



KASB Modaraba

An Islamic Financial Institution



ANNUAL REPORT 2021

صاف اور شفاف آمدنی،
سچا سکون ہے...

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 Shariah 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.

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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

Grant Thornton Anjum Rehman, Chartered Accountants

Bankers

Dubai Islamic Bank
Soneri Bank

Certificate Registrar

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

Legal Advisor

S & B Durrani Law Associates

Shariah Advisor

Al-Hilal Shariah Advisors (Private) Limited

Registered & Head Office

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

CHAIRMAN'S REVIEW



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

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

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

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

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

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

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

Khalid Aziz Mirza
Chairman

Dated: 27 August 2021

DIRECTORS' REPORT



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

Economy

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

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

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

Financial Performance Operating Results

	30 June 2021 (Rupees '000')	30 June 2020 (Rupees '000')
Balance Sheet		
Certificate capital	480,665	480,665
Total equity	168,045	138,400
Diminishing Musharaka	31,979	18,578
Investment – equities/Sukuk/Modaraba term deposit	56,278	5,681
Profit & Loss		
Revenue	60,052	12,180
Operating expenses	21,160	28,689
Profit/ (loss) before Management Fee	33,087	(102,921)
Net profit for the year	29,203	(102,921)
Appropriations		
Profit distribution @ 4.80% (2020: Nil)	23,072	Nil
Statutory reserve	5,841	Nil
Un-appropriated profit carried forward	23,362	(102,921)
Earnings per certificate	0.61	(2.14)

Financial snapshot

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

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

The outstanding portfolio amounted to PKR 31.80 million on June 30, 2021 compared to PKR 18.58 million at the end of the previous year. Of the excess liquidity of PKR 194.82 million, approx. PKR 20.71 million was placed in sukus while PKR 27 million was placed in Modaraba Term deposits to maximize returns, remaining maintained in bank balances. However, overall revenues slightly reduced to 3.18 million from PKR 3.49 million during previous year due to lower prevailing mark-up rates. Total expenses for the period were contained at PKR 21.16 million. With reversal of provisions of PKR 44.27 million, the Modaraba posted profit before tax for the period at PKR 29.2 million against loss of PKR 102.92 million in corresponding period last year.



DIRECTORS' REPORT



Profit Distribution

The Board in its meeting held on 27 August 2021 has approved cash dividend of Re. 0.48 (4.80%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2021.

To comply with Modaraba Regulations 2021, the Board of Directors has transferred Rs. 5.84 million to statutory reserve. As per the Regulations the Modaraba is required to transfer not less than 20% and not more than 50% of the Modaraba's after tax profit to statutory reserve till such time that the reserve equals 100% of the paid-up capital. Subsequently, a sum not less than 5% and not more than 20% of its after tax profit is to be transferred to such reserve.

Governance & Shariah Compliance

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

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

Corporate and Financial Reporting Framework

The Board of Directors is pleased to report that:

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on 30 June 2021 except for those disclosed in the financial statements.

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

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

Change in Directors

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

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

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

DIRECTORS' REPORT



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

- One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation for the yearly staff compensation amounts.
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The value of investments of the gratuity fund is Rs. 1,382,916. The Modaraba recorded Rs. 790,840 for the gratuity up to 30 June 2021.

The Board of Directors

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

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

The composition of Board is as follows:

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

Director's Remuneration

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

Auditors

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

Shari'ah Advisor's Report

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

Acknowledgments

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

On behalf of the Board

Karim Hatim
Chief Executive
Date: 27 August 2021

Abdul Jaleel Shaikh
Director



ڈائریکٹر رپورٹ:

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

معیشت:

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

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

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

مالیاتی کارکردگی:

کاروباری نتائج

30 جون 2020 (روپے "000")

30 جون 2021 (روپے "000")

480,655

480,655

138,400

168,045

18,578

31,979

5,681

56,278

بیلنس شیٹ

سرٹیفیکیٹ سرمایہ

کل مساوات/ایکویٹی

تفصیلی مشارکت

سرمایہ کاری-ایکویٹی/سکوٹ/مضاربہ ٹرم ڈیپازٹ

DIRECTORS' REPORT



نفع اور نقصان	
12,180	60,052
28,689	21,160
(102,921)	33,087
(102,921)	29,203
اختصاص (Appropriations)	
Nil	23,072
Nil	5,841
(102,921)	23,362
(2.14)	0.61

سرسری جائزہ:

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

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

30 جون 2021 کا بقایا پورٹ فولیو 31.80 ملین روپے تھا جبکہ پچھلے سال کے آخر میں 18.58 ملین روپے تھا۔ 194.82 ملین روپے کی اضافی لیکویڈیٹی میں سے 20.71 ملین روپے سکوک میں رکھے گئے تھے جبکہ 27 ملین روپے مضاربہ نریم ڈپازٹس میں رکھے گئے تھے تاکہ زیادہ سے زیادہ منافع حاصل کیا جاسکے، باقی بینک میں رکھا گیا ہے۔ تاہم، موجودہ آمدنی کی کم شرح کی وجہ سے گزشتہ سال کے دوران مجموعی آمدنی 3.18 ملین روپے سے کم ہو کر 3.49 ملین رہ گئی۔ اس عرصے کے کل اخراجات 21.16 ملین روپے تھے۔ سابقہ دور میں مشکوک قرار پائے 44.27 ملین روپے کی وصولی کی وجہ سے، مضاربہ نے ٹیکس سے پہلے منافع 29.2 ملین روپے حاصل کیا جو گزشتہ سال کے اسی عرصے میں 102.92 ملین روپے کا نقصان تھا۔

منافع کی تقسیم:

بورڈ نے 27 اگست 2021 کو منعقد ہونے والے سال کے لئے 10 روپے کے سرٹیفیکیٹ پر Rs. 0.48 (4.80%) نقد منافع کی منظوری دی ہے جو زکوٰۃ اور ٹیکس کی کٹوتی سے مشروط ہے۔

مضاربہ ریگولیشنز 2021 کی تعمیل کے لیے بورڈ آف ڈائریکٹرز نے 5.84 ملین روپے کو لازمی ریزرو میں منتقل کیا ہے۔ ریگولیشنز کے مطابق مضاربہ 20 فیصد سے کم نہیں اور 50 فیصد سے زیادہ نہیں قبل از ٹیکس منافع کو لازمی ریزرو میں منتقل کرنے کی ضرورت ہے جب تک کہ ریزرو

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

گورننس اور شریعت کی تعمیل:

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج اور سیکیورٹیز اینڈ اینڈو ایٹمنٹ کمیشن آف پاکستان (ایس ای سی پی) کے مختلف احکامات کی تعمیل کو یقینی بنانے کے لیے پرعزم ہے۔ مضاربہ 30 جون 2021 کو ختم ہونے والے سال کے لیے متعلقہ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی ضروریات کے مطابق ہے۔

شرعی ایڈوائزرز آغاز سے ہی اس بات کو یقینی بناتا ہے کہ ممکنہ گاہکوں کا کاروبار اور مجوزہ لین دین کا ڈھانچہ شرعی اصولوں کے مطابق ہو۔ اچھی گورننس اور تمام پالیسیوں کو عملی طور پر نافذ کرنے پر زور دیا جاتا ہے۔ بورڈ آف ڈائریکٹرز بیرونی نگرانی کو یقینی بنانے کے لیے آزاد ڈائریکٹرز پر مشتمل ہے۔

کارپوریٹ اور مالی رپورٹنگ کا دائرہ کار:

بورڈ آف ڈائریکٹرز اطلاع دیتے ہوئے خوشی محسوس کر رہے ہیں کہ:

- ☆ مضاربہ کی انتظامیہ کے تیار کردہ مالی گوشوارے، اس کے امور کی منصفانہ حیثیت، اس کی کاروائیوں، نقد بہاؤ اور حصہ میں بدلاؤ کا واضح نتیجہ پیش کرتے ہیں۔
- ☆ مضاربہ کے حساب کتاب کے کھاتے باقاعدہ برقرار رکھے گئے ہیں۔
- ☆ مناسب اکاؤنٹنگ پالیسیاں مالی اسٹیٹمنٹ کی تیاری میں لاگو ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہے۔
- ☆ مالی اسٹیٹمنٹ کی تیاری کے سلسلے میں بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں مضاربہ پر لاگو ہیں پر عمل کیا گیا ہے۔
- ☆ اندرونی کنٹرول کا نظام مستحکم ہے اور منوثر انداز میں نافذ اور اس کی نگرانی کی جا رہی ہے۔
- ☆ مضاربہ کی جاری حیثیت سے روانی کی اہلیت پر شکوک و شبہات موجود نہیں ہیں۔
- ☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی خاص مادی اجتناب نہیں ہے جیسا کہ کارپوریٹ گورننس میں تفصیل سے بتایا گیا ہے۔
- ☆ ٹیکس، ڈیوٹی، محصول اور محصولات کے معاوضے کے حساب سے 30 جون 2021 تک کوئی قانونی ادائیگی واجب نہیں ہے، سوائے اس کے کہ مالی اسٹیٹمنٹ میں انکشاف کیا گیا ہو۔

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

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

ڈائریکٹرز میں تبدیلی:

جناب احمد متقی نے 30 جون 2021 سے کمپنی کے نان ایگزیکٹو ڈائریکٹر کے عہدے سے استعفیٰ دے دیا ہے اور جناب سید نجم رضوی کو احمد متقی کی جگہ پاک برونائی انویسٹمنٹ کمپنی (ہولڈنگ کمپنی آف منجمنٹ کمپنی) نے کمپنی کے بورڈ میں 1 جولائی 2021 کو نامزد کیا ہے۔ بورڈ نے راپور بیٹ گورننس کے ضابطہ اخلاق کی تعمیل کے لئے آڈٹ کمیٹی تشکیل دی ہے۔ کمپنی میں چار ممبران شامل ہیں۔ آڈٹ کمیٹی کے سربراہ خود مختار/آزاد ڈائریکٹر ہیں۔ کمپنی وقتاً فوقتاً مالی اسٹیٹمنٹ کا جائزہ لیتی ہے اور مالی پالیسیوں اور طریقوں کی وافر دستگی کی جانچ کرتی ہے تاکہ یہ یقینی بنایا جاسکے کہ داخلی کنٹرول کا ایک منوٹر اور مضبوط نظام موجود ہے۔ کمپنی داخلی آڈٹ کے ذریعہ جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ آڈٹ کمیٹی بیرونی آڈیٹرز کی تقرری کے لئے بورڈ آف ڈائریکٹرز کو سفارش کرنے کی بھی ذمہ داری عائد کرتی ہے۔

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

نام	اجلاسوں کی تعداد
جناب شاہد غفار	4
جناب خالد عزیز مرزا	4
جناب عبد الجلیل شیخ	4
جناب احمد متقی	4

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

☆ سرٹیفکیٹ ہولڈرز اور ان کے زیر ملکیت سرٹیفکیٹ کا زاپچاس سالانہ رپورٹ میں شامل ہے۔

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

☆ گریجویٹ فنڈ کی سرمایہ کاری کی قیمت 1,382,916 روپے ہے۔ مضاربہ نے 30 جون 2021 تک گریجویٹ کے لئے 790,840 روپے ریکارڈ کیئے۔

بورڈ آف ڈائریکٹرز:

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

مرد	5
خاتون	1

بورڈ کی تشکیل مندرجہ ذیل ہے:-

عہدہ	نام
(۱) آزاد خود مختار ڈائریکٹر	جناب خالد عزیز مرزا
(۲) دوسرے نان ایگزیکٹو ڈائریکٹرز	جناب شاہد غفار محترمہ عائشہ عزیز جناب عبد الجلیل شیخ جناب سید نجم رضوی
(۳) چیف ایگزیکٹو آفیسر	جناب کریم حاتم

ڈائریکٹریکٹری معاوضہ پالیسی:

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

آڈیٹرز:

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

شرعیہ مشیر کی رپورٹ:

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

اعترافات:

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

بورڈ کی جانب سے



عبدالکلیل شیخ
ڈائریکٹر



کریم حاتم
چیف ایگزیکٹو آفیسر

تاریخ: 27 اگست، 2021

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE



	2021	2020	2019	2018	2017	2016
	-----Rupees in Thousand-----					
Total assets	247,390	154,407	270,584	375,598	599,707	901,245
Musharaka Finance	-	-	3,100	11,300	12,900	14,100
Murabaha Finance	-	-	83,796	125,580	150,045	267,365
Modaraba Finance	-	-	-	112	50,960	53,746
Diminishing Musharaka	31,979	18,578	41,908	95,184	153,209	316,083
Ijarah Assets	3,580	3,580	9,097	20,265	32,493	52,765
Equity	168,757	138,400	240,708	274,947	391,456	389,033
Currents Assets	222,358	141,820	236,436	277,741	488,336	591,031
Current Liabilities	77,250	12,237	23,005	79,115	137,637	295,207
Income	57,168	12,849	35,248	58,118	110,830	166,063
Taxation	-	-	-	-	-	-
Profit/ (Loss) after Tax	29,203	(102,921)	(34,240)	(114,209)	4,570	8,244
Dividend (Rs.)	-	-	-	-	0.07	0.08
EPS (Rs.)	0.61	(2.14)	(0.71)	(2.38)	0.10	0.17

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
YEAR ENDED JUNE 30, 2021



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

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

1. The total number of directors are six (6) as per the following,-

- a. Male: 05
b. Female: 01

2. The composition of Board is as follows:

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

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

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

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

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

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

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board meets the criteria of requirement of Directors' Training program.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

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

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
YEAR ENDED JUNE 30, 2021



13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committee were as per following,-

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

15. The Board has outsourced the internal audit function to the internal audit department of the parent company (Pak Brunei Investment Company Limited) who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

KHE

Khalid Aziz Mirza
Chairman

Dated: 27 August 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

All praise is due to ALLAH, the Cherisher of the World
Peace and Blessings be upon the Prophet of ALLAH, on his family and all his companions, and
on those who follow him with Iman till the day of Aakhirah

SHARIAH ADVISOR'S REPORT 2021

Alhamdulillah, we have conducted the Shariah audit and review of KASB Modaraba managed by Awwal Modaraba Management Company. In accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in our opinion;

- I. The systems, procedures and policies adopted by the KASB Modaraba during the period were found in line with guidelines issued by SECP.
- II. The agreement(s) entered into by the KASB Modaraba are approved by religious board of SECP and the financing agreements have been executed on these formats and it has been tried to meet all the related conditions.

Any payment received over and above due payments due to delay:

- I. KASB Modaraba has collected and credited to charity account Rs. 269,116/- during the period whereas it has already paid NIL in lieu of charity during the period under review. The charity amount still payable is Rs. 1,483,194/-.

Emphasis of Matter:

The portfolios and transactions of KASB Modaraba were analyzed for the period under consideration and the matters observed by the Shariah Audit team are as follows

- I. KASB Modaraba was holding 200 shares of Indus Motor Company Limited. (INDY) as of 30th June 2021. The company became non-compliant as of financial statements of September 2020 and therefore three (3) months are provided for divestments of shares. The Portfolio holdings of KASB Modaraba included 200 shares of Indus Motor Company which have been subsequently divested on July 03, 2021. Shariah Advisor shall calculate the amount of charity due on these shares and shall be credited to charity account in the in the next fiscal when the sale of shares are recorded.

Observations:

- I. The client base of Modaraba has decreased as compared to previous few years.
- II. The transactions are being carried out efficiently with the customers.
- III. The Shariah Non-Compliant income earned from additional rentals and bounced cheques by Modaraba has been properly credited to the charity account, however, the complete amount has not been disbursed to the charitable organizations during the period. The management has assured to disburse the remaining charity amount as soon as possible.

Recommendations:

- I. The Modaraba should continue its policy of expanding Islamic financing and in this regard continue its focus on employees' training and development relating to Islamic financing products and services offered by Modaraba with specific focus on front staff.
- II. The Modaraba should focus on further increasing its Asset base through direct financing to businesses and individuals through the use of approved Shariah compliant modes and efforts.

Conclusion:

Based on the extensive reviews and tests of sample cases for each class of transaction, related documentation, processes, profit distribution mechanism for the depositors and management's representation made in regard, in our opinion, the affairs, activities and transactions, performed by the Modaraba during the year comply with rules and principles of Islamic Shariah in light of guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Security Exchange Commission of Pakistan (SECP).

And Allah Ta'ala knows better and perfect.

For on Behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisor (Pvt) Limited.

Mufti Irshad Ahmad Aijaz
Member Shariah Council

Faraz Younus Bandukda, CFA
Chief Executive


**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of KASB Modaraba (the Modaraba) as at June 30, 2021 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of KASB Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980), and Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made, and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- c) in our opinion and to the best of our information and according to explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and the Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2021 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Other Matter

The financial statements of the Modaraba for the year ended June 30, 2020 were audited by another firm of chartered accountants, whose report dated September 24, 2020 expressed an unmodified opinion on those financial statements.

Date: August 27, 2021
Karachi


Chartered Accountants
Audit Engagement Partner: Khurram Jameel



**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the certificate holder of KASB Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

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

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

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2021.

Chartered Accountants

Dated: 27 August, 2021
Karachi

Chartered Accountants

grantthornton.pk

BALANCE SHEET

AS AT 30 JUNE 2021



Note June 30, 2021 June 30, 2020
----- Rupees -----

Current assets

Cash and bank balances	5	147,114,654	71,872,499
Short term investment	6	29,277,745	5,680,702
Modaraba term deposit	7	27,000,000	-
Modaraba finance	8	-	-
Musharaka finance	9	-	-
Murabaha finance	10	-	-
Current portion of long term diminishing musharaka finance	11	10,630,132	11,123,671
Receivable against sale of agricultural produce	12	-	-
Ijarah rentals receivable	13	-	-
Advances, prepayments and other receivables	14	8,335,114	6,059,869
Property acquired in satisfaction of financing facility	15	-	47,082,936
		222,357,645	141,819,677

Non-current assets

Long-term diminishing musharaka finance	11	21,348,645	7,453,970
Long term advances		-	8,333
Ijarah assets	16	3,579,900	3,579,900
Fixed assets - owned	17	103,666	1,545,071
		25,032,211	12,587,274
TOTAL ASSETS		247,389,856	154,406,951

LIABILITIES

Current liabilities

Redeemable capital - participatory and unsecured	18	1,315,000	1,315,000
Musharaka finance	19	50,000,000	-
Security deposit		3,579,900	3,579,900
Creditors, accrued and other liabilities	20	13,776,888	4,508,253
Financial charges payable to PBICL		5,762,187	-
Unclaimed profit distribution		2,815,955	2,834,156
		77,249,930	12,237,309

Non-current liabilities

Deferred liabilities - staff gratuity	21	1,382,916	3,770,020
---------------------------------------	----	-----------	-----------

TOTAL LIABILITIES

NET ASSETS

REPRESENTED BY

CAPITAL AND RESERVES

Authorized certificate capital			
50,000,000 (June 30, 2020 : 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000

Issued, subscribed and paid-up capital	22	480,664,800	480,664,800
Revenue reserve		(303,005,573)	(326,809,916)
Capital reserve		(9,614,657)	(15,455,262)
		168,044,570	138,399,622

Surplus on revaluation of investments

		712,440	-
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TOTAL CERTIFICATE HOLDERS' EQUITY

		168,757,010	138,399,622
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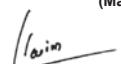
CONTINGENCIES AND COMMITMENTS


23

The annexed notes from 1 to 37 form an integral part of these financial statements

For Awwal Mudaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive


Director


Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2021

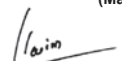



	June 30, 2021	June 30, 2020
Note	----- Rupees -----	
Income from:		
Diminishing musharaka finance	3,048,145	3,289,442
Murabaha finance	-	90,010
Dividend on shares	132,786	111,630
	3,180,931	3,491,082
Financial charges	24 (5,805,271)	(433,121)
Depreciation on assets under ijarah arrangements	16.1 -	(1,379,382)
	(5,805,271)	(1,812,503)
	(2,624,340)	1,678,579
Other income	25 9,718,048	5,917,680
Unrealized gain / (loss) on investment - at FVTPL	2,884,603	(669,479)
Reversal of provision against murabaha finance	38,426,119	3,440,000
Reversal of provision against diminishing musharaka	5,842,668	-
Provision / suspension against potential losses - murabaha finance	-	(72,808,617)
Impairment of ijarah asset	-	(4,138,125)
Provision for doubtful receivable against sale of agriculture produce	-	(7,651,449)
Administrative and operating expenses	26 (21,160,073)	(28,689,456)
	33,087,025	(102,920,867)
Management Company's remuneration	27 (2,920,302)	-
Sales tax on Management Company's remuneration	(379,639)	-
Sindh Worker's Welfare Fund	28 (584,060)	-
	(3,884,001)	-
	29,203,024	(102,920,867)
Profit / (Loss) before taxation		
Taxation	29 -	-
	29,203,024	(102,920,867)
Net Profit / (loss) for the year		
Earning / (Loss) per certificate - basic and diluted	30 0.61	(2.14)

The annexed notes from 1 to 37 form an integral part of these financial statements

For Awwal Mudaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive


Director


Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

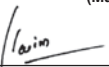


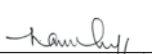
	Note	June 30, 2021 ----- Rupees -----	June 30, 2020
Net Profit / (loss) for the year		29,203,024	(102,920,867)
Other comprehensive income			
Items that will be subsequently reclassified to profit and loss account			
Unrealized gain on remeasurement of sukuk certificates	6.3	712,440	-
Items that will not be subsequently reclassified to profit and loss account			
Actuarial gain on defined benefit plans	21.7	441,924	612,406
Total comprehensive income / (loss) for the year		30,357,388	(102,308,461)

The annexed notes from 1 to 37 form an integral part of these financial statements

For Awwal Mudaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive


Director


Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021



June 30, 2021 June 30, 2020
----- Rupees -----

CASH FLOW FROM OPERATING ACTIVITIES

Profit / (Loss) before taxation **29,203,024** (102,920,867)

Adjustments for non-cash charges and other items:

Depreciation for the year	683,707	2,249,197
Financial charges	5,805,271	433,121
Amortisation - intangible assets	-	69,137
Impairment for the year	-	7,353,775
Unrealized gain / (loss) on investment - at FVTPL	(2,884,603)	669,479
Provisions for the year against doubtful receivable	-	77,920,066
Gain on sale of fixed assets	(1,716,302)	-
Provision against gratuity	790,840	1,076,197
	31,881,936	(13,149,895)

Decrease / (increase) in assets

Musharaka finance	-	3,100,000
Murabaha finance	-	13,527,538
Diminishing musharaka finance	(13,401,136)	23,330,731
Modaraba term deposit receipt	(27,000,000)	-
Ijarah rentals receivable	-	52,003
Advances, prepayments and other receivables	(1,197,241)	9,202,715
Property acquired in satisfaction of financing facility	47,082,936	-
	5,484,559	49,212,987

Increase / (decrease) in liabilities

Creditors, accrued and other liabilities	9,268,635	(1,681,437)
Unclaimed profit distribution	(18,201)	-
	9,250,434	(1,681,437)

Financial charges paid	(43,083)	(433,121)
Tax paid	(1,069,671)	(572,625)
Staff gratuity paid	(2,736,020)	(83,726)
	(3,848,774)	(1,089,472)
Net cash generated from operating activities	42,768,155	33,292,181

CASH FLOW FROM INVESTING ACTIVITIES

Sales proceeds from disposal of fixed assets	2,474,000	-
Investments made during the year	(20,000,000)	-
Net cash used in investing activities	(17,526,000)	-

CASH FLOW FROM FINANCING ACTIVITIES

Term Financing repaid	-	(12,566,727)
Musharaka finance	50,000,000	-
Net cash generated from / (used in) financing activities	50,000,000	(12,566,727)
Net increase in cash and cash equivalents	75,242,155	20,725,455
Cash and cash equivalents at the beginning of the year	71,872,499	51,147,044
Cash and cash equivalents at the end of the year	147,114,653	71,872,499

The annexed notes from 1 to 37 form an integral part of these financial statements


Chief Financial Officer


Chief Executive


Director


Director

STATEMENT OF CHANGES IN EQUITY

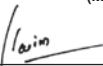
FOR THE YEAR ENDED 30 JUNE 2021




	Certificate capital	Capital reserves		Revenue reserve	Total
		Discount on Issuance of certificates	Statutory reserve	Accumulated losses	
----- Rupees -----					
Balance as at June 30, 2019	480,664,800	(98,960,400)	83,505,138	(224,501,454)	240,708,084
Net loss for the year	-	-	-	(102,920,867)	(102,920,867)
Other comprehensive income	-	-	-	612,406	612,406
Balance as at June 30, 2020	480,664,800	(98,960,400)	83,505,138	(326,809,916)	138,399,622
Net Profit for the year	-	-	-	29,203,024	29,203,024
Other comprehensive income	-	-	-	441,924	441,924
Transfer to statutory reserve	-	-	5,840,605	(5,840,605)	-
Balance as at June 30, 2021	480,664,800	(98,960,400)	89,345,743	(303,005,573)	168,044,570

For Awwal Mudaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive


Director


Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



1. LEGAL STATUS AND NATURE OF BUSINESS

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 Registrar (Modarabas), with the approval of the Securities & Exchange Commission of Pakistan, vide order dated April 03, 2019 appointed Administrator for 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.

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.

The registered office of KASB Modaraba is situated at 3rd floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No. 5, Clifton, Karachi. 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. BASIS OF PREPARATION

2.1 Statement of compliance

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

Wherever provisions and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations 2021 and IFAS differ from IFRS Standards, the provision and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and the Modaraba Rules, 1981, Modaraba Regulations 2021 and IFAS have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for investments at FVTPL and FVOCI carried at fair value and certain staff retirement benefits that are carried at present value of defined benefit obligation.

These financial statements has been prepared following accrual basis of accounting except for cashflow information.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are included in the following notes:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



- i) Classification of financial instruments (note 4.4)
- ii) Provision for non-performing finances and other impairment (note 4.13)
- iii) Provision for taxation (note 4.9 and 29).
- iv) Accounting for staff retirement benefits (note 4.12 and 21)
- v) Determination and measurement of useful life and residual value of fixed assets and ijarah assets (note 4.1, 16 and 17).

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations to the published standards that may be relevant to the company and adopted in the current year

There is no standard, amendments and interpretations of IFRSs which became effective during the current year.

3.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date "(Annual periods beginning on or after)"
IBOR Reform and its Effects on Financial Reporting—Phase 2	January 1, 2021
"Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)"	January 1, 2022
"Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)"	January 1, 2022
"Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)"	January 1, 2022
Subsidiary as a First-time Adopter (Amendment to IFRS 1)	January 1, 2022
Taxation in Fair Value Measurements (Amendment to IAS 41)	January 1, 2022
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
"Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)"	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure Initiative — Accounting Policies	January 1, 2023

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

3.3 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	Effective Date "(Annual periods beginning on or after)"
IFRS 17 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	January 1, 2023

During the year, SECP vide S.R.O. 800 (I)/2021, has modified the effective date for applicability of IFRS 9 - Financial Instruments in place of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies and Modarabas, as "Reporting period / year ending on or after June 30, 2022 (earlier application is permitted)".



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Fixed Assets - Tangible

Owned assets

Assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal.

Repairs and maintenance are charged to income as and when incurred.

The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Ijarah assets

Ijarah assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged on monthly basis from the date of commencement of lease. While no depreciation is charged in the month of maturity / termination.

Gain or loss on disposal of assets, if any, is recognized as and when incurred.

The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

4.2 Intangible assets

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

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. These assets are not amortised as they are expected to have an indefinite life and are marketable.

Gain and loss on disposal of intangible assets, if any, are taken to the profit and loss account.

The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

4.3 Cash and cash equivalents

These comprise cash in hand and balances with banks in current and saving accounts.

4.4 Financial Instruments

Initial measurement of financial asset;

The Modaraba classifies its financial assets into following three categories:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



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

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

Subsequent measurement

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. All other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in profit and loss account.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred.

Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprises investments, loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes diminishing musharakah finance, ijarah rentals, morabaha receivable, modaraba finance, modaraba term deposit, investment in sukuk, long term loans, accruals, prepayments, advances and other receivables and cash and cash equivalent. The Modaraba derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.5 Regular way contracts

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

4.6 Impairment

Financial assets

The Modaraba recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost, except in the case of calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modaraba prevails. The Modaraba measures loss allowances at an amount equal to lifetime ECLs, except for other securities and bank balances which are measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



Non-financial assets

The carrying amounts of the Modaraba's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Financial assets classified under Islamic Financial Accounting Standards

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

Offsetting of financial assets and financial liabilities

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

Financial liabilities

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

4.7 Ijarah rentals , murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance

Ijarah rentals receivables, murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance receivables are stated net of provisions and suspense income. Provision is recognised for non performing receivables in accordance with Modaraba Regulations 2021. Receivables that becomes irrecoverable are written off.

4.8 Earnings per certificate

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

4.9 Taxation

Current

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

4.10 Creditors, accrued and other liabilities

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

4.11 Provisions

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

4.12 Staff retirement benefits

Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Annual provision is made on the basis of actuarial recommendations. The actuarial valuations are carried out using the projected unit credit method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.

4.13 Revenue recognition

Ijarah

Income on Ijarah is recognised on an accrual basis. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

Musharaka Finance

Profit on Musharaka arrangements is recognised on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of the transaction after determination of the actual rate.

Murabaha Finance

The Modaraba follows the finance method in recognising income on murabaha finance. Under this method the unearned income i.e. the excess of aggregate murabaha installments over the cost of the asset under murabaha facility is deferred and then amortised over the term of the murabaha, so as to produce a constant rate of return on murabaha finance. Documentation charges, front-end fee and other murabaha income are recognised as income on a receipt basis.

Modaraba Finance

Profit on modaraba finance is recognised on the basis of pre-agreed profit / loss sharing ratio where as actual gain / loss on transaction is computed upon termination / completion of transaction.

Diminishing Musharaka

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



Non-performing financing arrangements

Unrealised income in respect of non-performing financing arrangements is held in suspense account, where necessary, in accordance with the requirements of Modaraba Regulations 2021 issued by the SECP.

Dividend Income

Dividend income is recognised when the Modaraba's right to receive the dividend is established.

5. CASH AND BANK BALANCES

	June 30, 2021	June 30, 2020
Note	----- Rupees -----	----- Rupees -----
Cash at bank in :		
Current accounts	2,930,026	2,844,003
Saving accounts	144,163,838	68,930,313
	147,093,864	71,774,316
Cash in hand	20,790	98,183
	<u>147,114,654</u>	<u>71,872,499</u>

5.1 Effective profit rates on these accounts range between 3.74% and 6.25% (June 30, 2020: 4.00% and 11.00%) per annum.

6. SHORT TERM INVESTMENT

	June 30, 2021	June 30, 2020
Note	----- Rupees -----	----- Rupees -----
Fair value through profit or loss (FVTPL) - quoted securities	8,565,305	5,680,702
Sukuk - Unlisted	20,712,440	-
	<u>29,277,745</u>	<u>5,680,702</u>

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

June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
----- Shares -----	----- Shares -----		----- Rupees -----	----- Rupees -----
16,468	16,468	Automobile Parts & Accessories		
200	200	Thal Limited	6,962,341	5,351,112
		Indus Motor Company Ltd	250,828	198,998
<u>42,400</u>	<u>42,400</u>	Textile & Weaving		
		Service Fabrics Limited	1,352,136	130,592
<u>59,068</u>	<u>59,068</u>		<u>8,565,305</u>	<u>5,680,702</u>

6.2 Sukuk - Unlisted

This represents investment in privately placed perpetual sukuk certificates, outrightly purchased from the related party. The details of investment are as under:

Description	Investment Date	Number of Units	Amount Rupees	Monthly Profit	Investment Agent	Maturity	Fair Value
Meezan Bank Additional Tier 1 Sukuk	May 19, 2021	20	20,000,000	3 months KIBOR +1.75% pa	Al Baraka Bank Limited	August 1, 2028	20,712,440

The fair value of the investment has been determined using rate notified by the Mutual Funds Association of Pakistan. The Modaraba's business model for the investment is to hold the asset to obtain benefits by collecting the contractual cash flows associated with the financial asset and selling the financial asset as per financial needs of the Modaraba.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



June 30, 2021 June 30, 2020
----- Rupees -----

6.3 Surplus on revaluation of investments

Market value of investment at the end of the year	20,712,440	-
Less: cost of investment	(20,000,000)	-
Surplus at the end of the year	<u>712,440</u>	<u>-</u>

7. MODARABA TERM DEPOSIT

The Modaraba (Rabb-ul-Maal) invested in the General Pool created by related party (Mudarib or investment manager) in accordance with the principles of Shariah. As per terms of the agreement, these term deposit will mature on respective dates and the related party shall pay profit to the Modaraba on maturity as per profit sharing ratio between the Modaraba and related party. The details of investment are as under:

Investment			Profit Sharing Ratio		Profit Rate (per annum)	
Date	Amount	Maturity	Rabb-ul-Maal	Mudarib	Rabb-ul-Maal	Mudarib
May 07, 2021	27,000,000	Monthly roll over till May 06, 2022	77.34%	22.66%	7.10%	2.08%

8. MODARABA FINANCE

June 30, 2021 June 30, 2020
----- Rupees -----

Modaraba Finance	37,791,201	37,791,201
Less: provision for non-performing Modaraba arrangements	(37,791,201)	(37,791,201)
	<u>-</u>	<u>-</u>

8.1 The Modaraba had provided funds under modaraba arrangements on profit and loss sharing basis to various entities outstanding since long. Based on the guidelines of the Modaraba Regulations 2021, receivables against these finances have been fully provided.

9. MUSHARAKA FINANCE

June 30, 2021 June 30, 2020
----- Rupees -----

Musharaka finance	14,702,297	14,702,297
Less: provision for non-performing musharaka arrangement	(14,702,297)	(14,702,297)
	<u>-</u>	<u>-</u>

9.1 This represents waiver given to a client Z.H. Piprani & Co. under settlement agreement dated December 24, 2016.

10. MURABAHA FINANCE

June 30, 2021 June 30, 2020
----- Rupees -----

Murabaha finance	97,784,311	171,829,551
Less: provision for non-performing murabaha arrangements	(97,784,311)	(171,829,551)
	<u>-</u>	<u>-</u>

10.1 Movement of provision

Opening balance	171,829,551	101,560,934
Provision during the year	-	70,268,617
Reversal of provision during the year	(38,426,119)	-
Write-off of during the year	(35,619,121)	-
	<u>97,784,311</u>	<u>171,829,551</u>

The Modaraba had provided funds under morabaha arrangements on profit and loss sharing basis to various entities outstanding since long. Based on the guidelines of the Modaraba Regulations 2021, receivables against these finances have been fully provided. During the year receivable against a defaulted customer has been settled out of Court. All the legal suits against the customer are withdrawn and securities released by the Modaraba. Accordingly, provision against such financing facility has been reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



11. DIMINISHING MUSHARKA FINANCE	Note	June 30, 2021	June 30, 2020
		----- Rupees -----	
Diminishing musharaka finance - considered good	11.1	39,111,432	21,596,527
Diminishing musharaka finance - doubtful		666,134	6,384,294
Unearned income		(7,132,655)	(3,018,886)
		<u>32,644,911</u>	<u>24,961,935</u>
Less: provision for non-performing diminishing musharaka	11.2	(666,134)	(6,384,294)
		<u>31,978,777</u>	<u>18,577,641</u>
Diminishing musharaka due after one year		(21,348,645)	(7,453,970)
Current portion of diminishing musharaka		<u>10,630,132</u>	<u>11,123,671</u>

11.1 The profit rates on these diminishing musharaka arrangements range between 10.00% and 19.00% (2020: 10.00% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

11.2 Movement of provision	Note	June 30, 2021	June 30, 2020
		----- Rupees -----	
Opening balance		6,384,294	6,384,294
Reversal of provision during the year	11.3	(5,718,160)	-
		<u>666,134</u>	<u>6,384,294</u>

11.3 During the year the Modaraba concluded settlement agreement with a defaulted customer. The case was under litigation, therefore, compromise application has been submitted with the Court, which was duly effect the emicable settlement. The customer is regular in payment of settlement amount as per schedule, therefore, provision against the receivable is reversed to the extent of actual recovery upto June 30, 2021.

12. Receivable against sale of agriculture produce

During financial year 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 Company 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. 18.20 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 Company of Modaraba has filed recovery suits in the Banking Courts which is pending adjudication. The Management Company and the legal counsel are optimistic on favourable outcome of the case. The details of receivables are as under:

Description	KASBM	FPRM	Total
Initial Investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of Agriculture Produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of agriculture produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: converted to Ijarah Financing	(19,311,320)	(40,000,000)	(59,311,320)
Less: Consultancy Charges	(194,950)	(305,050)	(500,000)
	<u>18,200,140</u>	<u>27,811,518</u>	<u>46,011,658</u>
"Provision for doubtful receivable against sale of agriculture produce"	(18,200,140)	(27,811,518)	(46,011,658)

12.1 Movement of provision	Note	June 30, 2021	June 30, 2020
		----- Rupees -----	
Opening balance		18,200,140	10,548,691
Provision during the year		-	7,651,449
		<u>18,200,140</u>	<u>18,200,140</u>

13. IJARAH RENTALS RECEIVABLE		June 30, 2021	June 30, 2020
Ijarah rental receivable		23,890,164	23,890,164
Less: Provision for doubtful receivables		(23,890,164)	(23,890,164)
		<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to executives - unsecured	-	40,000
Advances to other employees - unsecured	77,921	293,848
Advances for purchase of assets	2,000,000	-
Prepayments	485,563	338,964
Short term security deposits	217,300	271,300
Accrued profit	981,546	434,400
Advance tax	3,852,433	2,782,763
Receivable from associated entities	522,022	1,456,583
Others	198,329	442,002
	8,335,114	6,059,859

14.1 ACCRUED PROFIT

	June 30, 2021	June 30, 2020
	Rupees	
Accrued profit on bank deposits	692,973	434,400
Accrued profit on sukuk	162,524	-
Accrued profit on modaraba term deposit	126,049	-
Accrued license fee on property acquired in satisfaction of financing facility	7,874,930	7,874,930
Write-off of accrued license fee	(7,874,930)	-
Impairment loss on accrued license fee	-	(7,874,930)
	981,546	434,400

15. PROPERTY ACQUIRED IN SATISFACTION OF FINANCING FACILITY

During the year ended June 30, 2016, the Modaraba acquired a real estate property in Karachi for partial satisfaction of murabaha finance facility extended to a customer. As per the settlement agreement, the customer had an option to buy back the property within a period of three years. The Modaraba filed recovery suit against the customer for remaining balance of facility and prayed to the Honorable High Court for possession of property. During the period, facility has been settled out of court (note 10.1) and Modaraba has withdrawn all legal suits against the customer and accordingly released the property in favor of the customer.

16. IJARAH ASSETS

	June 30, 2021	June 30, 2020
Note	Rupees	
Plant and machinery	16.1	3,579,900

16.1 Assets held under Ijarah arrangement:

Description	Equipment	Plant and machinery	Total
	Rupees		
Year ended June 30, 2021			
Net carrying value basis			
Opening - NBV *	-	3,579,900	3,579,900
Depreciation charge	-	-	-
Closing - NBV	-	3,579,900	3,579,900
Gross carrying value basis			
Cost	57,600	33,791,219	33,848,819
Accumulated depreciation and impairment	(57,600)	(30,211,319)	(30,268,919)
Closing - NBV	-	3,579,900	3,579,900
Year ended June 30, 2020			
Opening - NBV	-	9,097,407	9,097,407
Depreciation charge	-	(1,379,382)	(1,379,382)
Impairment charge	-	(4,138,125)	(4,138,125)
Closing - NBV	-	3,579,900	3,579,900
Cost	57,600	33,791,219	33,848,819
Accumulated depreciation and impairment	(57,600)	(30,211,319)	(30,268,919)
NBV	-	3,579,900	3,579,900
Depreciation rate % per annum	20 to 66	14 to 33	

* This amount is the residual value of the asset hence remained undepreciated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



17. FIXED ASSETS - OWNED

Note June 30, 2021 June 30, 2020
----- Rupees -----

Tangible assets

17.1 103,666 1,545,071

17.1 Assets held under owned use

	June 30, 2021										Depreciation rate per annum
	Cost		Accumulated Depreciation			Impairment		Book value		%	
	As at July 01, 2020	Deletions	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021		
	Rupees										
Furniture and fixtures	8,912,424	-	715,000	8,688,780	109,700	691,987	-	-	23,013	10	
Office equipment	551,202	(8,197,424)	551,202	457,857	(8,106,493)	62,467	520,324	-	30,878	20	
Electrical equipment	5,079,382	-	3,908,313	4,426,484	299,925	3,866,913	-	-	41,400	20	
Plant & Machinery	871,446	(1,171,069)	-	871,446	(859,496)	-	-	-	-	20	
Motor vehicles	1,984,180	(871,446)	116,680	1,801,927	(871,446)	29,104	116,680	-	-	20	
Computers & accessories	3,606,305	(1,867,500)	3,214,096	3,213,374	(1,714,351)	152,511	3,205,721	-	8,375	30	
	21,004,939	(392,209)	8,505,291	19,459,868	683,707	8,401,625	-	-	103,666		
		(12,499,648)			(11,741,950)						

	June 30, 2020										Depreciation rate per annum
	Cost		Accumulated Depreciation			Impairment*		Book value		%	
	As at July 01, 2019	Deletions	As at June 30, 2020	As at July 01, 2019	Charge for the year	As at June 30, 2020	As at July 01, 2019	Charge for the year	As at June 30, 2020		
	Rupees										
Furniture and fixtures	15,438,438	-	15,438,438	8,485,572	203,208	8,688,780	6,526,014	-	223,644	10	
Office equipment	551,202	-	551,202	355,342	102,515	457,857	-	-	93,345	20	
Electrical equipment	5,938,878	-	5,938,878	4,294,945	131,539	4,426,484	-	859,496	652,898	20	
Plant & Machinery	3,227,600	-	3,227,600	726,258	145,188	871,446	-	2,356,154	-	20	
Motor vehicles	1,984,180	-	1,984,180	1,661,865	140,062	1,801,927	-	-	182,253	20	
Computers and accessories	3,606,305	-	3,606,305	3,066,071	147,303	3,213,374	-	-	392,931	30	
	30,746,603	-	30,746,603	18,590,053	869,815	19,459,868	6,526,014	3,215,650	1,545,071		

* The modaraba has recorded impairment on assets which have nil value in use.

18. REDEEMABLE CAPITAL- PARTICIPATORY AND UNSECURED

Note June 30, 2021 June 30, 2020
----- Rupees -----

Certificates of Musharaka

18.1 1,315,000 1,315,000

18.1 This represents matured and unclaimed amount against certificate of musharaka.

19. MUSHARAKA FINANCE

Note June 30, 2021 June 30, 2020
----- Rupees -----

Due within one year

19.1 50,000,000 -

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

The return on finance shall be payable after finalization of annual financial statements of the Modaraba by way of allocation of net profit before tax and management fee, in the ratio of PBICL investment to total musharaka capital (i.e. the sum of PBICL finance and the modaraba equity as on September 30, 2020). The facility is secured by way of hypothecation charge on all movable assets and receivables and mortgage of immovable property of the Modaraba.

19.2 The SECP vide order No. SC/M/RW/KASB/2020 dated January 31, 2020 granted the management rights of the Modaraba to the Management Company. As per the terms of the order and subsequent correspondence with SECP, an amount of Rs. 50 million is to be injected in the modaraba latest by January 31, 2021 and the balance of Rs. 200 million latest by June 30, 2021.

The parent company of the management company has injected Rs. 50 million in the modaraba as mentioned in note 19.1. For remaining amount of Rs. 200 million, Management Company has approached SECP vide letter dated May 05, 2021 and requested to reward its support as various factors including COVID 19 and its variants impacted the business environment in general and withdrawal of tax exemption to the modaraba sector in particular, strong liquidity position of the modaraba etc. As such further injection shall result in loss to the investors. Reply from SECP is awaited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



20. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	June 30, 2021	June 30, 2020
		----- Rupees -----	
Management fees	20.1 & 27	3,299,941	-
SWWF Payable	28	1,503,300	919,240
Sundry creditors		4,879,609	850,311
Accrued expenses		1,693,909	700,954
Charity payable	20.2	1,483,194	1,214,078
Insurance premium received in advance		139,287	281,005
Other liabilities		777,648	542,665
		13,776,888	4,508,253

20.1 The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax (SST) on the Modaraba Management Company's remuneration with effect from November 01, 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.

20.2 Movement of charity payable	June 30, 2021	June 30, 2020
	----- Rupees -----	
Opening balance	1,214,078	743,907
Add: amount credited during the year	269,116	470,171
	1,483,194	1,214,078
Less: Paid during the year	-	-
Closing balance	1,483,194	1,214,078

21. DEFERRED LIABILITIES - STAFF GRATUITY

21.1 Staff Gratuity Scheme

As disclosed in note 4.12, the Modaraba operates an unapproved, unfunded gratuity scheme for its permanent employees. The latest actuarial valuation was carried out by actuaries as at June 30, 2021, using the Projected Unit Credit Method. The benefits under the gratuity scheme are payable on cessation of service as under:

Number of years of eligible service completed	Amount of gratuity payable for each year of service
Less than 3 years	Nil
Equal to 3 years	0.6 times of last drawn basic salary
Equal to 4 years	0.8 times of last drawn basic salary
Greater than or equal to 5 years	1 time of last drawn basic salary

21.2 Principal actuarial assumptions used:

The following significant assumptions have been used for the valuation of this scheme:

21.3 Significant Actuarial Assumptions

Financial Assumptions	June 30, 2021	June 30, 2020
- Valuation discount rate	10.75%	9.25%
- Expected rate of increase in salaries	5.75%	5.00%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC(2001-05)	SLIC(2001-05)
Rates of employee turnover	Low	Low

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



	Note	June 30, 2021	June 30, 2020
		----- Rupees -----	
21.4 Statement of Financial Position			
Present value of defined benefit obligation	21.5	1,382,916	3,770,020
21.5 Movement in the defined benefit liability			
Opening balance		3,770,020	3,389,955
Charge to profit and loss account	21.6	790,840	1,076,197
Benefits paid during the year		(2,736,020)	(83,726)
Remeasurements gains recognised in other comprehensive income during the year	21.7	(441,924)	(612,406)
Closing balance		1,382,916	3,770,020
21.6 Defined Benefit Cost for the Year			
Cost recognised in Profit and Loss Account for the year			
Current service cost		568,654	605,059
Interest Cost on defined benefit obligation		222,186	471,138
		790,840	1,076,197
Re-measurements recognised in other comprehensive income during the year			
Actuarial gain on obligation		(441,924)	(612,406)
Total defined benefit cost recognised in profit & loss account and other comprehensive income - net		348,916	463,791
21.7 Remeasurements recognised in other comprehensive income during the year			
Actuarial gain on obligation		55,545	241,354
Gain due to change in financial assumptions		69,146	348,727
- Due to actual salary increase		317,233	22,325
- Due to other reasons		386,379	371,052
Total actuarial gain on obligation		441,924	612,406
21.8 Maturity profile of the defined benefit obligation			
Distribution of timing of benefit payments within the next 12 months (next annual reporting period)		9,611	885,011
between 2 and 5 years		46,307	760,917
between 5 and 10 years		96,829	919,978
Beyond 10 years		9,821,294	12,108,845
		9,974,041	14,674,751
21.9 "Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability"			
Discount Rate +1%		1,176,718	3,407,579
Discount Rate -1%		1,631,373	4,207,632
Long Term Salary Increases +1%		1,636,966	4,224,017
Long Term Salary Increases -1%		1,169,188	3,387,649
Withdrawals Rates +10%		1,382,916	3,770,020
Withdrawals Rates -10%		1,382,916	3,770,020
1 Year Mortality age set back		1,382,916	3,770,020
1 Year Mortality age set forward		1,382,916	3,770,020
		11,145,909	30,306,957

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21.10 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 0.791 (June 30, 2020 : 1.076) million for the year ending June 30, 2021.

22. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
----- Certificates -----			----- Rupees -----	
		Modaraba Certificates of Rs. 10/- each fully paid in cash	249,584,000	249,584,000
24,958,400	24,958,400	Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates	33,160,000	33,160,000
3,316,000	3,316,000	Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800	197,920,800
19,792,080	19,792,080		480,664,800	480,664,800
48,066,480	48,066,480			

22.1 As at 30 June 2021, Pak Brunei Investment Company Limited (holding Company of the Management Company) held 4,806,648 (June 30, 2020: Nil).

23. 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 NBF1 & 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.

24. FINANCIAL CHARGES

	June 30, 2021	June 30, 2020
	----- Rupees -----	
Bank charges	43,084	22,591
Return on musharaka finance to the PBICL	5,762,187	-
Profit on Term Finance Facility	-	410,531
	5,805,271	433,122

25. OTHER INCOME

Insurance income	329,313	731,326
Return on bank deposits	6,945,663	4,648,576
Return on modaraba term deposit	288,863	-
Return on sukuks	292,508	-
Others	1,861,701	537,778
	9,718,048	5,917,680

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26. ADMINISTRATIVE AND OPERATING EXPENSES	Note	June 30, 2021	June 30, 2020
		Rupees	
Salaries and benefits	26.1 & 26.2	8,664,321	10,098,448
Utilities		387,043	731,527
Insurance		926,486	4,468,616
Postage		58,451	93,537
Repairs and maintenance		897,182	845,722
Entertainment		188,726	162,250
Printing and stationery		90,142	140,719
Travelling and conveyance		121,590	220,782
Fee and subscriptions		2,117,787	1,397,547
Auditors' remuneration	26.4	396,847	429,000
Legal and professional charges		3,769,402	2,902,658
Depreciation - owned assets		683,707	869,815
Impairment loss on owned assets		-	3,215,650
Amortization		-	69,137
Advertisements		103,985	-
Rent, rate and taxes		962,513	1,722,607
Newspapers and periodicals		-	69,448
CIB charges		2,809	9,245
Verysis charges		-	45,499
Security services		357,984	751,393
Training and seminar		-	10,000
Shared services expense		1,407,921	-
Others		23,177	435,858
		21,160,073	28,689,456

26.1 The salaries and benefits include an amount of Rs. 0.791 (June 30, 2020 : 1.076) million in respect of retirement gratuity.

26.2 Remuneration to officers and other employees

	June 30, 2021		June 30, 2020	
	Officers	Other Employees	Officers	Other Employees
	Rupees			
Managerial remuneration	1,018,647	3,065,506	2,971,654	1,463,012
Medical allowance	134,700	419,042	400,744	465,462
House rent allowance	404,112	1,257,120	1,202,239	1,396,375
Utility allowance	134,712	419,035	400,751	465,452
Employee benefits	196,600	594,240	581,147	523,587
EOBI contribution	7,800	84,500	9,360	68,665
Bonus	590,082	338,225	20,000	130,000
	2,486,653	6,177,668	5,585,895	4,512,553
Number of persons	2	13	5	13

26.3 The total number of employees as at June 30, 2021 are 5. (June 30, 2020: 18) and the average number of employees during the year equates to 13 (June 30, 2020: 18).

26.4 Auditors' remuneration	June 30, 2021	June 30, 2020
	Rupees	
Annual audit fee	325,000	325,000
Review of interim financial statements	50,000	95,000
Out of pocket expenses	21,847	9,000
	396,847	429,000

27. MANAGEMENT COMPANY'S REMUNERATION

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management remuneration at the rate of 10% of annual profits is payable to the Management Company.

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FOR THE YEAR ENDED 30 JUNE 2021



28. SINDH WORKER'S WELFARE FUND

The Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 on June 4, 2015. As per the said 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% (June 30, 2020 : 2%) of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

29. 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 certificate holders.

No provision for current and deferred taxation has been made in these financial statements in accordance with the accounting policy of the Modaraba as disclosed in note 4.9 to the financial statements.

29.1 "On March 22, 2021, the President of Pakistan promulgated the Tax Law (Second Amendment) Ordinance, 2021, (Ordinance 2021) which was subsequently adopted thereof by the Finance Act 2021 (FA 2021), whereby Clause 100 of the Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 relating to the Tax Exemption available to the Modarabas stands withdrawn.

Tax Exemption had been available to the Modarabas under Section 37 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, which was operative and specified under Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, the exemption has been removed. However, as per the legal opinion the beneficiaries of the tax exemption shall continue to enjoy benefits of the repealed provisions for the year ended June 30, 2021 subject to conditions and limitations specified therein as the enactment date of FA 2021 is June 30, 2021 (the financial year end of the Modaraba).

If the law prevails and not challenged, the Modaraba may be required to present impact of income tax and deferred tax in its subsequent financial statements.

30. EARNING / (LOSS) PER CERTIFICATE - BASIC AND DILUTED

	June 30, 2021	June 30, 2020
	----- Rupees -----	
Profit / (Loss) for the year	29,203,024	(102,920,867)
	----- Number -----	
Weighted average number of certificates	48,066,480	48,066,480
	----- Rupees -----	
Earnings / (Loss) per certificate -basic and diluted*	0.61	(2.14)

*The Modaraba does not have any dilutive potential shares in issue as at the year end.

31. FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS	As at June 30, 2021		
	----- Rupees -----		
	At amortised cost	FVTPL	FVTOCI
Cash and bank balances	147,114,654	-	-
Short term investments	-	8,565,305	20,712,440
Modaraba term deposit	27,000,000	-	-
Diminishing musharaka finance	31,978,777	-	-
Advances, prepayments and other receivables	3,997,118	-	-
	210,090,549	8,565,305	20,712,440

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FINANCIAL LIABILITIES	June 30, 2021	
	----- Rupees -----	
	At fair value	Other financial liabilities
Redeemable capital	-	1,315,000
Musharaka Finance	-	50,000,000
Security deposit	-	3,579,900
Creditors, accrued and other liabilities	-	12,293,694
Financial charges payable to PBICL	-	5,762,187
Unclaimed profit distribution	-	2,815,955
	-	<u>75,766,736</u>

FINANCIAL ASSETS	June 30, 2020		
	----- Rupees -----		
	At amortised cost	FVTPL	FVTOCI
Cash and bank balances	71,872,499	-	-
Short term investments	-	5,680,702	-
Diminishing musharaka finance	18,577,641	-	-
Advances, prepayments and other receivables	2,938,133	-	-
Long term advances	8,333	-	-
	<u>93,396,606</u>	<u>5,680,702</u>	<u>-</u>

FINANCIAL LIABILITIES	June 30, 2020	
	----- Rupees -----	
	Redeemable capital	-
Security deposit	-	3,579,900
Creditors, accrued and other liabilities	-	3,294,175
Unclaimed profit distribution	-	2,834,156
	-	<u>11,023,231</u>

31.1 FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations mainly through equity, borrowing and deposits. The Modaraba utilises funds in ijarah financing, modaraba financing, musharaka financing, diminishing musharaka and murabaha financing, investment in sukuk and modaraba term deposit. These activities are exposed to a variety of financial risks that are market risk, credit risk and liquidity risk.

The Board of Directors of the Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

31.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk namely currency risk, profit rate risk and price risk.

NOTES TO THE FINANCIAL STATEMENTS

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31.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

31.2.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

Yield / profit rate sensitivity position for, on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

		June 30, 2021					
	Effective yield / profit rate %	Total	Upto one month	Over one month to 3 months	Over 3 months to one year	Over one year to 5 years	Not exposed to yield/ profit risk
Assets		----- Rupees -----					
Cash and bank balances	3.74%-6.21%	147,114,654	144,163,838	-	-	-	2,950,816
Short term investment	9.62%	29,277,745	-	-	20,712,440	-	8,565,305
Modaraba term deposit	7.10%	-	27,000,000	-	-	-	-
Diminishing musharaka finance	10.00%-19%	31,978,777	1,226,162	1,723,747	7,680,223	21,348,645	-
"Advances, prepayments and other receivables"	-	3,997,118	-	-	-	-	3,997,118
Total		212,368,294	172,390,000	1,723,747	28,392,663	21,348,645	15,513,239
Liabilities							
Redeemable capital	-	1,315,000	-	-	-	-	1,315,000
Musharaka finance	-	50,000,000	-	-	50,000,000	-	-
Security deposit	-	3,579,900	-	-	-	-	3,579,900
"Creditors, accrued and other liabilities"	-	12,562,810	-	-	-	-	12,562,810
Financial charges payable to PBICL	-	5,762,187	-	-	-	-	5,762,187
Unclaimed profit distribution	-	2,834,156	-	-	-	-	2,834,156
Total		76,054,053	-	-	50,000,000	-	26,054,053
Total yield / profit risk sensitivity gap			172,390,000	1,723,747	(21,607,337)	21,348,645	
Cumulative yield / profit risk sensitivity gap			172,390,000	174,113,747	152,506,410	173,855,055	173,855,055

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	Effective yield / profit rate %	June 30, 2020					exposed to yield/ profit risk
		Total	Upto one month	Over one month to 3 months	Over 3 months to one year	Over one year to 5 years	
----- Rupees -----							
Assets							
Cash and bank balances	4.00%-11.00%	71,872,499	68,930,313	-	-	-	2,942,186
Short term investment	-	5,680,702	-	-	-	-	5,680,702
Diminishing musharaka finance	9.51%-19%	18,577,641	3,246,230	1,631,676	6,245,765	7,453,970	-
"Advances, prepayments and other receivables"	-	2,938,133	-	-	-	-	2,938,133
Long-term Deposit	-	8,333	-	-	-	-	8,333
Total		99,077,308	72,176,543	1,631,676	6,245,765	7,453,970	11,569,354
Liabilities							
Redeemable capital	-	1,315,000	-	-	-	-	1,315,000
Security deposit	-	3,579,900	-	-	-	-	3,579,900
"Creditors, accrued and other liabilities"	-	3,294,175	-	-	-	-	3,294,175
Unclaimed profit distribution	-	2,834,156	-	-	-	-	2,834,156
Total		11,023,231	-	-	-	-	11,023,231
Total yield / profit risk sensitivity gap			72,176,543	1,631,676	6,245,765	7,453,970	
Cumulative yield / profit risk sensitivity gap			72,176,543	73,808,219	80,053,984	87,507,954	87,507,954

Sensitivity analysis for financial instruments

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

	Impact on profit or loss	
	June 30, 2021	June 30, 2020
----- Rupees -----		
Changes in basis point		
+100	1,738,551	875,080
-100	(1,738,551)	(875,080)

In practice, the actual results may differ from the sensitivity analysis shown above.

31.2.3 Price risk

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

The carrying amount of investments in equity and sukuks carried at fair value as shown in note 6 is as follows:

	June 30, 2021	June 30, 2020
	----- Rupees -----	
+5%	1,463,887	284,035
-5%	(1,463,887)	(284,035)

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31.3 Credit risk

31.3.1 Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to credit risk in respect of net investment in finance lease, musharaka, murabaha, modaraba, diminishing musharaka, short term investment and modaraba term deposit and ijarah rental receivables.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Modaraba attempts to control credit risk by diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or businesses, monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties. It also obtains securities when appropriate.

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

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

	June 30, 2021	June 30, 2020
	----- Rupees -----	
Balances with banks	147,093,864	71,774,316
Short term investment	20,712,440	-
Modaraba term deposit	27,000,000	-
Diminishing musharakah	31,978,777	18,577,641
Advances, deposits, prepayments and other receivables	3,997,118	2,898,133
	<u>230,782,199</u>	<u>93,250,090</u>

The analysis below summarises the credit quality of the Modaraba's bank balances:

31.3.2 Bank balances

	Short Term	Long Term	June 30, 2021	June 30, 2020
			----- Rupees -----	
Dubai Islamic Bank	A-1+	AA	112,506,327	1,185
Soneri Bank Limited	A1+	AA-	30,536,593	65,087,332
Summit Bank	-	-	2,315,115	2,713,527
HBL Islamic Bank	A-1+	AAA	-	2,085,717
Albaraka Bank (Pakistan) Ltd	A-1	A+	931,465	1,095,919
Bank Islami Pakistan	A-1	A+	710,734	692,850
JS Bank Limited	A-1+	AA-	85,420	85,420
Silk Bank Ltd	A-2	A-	896	896
Meezan Bank Limited	A-1+	AAA	-	2,131
Bank Alfalah Limited	A-1+	AA+	-	87
			<u>147,086,550</u>	<u>71,765,064</u>

31.3.3 An analysis of the age of significant financial assets that are past due but not required to be impaired by applicable laws are as under:

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	June 30, 2021		June 30, 2020	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Ijarah rentals receivable	-	1 - 90 Days	-	1 - 90 Days
Murabaha finance	-	1 - 90 Days	-	1 - 90 Days
Diminishing musharaka finance	-	1 - 90 Days	-	1 - 90 Days
Modaraba finance	-	1 - 90 Days	-	1 - 90 Days

31.3.4 An analysis of the financial assets that are individually impaired as per the requirements of the Modaraba Regulations 2021 for Modarabas are as under:

	June 30, 2021				
	OAEM	Substandard	Doubtful	Loss	Total
	Rupees				
Ijarah rentals receivable	-	-	-	23,890,164	23,890,164
Murabaha Finance	-	-	-	97,784,311	97,784,311
Musharaka Finance	-	-	-	14,702,297	14,702,297
Modaraba	-	-	-	37,791,201	37,791,201
"Diminishing Musharaka Finance"	-	-	-	666,134	666,134
"Receivable against sale of agriculture produce"	-	-	-	18,200,140	18,200,140

	June 30, 2020				
	OAEM	Substandard	Doubtful	Loss	Total
	Rupees				
Ijarah rentals receivable	-	-	-	23,890,164	23,890,164
Murabaha Finance	-	-	-	158,951,515	158,951,515
Musharaka Finance	-	-	-	14,702,297	14,702,297
Modaraba	-	-	-	37,791,201	37,791,201
"Diminishing Musharaka Finance"	576,493	219,605	-	6,384,294	7,180,392
"Receivable against sale of agriculture produce"	-	-	-	18,200,140	18,200,140

31.3.5 Ijarah Assets

	June 30, 2021		June 30, 2020	
	(Rupees)	%	(Rupees)	%
Fuel and energy	100,000	2.79	100,000	4.54%
Others	3,479,900	97.21	2,100,518	95.46%
	<u>3,579,900</u>	<u>100.00</u>	<u>2,200,518</u>	<u>100.00%</u>

31.3.6 Finance arrangements

	June 30, 2021	June 30, 2020
Diminishing Musharaka finance	31,978,777	18,577,641
	<u>31,978,777</u>	<u>18,577,641</u>

31.4 Liquidity risk

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

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The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	June 30, 2021			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Liabilities				
Musharaka finance	50,000,000	-	50,000,000	-
Redeemable capital	1,315,000	1,315,000	-	-
Security deposits	3,579,900	3,579,900	-	-
Creditors, accrued and other liabilities	13,776,888	13,776,888	-	-
Unclaimed profit distribution	2,815,955	2,815,955	-	-
Total liabilities	71,487,743	21,487,743	50,000,000	-

	June 30, 2020			
	Total	Upto three months	More than three months and upto one	More than one year
	Rupees			
Liabilities				
Redeemable capital	1,315,000	1,315,000	-	-
Security deposits	3,579,900	3,579,900	-	-
Creditors, accrued and other liabilities	4,508,254	4,508,254	-	-
Unclaimed profit distribution	2,834,156	2,834,156	-	-
Total liabilities	12,237,309	12,237,309	-	-

31.5 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates. Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The estimated fair value of financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

32. CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Certificate of Musharaka and borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	June 30, 2021	June 30, 2020
	Rupees	
Total borrowings and deposits		
Cash and bank balances	57,077,187	1,315,000
Net debt	(147,114,654)	(71,872,499)
Total equity	(90,037,467)	(70,557,499)
Total capital	168,757,010	138,399,622
Gearing ratio	78,719,543	67,842,123
	-114%	-104%

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33. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Modaraba comprise of the Management Company and its Holding Company, Modarabas under common management (Awwal Modaraba, First Prudential Modaraba and First Pak Modaraba) 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 Company. 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.

Transactions and balances with related parties during the year other than those disclosed elsewhere in the financial statements are given below.

Relationship with Modaraha	Nature of Transactions	June 30, 2021	June 30, 2020
		----- Rupees -----	
Balances with related parties			
"Holding Company of the Management Company"			
"Pak Brunei Investment Company Limited"	Modaraba Term Deposit	27,000,000	-
	Accrued return on modaraba term deposit	126,049	-
	Musharika Finance	(50,000,000)	-
	Accrued return on musharaka finance	(5,762,187)	-
	Accrued shared service cost	(242,936)	-
Modaraba Management Company			
"Awwal Modaraba Management Limited"	Management fee	(3,299,941)	-
"Modarabas under common management "			
Awwal Modaraba	Payable against cost of deputed employee	(659,542)	-
	Payable against sharing of common expenses	(64,095)	-
First Prudential Modaraba	Receivable against sharing of common expenses	1,547,652	1,170,594
First Pak Modaraba	Receivable against sharing of common expenses	282,468	285,989

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



Relationship with Mudaraha Expense / (income) for the period "Holding Company of the Management Company"	Nature of Transactions	June 30, 2021	June 30, 2020
		----- Rupees -----	
"Pak Brunei Investment Company Limited"	Return on modraba term deposit	(288,863)	-
	Return on musharaka finance	5,762,187	-
	Shared services cost	1,407,921	-
Mudarabas under common management			
Awwal Mudaraba	Staff cost of deputed employee	1,731,253	-
First Prudential Mudaraba	Reimbursement of expenses	(2,359,136)	(5,865,591)
First Pak Mudaraba	Reimbursement of expenses	(646,012)	(623,984)
Other related party			
Jubilee Life Insurance Co. Ltd	Takaful premium	496,002	614,884
Payments / (Receipts) made during the period			
"Holding Company of the Management Company"			
"Pak Brunei Investment Company Limited"	Mudaraba Term Deposit	27,000,000	-
	Return on modraba term deposit	(162,814)	-
	Musharika Finance	(50,000,000)	-
	Shared service cost	1,164,985	-
Mudarabas under common management			
Awwal Mudaraba	Staff cost of deputed employee	1,071,711	-
First Prudential Mudaraba	Sharing of common expenses	(1,982,078)	(6,654,996)
First Pak Mudaraba	Sharing of common expenses	(649,533)	(985,309)
Jubilee Life Insurance Co. Ltd	Takaful premium	496,002	614,884

34. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. However, no significant rearrangements or reclassification have been made in these financial statements during the current year.

35. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2021 of Re.0.48 per certificate (2020: Re. "nil"), amounting to Rs. 23,071,910 (2020: Rs."nil") at their meeting held on August 27, 2021. The financial statements for the year ended June 30, 2021 do not include the effect of the above which will be accounted for in the period in which it is declared.

36. GENERAL

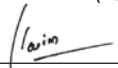
Figures in these financial statements have been rounded off to the nearest Rupee.

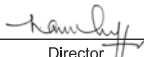
37. DATE OF AUTHORISATION

These financial statements has been authorized for issue on 27-08-2021 by the Board of Directors of Awwal Mudaraba Management Limited.

For Awwal Mudaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive


Director


Director

PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS
AS AT 30 JUNE, 2021



NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING		TOTAL CERTIFICATES HELD
	FROM	TO	
404	1	- 100	15,935
287	101	- 500	80,871
163	501	- 1,000	135,837
204	1,001	- 5,000	492,988
56	5,001	- 10,000	433,538
16	10,001	- 15,000	201,969
21	15,001	- 20,000	368,728
10	20,001	- 25,000	229,761
7	25,001	- 30,000	201,845
5	30,001	- 35,000	159,450
8	35,001	- 40,000	295,500
5	45,001	- 50,000	250,000
1	50,001	- 55,000	55,000
2	60,001	- 65,000	126,377
1	65,001	- 70,000	65,500
2	70,001	- 75,000	150,000
1	90,001	- 95,000	95,000
3	95,001	- 100,000	300,000
9	100,001	- 150,000	1,139,035
3	150,001	- 200,000	566,320
2	245,001	- 250,000	494,500
9	285,001	- 290,000	2,596,122
4	300,001	- 400,000	1,356,336
2	470,001	- 500,000	975,000
1	585,001	- 590,000	590,000
1	795,001	- 800,000	795,980
1	855,001	- 860,000	858,500
1	995,001	- 1,000,000	1,000,000
1	1,375,001	- 1,380,000	1,375,733
1	1,540,001	- 1,545,000	1,544,000
1	3,465,001	- 3,470,000	3,466,500
1	4,805,001	- 4,810,000	4,806,648
1	10,445,001	- 10,450,000	10,446,767
1	12,395,001	- 12,400,000	12,396,740
1235		Total	48,066,480

**PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS
AS AT 30 JUNE, 2021**



S. NO.	CATEGORY OF CERTIFICATE HOLDERS	NO. OF CERTIFICATE	CATEGORY WISE	PERCENTAGE %
		HELD	CERTIFICATE HELD	
1	INDIVIDUALS	1188	12,717,610	26.46
2	INVESTMENT COMPANIES	4	4,924,811	10.25
3	INSURANCE COMPANIES	3	796,380	1.66
4	JOINT STOCK COMPANIES	15	1,049,823	2.18
5	FINANCIAL INSTITUTIONS	11	10,472,584	21.79
6	LEASING COMPANIES	1	1,246	0.00
7	MODARABA COMPANIES	3	36	0.00
8	ASSOCIATED COMPANIES			
9	Pak Brunei Investment Company Limited	1	4,806,648	10.00
10	OTHER COMPANIES	9	13,297,342	27.66
TOTAL		1235	48,066,480	100.00%

CERTIFICATE HOLDING 5% & ABOVE :

S. NO.	CATEGORY OF CERTIFICATE HOLDERS	NO. OF CERTIFICATE HELD	%
1	KASB Invest (Private) Limited	16,721,740	34.79
2	BankIslami Pakistan	10,446,767	21.73
3	Pak Brunei Investment Company Limited	4,806,648	10.00

NOTICE OF ANNUAL REVIEW MEETING



Notice is hereby given that the Annual Review meeting of the Modaraba's Certificate Holders of KASB Modaraba will be held on Thursday, 14th October, 2021 at 10:30 am, through (Zoom Application) to review the performance of the Modaraba for the year ended 30 June 2021.

On behalf of the Board

Misbah Asjad
Company Secretary

Karachi, 22 September, 2021

Notes:

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

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

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

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

2. The certificate transfer books shall remain closed from Thursday 30 September, 2021 to Thursday 14 October 2021 (both days inclusive). Transfers received in order at the office of the Share Registrar of KASB Modaraba i.e. M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi, before the close of business hours on Wednesday, 29 September, 2021 will be treated as in time for the purpose of entitlement to dividend to the transferees and attend the Annual Review Meeting.
3. The Certificate holders are advised to notify change in their address, if any, to M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi, Phone : 021-35687839
4. The Annual Report for the year ended 30 June 2021 will also be placed on Modaraba's website simultaneously with the dispatch of the same through CD to the certificate holders. Certificate holders who wishes to receive Annual Report of Modaraba by E-mail or printed copy at their registered address are advised to send Request form available on the web of Modaraba.
5. Dividend income is liable to deduction of withholding tax under Section 150, of the Income Tax Ordinance, 2001 withholding of tax on dividend based on 'Active' and 'Non-Active' status of certificate holders shall be @ 25% and 50% respectively where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (<http://www.fbr.gov.pk/>) and 'Non-Active' means a person whose name is not being appeared on the Active Taxpayers list.
6. In case a Folio/CDS Account is jointly held, each joint-holder is to be treated separately as Active or Non-Active, In terms of the said clarification, tax of each joint-holder has been deducted on the gross dividend amount determined by bifurcating the certificate holding of each joint-holder on equal proportions, except where certificate holding proportion of joint-holder(s) is pre-defined as per the records of our Share Registrar and thus tax rates are applied in line with respective proportions, Those certificate holders who are holding Folio/CDS jointly: are requested to notify (in writing) any change in their certificate holding proportions to our Share Registrar (in case of physical certificate holding) or their Participants/CDC Investor Account Services so that their revised certificate holding proportions are considered by the Modaraba in all prospective dividend payouts, if any,
7. Certificate holders seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be to the Share Registrar of Modaraba.

NOTICE OF ANNUAL REVIEW MEETING



8. **Payment of Dividend through electronic mode (mandatory)**

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

9. **Unclaimed Dividends and physical Modaraba Certificates**

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

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

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

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- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
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- 📄 Online Quizzes



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