassessed the risk on outstanding balances. Prior to their appointment, above balances were provided in compliance with the requirements of prudential regulations and based on the risk assessment of new management company, above balances are further provided on prudent basis.

Reconciliations of provision for non-performing murabaha arrangements

Opening balance	88,682,898	85,126,172
Provision for the period / year	<u>72,945,567</u>	<u>3,556,726</u>
Closing balance	<u><u>161,628,465</u></u>	<u><u>88,682,898</u></u>

10. DIMINISHING MUSHARAKA

Diminishing musharaka finance - considered good	31,788,312	48,935,462
Diminishing musharaka finance - considered doubtful	6,384,294	6,384,294
Less: Unearned income	<u>(4,276,649)</u>	<u>(7,027,091)</u>
	<u>33,895,957</u>	<u>48,292,665</u>
Less: Provision for non-performing diminishing musharaka	<u>(6,384,294)</u>	<u>(6,384,294)</u>
	<u>27,511,663</u>	<u>41,908,371</u>
Diminishing musharaka due after one year	<u>(10,616,889)</u>	<u>(19,045,539)</u>
Current portion of diminishing musharaka finance	<u><u>16,894,774</u></u>	<u><u>22,862,832</u></u>

10.1 The Profit rates on these diminishing musharaka arrangements range from 10.00% to 19.00% (June 30, 2019: 9.51% to 19%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

	December 31, 2019 Un-audited	June 30, 2019 Audited
	-----Rupees-----	
11. IJARAH ASSETS	<u>3,579,900</u>	<u>9,097,408</u>
11.1 Details of addition / (disposals) during the period as follows:		
Addition to ijarah assets	<u>-</u>	<u>-</u>
Disposal during the period / year		
- Motor vehicles	<u>-</u>	<u>(12,452,500)</u>
	<u>-</u>	<u>(12,452,500)</u>
Impairment during the period / year		
- Machinery & equipment	<u>(4,138,125)</u>	<u>(12,452,500)</u>
	<u><u>(4,138,125)</u></u>	<u><u>(12,452,500)</u></u>

The ijarah financing were made against settlement agreement to M/s Pakistan Phutti International (PPIL) dated

April 27, 2016. Due to the continuous default in repayment, the previous management of Modaraba has filed recovery suits in the Banking Courts which is pending adjudication. The previous management and the legal counsel were optimistic on favourable outcome of the case. The impairment of assets were not recorded in compliance with prudential regulations as collaterals were available. However, new management company which is appointed by Registrar Modaraba as disclosed in note # 1 has recognised impairment of these assets on prudent basis.

	December 31, 2019 Unaudited	June 30, 2019 Audited
	-----Rupees-----	
12. FIXED ASSETS	12.1 1,717,298	5,699,672
12.1 Additions, disposal and impairment in fixed assets		
- Additions during the period / year	-	-
- Disposal (at book value) during the period / year		
Computer & Accessories	-	(72,092)
- Impairment during the period / year		
Plant & Machinery	2,356,149	-
Electrical Equipment	859,496	-
Furniture and fixtures	-	6,526,015
	3,215,645	6,526,015

The modaraba entered into modaraba financing and for the purpose acquired some specialised assets which have zero value-in-use at reporting date. Accordingly, modaraba has recognised impairment loss on those assets

13. REDEEMABLE CAPITAL

Certificate of Musharaka	13.1 1,315,000	1,315,000
13.1 This represents matured and unclaimed balances of musharaka certificates.		

14. TERM FINANCE

The Modaraba availed finance facility of Rs.100 million under Risk Participation Agreement from JS Bank Limited (Bank) for a term of three years. With the payment of last monthly installment in December 2019, the facility stands fully settled.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

December 31, 2019	June 30, 2019		December 31, 2019	June 30, 2019
Number of certificates			----- (Rupees) -----	
24,958,400	24,958,400	Modaraba Certificates of Rs. 10/- each fully paid in cash	249,584,000	249,584,000
3,316,000	3,316,000	Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates	33,160,000	33,160,000
19,792,080	19,792,080	Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800	197,920,800
48,066,480	48,066,480		480,664,800	480,664,800

16. CONTINGENCIES AND COMMITMENTS

Some of the modarabas in the sector have received letter from Assistant Commissioner, Sindh Revenue Board (SRB), whereby it came to their notice that these Modarabas are 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. The modarabas who have received the said letter, collectively decided that under the supervision of NBFI & Modaraba Association Pakistan, a petition against the same be filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rental/ lease financing transactions including the vires of various headings of the Second Schedule of the Act. Being similar in nature of business it was expected that the same type of letter shall be received by KASB Modaraba. Therefore, management has taken cautious approach and become a party in collective effort undertaken by the other modarabas.

17. MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance 1980, up to a maximum of 10% per annum of the net profit before tax. However, due to loss for the period, no management fee is charged for the period.

18. TAXATION

The income of the Modaraba is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed amongst the shareholders.

No provision for current and deferred taxation has been made in these financial statements in accordance with the accounting policy of the Modaraba.

19. TRANSACTIONS WITH RELATED

The related parties and associated undertakings comprise the ex-modaraba management company [KASB Invest (Private) Limited], modarabas under common management (First Prudential Modaraba & First Pak Modaraba) directors and key management personnel. Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Significant transactions with related parties are as follows: -

Relationship with Modaraba	Nature of Transactions	December 31,	June 30,
		2019	2019
		Un-audited	Audited
		-----Rupees-----	
Balances with related parties			
Modaraba management company	Issue of certificates at discount	98,946,930	98,946,930
Modarabas under common management	Receivable against reimbursement of expenses	697,184	2,607,313
Administrator (Note # 1)	Salaries & other benefits payable	-	240,000
		December 31,	December 31,
		2019	2018
		Un-audited	Un-audited
		-----Rupees-----	
Expense/(Income) for the period			
Modaraba management company	Modaraba management fee	-	-
Modarabas under common management	Reimbursement of expenses	(9,284,543)	7,182,344
Administrator (Note # 1)	Salaries & other benefits	540,000	240,000
Payments /(Receipts) made during the period			
Modaraba management company	Modaraba management fee	-	-
Modaraba under common management	Reimbursement of expenses	(11,194,672)	4,691,803
Modaraba management company	Dividend paid	-	-
Administrator (Note # 1)	Salaries & other benefits	780,000	

20. GENERAL

20.1 Figures have been rounded off to the nearest Rupee.

21. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue by Board of Directors of the Awwal Modaraba Management Limited on February 26, 2020.








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_____ Chief Executive	_____ Director	_____ Director	_____ Chief Financial Office










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