



KASB Modaraba

An Islamic Financial Institution



ANNUAL REPORT  
JUNE 30, 2022

صاف اور شفاف آمدنی،  
سچا سکون ہمے...

## **Vision**

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

## **Mission**

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

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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 of KASB Modaraba as Chairman of the Board of Directors of Awwal Modaraba Management Limited, the management company of KASB Modaraba.

Our country's economy is going through a challenging phase impacted by high inflationary forces arising from fuel and power costs, rupee depreciation against the dollar and compounded by the recent floods which caused severe devastation in the country. According to estimates by The Asian Development Bank, GDP growth could slow down to 3.5% in FY2023 from 6% in FY2022. The economic outlook will be shaped largely by the restoration of political stability and the continued implementation of reforms under the revived International Monetary Fund program to stabilize the economy and restore fiscal and external buffers. The State Bank of Pakistan (SBP) maintained the policy rate at 15% to support a contracting economy while inflation numbers appear to be declining and rupee depreciation seems to be reversed amid measures taken by the regulatory authorities.

Withdrawal of tax exemption on income of the modaraba on declaration of 90% and above dividend is a major setback. The outstanding portfolio significantly increased to PKR 172.36 million on June 30, 2022 compared to PKR 31.98 million at the end of the previous year.

During the year under review, overall revenues have been recorded at PKR 28.88 million from PKR 10.71 million during previous year with fresh deployment and new exposures being written at prevailing higher market rates. Total expenses for the period were contained at PKR 14.55 million. The Modaraba posted profit before tax for PKR 7.77 million against PKR 29.20 million in corresponding period last year which was due to reversal of provisions of PKR 44.27 million. Net profit after tax amounted to PKR 6.16 million.

The process for merger of First Pak Modaraba and KASB Modaraba into First Prudential Modaraba is underway and expected to be concluded soon. Following the merger, the modaraba's operations will cease to exist.

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 Miraza**  
Chairman

Dated: 20 October 2022

# DIRECTOR'S 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 2022.

## Economic Review & Outlook

In the recent Monetary Policy Statement, the State Bank of Pakistan (SBP) kept the policy rate unchanged at 15%. The headline inflation fell to 23.2% in Sep'22 from Aug'22 readings of 27.3% driven by a reduction in electricity prices. The MPC cited encouraging developments as desired moderation in economic activity has become more visible and entrenched while Core inflation continued to drift upwards in both rural and urban areas fueled by supply side shocks. The current account and trade deficits narrowed significantly in Aug-Sep, respectively, and the Rupee has recouped some of its losses following the recent depreciation. In Sep '22, Pakistan's trade deficit reduced 20% YoY to USD2.8bn led by a sharp decline in imports. Moody's downgraded Pakistan's local and foreign debt ratings to Caa1 from B3 along with decline in the deposit rating of five commercial banks. The downgrade was due to increased government liquidity requirements, external vulnerability risks and higher debt sustainability risks, in the aftermath of devastating floods.

The Asian Development Bank's (ADB) expectation for GDP growth in FY2023 is 3.5% from approx. 6% in FY2022. The inflation rate in Pakistan is likely to decline in the coming months while interest rate scenario is expected to remain stable with expectations of downward trend next year to stimulate economy. Pak Rupee is expected to stabilize as SBP has launched an investigation into alleged manipulation by commercial banks of foreign exchange operations in the country. ADB has promised to provide USD2.5bn to Pakistan to help support flood relief activities by the end of Oct '22. Going forward, inflows from multilateral and bilateral lenders are expected to start materializing next month along with concessions from the IMF keeping the pressure off the FX market.

In this challenging scenario, the management of the modaraba has put in considerable efforts to maintain profitability and asset quality. The process for merger of KASB Modaraba and First Pak Modaraba into First Prudential Modaraba is underway and expected to materialize soon under the approved Scheme of Arrangement.

## Financial Performance

### Operating Results

	30 June 2022 (Rupees '000')	30 June 2021 (Rupees '000')
<b>Balance Sheet</b>		
Certificate capital	480,665	480,665
Total equity	151,135	168,045
Diminishing Musharaka	172,359	31,979
Investment - equities/sukuk/Modaraba term deposit	4,440	56,278
<b>Profit &amp; Loss</b>		
Revenue	28,884	10,708
Reversal of provisions	3,888	44,269
Operating expenses	14,554	21,160
Profit/(loss) before Management Fee	8,800	33,087
Taxation	1,603	-
Net profit for the year	6,163	29,203
<b>Appropriations</b>		
Profit distribution @ 1.00% (2021: 4.80%)	4,806	23,072
Statutory reserve	1,233	5,841
Un-appropriated profit carried forward	4,931	23,362
Earnings per certificate	0.13	0.61

### Financial snapshot

The outstanding portfolio significantly increased to PKR 172.36 million on June 30, 2022 compared to PKR 31.98 million at the end of the previous year. Withdrawal of tax exemption on income of the modaraba on declaration of 90% and above dividend is a major setback.

During the year under review, overall revenues have been recorded at PKR 28.88 million from PKR 10.71 million during previous year with fresh deployment and new exposures being written at prevailing higher market rates. Total expenses for the period were contained at PKR 14.55 million. The Modaraba posted profit before tax for PKR 7.77 million against PKR 29.20 million in corresponding period last year which was due to reversal of provisions of PKR 44.27 million. Net profit after tax amounted to PKR 6.16 million.



# DIRECTORS' REPORT



## Profit Distribution

The Board in its meeting held on 20 October 2022 has approved cash dividend of PKR 0.10(1.00%) per certificate PKR 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2022.

To comply with Modaraba Regulations 2021, the Board of Directors has transferred PKR 1.23 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 2022.

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 2022 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	6
Mr. Shahid Ghaffar	6
Ms. Ayesha Aziz	6
Mr. Abdul Jaleel Shaikh	6
Mr. Saiyid Najam Rizvi	6
Mr. Karim Hatim (CEO)	6

## Change in Directors

There has been no change in the Board of Directors during the year.

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

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

Name of Member	No. of Meetings attended
Mr. Shahid Ghaffar	4
Mr. Khalid Aziz Mirza	4
Mr. Abdul Jaleel Shaikh	4
Mr. Saiyid Najam Rizvi	4

- One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation

# DIRECTORS' REPORT



- 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 Board of Directors

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

- Male: 5
- 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 2023. However, their appointment will be subject to the approval of Registrar of Modaraba Companies and Modarabas.

## Shariah Advisor's Report

The Modaraba continues to seek guidance from its Shari'ah Advisor, Al-Hilal Shariah Advisor (Pvt) limited 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 2022 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 Officer

**Abdul Jaleel Shaikh**  
Director

Date: 20 October 2022



### شرعی ایڈوائزر کی رپورٹ:

مضاربہ اپنے شرعی مشیر سے رہنمائی حاصل کرتا رہتا ہے اور جب ضرورت پڑتی ہے تو رجسٹرار مضاربہ کی مشاورت سے تیار کردہ شرع آڈٹ میکانزم کی مکمل تعمیل کو یقینی بنایا جاتا ہے۔ اندرونی آڈٹ ڈیپارٹمنٹ کو بھی تربیت دی گئی ہے کہ وہ مضاربہ کے روزمرہ کے معاملات کو شرعی پالیسیوں اور اصولوں کی مکمل پابندی کو یقینی بنائے۔ 30 جون 2022 کو ختم ہونے والے سال کے لئے مضاربہ کے امور کے لئے جاری کردہ شرعی مشیر کی رپورٹ سالانہ مالیاتی گوشواروں میں منسلک ہے۔

### اعترافات:

بورڈ آف ڈائریکٹرز SECP اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا اعتراف اور تعریف کرنا چاہیں گے۔ اس کے علاوہ، ہم مضاربہ پر اعتماد کرنے کے لئے اپنے صارفین اور سرمایہ کاروں کا شکریہ ادا کرنے کے لئے اس موقع سے فائدہ اٹھانا چاہیں گے۔

عبدالجلیل شیخ  
ڈائریکٹر

بورڈ کی جانب سے  
کریم حاتم  
چیف ایگزیکٹو

مورخہ: 20 اکتوبر 2022

☆ ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری، ان کی شریک حیات اور نابالغ بچوں نے زیر جائزہ سال کے دوران مضاربہ کے سرٹیفیکیٹس میں کوئی لین دین نہیں کیا۔

### بورڈ آف ڈائریکٹرز

مندرجہ ذیل کے مطابق ڈائریکٹرز کی کل تعداد 6 ہے جن میں CEO بھی شامل ہیں:-

5 (الف) مرد

1 (ب) خاتون

بورڈ کی تفصیل حسب ذیل ہے:-

نام	عہدہ
جناب خالد عزیز مرزا جناب شاہد غفار	آزاد ڈائریکٹرز
محترمہ عائشہ عزیز جناب عبدالجلیل شیخ جناب سید نجم رضوی	دیگرنان ایگزیکٹیو ڈائریکٹرز
جناب کریم حاتم	چیف ایگزیکٹیو آفیسر

### ڈائریکٹر کا معاوضہ:

بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے ڈائریکٹر کے معاوضے کا تعین اول مضاربہ منجسٹ لمیٹڈ کی طرف سے اختیار کردہ ڈائریکٹر کی معاوضہ پالیسی کے تحت کیا جاتا ہے۔ مذکورہ پالیسی کے تحت ایک آزاد ڈائریکٹر صرف بورڈ میں میٹنگ میں شرکت کے لئے بورڈ آف ڈائریکٹرز کے ذریعے مقرر کردہ فیس وصول کرنے کا حقدار ہے۔ مزید برآں نامزد ڈائریکٹر کمیٹی کے ساتھ کل وقتی معاوضہ کی خدمت میں بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے کسی ادائیگی کا حقدار نہیں ہے۔ تاہم تمام ڈائریکٹر کمیٹی کے کاروبار کے سلسلے میں ڈائریکٹرز یا ڈائریکٹرز کی کسی کمیٹی یا کمیٹی کی جنرل میٹنگ میں شرکت اور واپسی میں ان کے تمام سفری، ہوٹل اور دیگر اخراجات ادا کرنے کے حقدار ہیں۔

### آڈیٹرز:

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انچارجمن چارٹرڈ اکاؤنٹنٹس کو تقرری کے اہل ہونے اور آڈیٹرز کے طور پر کام کرنے کے لئے ان کی رضامندی پر منظوری دے دی ہے۔ 30 جون 2023 کو ختم ہونے والے سال کے لئے مضاربہ کے بیرونی آڈیٹرز مقرر کئے گئے ہیں۔ ان کی تقرری رجسٹرار آف مضاربہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہوگی۔

☆ کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی رخصتی نہیں ہوئی ہے، جیسا کہ فہرست سازی کے ضوابط میں تفصیل سے بتایا گیا ہے۔

☆ ٹیکسز، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں جو کہ 30 جون 2022 تک بقایا ہیں سوائے ان مالیاتی گوشواروں میں جن کا انکشاف کیا گیا ہے۔

☆ زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کی چار (4) میٹنگیں ہوئیں۔ ہر ڈائریکٹرز کی حاضری حسب ذیل تھی:

ڈائریکٹرز کا نام اجلاس میں شرکت کرنے والے کی تعداد

جناب خالد عزیز مرزا 6

جناب شاہد غفار 6

محترمہ عائشہ عزیز 6

جناب عبدالجلیل شیخ 6

جناب سید نجم رضوی 6

جناب کریم حاتم (CEO) 6

ڈائریکٹرز میں تہدیلی:

سال کے دوران بورڈ آف ڈائریکٹرز میں کوئی تہدیلی نہیں ہوئی۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کے تقاضوں کی تعمیل میں ایک آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی چار ارکان پر مشتمل ہے۔ آڈٹ کمیٹی کا سربراہ ایک آزاد ڈائریکٹر ہوتا ہے۔ کمیٹی وقتاً فوقتاً مالیاتی گوشواروں کا جائزہ لیتی ہے اور مالیاتی پالیسیوں اور طریقوں کی مناسبت کا جائزہ لیتی ہے تاکہ یہ یقینی بنایا جاسکے کہ اندرونی کنٹرول کا ایک موثر اور مضبوط نظام موجود ہے۔ کمیٹی انٹرنل آڈٹ ڈیپارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کو ہر ڈیڑھ ماہ کی تقرری کی سفارش کرنے کی بھی ذمہ دار ہے۔

☆ زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری حسب ذیل تھی:

ممبر کا نام اجلاس میں شرکت کرنے والوں کی تعداد

جناب شاہد غفار 4

جناب خالد عزیز مرزا 4

جناب عبدالجلیل شیخ 4

جناب سید نجم رضوی 4

☆ ہیومن ریسورسز اینڈ ریمونریشن کمیٹی (HR&C) کی ایک میٹنگ عملے کے سالانہ معاوضے کی رقوم کی سفارش کو حتمی شکل دینے کے لئے منعقد ہوئی۔

☆ اس سالانہ رپورٹ میں سرٹیفیکیٹ رکھنے والوں کی طرف سے سرٹیفیکیٹ رکھنے کا نمونہ شامل ہے۔

## پاکستانی روپے رہا۔ منافع کی تقسیم:

بورڈ نے 20 اکتوبر 2022 کو منعقدہ اپنے اجلاس میں 30 جون 2022 کو ختم ہونے والے سال کے لئے (1.00%) 0.10 ملین پاکستانی روپے کی عینگیٹ 10 پاکستانی روپے کے نقد منافع کی منظوری دی ہے، زکوٰۃ اور ذرائع پرنکس کی کوٹوئی سے مشروط ہے۔

مضاربہ ریگولیشنز 2021 کی تعمیل کرنے کے لئے، بورڈ آف ڈائریکٹرز نے 1.23 ملین پاکستانی روپے کو قانونی ریزرو میں منتقل کر دیا ہے۔ ضوابط کے مطابق مضاربہ کو مضاربہ کے بعد از نکس منافع کا 20% سے کم اور 50% سے زیادہ اس وقت تک قانونی ریزرو میں منتقل کرنے کی ضرورت ہے جب تک کہ ریزرو ادا شدہ سرمائے کے 100% کے برابر نہ ہو۔ اس کے بعد ایک رقم 5% سے کم نہیں اور اس کے بعد از نکس منافع کا 20% سے زیادہ نہیں اس طرح کے ریزرو میں منتقل کیا جاتا ہے۔

## گورننس اور شریعت کی تعمیل:

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی مختلف ضروریات کی تعمیل کو یقینی بنانے کے لئے پرعزم ہے۔ مضاربہ 30 جون 2022 کو ختم ہونے والے سال کے لئے متعلقہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تقاضوں کے مطابق ہے۔

شریہ ایڈوائزرز شروع سے اس بات کو یقینی بنانے کے لئے شامل ہے کہ مکملہ کلائنٹس کا کاروبار اور مجوزہ لین دین کا ڈھانچہ شرعی اصولوں کے مطابق ہو۔ اچھی حکمرانی اور تمام پالیسیوں کو روح کے مطابق نافذ کرنے پر زور دیا جاتا ہے۔ بورڈ آف ڈائریکٹرز بیرونی نگرانی کو یقینی بنانے کے لئے آزاد ڈائریکٹرز پرمیشنل ہوتا ہے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

بورڈ آف ڈائریکٹرز کو یہ اطلاع دیتے ہوئے خوشی ہو رہی ہے کہ:

- ☆ مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کی حالت، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں ہونے والی تبدیلیوں کو کافی حد تک پیش کرتے ہیں۔
- ☆ مضاربہ کے حساب کتاب کی مناسب دیکھ بھال کی گئی ہے۔
- ☆ مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔
- ☆ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں مدارس پر لاگو ہوتا ہے، مالی بیانات کی تیاری میں بیرونی کی گئی ہے۔
- ☆ اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے منوٹر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔
- ☆ مضاربہ کے جاری رہنے کی قابلیت پر کوئی خاص شک نہیں ہے۔

### مالیاتی کارکردگی آپریٹنگ نتائج

30 جون 2021 (روپے)	30 جون 2022 (روپے)	
		نیلنس شیٹ
480,665	480,665	سرٹیفیکیٹ سرمایہ
168,045	151,135	کل ایکویٹی
31,979	172,359	مشارکہ کوکم کرنا
56,278	4,400	سرمایہ کاری - ایکویٹی/سکوک/مضاربہ بزم ڈیپازٹ

### نفع نقصان

30 جون 2021 (روپے)	30 جون 2022 (روپے)	
10,708	28,884	آمدنی
44,269	3,888	دفعات کالٹ پلٹ
21,160	14,554	آپریٹنگ اخراجات
33,087	8,800	منجمنٹ فیس سے پہلے منافع/نقصان
-	1,603	ٹیکس لگانا
29,203	6,163	سال کے لئے خالص منافع

### تخصیص

30 جون 2021 (روپے)	30 جون 2022 (روپے)	
23,072	4,806 (4.80% @ 2021)	منافع کی تقسیم 1.00% @
5,841	1,233	قانونی ریزرو
23,362	4,931	غیر مختص منافع کو آگے بڑھایا گیا
0.61	0.13	آمدنی فی سرٹیفیکیٹ

### مالی اسٹیپ شائٹ:

بقایا پورٹ فولیو 30 جون 2022 کو 172.36 ملین پاکستانی روپے ہو گیا جو پچھلے سال کے آخر میں 31.98 ملین پاکستانی روپے تھا۔ مضاربہ کی آمدنی پر 90% اور اس سے زیادہ ڈیویڈنڈ کے اعلان پر ٹیکس چھوٹ واپس لینا ایک بڑا دلچسپ کام ہے۔

زیر جائزہ سال کے دوران، مجموعی طور پر ریونیو 28.88 ملین پاکستانی روپے ریکارڈ کیا گیا جو پچھلے سال کے دوران 10.71 ملین پاکستانی روپے تھا نئی تعیناتی اور نئی نمائش کے ساتھ موجودہ اعلیٰ مارکیٹ ریٹ پر لکھا جا رہا ہے۔ اس مدت کے کل اخراجات 14.55 ملین پاکستانی روپے تھے۔ مضاربہ نے گزشتہ سال کی اسی مدت میں 29.20 ملین پاکستانی روپے کے مقابلے 7.77 ملین پاکستانی روپے کا قبل از ٹیکس منافع کمایا جو 44.27 ملین پاکستانی روپے کی دفعات کو تبدیل کرنے کی وجہ سے تھا۔ ٹیکس کے بعد خالص منافع 6.16 ملین

## ڈائریکٹرز کی رپورٹ

اول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز، KASB مضاربہ کی انتظامی کمپنی، 30 جون 2022 کو ختم ہونے والے سال کے لئے KASB مضاربہ کے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

## اقتصادی جائزہ اور آڈٹ لک:

حالیہ مانیٹری پالیسی اسٹیٹمنٹ میں، اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی ریٹ کو 15 فیصد پر برقرار رکھا۔ بجلی کی قیمتوں میں کمی کی وجہ سے ہیڈ لائن افراط زر اگست 2022 میں 27.3 فیصد کی ریڈنگ سے ستمبر 2022 میں 27.3 فیصد کی ریڈنگ سے ستمبر 2022 میں 23.2 فیصد پر آگئی۔ MPC نے حوصلہ افزا پیش رفت کا حوالہ دیا کیونکہ معاشی سرگرمیوں میں مطلوبہ اعتدال زیادہ واضح اور مضبوط ہو گیا ہے جبکہ بنیادی افراط زر دہی اور شہری دونوں علاقوں میں اوپر کی طرف بڑھتا چلا گیا جس کی وجہ سے سائیکل شک ہے۔ کرنٹ اکاؤنٹ اور تجارتی خسارہ بالترتیب اگست، ستمبر میں نمایاں طور پر کم ہوا اور روپے نے حالیہ گراؤٹ کے بعد اپنے کچھ نقصانات کو پورا کیا ہے۔ ستمبر 2022 میں پاکستان کا تجارتی خسارہ سالانہ 20 فیصد کم ہو کر 2.8 بلین ڈالر تک پہنچ گیا جس کی وجہ درآمدات میں شدید کمی تھی۔ موڈیز نے پانچ کمرشل بینکوں کی ڈیپازٹ ریڈنگ میں کمی کے ساتھ پاکستانی کے مقامی اور غیر ملکی قرضوں کی درجہ بندی کو B3 سے گھٹا کر Caa1 کر دیا۔ یہ کمی تباہ کن سیلابوں کے نتیجے میں حکومتی لیکویڈیٹی کی بڑھتی ہوئی ضروریات، بیرونی خطرے کے خطرات اور قرضوں کی پائیداری کے زیادہ خطرات کی وجہ سے ہوئی۔

ایشیائی ترقیاتی بینک (ADB) کی مال سال 2023 میں جی ڈی پی کی نمو کی توقع تقریباً 3.5 فیصد ہے۔ مالی سال 2022 میں 6 فیصد پاکستان میں آنے والے مہینوں میں مہنگائی کی شرح میں کمی کا امکان ہے جبکہ شرح سود کا منظر نامہ مستحکم رہنے کی توقع ہے اور معیشت کو متحرک کرنے کے لئے اگلے سال گرنے کے رجحان کی توقع ہے۔ پاکستانی روپے کے مستحکم ہونے کی توقع ہے کیونکہ اسٹیٹ بینک نے ملک میں غیر ملکی کرنسی کے آپریشنز میں کمرشل بینکوں کی طرف سے مہینہ ہیرا پھیری کی تحقیقات شروع کر دی ہیں۔ ADB نے اکتوبر 2022 کے آخر تک سیلاب سے متعلق امدادی سرگرمیوں میں مدد کے لئے پاکستان کو 2.5 بلین امریکی ڈالر فراہم کرنے کا وعدہ کیا ہے۔ آگے بڑھتے ہوئے توقع کی جاتی ہے کہ کثیر جہتی اور دو طرفہ قرض دہندگان کی طرف سے آنے والی رقم FX مارکیٹ پر دباؤ کو برقرار رکھتے ہوئے IMF سے رعایتوں کے ساتھ اگلے ماہ عملی شکل اختیار کرنا شروع کر دیں گی۔

اس مشکل حالات میں مضاربہ کی انتظامیہ نے منافع اور اثاثہ کے معیار کو برقرار رکھنے کے لئے کافی کوششیں کی ہیں۔ KASB مضاربہ اور فرسٹ پاک مضاربہ کے فرسٹ پروڈینشل مضاربہ میں انضمام کا عمل جاری ہے اور توقع ہے کہ انتظامات کی منظور شدہ اسکیم کے تحت جلد ہی عمل میں آجائے گا۔

## چیئرمین کا جائزہ

مجھے اوول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کے چیئرمین کے طور پر اپنا جائزہ پیش کرتے ہوئے خوشی ہو رہی ہے، جو

کہ KASB مضاربہ کی انتظامی کمپنی ہے۔

ہمارے ملک کی معیشت ایک چیلنجنگ مرحلے سے گزر رہی ہے جو ایندھن اور بجلی کی قیمتوں، ڈالر کے مقابلے میں روپے کی قدر میں کمی اور حالیہ سیلاب کی وجہ سے پیدا ہونے والے بلند افراط زر کی وجہ سے متاثر ہوئی ہے جس نے ملک میں شدید تباہی پھائی ہے۔ ایشیائی ترقیاتی بینک کے تخمینے کے مطابق، جی ڈی پی کی شرح نمو مالی سال 2022 میں 6 فیصد سے کم ہو کر مالی سال 2023 میں 3.5 فیصد رہ سکتی ہے۔ اقتصادی نقطہ نظر بڑی حد تک سیاسی استحکام کی بحالی اور معیشت کو مستحکم کرنے اور مالیاتی اور بیرونی بفرز کو بحال کرنے کے لئے بین الاقوامی مالیاتی فنڈ کے بحالی شدہ پروگرام کے تحت اصلاحات کے مسلسل نفاذ سے تشکیل پائے گا۔ اسٹیٹ بینک آف پاکستان (SBP) نے سکتی ہوئی معیشت کو سہارا دینے کے لئے پالیسی ریٹ کو 15 فیصد پر برقرار رکھا جب کہ ریگولیٹری حکام کے اقدامات کے باعث افراط زر اور روپے کی قدر میں کمی رک گئی ہے۔

مضاربہ کی آمدنی پر 90% اور اس سے زیادہ ڈیویڈنڈ کے اعلان پر ٹیکس چھوٹ واپس لینا ایک بڑا سچھا کام ہے۔ بقایا پورٹ فولیو 30 جون 2022 کو 172.36 بلین پاکستانی روپے ہو گیا جو پچھلے سال کے آخر میں 31.98 بلین پاکستانی روپے تھا۔

زیر جائزہ سال کے دوران مجموعی طور پر ریونیو 28.88 بلین پاکستانی روپے ریکارڈ کیا گیا ہے جو پچھلے سال کے دوران 10.71 بلین پاکستانی روپے تھا۔ اس مدت کے کل اخراجات 14.55 بلین پاکستانی روپے تھے۔ مضاربہ نے گزشتہ سال کی اسی مدت میں 29.20 بلین پاکستانی روپے کے مقابلے میں 7.77 بلین پاکستانی روپے کا قبل از ٹیکس منافع کمایا جو 44.27 بلین کی دفعات کو تبدیل کرنے کی وجہ سے تھا۔ ٹیکس کے بعد خالص منافع 6.16 بلین پاکستانی روپے رہا۔

فرسٹ پاک مضاربہ اور KASB مضاربہ کو فرسٹ پروڈینٹیل مضاربہ میں ضم کرنے کا عمل جاری ہے اور توقع ہے کہ یہ جلد ہی مکمل ہو جائے گا۔ انضمام کے بعد مضاربہ کی کاروائیاں ختم ہو جائیں گی۔

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز میں چھ ممبران شامل ہیں جن میں دو آزاد اور ایک خاتون ڈائریکٹر شامل ہیں۔ بورڈ اپنے قانونی فرائض انجام دیتا ہے اور اس بات کو یقینی بنا کر اپنی ذمہ داریوں کو پورا کرتا ہے کہ مضاربہ کے پاس ایک قابل قیادت اور ایک موثر ایگزیکٹو منجمنٹ ٹیم ہے۔ بورڈ سب سے ماہی بنیادوں پر کاروباری خطرات کا مجموعی جائزہ لیتا ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ انتظامیہ کمپنی اور اس کے اسٹیک ہولڈر کے اثاثوں، وسائل، سہا اور مفادات کے تحفظ کے لئے خطرے کی شناخت، رسک منجمنٹ اور متعلقہ نظامی اندرونی کنٹرولز کو برقرار رکھے۔

بورڈ کی جانب سے میں اس موقع پر اپنے تمام صارفین، سرمایہ کاروں، ریگولیٹرز اور دیگر اسٹیک ہولڈرز کا مضاربہ پر اعتماد کرنے کے لئے شکر یہ ادا کرتا ہوں۔



خالد عزیز میرزا

چیئرمین

تاریخ: 120 اکتوبر 2022

## KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE



	2022	2021	2020	2019	2018	2017
	-----Rupees in Thousand-----					
Total assets	233,290	247,390	154,407	270,584	375,598	599,707
Musharaka Finance	-	-	-	3,100	11,300	12,900
Murabaha Finance	-	-	-	83,796	125,580	150,045
Modaraba Finance	-	-	-	-	112	50,960
Diminishing Musharaka	172,359	31,979	18,578	41,908	95,184	153,209
Ijarah Assets	35,798	3,580	3,580	9,097	20,265	32,493
Equity	151,136	168,757	138,400	240,708	274,947	391,456
Currents Assets	78,255	222,358	141,820	236,436	277,741	488,336
Current Liabilities	72,359	77,250	12,237	23,005	79,115	137,637
Income	33,345	57,168	12,849	35,248	58,118	110,830
Taxation	1,603	-	-	-	-	-
Profit/ (Loss) after Tax	6,163	29,203	(102,921)	(34,240)	(114,209)	4,570
Dividend (Rs.)	0.10	0.48	-	-	-	0.07
EPS (Rs.)	0.13	0.61	(2.14)	(0.71)	(2.38)	0.10



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019  
YEAR ENDING JUNE 30, 2022



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 THE CODE OF CORPORATE GOVERNANCE



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.

**Khalid Aziz Mirza**  
Chairman

Date: 20 October 2022



**Al-Hilal**  
Shariah Advisors

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 2022

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:

Amount accrued/ receipt against non-Shariah compliant avenues is credited in Charity Payable account. During the year, the management has paid the charity amount to the recognized charitable institutions. Movement in charity account is as under:

Descriptions	Amount in Rs.
Opening Balance	1,483,194
Amount credited during the year	262,474
Amount Paid during the year	(1,513,194)
Balance as per June 30, 2022	232,724

#### Observations:

- I. The client base of Modaraba has Increased 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.



**Al-Hilal**  
Shariah Advisors

**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.

**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

Date: **October 7, 2022**


**AUDITORS' REPORT TO THE CERTIFICATE  
HOLDERS OF KASB MODARABA**
**Introduction**

We have audited the annexed balance sheet of KASB Modaraba (the Modaraba) as at June 30, 2022 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year ended 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, 2022 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.

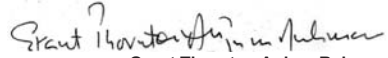
Without modifying our report, we draw attention to the following matter:

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS



Note 1.1 to the financial statement, which states, the management has principally decided to merge the three Modarabas i.e First Pak Modaraba, First Prudential Modaraba and KASB Modaraba into one Modaraba to operate as a single unit. Legal and other formalities to effect the proposed merger are in process of completion.

Date: November 15, 2022  
Karachi  
UDIN: AR202210126C2QAoBz10



**Grant Thornton Anjum Rahman**

Chartered Accountants

Engagement Partner: Muhammad Shaukat Naseeb



**Independent Auditor's Review Report  
to the Certificate Holders of KASB Modaraba**

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

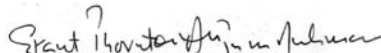
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of KASB Modaraba for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba. 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 to comply with the Regulations.

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

The Regulations require the Modaraba 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Modaraba's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2022.

  
**Grant Thornton Anjum Rahman**  
 Chartered Accountants

Date: November 15, 2022  
Karachi  
UDIN: CR202210126u9Sb8Wsq3

# BALANCE SHEET

AS AT JUNE 30, 2022



	Note	2022 ----- Rupees -----	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	10,336,507	147,114,654
Short term investment	6	4,440,102	29,277,745
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	53,122,595	10,630,132
Receivable against sale of agricultural produce	12	-	-
Ijarah rentals receivable	13	367,476	-
Advances, prepayments and other receivables	14	9,988,668	8,335,114
		<b>78,255,348</b>	<b>222,357,645</b>
<b>Non-current assets</b>			
Long-term diminishing musharaka finance	11	119,236,835	21,348,645
Ijarah assets	15	35,797,940	3,579,900
Fixed assets - owned	16	-	103,666
		<b>155,034,775</b>	<b>25,032,211</b>
		<b>233,290,123</b>	<b>247,389,856</b>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Redeemable capital - participatory and unsecured	17	1,315,000	1,315,000
Musharaka finance	18	-	50,000,000
Short term finance	19	50,000,000	-
Ijarah deposit		3,579,900	3,579,900
Creditors, accrued and other liabilities	20	12,754,063	13,776,888
Financial charges payable to PBICL		-	5,762,187
Provision for taxation		1,216,308	-
Unclaimed profit distribution		3,493,568	2,815,955
		<b>72,358,839</b>	<b>77,249,930</b>
<b>Non-current liabilities</b>			
Long term portion of ijarah deposit		8,100,749	-
Deferred liabilities - staff gratuity	21	1,307,550	1,382,916
Deferred taxation	22	387,022	-
		<b>9,795,321</b>	<b>1,382,916</b>
		<b>82,154,160</b>	<b>78,632,846</b>
		<b>151,135,963</b>	<b>168,757,010</b>
<b>NET ASSETS</b>			
<b>REPRESENTED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized certificate capital			
50,000,000 (2021 : 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	23	480,664,800	480,664,800
Revenue reserve		(321,146,841)	(303,005,573)
Capital reserve		(8,381,996)	(9,614,657)
Certificate holder's equity		151,135,963	168,044,570
Unrealized gain of revaluation of investment	24	-	712,440
		<b>151,135,963</b>	<b>168,757,010</b>
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	26		

The annexed notes from 1 to 39 form an integral part of these special purpose financial statements

Chief Financial Officer

Chief Executive Officer

Director

Director



## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 2022



	2022	2021
	Note-----	Rupees -----
<b>Income from:</b>		
Deposit with Banks	4,913,136	6,945,663
Investment in sukuk	1,078,739	292,508
Term deposit	992,641	288,863
Diminishing musharaka finance	15,274,619	3,048,145
Ijarah finance	3,720,168	-
Realized gain on sale of shares	2,727,298	-
Dividend on shares	177,324	132,786
	<u>28,883,925</u>	<u>10,707,965</u>
Financial charges	27 (4,994,037)	(5,805,271)
Depreciation on assets under ijarah arrangements	15.1 (2,474,960)	-
	<u>(7,468,997)</u>	<u>(5,805,271)</u>
	<u>21,414,928</u>	<u>4,902,694</u>
Other income	28 573,132	2,191,014
Unrealized (loss) / gain on investment - at FVTPL	(2,522,239)	2,884,603
Reversal of provision against murabaha finance	510,000	38,426,119
Reversal of provision against diminishing musharaka	-	5,842,668
Reversal of provision / suspension against ijarah	3,377,832	-
Administrative and operating expenses	29 (14,554,064)	(21,160,073)
	<u>8,799,589</u>	<u>33,087,025</u>
Management Company's remuneration	30 (776,660)	(2,920,302)
Sales tax on Management Company's remuneration	(100,966)	(379,639)
Sindh Worker's Welfare Fund	31 (155,329)	(584,060)
	<u>(1,032,955)</u>	<u>(3,884,001)</u>
<b>Profit before taxation</b>	<u>7,766,634</u>	<u>29,203,024</u>
Taxation	25 (1,603,331)	-
<b>Net Profit for the year</b>	<u>6,163,303</u>	<u>29,203,024</u>
Earning per certificate - basic and diluted	32 <u>0.13</u>	<u>0.61</u>

The annexed notes from 1 to 39 form an integral part of these special purpose financial statements

Chief Financial Officer

Chief Executive Officer

Director

Director

STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022



	2022	2021
Note	-----	Rupees-----
<b>Net Profit for the year</b>	<b>6,163,303</b>	29,203,024
<b>Other comprehensive income for the year</b>	-	-
<b>Items that will be subsequently reclassified to profit and loss account</b>		
Unrealized gain on remeasurement of sukuk certificates	87,359	712,440
Reversal of unrealized gain on disposal of sukuk certificates	6.3 (799,799)	-
<b>Items that will not be subsequently reclassified to profit and loss account</b>		
Actuarial gain on defined benefit plans	226,136	441,924
<b>Items that may be reclassified subsequently to profit and loss account</b>	-	-
<b>Total comprehensive income for the year</b>	<u><b>5,676,999</b></u>	<u>30,357,388</u>

The annexed notes from 1 to 39 form an integral part of these special purpose financial statements

Chief Financial Officer

Chief Executive Officer

Director

Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2022



	2022	2021
Note	----- Rupees -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,766,634	29,203,024
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation for the year - own asset	16 9,725	683,707
Depreciation for the year - ijarah	15 2,474,960	-
Unrealized (gain) / loss on investment - at FVTPL	2,522,239	(2,884,603)
Reversal of provision against morabaha finance	(510,000)	-
Reversal of provision against ijarah	(3,377,832)	-
Gain on sale of fixed assets	28 (56,959)	(1,716,302)
Gain on sale of investments	(2,727,298)	-
Financial charges	27 4,994,037	5,805,270
Provision for worker's welfare fund	155,329	-
Provision against gratuity	332,482	790,840
	<b>11,583,316</b>	<b>31,881,935</b>
<b>Decrease / (increase) in assets</b>		
Diminishing musharaka finance	(140,380,653)	(13,401,136)
Modaraba term deposit receipt	-	(27,000,000)
Ijarah rentals receivable	(367,476)	-
Advances, prepayments and other receivables	(492,739)	(1,197,241)
Property acquired in satisfaction of financing facility	-	47,082,936
	<b>(141,240,869)</b>	<b>5,484,559</b>
<b>Increase / (decrease) in liabilities</b>		
Creditors, accrued and other liabilities	(1,404,290)	9,268,636
Ijarah deposit	8,100,749	-
Unclaimed profit distribution	677,613	(18,201)
	<b>7,374,072</b>	<b>9,250,435</b>
Financial charges paid	(10,756,224)	(43,083)
Tax paid	(1,160,814)	(1,069,671)
Staff gratuity paid	21.5 (181,712)	(2,736,020)
	<b>(12,098,749)</b>	<b>(3,848,774)</b>
<b>Net cash (used in) / generated from operating activities</b>	<b>(134,382,231)</b>	<b>42,768,155</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sales proceeds from disposal of fixed assets	150,900	2,474,000
Receipt from settlement of morabaha finance	510,000	-
Receipt from settlement of ijarah	3,377,832	-
Proceeds from redemption of modaraba term deposit	27,000,000	-
Sale proceeds from investments	24,330,262	-
Investments made during the year	-	(20,000,000)
Purchase of ijarah assets	15 (34,693,000)	-
<b>Net cash generated from/(used in) investing activities</b>	<b>20,675,994</b>	<b>(17,526,000)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(23,071,910)	-
Short term finance	50,000,000	-
Musharaka finance	(50,000,000)	50,000,000
<b>Net cash (used in)/generated from financing activities</b>	<b>(23,071,910)</b>	<b>50,000,000</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(136,778,147)</b>	<b>75,242,155</b>
Cash and cash equivalents at the beginning of the year	147,114,654	71,872,499
<b>Cash and cash equivalents at the end of the year</b>	<b>5 10,336,507</b>	<b>147,114,654</b>

The annexed notes from 1 to 39 form an integral part of these special purpose financial statements

Chief Financial Officer

Chief Executive Officer

Director

Director

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2022



	Capital reserves			Revenue reserve	Certificate holder's equity
	Certificate capital	Discount on Issuance of certificates	Statutory reserve	Accumulated losses	
----- Rupees -----					
Balance as at July 01, 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)	-
<b>Balance as at June 30, 2021</b>	<b>480,664,800</b>	<b>(98,960,400)</b>	<b>89,345,743</b>	<b>(303,005,573)</b>	<b>168,044,570</b>
Balance as at July 1, 2021	480,664,800	(98,960,400)	89,345,743	(303,005,573)	168,044,570
<b>Net Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,163,303</b>	<b>6,163,303</b>
<b>Profit distribution @ Re.0.48 per certificate for the year ended June 30, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,071,910)</b>	<b>(23,071,910)</b>
<b>Transfer to statutory reserve (20%)</b>	<b>-</b>	<b>-</b>	<b>1,232,661</b>	<b>(1,232,661)</b>	<b>-</b>
<b>Balance as at June 30, 2022</b>	<b>480,664,800</b>	<b>(98,960,400)</b>	<b>90,578,404</b>	<b>(321,146,841)</b>	<b>151,135,963</b>

The annexed notes from 1 to 39 form an integral part of these special purpose financial statements

Chief Financial Officer

Chief Executive Officer

Director

Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### 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.

- 1.1 The Board of Directors of the Modaraba Management Company in their meeting held on March 11, 2022 have approved the draft scheme of arrangement for merger of KASB Modaraba with and into First Prudential Modaraba subject to completion of necessary Corporate/ Regulatory formalities, approvals from the Stakeholders/ Regulators and the sanction of scheme by the Honorable High Court along with fulfilment of all legal formalities.

After obtaining NOC from SECP, Petition for merger has been filed in the High Court of Sindh. The Honorable Court vide order dated July 05, 2022 directed to hold meeting of the certificate holders for approval of the merger scheme and submit the report thereon. Accordingly, the meeting of the certificate holders convened on August 12, 2022, wherein the certificate holders have extended the desired approval. The compliance report on the proceeding of the said meeting has been submitted with the Honorable High Court.

### 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."

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### 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:

	<u>Note</u>
i) Classification of financial instruments	4.4
ii) Provision for non-performing finances and other impairment	4.11
iii) Provision for taxation	4.9 & 25
v) Accounting for staff retirement benefits	4.12 & 21
vi) Determination and measurement of useful life and residual value of fixed assets and ijarah assets	4.1, 15 & 16

### 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
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure Initiative — Accounting Policies	January 1, 2023

The Modaraba 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



**Effective Date**  
**"(Annual periods beginning on or after)"**

**Standard or Interpretation**

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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

SECP vide S.R.O. 1827 (I)/2022, 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, 2024 (earlier application is permitted)".

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistently applied to all the periods presented.

##### 4.1 Fixed Assets - Tangible

###### Owned assets

Assets are stated at cost less accumulated depreciation and accumulated impairment losses (if any). 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 (if any). 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 off, it is charged till the month preceding the month of disposal.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



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:

- 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





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



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.

##### 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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



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 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.

##### Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

#### 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 and contingencies

The Modaraba reviews its provisions and contingencies at each reporting date to assess whether provisions should be recorded in the profit and loss account. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022



### **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.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



5. CASH AND BANK BALANCES	Note	2022	2021
		----- Rupees -----	
<b>Cash at bank in :</b>			
Current accounts		3,593,479	2,930,026
Saving accounts	5.1	6,743,028	144,163,838
		10,336,507	147,093,864
Cash in hand		-	20,790
		<u>10,336,507</u>	<u>147,114,654</u>

5.1 Effective profit rates on these accounts range between 3.75% and 12% (June 30, 2021: 3.74% and 6.25%) per annum.

6. SHORT TERM INVESTMENT	Note	2022	2021
		----- Rupees -----	
Fair value through profit or loss (FVTPL) - quoted securities	6.1	4,440,102	8,565,305
Fair value through other comprehensive income (FVTOCI) -Sukuk (Unquoted)	6.2	-	20,712,440
		<u>4,440,102</u>	<u>29,277,745</u>

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

Number of fully paid ordinary shares of Rs.10 each.	2022		2021	
	Shares			
	16,468	16,468	<b>Automobile Parts &amp; Accessories</b>	
	-	200	4,440,102	6,962,341
			-	250,828
	-	42,400	<b>Textile &amp; Weaving</b>	
	16,468	59,068	-	1,352,136
			<u>4,440,102</u>	<u>8,565,305</u>

### 6.2 Fair value through other comprehensive income (FVTOCI) -Sukuk (Unquoted)

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

	2022	2021
	----- Rupees -----	
Meezan Bank Ltd - Additional Tier 1 Capital	-	20,712,440

During the year, the above investments were sold (to related party) to generate funds for extension of shariah compliant finance facilities on higher rate of return.

6.3 Deficit on revaluation of investments classified as fair value through OCI investments	Note	2022	2021
		----- Rupees -----	
Surplus on re-measurement of unquoted securities		712,440	-
Unrealized gain on remeasurement of sukuk certificates		87,359	712,440
Reversal of unrealized gain on disposal of sukuk certificates		(799,799)	-
		<u>-</u>	<u>712,440</u>
		<u>7.1</u>	<u>27,000,000</u>

### 7. MODARABA TERM DEPOSIT

7.1 KASB Modaraba (Rabb-ul-Maal) invested in the General Pool created by a Related Party (Mudarib or Investment Manager) in accordance with the principles of Shariah. As per terms of the agreement, the term deposit shall be rolled over on monthly basis and the Related Party shall pay profit to the Modaraba on each maturity as per profit sharing ratio between Modaraba and the Related Party. During the year, the term deposit was encashed to generate funds for extension of shariah compliant finance facilities on higher rate of return.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



		2022	2021
	Note	----- Rupees -----	
<b>8. MODARABA FINANCE</b>			
Modaraba Finance		<b>37,791,201</b>	37,791,201
Less: provision for non-performing Modaraba arrangements	8.1	<b>(37,791,201)</b>	(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.

		2022	2021
	Note	----- Rupees -----	
<b>9. MUSHARAKA FINANCE</b>			
Musharaka finance		<b>14,702,297</b>	14,702,297
Less: provision for non-performing musharaka arrangement	9.1	<b>(14,702,297)</b>	(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.

		2022	2021
	Note	----- Rupees -----	
<b>10. MURABAHA FINANCE</b>			
Murabaha finance		<b>97,193,365</b>	97,784,311
Less: provision for non-performing murabaha arrangements	10.1	<b>(97,193,365)</b>	(97,784,311)
		<u>-</u>	<u>-</u>

### 10.1 Movement of provision

Opening balance	<b>97,784,311</b>	171,829,551
Reversal of provision during the year	<b>(590,946)</b>	(38,426,119)
Write-off of during the year	<b>-</b>	(35,619,121)
Closing balance	<b>97,193,365</b>	97,784,311

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.

		2022	2021
	Note	----- Rupees -----	
<b>11. DIMINISHING MUSHARKA FINANCE</b>			
Diminishing musharaka finance - considered good	11.1	<b>222,409,691</b>	39,111,432
Diminishing musharaka finance - doubtful		<b>666,134</b>	666,134
Unearned Income		<b>(50,050,261)</b>	(7,132,655)
		<u>173,025,564</u>	<u>32,644,911</u>
Less: provision for non-performing diminishing musharaka	11.2	<b>(666,134)</b>	(666,134)
		<u>172,359,430</u>	<u>31,978,777</u>
Diminishing musharaka due after one year		<b>(119,236,835)</b>	(21,348,645)
Current portion of diminishing musharaka		<b>53,122,595</b>	10,630,132

11.1 The profit rates on these diminishing musharaka arrangements range between 11.66% and 19.00% (June 2021: 10.00% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

		2022	2021
		----- Rupees -----	
<b>11.2 Movement of provision</b>			
Opening balance		<b>666,134</b>	6,384,294
Reversal of provision during the year		<b>-</b>	(5,718,160)
Closing balance		<b>666,134</b>	666,134

### 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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



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	FRPM	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)
	<b>18,200,140</b>	<b>27,811,518</b>	<b>46,011,658</b>
Provision for doubtful receivable against sale of agriculture produce	(18,200,140)	(27,811,518)	(46,011,658)
	-	-	-

### 13. IJARAH RENTALS RECEIVABLE

	2022	2021
	----- Rupees -----	
Ijarah rental receivable	<b>24,257,640</b>	23,890,164
Less: provision for doubtful	<b>(23,890,164)</b>	(23,890,164)
	<b>367,476</b>	-

### 14. ADVANCES, PREPAYMENTS AND OTHER

Advances to other employees - unsecured		433,385	77,921
Advances for purchase of assets- considered good		-	2,000,000
Prepayments		365,240	485,563
Short term security deposits		223,300	217,300
Advance tax	14.1	5,013,246	3,852,433
Accrued profit	14.2	240,526	981,546
Receivable from associated entities-considered good		3,390,973	522,022
Others		321,997	198,329
		<b>9,988,668</b>	<b>8,335,114</b>

14.1 This represents the advance tax deducted by the various withholding agents under various sections of income tax ordinance 2001. The management has claimed the tax deducted in the return for the tax year 2021, since the management is confident that the same shall be refunded.

### 14.2 ACCRUED PROFIT

	Note	2022	2021
		----- Rupees -----	
Accrued profit on bank deposits		240,526	692,973
Accrued profit on sukuk certificates		-	162,524
Accrued profit on modaraba term deposit		-	126,049
		<b>240,526</b>	<b>981,546</b>

### 15. IJARAH ASSETS

Plant and machinery		3,579,900	3,579,900
Vehicles		32,218,040	-
	15.1	<b>35,797,940</b>	<b>3,579,900</b>

### 15.1 Assets held under Ijarah arrangement

Description	Vehicle	Plant and machinery	Total
	----- Rupees -----		
<b>Year ended June 30, 2022</b>			
<b>Net carrying value basis</b>			
Opening - NBV *	-	3,579,900 *	3,579,900
Addition / deletion	34,693,000	-	34,693,000
Depreciation charge	(2,474,960)	-	(2,474,960)
<b>Closing - NBV</b>	<b>32,218,040</b>	<b>3,579,900</b>	<b>35,797,940</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### Gross carrying value basis

Cost	34,693,000	33,848,819	68,541,819
Accumulated depreciation and impairment	(2,474,960)	(30,268,919)	(32,743,879)
<b>Closing - NBV</b>	<b>32,218,040</b>	<b>3,579,900</b>	<b>35,797,940</b>

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	-	33,848,819	33,848,819
Accumulated depreciation and impairment	-	(30,268,919)	(30,268,919)
<b>Closing NBV</b>	<b>-</b>	<b>3,579,900</b>	<b>3,579,900</b>
<b>Depreciation rate % per annum</b>	<b>20 to 66</b>	<b>14 to 33</b>	

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

### 16. FIXED ASSETS - OWNED

	Note	2022 Rupees	2021 Rupees
Tangible assets			
16.1 Assets held under owned use	16.1	-	103,666

#### June 30, 2022

	Cost			Accumulated Depreciation			Book value		
	As at July 01, 2021	Deletions	As at June 30, 2022	As at July 01, 2021	Charge for the period	Disposal	As at June 30, 2022	As at June 30, 2022	Depreciation rate per annum
	Rupees								
Furniture and fixtures	715,000	(385,899)	329,101	691,987	1,350	(364,236)	329,101	-	10
Office equipment	551,202	(152,150)	399,052	520,324	-	(121,272)	399,052	-	20
Electrical equipment	3,908,313	(1,464,963)	2,443,350	3,866,913	-	(1,423,563)	2,443,350	-	20
Motor vehicles	116,680	(92,230)	24,450	116,680	-	(92,230)	24,450	-	20
Computers & accessories	3,214,096	(1,089,743)	2,124,353	3,205,721	8,375	(1,089,743)	2,124,353	-	33
	<b>8,505,291</b>	<b>(3,184,985)</b>	<b>5,320,306</b>	<b>8,401,625</b>	<b>9,725</b>	<b>(3,091,044)</b>	<b>5,320,306</b>	<b>-</b>	

#### June 30, 2021

	As at July 01, 2020	Deletions	As at June 30, 2021	As at July 01, 2020	Charge for the year	Disposal	As at June 30, 2021	As at June 30, 2021	Depreciation rate per annum
		Rupees							
Furniture and fixtures	8,912,424	(8,197,424)	715,000	8,688,780	109,700	(8,106,493)	691,987	23,013	10
Office equipment	551,202	-	551,202	457,857	62,467	-	520,324	30,878	20
Electrical equipment	5,079,382	(1,171,069)	3,908,313	4,426,484	299,925	(859,496)	3,866,913	41,400	20
Plant & Machinery	871,446	(871,446)	-	871,446	-	(871,446)	-	-	20
Motor vehicles	1,984,180	(1,867,500)	116,680	1,801,927	29,104	(1,714,351)	116,680	-	20
Computers & accessories	3,606,305	(392,209)	3,214,096	3,213,374	182,511	(190,164)	3,205,721	8,375	33
	<b>21,004,939</b>	<b>(12,499,648)</b>	<b>8,505,291</b>	<b>19,459,868</b>	<b>683,707</b>	<b>(11,741,950)</b>	<b>8,401,625</b>	<b>103,666</b>	

### 17 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED

Certificate of musharaka		<b>1,315,000</b>	1,315,000
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17.1 This represents matured and unclaimed amount against certificate of musharaka.

### 18. MUSHARAKA FINANCE

18.1	-	50,000,000
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18.1 The Pak Brunei Investment Company Limited (PBICL) extended callable / convertible financing line of Rs.250 million to the Modaraba under Musharaka arrangement. As per the terms of the Agreement Rs.50 million was disbursed on January 28, 2021, which was fully repaid along with return on the date of maturity i.e., December 31, 2021.

The return on finance was based on sharing of profit before tax and management company's remuneration in the ratio of PBICL investment to total Musharaka Capital (i.e., the sum of PBICL finance and Modaraba equity as on September 30, 2020).

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



	Note	2022	2021
		----- Rupees -----	
<b>19 SHORT TERM FINANCE</b>			
	19.1	<u>50,000,000</u>	<u>-</u>

19.1 The Modaraba has availed finance facility of Rs. 50 million under Wakala Agreement dated December 30, 2021 from Pak Brunei Investment Company Ltd (PBIC). As per terms of the agreement, PBIC acts as Muwakkil (the principal) and Modaraba is the Wakil (the agent) to execute the Shariah Compliant transactions through and as a part of the Wakil's pool of assets for deployment of funds under the extended facility.

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

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

	Note	2022	2021
		----- Rupees -----	
<b>20. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Management Company's remuneration	20.1.	1,257,265	3,299,941
SWWF Payable	31	1,658,629	1,503,300
Sundry creditors		5,632,673	4,636,673
Payable to associated entities		980,810	242,936
Accrued expenses		1,159,674	1,693,909
Charity payable	20.2.	232,474	1,483,194
Insurance premium received in advance		923,167	139,287
Other liabilities		909,371	777,648
		<u>12,754,063</u>	<u>13,776,888</u>

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.

	2022	2021
	----- Rupees -----	
<b>20.2 Movement of charity payable</b>		
Opening balance	1,483,194	1,214,078
Add: Amount credited during the year	262,474	269,116
	<u>1,745,668</u>	<u>1,483,194</u>
Less: Amount paid during the year	(1,513,194)	-
	<u>232,474</u>	<u>1,483,194</u>

### 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, 2022, 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:



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### 21.3 Significant Actuarial Assumptions

#### Financial Assumptions

- Valuation discount rate	11.25%	10.75%
- Expected rate of increase in salaries	10.00%	5.75%

#### Demographic Assumptions

Mortality rates (for death in service)	SLIC(2001-05) High	SLIC(2001-05) Low
Rates of employee turnover		

### 21.4 Statement of Financial Position

Present value of defined benefit obligation	21.5	<u>1,307,550</u>	<u>1,382,916</u>
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### 21.5 Movement in the defined benefit liability

Opening balance		<u>1,382,916</u>	3,770,020
Charge to profit and loss account	21.6	<u>332,482</u>	790,840
Benefits paid during the year		<u>(181,712)</u>	(2,736,020)
Remeasurements gains recognised in other comprehensive income during the year	21.7	<u>(226,136)</u>	(441,924)
Closing balance		<u>1,307,550</u>	<u>1,382,916</u>

### 21.6 Defined Benefit Cost for the Year

#### Cost recognised in Profit and Loss Account for the year

Current service cost		193,586	568,654
Financial Cost on defined benefit obligation		<u>138,896</u>	<u>222,186</u>
		<u>332,482</u>	<u>790,840</u>

#### Re-measurements recognised in other comprehensive income during the year

	Note	2022 ----- Rupees -----	2021 ----- Rupees -----
Actuarial gain on obligation		<u>226,136</u>	<u>441,924</u>
<b>Total defined benefit cost recognised in profit &amp; loss account and other comprehensive income - net</b>		<u><b>106,346</b></u>	<u><b>348,916</b></u>

### 21.7 Remeasurements recognised in other comprehensive income during the year

Actuarial gain on obligation			
Gain due to change in financial assumptions		386,119	55,545
- Due to actual salary increase		<u>75,184</u>	69,146
- Due to other reasons		<u>(235,167)</u>	317,233
		<u>(159,983)</u>	386,379
Total actuarial gain on obligation		<u>226,136</u>	<u>441,924</u>

### 21.8 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments within the next 12 months (next annual reporting period)		300,346	9,611
between 2 and 5 years		901,515	46,307
between 5 and 10 years		707,749	96,829
Beyond 10 years		599,354	9,821,294
		<u>2,508,964</u>	<u>9,974,041</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### 21.9 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability

#### Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability

Discount Rate +1%	1,262,556	1,176,718
Discount Rate -1%	1,356,120	1,631,373
Long Term Salary Increases +1%	1,362,791	1,636,966
Long Term Salary Increases -1%	1,255,567	1,169,188
Withdrawals Rates +10%	1,316,419	1,382,916
Withdrawals Rates -10%	1,297,202	1,382,916
1 Year Mortality age set back	1,307,414	1,382,916
1 Year Mortality age set forward	1,307,686	1,382,916

21.10 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 0.333 (June 30, 2021 : 0.791) million for the year ending June 30, 2023

### 22 DEFERRED TAXATION

2022                      2021  
----- Rupees -----

The deferred tax is attributable to the following items:

#### Deductible temporary differences

Provision for gratuity	(96,420)	-
Investments	(378,336)	-
Tax Loss for the year	(1,261,933)	-
Alternative Corporate Tax	(848,797)	-

#### Chargeable temporary differences

Property, Plant and Equipment	2,972,507	-
	<u>387,022</u>	<u>-</u>

### 23. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2022                      2021

----- Certificates -----

2022                      2021

----- Rupees -----

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

23.1 As at June 30, 2022, Awwal Modaraba Management Limited, the management company, held 4,806,648 (June 30, 2021: "nil") certificates of Rs.10/- each.

### 24. UNREALIZED GAIN ON REVALUATION OF INVESTMENT

2022                      2021  
----- Rupees -----

Gain on revaluation at the beginning of the year	712,440	-
Gain on remeasurement during the year	87,359	712,440
	<u>799,799</u>	<u>712,440</u>
Reversal of unrealized gain on disposal of sukuk certificates	(799,799)	-
	<u>-</u>	<u>712,440</u>

### 25. PROVISION FOR TAXATION

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 the Tax Laws (Second amendment), 2021 dated March 21, 2021 which is subsequently adopted in Finance Act, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022



	2022	2021
	----- Rupees -----	
Current	1,216,308	-
Deferred	387,023	-
	<u>1,603,331</u>	<u>-</u>
<b>Relationship between tax expense and accounting profit</b>		
Profit before taxation	7,766,595	-
Tax @ 29% (2021: Nil)	2,252,313	-
Tax effect of income taxed at lower rate	(121,716)	-
Tax effect of permanent differences due to reversal of provisions and unallocated expenses in computation of the Alternative Corporate Tax	(527,266)	-
	<u>1,603,331</u>	<u>-</u>

**26. CONTINGENCIES AND COMMITMENTS**

"Some of the modarabas in the sector have received letter from Assistant Commissioner, Sindh Revenue Board (SRB), whereby it came to their notice that these Modarabas are engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding. The modarabas who have received the said letter, collectively decided that under the supervision of NBFI & Modaraba Association of 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."

**27. FINANCIAL CHARGES**

	2022	2021
	----- Rupees -----	
Bank charges	32,930	43,084
Return on musharaka finance	1,678,601	5,762,187
Return on short term finance	3,282,506	-
	<u>4,994,037</u>	<u>5,805,271</u>

**28. OTHER INCOME**

Differential of takaful premium received from customers	199,693	329,313
Gain on sale of assets - own use	56,959	1,716,302
Others	316,480	145,399
	<u>573,132</u>	<u>2,191,014</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### 29. ADMINISTRATIVE AND OPERATING EXPENSES

		2022	2021
		----- Rupees -----	
Salaries and benefits	29.1 & 29.2	4,074,278	8,664,321
Transaction cost		22,794	-
Utilities		98,628	387,043
Takaful		793,638	926,486
Postage		61,513	58,451
Repairs and maintenance		389,942	897,182
Entertainment		126,885	188,726
Printing and stationery		110,321	90,142
Travelling and conveyance		445,502	121,590
Fee and subscriptions		1,704,067	2,117,787
Auditors' remuneration	29.4	611,650	396,847
Legal and professional charges		2,196,885	3,769,402
Depreciation - owned assets	16.1	9,725	683,707
Advertisements		147,451	103,985
Rent, rate and taxes		442,484	962,513
CIB charges		19,245	2,809
Security services		319,968	357,984
Shared services expense		2,917,500	1,407,921
Others		61,588	23,177
		<u>14,554,064</u>	<u>21,160,073</u>

29.1 The salaries and benefits include an amount for Rs. 0.333 (June 30, 2021: 0.791) million in respect of gratuity.

	2022		2021	
	Officers	Other employees	Officers	Other employees
	----- Rupees -----			
Managerial remuneration	879,996	1,775,949	1,018,647	3,065,506
Medical allowance	87,996	116,088	134,700	419,042
House rent allowance	264,000	348,297	404,112	1,257,120
Utility allowance	88,008	116,121	134,712	419,035
Employee benefit	31,269	75,077	196,600	594,240
EObI contribution	7,800	38,350	7,800	84,500
Bonus	110,000	135,327	590,082	338,225
	<u>1,469,069</u>	<u>2,605,209</u>	<u>2,486,653</u>	<u>6,177,668</u>
	<u>1</u>	<u>4</u>	<u>2</u>	<u>13</u>

29.3 The total number of employees as at June 30, 2022 are 5 (June 30, 2021: 5) and the average number of employees during the year equates to 5 (June 30, 2021: 13).

	2022	2021
	----- Rupees -----	
Annual audit fee	362,250	325,000
Review of interim financial statements	186,300	50,000
Out of pocket expenses	63,100	21,847
	<u>611,650</u>	<u>396,847</u>

### 30. MANAGEMENT COMPANY'S REMUNERATION

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

### 31. 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, 2021 : 2%) of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



32. EARNING / (LOSS) PER CERTIFICATE - BASIC AND DILUTED	2022		2021	
	----- Rupees -----			
Profit for the year	<u>6,163,303</u>		<u>29,203,024</u>	
	----- Number -----			
Weighted average number of certificates	<u>48,066,480</u>		<u>48,066,480</u>	
	----- Rupees -----			
Earnings per certificate -basic and diluted*	<u>0.13</u>		<u>0.61</u>	

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

### 33. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2022		
	----- Rupees -----		
FINANCIAL ASSETS	At amortised cost	FVTPL	FVTOCI
Cash and bank balances	10,336,507	-	-
Short term investments	-	4,440,102	-
Modaraba term deposit	-	-	-
Diminishing musharaka finance	172,359,430	-	-
Advances, prepayments and other receivables	4,610,181	-	-
	<u>187,306,119</u>	<u>4,440,102</u>	<u>-</u>

#### FINANCIAL LIABILITIES

	at fair value	Other financial liabilities
Redeemable capital	-	1,315,000
Short Term Finance	-	50,000,000
Ijarah deposit	-	11,680,649
Creditors, accrued and other liabilities	-	12,521,590
Financial charges payable to PBICL	-	-
Unclaimed profit distribution	-	3,493,568
	<u>-</u>	<u>79,010,807</u>

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

#### FINANCIAL LIABILITIES

	at fair value	Other financial liabilities
Redeemable capital	-	1,315,000
Musharaka Finance	-	50,000,000
Ijarah 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>-</u>	<u>75,766,736</u>

### 33.1 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 term deposit receipts. These activities are exposed to a variety of financial risks that are market risk, credit risk and liquidity risk.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



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

### 33.2 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.

#### 33.2.1 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.

#### 33.2.2 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, 2022	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	Rupees	
<b>Assets</b>									
Cash and bank balances	3.75%-12.0%	10,336,507	6,743,028	-	-	-	3,593,479		
Short term investment		4,440,102	-	-	-	-	4,440,102		
Diminishing musharaka finance	11.66%-19%	172,359,430	5,694,090	8,194,678	39,233,827	119,236,835	-		
Advances, prepayments and other receivables	-	4,610,181	-	-	-	-	4,610,181		
<b>Total</b>		<b>191,746,221</b>	<b>12,437,118</b>	<b>8,194,678</b>	<b>39,233,827</b>	<b>119,236,835</b>	<b>12,643,763</b>		
<b>Liabilities</b>									
Redeemable capital	-	1,315,000	-	-	-	-	1,315,000		
Short Term Finance	13.25%	50,000,000	-	-	50,000,000	-	-		
Security deposit	-	11,680,649	-	-	-	-	11,680,649		
Creditors, accrued and other liabilities	-	12,754,063	-	-	-	-	12,754,063		
Unclaimed profit distribution	-	3,493,568	-	-	-	-	3,493,568		
<b>Total</b>		<b>79,243,280</b>	<b>-</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>	<b>29,243,280</b>		
<b>Total yield / profit risk sensitivity gap</b>			<b>12,437,118</b>	<b>8,194,678</b>	<b>(10,766,173)</b>	<b>119,236,835</b>			
<b>Cumulative yield / profit risk sensitivity gap</b>			<b>12,437,118</b>	<b>20,631,796</b>	<b>9,865,623</b>	<b>129,102,458</b>	<b>129,102,458</b>		

June 30, 2021

<b>Assets</b>									
Cash and bank balances	3.74%-6.25%	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	27,000,000	-	-	-	-		
Diminishing musharaka finance	10.1%-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		
<b>Total</b>		<b>239,368,294</b>	<b>172,390,000</b>	<b>1,723,747</b>	<b>28,392,663</b>	<b>21,348,645</b>	<b>15,513,239</b>		
<b>Liabilities</b>									
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	-	13,776,888	-	-	-	-	13,776,888		
Financial charges payable to PBICL	-	5,762,187	-	-	-	-	5,762,187		
Unclaimed profit distribution	-	2,815,955	-	-	-	-	2,815,955		
<b>Total</b>		<b>77,249,930</b>	<b>-</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>	<b>27,249,930</b>		
<b>Total yield / profit risk sensitivity gap</b>			<b>172,390,000</b>	<b>1,723,747</b>	<b>(21,607,337)</b>	<b>21,348,645</b>			
<b>Cumulative yield / profit risk sensitivity gap</b>			<b>172,390,000</b>	<b>174,113,747</b>	<b>152,506,410</b>	<b>173,855,055</b>	<b>173,855,055</b>		

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### 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	
	2022	2021
Changes in basis point	----- Rupees -----	
+100	1,291,025	1,738,551
-100	(1,291,025)	(1,738,551)

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

### 33.2.3 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, 2022	June 30, 2021
	----- Rupees -----	
+5%	222,005	1,463,887
-5%	(222,005)	(1,463,887)

### 33.3 Credit risk

33.3.1 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, 2022 and June 30, 2021 is the carrying amounts of following financial assets

	June 30, 2022	June 30, 2021
	----- Rupees -----	
Balances with banks	10,336,507	147,093,864
Short term investment	4,440,102	20,712,440
Modaraba term deposit	-	27,000,000
Diminishing musharakah	172,359,430	31,978,777
Advances, deposits, prepayments and other receivables	4,610,181	3,997,118
	<u>191,746,221</u>	<u>230,782,199</u>

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

### 33.3.2 Bank balances

	Short Term	Long Term		
Dubai Islamic Bank	A-1+	AA	5,635,660	112,506,327
Soneri Bank Limited	A1+	AA-	1,958,799	30,536,593
Summit Bank	-	-	1,027,928	2,315,115
Albaraka Bank (Pakistan) Ltd	A-1	A+	931,465	931,465
Bank Islami Pakistan	A-1	A+	689,918	710,734
JS Bank Limited	A-1+	AA-	85,420	85,420
Silk Bank Ltd	A-2	A-	-	896
			<u>10,329,189</u>	<u>147,086,549</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



33.3.3 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:

	June 30, 2022		June 30, 2021	
	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

33.3.4 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, 2022				
	OAEM	Substandard	Doubtful	Loss	Total
	----- Rupees -----				
Ijarah rentals receivable	-	-	-	23,890,164	23,890,164
Murabaha Finance	-	-	-	97,193,365	97,193,365
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	-	-	-	18,200,000	18,200,000

	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

### 33.3.5 Ijarah Assets

	June 30, 2022		June 30, 2021	
	----- Rupees -----			
Fuel and energy	100,000	0.28%	100,000	2.79%
Media	26,695,800	74.57%	-	-
Others	9,002,140	25.15%	3,479,900	97.21%
	<u>35,797,940</u>	<u>100.0%</u>	<u>3,579,900</u>	<u>100.00%</u>

### 33.3.6 Finance arrangements

	June 30, 2022		June 30, 2021	
	----- Rupees -----			
Diminishing Musharaka finance	<u>172,359,430</u>		<u>31,978,770</u>	
	<u>172,359,430</u>		<u>31,978,770</u>	

### 33.4 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



	June 30, 2022			
	Total	Upto three months	More than three months and upto one year	More than one year
----- Rupees -----				
<b>Liabilities</b>				
Short Term Finance	50,000,000	-	50,000,000	-
Redeemable capital	1,315,000	1,315,000	-	-
Security deposits	11,680,649	3,579,899	-	8,100,750
Creditors, accrued and other liabilities	13,970,371	13,970,371	-	-
Unclaimed profit distribution	3,493,568	3,493,568	-	-
<b>Total Liabilities</b>	<b>80,459,588</b>	<b>22,358,838</b>	<b>50,000,000</b>	<b>8,100,750</b>

	June 30, 2021			
	Total	Upto three months	More than three months and upto one year	More than one year
----- Rupees -----				
<b>Liabilities</b>				
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	-	-
<b>Total Liabilities</b>	<b>71,487,743</b>	<b>21,487,743</b>	<b>50,000,000</b>	<b>-</b>

### 33.5 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.

### 34 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.

	2022	2021
	----- Rupees -----	
Total borrowings and deposits	51,315,000	57,077,187
Cash and bank balances	(10,336,507)	(147,114,654)
Net debt	40,978,493	(90,037,467)
Total equity	151,135,963	168,757,010
Total capital	192,114,455	78,719,543
Gearing ratio	21.33%	114.38%

### 35. TRANSACTIONS AND BALANCE 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



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

Relationship with Modaraba	Nature of Transactions	2022	2021
		----- Rupees -----	
<b>Balances with related parties</b>			
<b>Holding Company of the Management Company</b>			
Pak Brunei Investment Company Limited	Modaraba Term Deposit	-	27,000,000
	Accrued return on modaraba term deposit	-	126,049
	Musharika Finance	-	(50,000,000)
	Short term finance	(50,000,000)	-
	Accrued return on musharaka finance	-	(5,762,187)
	Accrued shared service cost	(242,936)	(242,936)
<b>Modaraba Management Company</b>			
Awwal Modaraba Management Limited	Management Company's remuneration	(1,257,265)	(3,299,941)
<b>Modarabas under common management</b>			
Awwal Modaraba	Payable against cost of deputed employee	-	(659,542)
	Receivable / Payable against sharing of common expenses	(16,415)	(64,095)
First Prudential Modaraba	Receivable against sharing of common expenses	972,680	1,547,652
First Pak Modaraba	Receivable against sharing of common expenses	138,186	282,468
<b>Expense / (income) for the period</b>			
<b>Holding Company of the Management Company</b>			
Pak Brunei Investment Company Limited	Return on modaraba term deposit	(992,641)	(288,863)
	Return on musharaka finance	1,678,601	5,762,187
	Return on short term finance	3,282,506	-
	Shared services cost	2,917,500	1,407,921
<b>Modaraba Management Company</b>			
Awwal Modaraba Management Limited	Management Company's remuneration	877,626	-
<b>Modarabas under common management</b>			
Awwal Modaraba	Staff cost of deputed employee	-	1,731,253
First Prudential Modaraba	Reimbursement of expenses	(1,560,302)	(2,359,136)
First Pak Modaraba	Reimbursement of expenses	(276,372)	(646,012)
<b>Other related party</b>			
Jubilee Life Insurance Co.	Takaful premium	254,212	496,002
<b>Payments / (Receipts) made during the period</b>			
<b>Holding Company of the Management Company</b>			
Pak Brunei Investment Company Limited	Musharika Finance	50,000,000	(50,000,000)
	Short term finance	(50,000,000)	-
	Return on musharaka finance	4,083,586	-
	Return on short term finance	3,282,506	-
	Modaraba term deposit	(27,000,000)	27,000,000
	Return on modaraba term deposit	(1,118,690)	(162,814)
	Shared service cost	2,917,500	1,164,985
	Receipt against novation of diminishing musharaka finance facility	(25,000,000)	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022



### Modaraba Management Company

Awal Modaraba Management Limited	Management Company's remuneration	2,920,302	-
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### Modarabas under common management

Awal Modaraba	Staff cost of deputed employee	659,542	1,071,711
	Sharing of common expenses	64,095	-
First Prudential Modaraba	Sharing of common expenses	(2,135,274)	(1,982,078)
First Pak Modaraba	Sharing of common expenses	(420,654)	(649,533)

### Other related party

Jubilee Life Insurance Co.	Takaful premium	254,212	496,002
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### 36. 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 year.

### 37. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2022 of Re.0.10 per certificate (2021:Re.0.48), amounting to Rs.4,806,648 (2021:Rs. 23,071,910) at their meeting held on October 20, 2022. The financial statements for the year ended June 30, 2022 do not include the effect of the above which will be accounted for in the period in which it is declared.

### 38. GENERAL

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

### 39. DATE OF AUTHORISATION

These financial statements have been authorized for issue on October, 20 2022 by the Board of Directors of Awal Modaraba Management Limited.

Chief Financial Officer

Chief Executive Officer

Director

Director

# PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2022



NO. OF SHOLD	SHARE HOLDING		TOTAL SHARES HOLD	
	FROM	TO		
403	1	-	100	15,807
320	101	-	500	96,479
198	501	-	1,000	171,103
272	1,001	-	5,000	725,995
95	5,001	-	10,000	748,498
36	10,001	-	15,000	466,480
34	15,001	-	20,000	594,575
20	20,001	-	25,000	463,246
9	25,001	-	30,000	260,539
8	30,001	-	35,000	260,200
10	35,001	-	40,000	372,500
4	40,001	-	45,000	171,500
8	45,001	-	50,000	400,000
6	50,001	-	55,000	311,000
3	55,001	-	60,000	174,500
9	60,001	-	80,000	631,877
2	80,001	-	85,000	170,000
9	95,001	-	100,000	899,000
13	100,001	-	150,000	1,635,535
5	150,001	-	200,000	918,820
6	200,001	-	250,000	1,399,000
11	250,001	-	290,000	3,136,622
8	290,001	-	400,000	2,602,336
1	400,001	-	490,000	490,000
1	490,001	-	600,000	600,000
1	600,001	-	775,000	774,500
1	775,001	-	800,000	795,980
1	800,001	-	885,000	885,000
2	885,001	-	1,000,000	2,000,000
1	1,000,001	-	1,600,000	1,600,000
1	1,600,001	-	2,000,000	2,000,000
1	3,045,001	-	3,050,000	3,048,473
1	3,990,001	-	3,995,000	3,993,500
1	4,805,001	-	4,810,000	4,806,648
1	10,445,001	-	10,450,000	10,446,767
<b>1502</b>			<b>Total</b>	<b>48,066,480</b>

# PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2022



## SHAREHOLDERS STATISTICS AS AT JUNE 30, 2022

CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
INDIVIDUALS	1456	24,846,610	51.69
INVESTMENT COMPANIES	4	422,552	0.88
INSURANCE COMPANIES	3	796,380	1.66
JOINT STOCK COMPANIES	15	2,111,323	4.39
FINANCIAL INSTITUTIONS	11	10,472,584	21.79
LEASING COMPANIES	1	1,246	0
MODARABA COMPANIES	3	36	0
MODARABA MANAGEMENT COMPANIES	3	8,855,121	18.42
MUTUAL FUND	1	392,245	0.82
OTHERS	3	103,300	0.21
EMPLOYEES PENSION FUND	1	62,877	0.13
EMPLOYEES BENEVOLENT FUND	1	2,206	0
<b>Grand Total</b>	<b>1,502</b>	<b>48,066,480</b>	<b>100.00%</b>

### Certificate Holding 5 % & above

S/No	Name of Certificate Holders	Number of Certificates Held	%
1	BankIslami Pakistan Limited	10,446,767	21.73%
2	AWWAL Modaraba Management Limited	4,806,648	10.00%
3	Riverstone Consultancy (Private) Limited	4,048,473	8.42%
4	Mr. Muhammad Munawar Khalil	3,993,500	8.31%

# 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 Tuesday, 15th November, 2022 at 10:30 am, at Auditorium Hall, Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi to review the performance of the Modaraba for the year ended 30 June 2022.

On behalf of the Board

Misbah Asjad  
Company Secretary  
Karachi, 25 October, 2022

## Notes:

1. The Certificate Transfer Books of the Modaraba will be closed from Wednesday, 02nd November, 2022 to Tuesday, 15th November, 2022 (both days inclusive). Transfers received at the office of our Share Registrar, M/s C.K .Management Associates (Private) Limited, 404- Trade Towers, Abdullah Haroon Road, Karachi, , at the close of business on Tuesday, 01st November, 2022 will be treated in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
2. 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.
3. The Annual Report for the year ended 30 June 2022 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.
4. 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 @ 15% and 30% 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.
5. 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.
6. 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.
7. **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 Awwal 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 Share Registrar.
8. **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 to enquire about their unclaimed dividend or pending Modaraba certificates.
9. **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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