

KASB MODARABA

HALF YEARLY REPORT
DECEMBER 31, 2020

MANAGED BY

AWWAL MODARABA MANAGEMENT LIMITED

Vision Statement

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

Mission Statement

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Audit Committee

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

Human Resource and Remuneration Committee

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

Company Secretary

Ms. Misbah Asjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

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

Ahmed & Qazi
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

Lahore Branch Office

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

Phone : 042-36311001-02

Islamabad Branch Office

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

Phone: 051-2344422-24

Directors' Report

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

Economy

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

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

Financial Performance

The asset portfolio of the Modaraba is performing satisfactorily with sound recovery performance. The outstanding portfolio size amounted to PKR 20.88 million at December 31, 2020 (June 30, 2020: PKR 18.58 million). During the first half under review, overall revenues have been recorded at PKR 45.81 million which include reversal of provision of Rs.37.92 million due to recovery of stuck-up financing. In the corresponding period last year revenue was Rs.5.08 million and provisions of Rs.84.6 million. Total expenses for the period were contained at PKR 8.42 million. The Modaraba posted profit before tax for the period at PKR 36.62 million compared to loss of Rs.100.51 million in the corresponding period. Management follows cautious approach in underwriting new business to preserve the asset quality. Subsequent to December 31, 2020, Pak Brunei Investment Company Limited has injected Rs.50 million through a callable convertible Musharaka facility. Our team continues to build secured financing portfolio which shall support the profitability in the second half of the year.

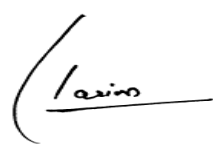
Governance

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

Acknowledgement

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

On behalf of the Board



Karim Hatim
Chief Executive



Ahmed Ateeq
Director

Date: 23 Feb 2021

ڈائریکٹر رپورٹ

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

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

معیشت

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

مالیاتی کارکردگی

مضاربہ کا اثاثہ پورٹ فولیو آواز کی بازیابی کی کارکردگی کے ساتھ اطمینان بخش کارکردگی کا مظاہرہ کر رہا ہے۔ پورٹ فولیو کا بقایا ساہز 31 دسمبر 2020 (30 جون، 2020: پاکستانی روپے 18.58 ملین) میں پاکستانی روپے 20.88 ملین تھا۔ زیر جائزہ پہلی سہ ماہی کے دوران، مجموعی طور پر محصولات پاکستانی روپے 45.81 ملین ریکارڈ کی گئیں جس میں پھنسے ہوئے مالی اعانت کی وصولی کی وجہ سے 37.92 ملین روپے کی فراہمی کا الٹ جانا بھی شامل ہے۔ پچھلے سال کے اسی عرصے میں محصول 5.08 ملین روپے تھا اور 84.6 ملین روپے کی دفعات تھیں۔ اس مدت کے لئے کل اخراجات پاکستانی روپے میں 8.42 ملین تھے۔ مضاربہ نے اسی مدت میں 100.51 ملین روپے کے نقصان کے مقابلے میں پاکستانی روپے 36.62 ملین ڈالر تک ٹیکس سے پہلے منافع جمع کیا۔ مینجمنٹ اثاثوں کے معیار کو برقرار رکھنے کے لئے نئے کاروبار کو لکھنے میں محتاط انداز اپنایا۔ 31 دسمبر، 2020 کے بعد، پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ نے قابل طلب تبادلہ مشارقہ سہولت کے ذریعہ 50 ملین روپے ٹیکس لگائے۔ ہماری ٹیم نے مالی اعانت کے لئے محفوظ پورٹ فولیو تیار کرنا جاری رکھا ہے جو سال کے دوسرے نصف حصے میں منافع کی حمایت کرے گی۔

گورننس

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

تسلیمات

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

بورڈ کی جانب سے



احمد عتیق
ڈائریکٹر



کریم حاتم
چیف ایگزیکٹو

تاریخ: 23 فروری 2021



Grant Thornton

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**Independent auditor's review report
To the certificate holders of KASB Modaraba**

Report on review of Interim Financial Statements

Introduction

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

Scope of Review

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

Conclusion

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

Other Matter

The financial statements of the Modaraba for the half year period ended December 31, 2019 and for the year ended June 30, 2020 were reviewed and audited by another firm of auditors who expressed an unmodified conclusion and opinion on those statements dated February 26, 2019 and September 24, 2020 respectively.

The engagement partner on the audit resulting in this independent auditor's report is Khurram Jameel.

Chartered Accountants
Karachi

Dated: February 23, 2021

GRANT THORNTON ANJUM RAHMAN

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Modern Motors House
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Karachi 75530

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

		<u>Un-Audited</u> December 31, 2020	<u>Audited</u> June 30, 2020
	Note	----- Rupees -----	
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	147,098,280	71,872,499
Investments	5	8,633,398	5,680,702
Ijarah rentals receivable		-	-
Modaraba finance		-	-
Musharaka finance		-	-
Murabaha finance	6	-	-
Receivable against sale of agricultural produce		-	-
Advances, prepayments and other receivables		13,327,301	6,059,869
Current portion of long-term diminishing musharaka finance	8	9,697,989	11,123,671
Property acquired in satisfaction of financing facility	7	-	47,082,936
		178,756,968	141,819,677
NON - CURRENT ASSETS			
Long-term diminishing musharaka finance	8	11,184,311	7,453,970
Long term advances		-	8,333
Ijarah assets		3,579,900	3,579,900
Fixed assets		1,356,232	1,545,070
		16,120,443	12,587,273
TOTAL ASSETS		194,877,412	154,406,951
LIABILITIES			
CURRENT LIABILITIES			
Redeemable capital		1,315,000	1,315,000
Security deposits		3,579,899	3,579,900
Accrued and other liabilities		8,766,988	4,508,253
Unclaimed profit distribution		2,815,956	2,834,156
		16,477,843	12,237,308
NON - CURRENT LIABILITIES			
Deferred liabilities - staff gratuity		3,376,804	3,770,020
TOTAL LIABILITIES		19,854,647	16,007,328
NET ASSETS		175,022,765	138,399,622
REPRESENTED BY			
CAPITAL AND RESERVES			
Authorized capital 50,000,000 certificates of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital 48,066,480 certificates of Rs.10/- each		480,664,800	480,664,800
Discount on issuance of certificates		(98,960,400)	(98,960,400)
Statutory reserve		90,829,767	83,505,138
Accumulated loss		(297,511,401)	(326,809,916)
		175,022,765	138,399,622
CONTINGENCIES AND COMMITMENTS			

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The annexed notes from 1 to 14 form an integral part of these financial statements.

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



Chief Financial Officer



Chief Executive Officer



Director



Director

**KASB MODARABA
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Note	Half year ended		Quarter ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		----- Rupees -----			
INCOME					
Diminishing musharakah		1,270,996	1,914,476	590,195	428,310
Murabaha finance		290,000	95,330	140,000	(29,012)
Profit on PLS accounts		1,994,782	1,869,844	1,120,054	1,193,891
Others		1,386,179	742,691	242,293	515,732
		4,941,957	4,622,341	2,092,542	2,108,921
Un-realised gain / (loss) on remeasurement of investments at FVTPL		2,952,696	(439,756)	1,063,600	1,703,413
		7,894,654	4,182,585	3,156,142	3,812,334
Financial charges		(34,083)	(422,005)	(33,735)	3,411
Depreciation on ijarah assets		-	(1,379,382)	-	(689,691)
		(34,083)	(1,801,387)	(33,735)	(686,280)
		7,860,571	2,381,198	3,122,407	3,126,054
EXPENDITURE					
Administrative and operating expenses		(8,422,028)	(19,189,251)	(4,773,244)	(13,214,113)
Provision / suspension against potential losses murabaha		-	(72,808,617)	-	(72,808,617)
Provision for receivable against sale of agriculture produce		-	(7,651,449)	-	(7,651,449)
Reversal of provision against murabaha finance	6.1	37,917,064	900,000	37,917,064	900,000
Impairment of ijarah asset		-	(4,138,125)	-	(4,138,125)
		29,495,036	(102,887,442)	33,143,820	(96,912,305)
		37,355,607	(100,506,244)	36,266,227	(93,786,250)
Provision for Workers' Welfare Fund		(732,464)	-	(732,464)	-
Profit / (loss) before taxation		36,623,143	(100,506,244)	35,533,763	(93,786,250)
Taxation	10	-	-	-	-
Net profit / (loss) for the period		36,623,143	(100,506,244)	35,533,763	(93,786,250)
Earnings / (loss) per certificate - basic and diluted		0.76	(2.09)	0.74	(1.95)


The annexed notes from 1 to 14 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modaraba Management Company)


Chief Financial Officer


Chief Executive Officer


Director

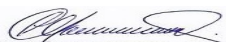

Director

KASB MODARABA
CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Half year ended		Quarter ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- Rupees -----			
Net profit / (loss) for the period	36,623,143	(100,506,244)	35,533,763	(93,786,250)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	36,623,143	(100,506,244)	35,533,763	(93,786,250)

The annexed notes from 1 to 14 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modaraba Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

KASB MODARABA
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	December 31, 2020	December 31, 2019
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	36,623,143	(100,506,244)
Adjustments for:		
Gain on disposal of fixed assets	(1,000,000)	-
Un-realised gain on remeasurement of investments at FVTPL	(2,952,696)	439,756
Reversal of provision against murabaha finance	(37,917,064)	
Provision/suspension against potential losses - Morabaha	-	72,808,617
Depreciation	188,838	2,076,736
Impairment of ijarah assets	-	4,138,125
Write off of own assets	-	3,215,645
Provision for doubtful receivable against sale of agriculture produce	-	7,651,449
Amortisation	-	69,375
Gratuity	435,300	490,866
Provision for Workers' Welfare Fund	732,464	-
Financial charges	34,083	422,005
	(40,479,075)	91,312,574
Decrease / (increase) in current assets		
Musharaka finance	-	3,100,000
Murabaha finance	-	10,987,538
Diminishing Musharaka	(2,304,659)	14,396,708
Ijarah rentals receivable	-	52,003
Advances, prepayments and other receivables	(6,975,834)	7,683,489
	(9,280,493)	36,219,739
Increase / (decrease) in current liabilities		
Accrued and other liabilities	3,526,270	(1,715,114)
Taxes paid	(283,265)	-
Dividend paid	(18,200)	-
Gratuity paid	(828,516)	-
Financial charges paid	(34,083)	(422,005)
Net cash (used in) / generated from operating activities	(10,774,219)	24,888,950
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of fixed assets	1,000,000	-
Proceeds from settlement of Morabaha finance	85,000,000	-
	86,000,000	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Term Financing	-	(12,566,727)
Net increase in cash and cash equivalents	75,225,781	12,322,223
Cash and cash equivalents at the beginning of the period	71,872,499	51,147,044
Cash and cash equivalents at the end of the period	147,098,280	63,469,267

The annexed notes from 1 to 14 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modaraba Management Company)



Chief Financial Officer



Chief Executive Officer



Director



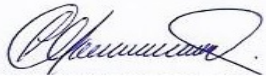
Director

KASB MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Certificate capital	Discount on Issuance of certificates	Capital reserve	Revenue reserve	Total
			Statutory Reserve	Accumulated losses	
----- Rupees -----					
Balance as at July 01, 2019	480,664,800	(98,960,400)	83,505,138	(224,501,455)	240,708,083
Total comprehensive income for the period	-	-	-	(100,506,244)	(100,506,244)
Balance as at December 31, 2019	480,664,800	(98,960,400)	83,505,138	(325,007,699)	140,201,839
Balance as at July 01, 2020	480,664,800	(98,960,400)	83,505,138	(326,809,916)	138,399,622
Total comprehensive income for the period	-	-	-	36,623,143	36,623,143
Transfer to statutory reserve	-	-	7,324,629	(7,324,629)	-
Balance as at December 31, 2020	480,664,800	(98,960,400)	90,829,767	(297,511,401)	175,022,765

The annexed notes from 1 to 14 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Modaraba Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Modaraba (the Modaraba) is a multipurpose, perpetual modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981. It is managed by Awwal Modaraba Management Limited (the Management Company). The registered office of the Modaraba is situated at 6th floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5, Clifton, Karachi. The Modaraba is listed on Pakistan Stock Exchange and is primarily engaged in ijarah financing, musharaka financing, murabaha financing and, modaraba financing, diminishing musharaka and investing in sukuk bonds, mutual funds and listed securities.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Modaraba for the half year ended on 31 December, 2019 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, interim financial reporting issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act, 2017;
- Provisions of and directions issued under the Companies Act, 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas and IFAS differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFAS have been followed.

- 2.2** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended June 30, 2020.
- 2.3** The figures of the condensed interim profit and loss account and condensed interim statement of other comprehensive income for the quarter ended December 31, 2020 and December 31, 2019 and notes forming part thereof have not been reviewed by the auditors of the Modaraba, as they have reviewed the cumulative figures for the half year ended December 31, 2020 and December 31, 2019.

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

3. ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2020 except for the adoption of the following new and amended standards, which became effective for the current period:

Standards	Effective date (Annual periods beginning on or after)
IFRS 3 Definition of a Business (Amendment to IFRS 3)	January 1, 2020
IAS 1 and IAS 8 Definition of Material (Amendment to IAS 1 and IAS 8)	January 1, 2020
IFRS 9, IAS 39 and IFRS 7 Investment rate benchmark Reform (Amendment to IFRS 9 IAS 39 and IFRS 7)	January 1, 2020
IFRS 16 - Covid-19 Related rent concessions (Amendments to IFRS 16)	June 1, 2020

The adoption of the above standards and amendments are not expected to have any material impact on the Company's condensed interim financial statements.

During the preparation of these condensed interim financial statements, the significant judgements made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2020.

4. CASH AND BANK BALANCES	Un-audited	Audited
Note	December 31, 2020	June 30, 2020
	----- Rupees -----	
Cash in hand	93,487	98,183
Cash at banks:		
- Current accounts	2,847,291	2,844,003
- Saving accounts	144,157,502	68,930,313
	147,004,793	71,774,316
	147,098,280	71,872,499

4.1 These carry profit rates ranging from 2% to 6% (June 30, 2020: 4% to 11%) per annum.

5. INVESTMENTS	Un-audited	Audited
Fair value through profit or loss	December 31, 2020	June 30, 2020
	----- Rupees -----	
Thal Limited	7,784,094	5,351,112
Indus Motor Company Limited	239,592	198,998
Service Fabrics Limited	609,712	130,592
	8,633,398	5,680,702

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020

		<u>Un-audited</u> <u>December 31,</u> <u>2020</u>	<u>Audited</u> <u>June 30,</u> <u>2020</u>
	Note	----- Rupees -----	
6. MURABAHA FINANCE			
Murabaha finance		107,224,272	158,951,515
Less: provision for doubtful receivables	6.1	(107,224,272)	(158,951,515)
		<u>-</u>	<u>-</u>
6.1 Provision for doubtful receivables			
Opening balance		158,951,515	88,682,898
(Reversal) / Provision during the period	7	(37,917,064)	70,268,617
Write-off during the period		(13,810,179)	-
		<u>107,224,272</u>	<u>158,951,515</u>

7. PROPERTY ACQUIRED IN SATISFACTION OF FINANCING FACILITY

During the year ended June 30, 2016, the Modaraba acquired a real estate property in Karachi for partial satisfaction of murabaha finance facility extended to a customer. As per the settlement agreement, the customer had an option to buy back the property with in a period of three years. The Modaraba filed recovery suit against the customer for remaining balance of facility and prayed to the Honorable High Court for possession of property. During the period, facility has been settled out of court and Modaraba has withdrawn all legal suits against the customer and accordingly released the property in favor of the customer. The Modaraba has, therefore; reversed the provision made their against (Refer note 6.1).

		<u>Un-audited</u> <u>December 31,</u> <u>2020</u>	<u>Audited</u> <u>June 30,</u> <u>2020</u>
	Note	----- Rupees -----	
8. LONG-TERM DIMINISHING MUSHARAKA FINANCE			
Diminishing musharaka finance - considered good	8.1	24,524,435	21,596,527
Diminishing musharaka finance - doubtful		6,384,294	6,384,294
Un-earned income		(3,642,135)	(3,018,886)
		<u>27,266,594</u>	<u>24,961,935</u>
Less: Provision for non-performing diminishing musharaka		(6,384,294)	(6,384,294)
		<u>20,882,300</u>	<u>18,577,641</u>
Less: Current portion		(9,697,989)	(11,123,671)
		<u>11,184,311</u>	<u>7,453,970</u>

8.1 These carry profit rates ranging between 10% to 19% (June 30, 2020: 10% to 19%).

9. CONTINGENCIES AND COMMITMENTS

There are no significant changes in the status of contingencies and commitments as disclosed in the annual financial statements for the year ended June 30, 2020.

10. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders. Accordingly, no provision in respect of current and deferred taxation has been made in these condensed interim financial statements.

KASB MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020

11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Management Company, associates, directors and close family members, executives, major certificate holders and staff retirement fund.

Transactions during the period		Un-audited December 31, 2020	Un-audited December 31, 2019
		-----Rupees-----	
Relationship	Nature of transactions		
Associates			
First Prudential Modaraba	Reimbursement of expenses	(1,080,840)	(7,710,420)
First Pak Modaraba	Reimbursement of expenses	(363,544)	(1,574,123)
Jubilee Life Insurance Co Ltd	Takaful premium	338,694	-

Balances at period / year end		Un-audited December 31, 2020	Audited June 30, 2020
		----- Rupees -----	
Relationships	Nature of Balances		
Associates			
KASB Invest (Pvt) Limited	Discount on issuance of certificates	98,946,390	98,946,390
First Prudential Modaraba	Advances, prepayments and other receivables	647,970	1,170,594
First Pak Modaraba	Advances, prepayments and other receivables	-	285,989
Silk Bank Limited	Cash and bank balances	896	896

12. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Modaraba's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosure which are required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements of the Modaraba as at June 30, 2020. There has been no change in any risk management policies since the year end.

13. FAIR VALUE OF ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities are estimated to approximate their fair values. There were no transfers amongst levels during the period.

14. DATE OF AUTHORIZATION

This condensed interim financial statements have been authorized for issue on February 23, 2021 by the Awwal Modaraba Management Limited.

For Awwal Modaraba Management Limited
(Modaraba Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

KASB MODARABA

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Karachi

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**HALF YEARLY
REPORT
December , 2020**