

First Prudential Modaraba

www.jamapunji.pk

Jama Punji
سرمایہ کاری سمجھداری کے ساتھ



**Be aware, Be alert,
Be safe**
Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

jamapunji.pk [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Jama Punji is an investor Education Initiative of Securities and Exchange Commission of Pakistan

CONTENTS

CORPORATE INFORMATION	01
VISION STATEMENT & MISSION STATEMENT	02
DIRECTOR'S REPORT	03
SUMMARY OF KEY FINANCIALS	11
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	12
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	15
AUDITORS' REPORT TO THE CERTIFICATE HOLDERS	17
SHARIAH ADVISOR'S REPORT	19
BALANCE SHEET	21
PROFIT AND LOSS ACCOUNT	22
CASH FLOW STATEMENT	23
STATEMENT OF CHANGES IN EQUITY	25
NOTES TO THE FINANCIAL STATEMENTS	26
CATEGORIES OF CERTIFICATES HOLDING	58
PATTERN OF CERTIFICATE HOLDINGS	60
NOTICE OF THE ANNUAL REVIEW MEETING	62

CORPORATE INFORMATION

Board of Directors	Syed Waseem -ul- Haq Haqqie Syed Muhammad Rehmanullah Farrukh S. Ansari Aftab Afroz Mahmoodi	Chairman Director Director Chief Executive Officer
Audit Committee	Farrukh S. Ansari Syed Muhammad Rehmanullah Syed Waseem -ul- Haq Haqqie	Chairman Member Member
Human Resource and Remuneration Committee	Farrukh S. Ansari Syed Waseem -ul- Haq Haqqie Syed Muhammad Rehmanullah Aftab Afroz Mahmoodi	Chairman Member Member Member
Chief Financial Officer	Syed Shahid Owais	
Company Secretary	Syed Shahid Owais	
Head of Internal Audit	Zia - ul - Haq	
Management Company	KASB Invest (Private) Limited	
Registered & Head Office	16-C, Main Khayaban-e-Bukhari, Phase VI, DHA, Karachi. Tel: 021-35171786-89	
Auditors	RSM Avais Hyder Liaquat Nauman Chartered Accountants	
Legal Advisor	Ahmed & Qazi	
Shariah Advisor	Mufti Muhammad Ibrahim Essa	
Bankers	Habib Bank Limited (Islamic Banking) Sindh Bank Limited Summit Bank Limited	
Share Registrar	C & K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi. Tel: 35687839, 35685930	

Social values of Islam provide the faithful with a large measure of spiritual peace and serenity, and this contentment can be reaped while pursuing business aspirations within the confines of Islamic law. We visualize creating an institution where society can seek a just and fair advantage from the richness of Islamic system of trade finance.

DIRECTOR'S REPORT

The Board of Directors of KASB Invest (Private) Limited, the Management Company of First Prudential Modaraba is pleased to present the annual audited financial statements of the Modaraba for the year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

	(Rupees in 000) June 30	
	2017	2016
BALANCE SHEET		
Cash & Bank Balance	95,327	241,497
Investments	27,128	26,486
Diminishing Musharaka Finance	163,018	40,037
Receivable against sale of Agriculture Produce	27,811	27,811
Ijarah Assets	76,198	89,520
Total Assets	514,958	512,087
Net Assets	452,160	452,390
PROFIT & LOSS ACCOUNT		
Income	66,168	68,178
Administrative & other Expenses	(26,852)	(26,122)
Ijarah Assets Depreciation	(22,089)	(18,470)
Management Company Fee	(1,518)	(2,082)
Net Profit for the Year	15,178	20,816
Earning per Modaraba Certificate (Rupees)	0.17	0.24

OPERATIONS AND PERFORMANCE

The financial year at First Prudential Modaraba ended with a note of thanks to the Almighty Allah for keeping us upright despite difficult times. The period closed with net profit of Rs15.18 million and Earning per Certificate was Rs. 0.17. During the year, the gross income was Rs 66.17 million and operating and financial charges were 26.85 million.

The management is committed towards continuous improvement of the operating and financial performance of the Modaraba for its long term sustainability and to meet the expectations of the stakeholders especially the Certificate holders.

DIVIDEND

The Board of Directors is pleased to announce the final cash dividend @ 1.3% (Re 0.13 per certificate) for the year ended June 30, 2017 to the Certificate holders of First Prudential Modaraba.

YEAR AT A GLANCE

During the year the Modaraba entered into various secured new investments in Musharaka, Ijarah financing which would fetch quite reasonable returns to the Modaraba. The Modaraba is vigorously following up on recovery of old defaulted clients.

FUTURE PROSPECTS

Our business strategy & approach is steady and sound. We have planned to capitalize on available funds through secure investment avenues and started taking calculated exposures in Ijarah and Diminishing Musharaka finances. We expect that this is going to be a productive business move to enhance the Certificate holders' returns with minimum credit risk.

The proceedings of the merger with First Prudential Modaraba was delayed due to the promulgation of new Companies Act, 2017 therefore further formalities would be commenced as per provisions of new Act. We believe that the combined resources and efforts would culminate better results for the stakeholders.

CORPORATE AND FINANCIAL REPORTING

The Board of Directors is fully aware of its duties and responsibilities under Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan. The following statements demonstrate the Board's philosophy and commitment towards maintaining high standards of Corporate Governance:

- 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 accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IASs) as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- The Modaraba is financially 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.
- The Modaraba operates a provident fund for its permanent employees having value of Rs 453,223 as on June 30, 2017.

- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2017 except as disclosed in the financial statements.
- None of the directors of Modaraba, CEO, CFO, Company Secretary and their spouses and minor children has carried out trading of Certificates of the Modaraba.
- During the year, four meetings of the Board of Directors were held. Attendance by each director is as follows:

Name	No of Meetings Attended
Syed Waseem ul Haq Haqqie Chairman	4
Mr. S. M. Rehmanullah Director	4
Mr. Farrukh S. Ansari Director	4
Mr. Aftab Afroz Mahmoodi Chief Executive	1
Mr. Rashid Siddiqui Ex-Chief Executive (Resigned wef Feb 28,2017)	3

- The pattern of holding of Certificates by the Certificate-holders is included in this annual report.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Rule Book relevant for the year ended June 30, 2017 have been adopted by the Modaraba and have been duly complied with. A statement to this effect is annexed with the report.

HUMAN RESOURCES

The Board is confident that the management and employees of your Modaraba will continue to work with the integrity and zeal that has been their hallmark, and your Modaraba shall Insha'Allah continue to prosper. Investment in the best Human Resources is the cornerstone of our policy.

AUDITORS

The term of appointment of present auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants is expiring on the date of the ensuing Annual Review Meeting of the Modaraba. On the recommendation of the Audit Committee, the Board has approved the reappointment of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, as auditors for the year ending June 30, 2018, subject to approval by the Registrar of Modaraba Companies and Modaraba.

ACKNOWLEDGEMENT

The Board greatly appreciates the support and co-operation of the regulatory authorities, certificate holders, customers and bankers and looks forward to their continued support and advice in future.

We pray to Almighty Allah for the success of your Modaraba.

For & on behalf of the
Board of Directors



Syed Waseem-ul-Haq Haqqie
Chairman

Karachi.
Dated: October 06, 2017

ڈائریکٹرز رپورٹ

کے اے ایس بی انویسٹ (پرائیویٹ) لمیٹڈ بینجمنٹ کمپنی برائے فرسٹ پروڈینشل مضاربہ، کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کے ۳۰ جون ۲۰۱۷ کو اختتام پذیر ہونے والے مالی سال کا سالانہ آڈٹ شدہ مالیاتی گوشوارہ پیش کر رہا ہے۔

مالیاتی بھٹکیاں

زیر جائزہ مدت کے لئے مالیاتی بھٹکیوں کا خلاصہ درج ذیل ہے:-

۳۰ جون ۲۰۱۶	۳۰ جون ۲۰۱۷	بیلنس شیٹ
روپے "۰۰۰" میں	روپے "۰۰۰" میں	
۲۳۱،۴۹۷	۹۵،۳۳۷	نقد اور بینک بیلنس
۲۶،۴۸۶	۲۷،۱۲۸	سرمایہ کاری
۴۰،۰۳۷	۱۶۳،۰۱۸	مالیاتی شرکت متناقصہ
۲۷،۸۱۱	۲۷،۸۱۱	وصولی برائے زرعی اجناس
۸۹،۵۳۰	۷۶،۱۹۸	اجارہ اثاثہ جات
۵۱۴،۰۸۷	۵۱۴،۹۵۸	کل اثاثہ جات
۴۵۲،۳۹۰	۴۵۲،۱۶۰	خالص اثاثہ جات
۳۰ جون ۲۰۱۶	۳۰ جون ۲۰۱۷	نفع و نقصان کا حساب
روپے "۰۰۰" میں	روپے "۰۰۰" میں	
۶۸،۱۷۸	۶۶،۱۶۸	مجموعی آمدنی
(۲۶،۱۲۲)	(۲۶،۸۵۲)	انتظامی و مالیاتی اخراجات
(۱۸،۴۷۰)	(۲۴،۰۸۹)	فرسودگی اجارہ اثاثہ جات
(۲،۰۸۲)	(۱،۵۱۸)	بینجمنٹ کمپنی فیس
۲۰،۸۱۶	۱۵،۱۷۸	خالص سالانہ منافع
۰،۲۳	۰،۱۷	فی حصہ آمدنی (روپے)

انتظامی کارکردگی

فرسٹ پروڈینشل مضاربہ کے مالی سال کا اختتام اللہ تعالیٰ کا شکر ادا کرتے ہوئے ہوا کہ اس نے مشکل حالات کے باوجود ہمارے قدم جمائے رکھے۔ مدت کے اختتام پر خالص منافع ۱۵.۱۸ ملین روپے فی حصہ آمدنی ۰.۱۷ روپے رہا۔ دوران سال مجموعی آمدنی ۶۶.۱۷ ملین روپے جبکہ انتظامی و مالیاتی اخراجات ۲۶.۸۵ ملین روپے رہے۔

مضاربہ کی انتظامیہ مضاربہ کی طویل المیعاد پائیداری اور اس کے اسٹیک ہولڈرز، خصوصاً حصہ داروں کی امیدوں پر پورا اترنے کے لئے اس کی انتظامی اور مالیاتی کارکردگی کو بہتر بنانے میں دل جمعی کے ساتھ مصروف عمل ہے۔

منافع منقسمہ (Divided)

بورڈ آف ڈائریکٹرز، فرسٹ پروڈینشل مضاربہ کے سرٹیفیکیٹ رکھنے والوں کے لئے اختتامی سال ۳۰ جون ۲۰۱۷ کے لئے حتمی منقسمہ بحساب ۱.۳ فیصد (۰.۱۳ روپے فی حصہ) کا اعلان کرتے ہوئے مسرت محسوس کرتے ہیں۔

موجودہ مالی سال پر ایک سرسری نظر

موجودہ مالی سال میں مضاربہ نے مشارکہ اور اجارہ میں محفوظ سرمایہ کاری کی ہے جو کہ مضاربہ کو خاطر خواہ منافع فراہم کرے گی۔

مستقبل کی منصوبہ بندی اور لائحہ عمل

ہم ایک مستحکم اور مضبوط کاروباری لائحہ عمل کے ساتھ آگے بڑھ رہے ہیں۔ ہم نے اپنے موجودہ سرمایہ کو محفوظ سرمایہ کاری کے مواقعوں میں لگانے کی منصوبہ بندی کی ہے اور اجارہ اور شرکت متناقصہ مالیات میں نئی تلی سرمایہ کاری کا آغاز کیا ہے۔ ہمیں امید ہے کہ یہ ایک مثبت کاروباری حکمت عملی ہے جس سے حصص یافتگان کے رسک میں کمی اور منافع میں اضافہ ہوگا۔

فرسٹ پیک مضاربہ کے ساتھ انضمام کی کارروائی، نئے کمپنیز ایکٹ 2017 کے نفاذ کے باعث مؤخر کی گئی۔ لہذا مزید کارروائی نئے قانون کے مطابق کی جائے گی۔ ہم سمجھتے ہیں کہ اجتماعی وسائل اور کاوشیں اسٹیک ہولڈرز کے لئے بہتر نتائج کا باعث ہوں گی۔

کارپوریٹ اور مالیاتی رپورٹنگ

بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ کوڈ آف کارپوریٹ گورننس کے تحت اپنے فرانسز اور ذمہ داریوں سے پوری طرح آگاہ ہے۔ مندرجہ ذیل بیانات میں بورڈ کا فلسفہ بیان کیا گیا ہے اور کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھنے کے پابند رہنے کا اظہار کیا گیا ہے۔

☆ مضاربہ کی انتظامیہ کی جانب سے مالی گوشوارہ عمدگی سے پیش کیا گیا ہے جو اس کے آپریشنز، کیش فلوا اور ایکویٹی

☆ شوقیٹ ہولڈرز کی جانب سے شوقیٹ رکھنے کا طریقہ کار اس سالانہ رپورٹ میں شامل ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل

پاکستان اسٹاک ایکسچینج کی جانب سے اپنی رول بک میں مرتب کردہ ۳۰ جون ۲۰۱۷ سے متعلق احکامات کو مضاربہ نے اختیار کیا ہے اور ان کی تعمیل بھی کی ہے۔ اس سلسلے میں ایک بیان اس رپورٹ کے ساتھ منسلک ہے۔

ہیومن ریسورسز

بورڈ پر اعتماد ہے کہ آپ کے مضاربہ کی انتظامیہ اور ملازمین راست بازی اور جوش اور ولولہ سے مسلسل کام کریں گے۔ آپ کا مضاربہ ان شاء اللہ مسلسل فروغ پاتا رہے گا۔ بہترین انسانی وسائل میں سرمایہ کاری ہماری پالیسی کا بنیادی عنصر ہے۔

آڈیٹرز

موجودہ آڈیٹران میسرز اوپس حیدرلیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کی تقرری کی مدت مضاربہ کی سالانہ جائزہ اجلاس کی تاریخ پر ختم ہوگئی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز اوپس حیدرلیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کو بحیثیت آڈیٹرز ۳۰ جون ۲۰۱۸ تک دوبارہ تقرری کی منظوری دی ہے جو رجسٹر آف مضاربہ کی منظوری سے مشروط ہے۔

اعتراف

بورڈ ریگولیٹری اتھارٹی، حصہ داروں، کسٹمرز اور اینکریز کی معاونت اور تعاون کو بہت سراہتا ہے اور مستقبل میں بھی ان کی معاونت اور مشورے کا منتظر رہے گا۔ ہم اللہ کے حضور آپ کے مضاربہ کی کامیابی کے لئے دعا گو ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

سید وسیم الحق حقی
چیئرمین
اکتوبر ۲۰۱۷ء
کراچی

میں تبدیلیوں کا نتیجہ ہے۔

- ☆ مضاربہ کی باقاعدہ اکاؤنٹ کی کتابیں تیار کی گئی ہیں۔
- ☆ مالی گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسی کو یکساں طور پر استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور عاقبت اندیشانہ فیصلوں کی بنیاد پر کئے گئے ہیں۔
- ☆ مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی اکاؤنٹنگ (IAS) معیارات پر عمل کیا گیا ہے اور اس سے کسی رخصت کو مناسب طور پر ظاہر کیا گیا ہے۔
- ☆ انٹرنل کنٹرول کا نظام مستحکم ہے اور موثر طور پر نفاذ و نگرانی کی جاتی ہے۔
- ☆ مضاربہ بناوٹ میں مالی طور پر مستحکم ہے اور موثر طور پر نفاذ و نگرانی کی جاتی ہے۔
- ☆ مضاربہ کی مالی و انتظامی صلاحیت کو کوئی خطرہ نہیں ہے اور اس سلسلے میں کوئی قابل تشویش بات نہیں ہے۔
- ☆ مضاربہ میں کارپوریٹ گورننس کے بہترین اصولوں کو مد نظر رکھا گیا ہے۔
- ☆ مضاربہ نے اپنے مستقل ملازمین کے لئے پروویڈنٹ فنڈ قائم کر رکھا ہے جس کی قدر ۳۰ جون ۲۰۱۷ کو ۲۵۳،۲۲۳ روپے تھی۔
- ☆ پچھلے چھ سالوں کا مالیاتی گوشوارہ خلاصہ کی صورت میں اس سالانہ رپورٹ میں شامل کیا گیا ہے۔
- ☆ یہاں ۳۰ جون ۲۰۱۷ کو ٹیکس، ڈیویڈنڈ، جرمانے اور واجبات کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں ماسوائے جیسا کہ مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔
- ☆ مضاربہ کے ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کے شریک حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفکیٹس کی کوئی خرید و فروخت نہیں کی۔
- ☆ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے ہر ڈائریکٹر کی شرکت درج ذیل ہے۔

نام	اجلاس میں شرکت کی تعداد
سید وسیم الحق حقی	4
فرخ امین انصاری	4
امین ایم رحمان اللہ	4
آفتاب افروز محمودی	1
راشد کے صدیقی	3

**Summary of key Operating and Financial data of the
Modaraba for last six years.
Year ended June 30, 2017
.....Rupees in millions.....**

Year	2017	2016	2015	2014	2013	2012
Paid-up Capital	872.177	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	151.283	148.247	144.084	138.651	138.651	133.493
Certificate Holders' Equity	452.159	452.391	450.946	422.989	515.677	519.608
Certificate	87.217	87.217	87.217	87.217	87.217	87.217
Current Liabilities	51.522	50.115	54.842	57.555	45.089	38.758
Non-Current Assets	241.372	154.096	140.436	158.376	241.070	150.437
Current Assets	273.587	357.991	371.534	326.186	343.815	440.827
Profit / (Loss) before taxation	15.179	20.816	27.166	(72.263)	25.957	32.969
Taxation	-	-	-	-	(0.166)	-
Earning / (Loss) per Certificate (Rs.)	0.17	0.24	0.31	(0.83)	0.30	0.38

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of the Listing of Companies and Securities Regulations of the Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent & Non Executive Directors	Syed Waseem ul Haq Haqqie Syed Muhammad Rehmanullah Mr. Farrukh Shauket Ansari
Executive Directors	Mr. Aftab Afroz Mahmoodi

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the period. However, the Chief Executive Officer (CEO) of the management company resigned during the period and the Board appointed new CEO who was duly approved by the Registrar Modaraba.
5. 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.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

FIRST PRUDENTIAL MODARABA

9. All Directors have obtained certification under the Directors Training Program as required by the CCG, except one who is exempt for director's training program by virtue of his experience as prescribed under Regulation 15.19.7 of the Listing of Companies and Securities Regulations of the Rule Book of Pakistan Stock Exchange.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and are advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises four members of whom three are non-executive directors and the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function. The Head of Internal audit is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board



Syed Waseem-ul-Haq Haqqie
Karachi
Dated: October 06, 2017



RSM Awaiz Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road,
Karachi, 75530-Pakistan.
T: +92 (21) 35655975-6
F: +92 (21) 3565-5977
W: www.rsm-pakistan.pk

**REVIEW REPORT TO THE MEMBERS ON
STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of KASB Invest (Pvt.) Limited, the Management Company of First Prudential Modaraba for the year ended June 30, 2017 to comply with the requirements of clause 5.19 of chapter 5 of Pakistan Stock Exchange Rule book issued by the Pakistan Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provision of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system 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 risk and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.



RSM Awaiz Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road,
Karachi, 75530-Pakistan.
T: +92 (21) 35655975-6
F: +92 (21) 3565-5977
W: www.rsm-pakistan.pk

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 Management Company's compliance, in all materials respects, which the best practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2017.



Chartered Accountants
Karachi.

Dated: October 06, 2017

Engagement Partner: Adnan Zaman



RSM Avais Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road,
Karachi, 75530-Pakistan.
T: +92 (21) 35655975-6
F: +92 (21) 3565-5977
W: www.rsm-pakistan.pk

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **FIRST PRUDENTIAL MODARABA** as at June 30, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's (KASB Invest (Private) 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 accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the 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 accounts 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



RSM Avais Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road,
Karachi, 75530-Pakistan.
T: +92 (21) 35655975-6
F: +92 (21) 3565-5977
W: www.rsm-pakistan.pk

- 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 the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and 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, 2017 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.



RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Karachi
Dated: October 06, 2017

Engagement Partner: Adnan Zaman

SHARIAH ADVISOR'S REPORT

I have reviewed the affairs of First Prudential Modaraba managed by KASB Management (Private) Limited for the Year ended June 30, 2017 in accordance with the requirements of the Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shariah Compliance and Shariah Audit Mechanism for Modarabas.

SHARIAH COMPLIANCE AND REVIEW OF OPERATIONS:

The undersigned conducted Shairah review for the affairs of the Modaraba. Based on review, my basic findings are as follows:

BANK ACCOUNTS:

I confirm that for investment and operational purposes, Modaraba is operating the Bank accounts maintained with Islamic Banks only.

FRESH DISBURSEMENTS:

DIMINISHING MUSHARAKAH, MURABAHA AND IJARAH

Modaraba disbursed number of Diminishing Musharaka, Murabaha and Ijarah Facilities to its clients. In my review, the undersigned found some irregularities which were rectified by the management upon my recommendation to keep the transaction in line with the guidelines. However I confirm that Modaraba is using the same agreements that were approved by Religious Board of SECP.

Recommendation:

I am of the view that the relevant staff of Modaraba should take training from the undersigned on all financing modes especially on Diminishing Musharaka and seek my approval on all financing transactions and documents before disbursement.

DIVIDEND PURIFICATION:

Modaraba has effectively performed process of dividend purification of equities and transferred charitable amount into charity payable account.

TAKAFUL:

For risk mitigation, Generally Modaraba adopts Takaful coverage, but for the specific request of a client, Modaraba got the policy of Insurance for some vehicles from

Insurance Company.

RECOMMENDATION:

Modaraba should replace the coverage of insurance with Takaful as leading insurance companies are also offering Takaful Products.

EQUITY SHARES

Modaraba's entire equity investments were made in approved Shariah compliant scripts, except for the following shares:

Non Shariah Compliant Shares

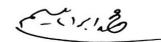
Names of Shares
Lahore Stock Exchange

In this year Modaraba did not dispose off the shares of Lahore stock Exchange, however non Shariah portion of the dividend received on these shares have been transferred into charity account.

RECOMMENDATION:

- Modaraba should dispose-off non Shariah Compliant shares subject to the availability of the buyers.

And Allah Knows best




Mufti Ibrahim Essa
Shariah Advisor

Date: 15 September 2017

**BALANCE SHEET
AS AT JUNE 30, 2017**

ASSETS	Note	2017 Rupees	2016 Rupees
Current Assets			
Cash and bank balances	5	95,327,554	241,497,285
Investments	6	10,344,116	10,358,161
Musharaka, morabaha and other finance	7	18,837,534	-
Current portion Diminishing musharaka	8	63,428,579	30,644,746
Ijarah rentals receivable	9	396,060	12,572,462
Receivable against sale of agriculture produce	10	27,811,518	27,811,518
Advances, deposits, prepayments & other receivables	11	27,425,159	22,192,611
Other assets	12	17,102,760	-
Tax refundable - considered good		<u>12,913,879</u>	<u>12,913,879</u>
Total Current Assets		273,587,159	357,990,662
Non - Current Assets			
Long term investments	13	16,784,182	16,127,831
Long term portion of diminishing musharaka	8	99,590,166	9,392,423
Long term deposits	14	66,192	66,192
Intangible assets	15	-	-
Property and equipment - own use	16	236,843	19,789,783
Property, plant and equipment - ijarah	17	76,198,801	89,519,677
Capital work-in-progress	18	1,595,336	-
Investment property	19	46,900,000	19,200,000
Total Non - Current Assets		<u>241,371,520</u>	<u>154,095,906</u>
TOTAL ASSETS		514,958,679	512,086,568
LIABILITIES			
Current Liabilities			
Current portion of Ijarah deposits	20	7,560,531	13,139,781
Accrued and other liabilities	21	14,895,898	9,787,552
Unclaimed profit distribution		29,065,618	27,187,774
Total Current Liabilities		<u>51,522,047</u>	<u>50,115,107</u>
Non - Current Liabilities			
Long term portion of ijarah deposits	20	11,277,403	9,580,800
TOTAL LIABILITIES		<u>62,799,450</u>	<u>59,695,907</u>
NET ASSETS		<u>452,159,229</u>	<u>452,390,661</u>
REPRESENTED BY			
Issued, subscribed and paid up capital	22	872,176,600	872,176,600
Statutory reserves		151,282,924	148,247,223
Accumulated losses		(571,300,295)	(568,033,162)
		<u>452,159,229</u>	<u>452,390,661</u>
Contingencies and commitments	23	-	-

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

For KASB Invest (Private) Limited
(Management Company)



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
INCOME			
Ijarah rentals earned - net	24	22,888,086	22,021,323
Return on deposits with bank		8,273,680	14,652,970
Income on morabaha		8,785,644	-
Income on diminishing musharaka		8,667,119	7,593,108
Capital gain on sale of investments		-	590,419
Dividend income		1,216,293	1,417,574
Rental income from investment property		1,299,600	195,000
Gain on sale of investment property	19	-	2,250,000
Gain on sale of agriculture produce	10	-	1,590,000
Other income	25	3,257,251	2,320,648
		54,387,673	52,631,042
Unrealised (loss) / gain on investments - held for trading			
at fair value through profit or loss	6.4	(14,045)	2,117,058
Gain arising in changes in fair value of investment properties	19	(500,000)	900,000
Reversal of impairment on property and equipment - owned		9,460,990	-
Reversal of provision against workers' welfare fund	26	2,585,673	-
Reversal against doubtful receivables - net	27	248,549	12,530,257
		66,168,840	68,178,357
EXPENDITURE			
Depreciation on ijarah assets	17	(22,089,141)	(18,470,086)
Administrative expenses	28	(26,741,950)	(26,001,500)
Bank and other charges		(110,145)	(80,080)
		(48,941,236)	(44,551,666)
Profit for the year		17,227,604	23,626,691
Modaraba company's management fee			
Sales tax on management fee	29	(1,517,851)	(2,081,647)
Provision for Workers' Welfare Fund		(227,678)	(312,247)
		(303,570)	(416,329)
Profit before taxation		15,178,505	20,816,468
Provision for taxation			
Profit after taxation	30	-	-
		15,178,505	20,816,468
Other comprehensive income			
Unrealised gain on remeasurement of investments classified as 'available for sale'		289,242	688,040
Total comprehensive income for the year		15,467,747	21,504,508
Earnings per certificate	31	0.17	0.24

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

**For KASB Invest (Private) Limited
(Management Company)**



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		15,178,505	20,816,468
Adjustments for non-cash changes and other items:			
Gain on sale of investments		-	(590,419)
Dividend income		(1,216,293)	(1,417,574)
Unrealised loss / (gain) on changes in fair value of held for trading investments - at fair value through profit and loss		14,045	(2,117,058)
Reversal against doubtful receivables - net	23	(248,549)	(12,530,257)
Reversal of impairment on property and equipment - own		(9,460,990)	-
Gain on remeasurement of investment property		500,000	(900,000)
Gain on sale of investment property		-	(2,250,000)
Gain on disposal of property and equipment - own use		(16)	(609,000)
Gain on disposal of property, plant and equipment - Ijarah		(30,985)	(784,261)
Depreciation-own use assets		831,847	1,577,018
Depreciation on ijarah assets		22,089,141	18,470,086
Amortization - intangibles		-	41,713
		12,478,200	(1,109,752)
Cash flows before movements in working capital		27,656,705	19,706,716
Decrease / (Increase) in operating assets			
Musharaka, morabaha and other finance		(18,588,985)	12,311,317
Diminishing musharaka		(122,981,576)	18,986,132
Ijarah rentals receivable		12,176,402	(11,561,171)
Receivable against sale of agriculture produce		-	(27,811,518)
Advances, prepayments and other receivables		(4,794,564)	(7,854,135)
Other assets		(17,102,760)	-
		(151,291,483)	(15,929,375)
(Decrease) / increase in operating liabilities			
Ijarah deposits		(3,882,647)	(822,541)
Accrued and other liabilities		5,108,346	(2,809,842)
		1,225,699	(3,632,383)
		(122,409,079)	144,958
Income tax paid		(437,985)	(1,906,971)
Net cash used in operating activities		(122,847,064)	(1,762,013)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		1,216,293	1,417,574
Investments - net		(367,109)	7,356,080
Proceeds from disposal - own use assets		19,500	609,000
Proceeds from disposal - ijarah assets		6,655,234	12,006,163
Proceeds from disposal - investment property		-	1,050,000
Purchase of own use assets		(37,400)	(248,515)
Purchase of ijarah assets		(15,392,514)	(76,236,781)
Capital work in progress		(1,595,336)	-
Net cash used in investing activities		(9,501,332)	(54,046,479)

	2017 Rupees	2016 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	<u>(13,821,335)</u>	(17,756,304)
Net cash used in financing activities	<u>(13,821,335)</u>	(17,756,304)
Net decrease in cash and cash equivalents (A+B+C)	(146,169,731)	(73,564,796)
Cash and cash equivalents at July 01,	<u>241,497,285</u>	315,062,081
Cash and cash equivalents at June 30,	<u>95,327,554</u>	241,497,285

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


CHIEF EXECUTIVE

For KASB Invest (Private) Limited
(Management Company)


DIRECTOR


DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017**

	Reserves			Total
	Certificate capital	Capital Statutory reserve	Revenue Accumulated losses	
Balance at July 01, 2015	872,176,600	144,083,929	(2,785,079)	(562,529,235)
Comprehensive income			Rupees	(565,314,314)
Gain for the year ended June 30, 2016			20,816,468	20,816,468
Other comprehensive income for the year ended June 30, 2016	688,040			688,040
Total comprehensive income for the year	688,040		20,816,468	21,504,508
Transfer to statutory reserve		4,163,294	(4,163,294)	-
Distribution @ 2.3% declared for the year ended June 30, 2015			(20,060,062)	(20,060,062)
Balance at June 30, 2016	872,176,600	148,247,223	(2,097,039)	(565,936,123)
Comprehensive income				(568,033,162)
Profit for the year ended June 30, 2017			15,178,505	15,178,505
Other comprehensive income for the year ended June 30, 2017	289,242			289,242
Total comprehensive income for the year	289,242		15,178,505	15,467,747
Transfer to statutory reserve		3,035,701	(3,035,701)	-
Distribution @ 1.8% declared for the year ended June 30, 2016			(15,699,179)	(15,699,179)
Balance at June 30, 2017	872,176,600	151,282,924	(1,807,797)	(569,492,498)

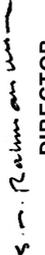
*Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year, the Modaraba has transferred an amount of Rs. 3,035,701/- which represents 20% of the profit after tax.

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 First Prudential Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and was managed by Prudential Capital Management Limited. In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited has taken over the management and administrative control of First Prudential Modaraba effective from November 13, 2014.

1.2 The registered office of First Prudential Modaraba is situated at 16-C, Kahayaban-e-Bukhari, Bukhari Commercial Area, Phase VI, DHA, Karachi. The Modaraba is listed on Pakistan Stock Exchange. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in Musharakah, morabaha and investment in securities.

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

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective (annual periods Beginning on or after)
IFRS 2 Share-based Payments - Amendments to clarify the classification and measurement of share-based payment transactions	1-Jan-18
IFRS 9 Financial Instruments - Amendments for incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1-Jan-18
IFRS 15 Revenue from Contracts with Customers (Superseded IAS 11), To recognize revenue for the transfer of promised goods or services to the customer under the contract	1-Jan-18
IFRS 16 Leases (Superseding IAS 17), To report all lease assets and lease liabilities on the balance sheet, initially measured at the present value of future lease payments as it eliminated classification of leases as Operating or Finance Leases for lessee	1-Jan-19
IAS 7 Statement of Cash Flows - Amendments resulting from the disclosure initiative	1-Jan-16
IAS 12 Income Taxes - Amendment regarding the recognition of deferred tax assets for unrealized losses	1-Jan-17

The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB on September 2014. Such improvement are generally effective for accounting periods beginning on or after 01 January 2016. The Modaraba expects that such improvement to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of application in Pakistan.

Standard or Interpretation

IFRS 1 - First Time Adoption of International Financial Reporting Standards

IFRS 9 - Financial Instruments: Classification and Measurement

IFRS 14 - Regulatory Deferral Accounts

IFRS 15 - Revenue from Contracts with Customers

IFRS 16 - Leases

The effects IFRS - 15 Revenue from Contract with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have significant effect on the Modaraba's future financial statements.

The management anticipates that the adoption of the above standards and amendments in future periods will no material impact on the Modaraba's financial statements.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for;

- certain investments carried at fair value;
- investment property which have been measured at fair value;
- certain loan and receivables - measured at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property and equipment

(i) Ijarah and depreciation

Ijarah assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to income applying the straight line method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of lease.

(ii) Change in accounting estimates

During the year the Modaraba has reviewed the useful life of plant & Machinery as required by International Accounting Standard 16 "Property, Plant and Equipment". This review has resulted in upward revision of the useful life of the Plant & Machinery. This revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of this change in accounting estimate

has been recognized prospectively in the profit and loss account from the current year. Had there been no change in the accounting estimate, the carrying amount of these assets, and profit for the year and equity as at June 30, 2017 would have been lower by Rs. 22.85 million

(iii) In own use and depreciation

Operating assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit and loss account applying the straight-line method in accordance with the rates specified in note 15 to these financial statements. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

Gain or loss on disposal of assets is recognised as income or expense.

Assets' residual values and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred.

4.2 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of fixed assets / ijarah assets as and when the assets are available for intended use.

4.3 Investment property

Investment property, which are held for rentals and capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, it is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

4.4 Intangibles

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

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 the item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 14 to these financial statements. The 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.

Indefinite life

The useful life of an intangible asset that is not being amortised is reviewed at the end of each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

4.5 Investments

i) Held for trading "at fair value through profit or loss"

Such investments are initially recognised at fair value and subsequently measured at fair value. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investment held for trading is to be included in profit and loss account.

ii) Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently measured at fair value. The investments, for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised in other comprehensive income.

iii) Held to maturity

These are investments with fixed or determinable payments and fixed maturity, and which, the Modaraba has positive intent and ability to hold till maturity. Held to maturity investments are initially recognised at fair value plus transaction cost and are subsequently measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

iv) Loan and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized at fair value upon origination and are subsequently measured at amortized cost by the effective interest method. Short term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

v) Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

4.6 Ijarah rentals receivable, morabaha and musharaka and diminishing musharaka finances

Receivables considered doubtful are provided for in accordance with the requirements of the Prudential Regulations for Modarabas. Specific provision is also made for receivables considered doubtful.

4.7 Staff retirement benefits

Defined contribution plan

The Modaraba operates a defined contribution provident fund for all employees who opt for deductions. Equal monthly contributions are made both by the Modaraba and the employees to the fund at the rate of 10% of basic salary.

4.8 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.

4.9 Provisions

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

4.10 Impairment

Financial Assets

Impairment is recognised by the Modaraba on the basis of requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an on-going basis.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Available-for-sale financial investments

For available-for-sale financial investments, the Modaraba assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account - is removed from equity and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment properties may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

4.11 Inventories held-for-sale

Inventories held-for-sale are valued principally at the lower of cost determined on the weighted average basis and net realizable value. Cost comprises of invoice value and other cost incurred in bringing the inventories to their present location and condition.

Net realizable value comprises of the estimated selling price in the ordinary course of business less costs which are necessarily incurred in order to make the sale.

4.12 Revenue recognition

4.12.1 Ijarah rentals

Income from ijarah is recognised as and when lease rentals become due on a systematic basis over the lease and ijarah period.

Documentation charges, front end fees and other ijarah related income are taken to profit and loss account when they are realised.

4.12.2 Hire purchase transactions

For hire purchase transactions, the unearned finance income is deferred and taken to income over the period of hire purchase, applying the annuity method to produce a constant rate of return on the net investment.

4.12.3 Morabaha and musharaka transactions

Profit from musharaka transactions is recognised on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from morabaha finance is accounted for on culmination of morabaha transaction. However, the profit on that portion of morabaha finance not due for payment is deferred by accounting for "Deferred Morabaha Income" with a corresponding credit to "Unearned Morabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.

4.12.4 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.

4.12.5 Rental Income

Rental Income arising from investment properties is accounted for on accrual basis.

4.12.6 Dividend income

Dividend is recognised as income when the right of receipt is established.

4.12.7 Return on finance

Return on finance is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4.12.8 Other income

Other income is recognised on accrual basis.

4.12.9 Income from Shariah non-compliant avenues

Income from Shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.

4.12.10 Mark-up income

Mark-up / return on deposits / investments is recognised on accrual basis using the effective interest rate method.

4.13 Taxation

Current

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

The income of non-trading Modaraba is exempt from taxation under clause 100 of Part 1 of the Second schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of the total profits in the year as reduced by the amount transferred in statutory reserve are distributed amongst the certificate holders.

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 recognised 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.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.14 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Foreign currency transactions are converted into Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income currently.

4.15 Financial assets

Financial assets comprise of Ijarah rentals receivable, investments, musharaka, diminishing musharaka and morabaha finances, deposits, other receivables, excluding taxation. Ijarah rentals receivable, musharaka, morabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

4.16 Financial liabilities

Financial liabilities are classified according to the substance of contractual arrangements entered into. Financial liabilities include ijarah deposits, accrued and other liabilities and unclaimed profit distribution.

4.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off-set.

4.19 Profit distribution

Profit distribution to the Modaraba's certificate holders is recognised as a liability in the financial statements in the period in which the distributions are approved by the board of the Modaraba Company.

4.20 Earning per certificate

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

4.21 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows: -

- i) classification of investments (Note 6)
- ii) provision for doubtful recovery against investments (Note 6)
- iii) amortisation of intangible assets (Note 15)

- iv) depreciation on property and equipment (Note 16 & 17)
- v) Reversal of provision for doubtful receivables (Note 27)
- vi) contingencies (Note 23)

The above mentioned estimates and assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

	Note	2017 Rupees	2016 Rupees
5. CASH AND BANK BALANCES			
Cash in hand		2,135	10,219
Cash at banks			
Current accounts		11,656,895	9,785,822
Saving accounts	5.1	83,668,524	231,701,244
		95,325,419	241,487,066
		95,327,554	241,497,285

5.1 Effective mark-up rate in respect of saving accounts ranges from 2.00% to 6.5% (2016: 2.00% to 7.00%) per annum.

6. INVESTMENTS

Loans and receivables	6.1	702,490	702,490
Receivable against TDR - considered good			
Held for trading at fair value through profit or loss	6.2	9,641,626	9,655,671
Quoted securities		10,344,116	10,358,161

6.1 Modaraba had entered into an agreement dated December 06, 2012, with the Invest Capital Investment Bank Limited (ICIBL) for settlement of the term deposit receipt of Rs.10 million. As per the terms, the entire mark-up/profit/penalties accrued till date of settlement agreement was waived off by the Modaraba. The balance was receivable in 60 equal monthly instalments of Rs. 166,667 beginning from December 10, 2012 at Nil profit. Rescheduled amount was as follows:

Term Deposit Receipt as at December 06, 2012		10,000,000	10,000,000
Less: Amortization charge		(2,000,000)	(2,000,000)
Less: Received in earlier period		(2,516,943)	(2,516,943)
Total receivable		5,483,057	5,483,057
Instalments received during the year		-	-
Net receivable		5,483,057	5,483,057
Provision against doubtful recoveries	6.1.1	(4,780,567)	(4,780,567)
		702,490	702,490

6.1.1 During the course of due diligence conducted as of November 30, 2014 and on the basis of correspondence provided by ICIBL it was revealed that the Modaraba had entered into an arrangement of Portfolio Management Services with ICIBL and a limited liability company was incorporated for this purpose in 2010, under which ICIBL incurred an expenditure of Rs. 5.78 million on account of bidding for Pakistan Stock Exchange (PSX) formerly Karachi Stock Exchange Limited (KSE) membership as authorised by previous Board of Directors of the Modaraba Management Company in their meeting held on April 25, 2010. The Modaraba filed an application to SECP for relaxation of Regulation 7(7) of the Prudential Regulations for Modarabas for investing in an unlisted entity which was rejected. This resulted in forfeiture of amount paid for bidding for purchase of membership card by KSE. These facts were not on record nor reflected in the books of accounts of the Modaraba in subsequent years before incorporated in financial statements for the year ended June 30, 2014.

6.2 Quoted securities

Unless stated otherwise, the holdings are in the fully paid ordinary shares/ certificates/ units of Rs 10/- each.

2017	2016		2017 Rupees	2016 Rupees
Number of Certificates / Shares/ Units	Name of investee			
525	525	Personal goods Nishat Mills Limited *	83,306	56,647
79,500	79,500	Electricity The Hub Power Company Limited	9,335,685	9,544,770
1,495	1,495	Mutiutilities (gas and water) Sui Northern Gas Pipeline Limited *	222,635	54,254
348	348	Suspended / Delisted Companies Hussain Industries Limited *	6.3	-
1,670,720	1,670,720	Prudential Stock Fund	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	6.3	-
<u>2,112,588</u>	<u>2,112,588</u>		<u>9,641,626</u>	<u>9,655,671</u>

* These shares are not in the name of the Modaraba: Nishat Mills Limited 25 (2016: 25) shares (Second Prudential Modaraba), Sui Northern Gas Pipeline Limited 254 (2016: 254) shares and Hussain Industries Limited 348 shares (2016: 348) (Third Prudential Modaraba).

6.3 This represents non-shariah compliant investments.

	Note	2017 Rupees	2016 Rupees
6.4 Unrealised gain / (loss) on investments - held for trading at fair value through profit or loss			
Carrying value of investments		9,655,671	7,538,613
Unrealised gain due to changes in fair value for the year		(14,045)	2,117,058
Market value of investments	6.2	<u>9,641,626</u>	<u>9,655,671</u>

7. MUSHARIKA, MORABAHA AND OTHER FINANCE

Musharika and morabaha finance			
- considered good		18,837,534	-
- considered doubtful		341,455,540	341,704,089
Less: Provision against doubtful amounts		(341,455,540)	(341,704,089)
	7.1	<u>18,837,534</u>	-
Other finance - unsecured			
- considered good		-	-
- considered doubtful		11,002,281	11,002,281
Less: Provision against doubtful amounts		(11,002,281)	(11,002,281)
	7.2	<u>-</u>	<u>-</u>
		<u>18,837,534</u>	<u>-</u>

7.1 Musharika and morabaha finance

	Note	Considered Good		Considered Doubtful		Total	
		2017	2016	2017	2016	2017	2016
Unsecured							
Musharika finance							
Principal		-	-	97,432,201	97,432,201	97,432,201	97,432,201
Profit		-	-	43,678,105	43,678,105	43,678,105	43,678,105
Subtotal		-	-	141,110,306	141,110,306	141,110,306	141,110,306
Secured							
Morabaha finance							
Principal		18,500,000	-	81,142,796	81,338,544	99,642,796	81,338,544
Profit		337,534	-	119,202,438	119,255,239	119,539,972	119,255,239
Subtotal	7.1.1	18,837,534	-	200,345,234	200,593,783	219,182,768	200,593,783
Less: Provision against doubtful receivables	7.1.2	-	-	(341,455,540)	(341,704,089)	(341,455,540)	(341,704,089)
		18,837,534	-	-	-	18,837,534	-

7.1.1 This include amount of Musharaka and Morabaha finance receivable from various parties, outstanding since many years. As per terms of the agreements, the profit against these finances ranged from 14% to 21%. These finances were secured against equitable mortgage of immovable properties and charge on vehicles, machineries, other assets and personal guarantee of sponsor directors. However, based on the guidelines of Prudential Regulations for Modarabas, principal and profit receivable against these finances have been fully provided and suspended accordingly.

7.1.2 Movement of provision for doubtful receivables

	2017			2016		
	Principal	Profit	Total	Principal	Profit	Total
Opening balance	178,770,745	162,933,344	341,704,089	189,394,002	164,621,404	354,015,406
Reversal of provision during the year	(195,748)	(52,801)	(248,549)	(10,623,257)	(1,688,060)	(12,311,317)
Closing balance	178,574,997	162,880,543	341,455,540	178,770,745	162,933,344	341,704,089

7.2 Movement of provision for doubtful receivables

	Note	2017 Rupees	2016 Rupees
Opening balance		11,002,281	11,002,281
For the year		-	-
Closing balance		11,002,281	11,002,281

7.2.1 The finance was provided to Invest Capital Investment Bank Limited (ICIBL) against certain ijarah assets under a funded risk participation agreement. It carried return at the rate 17.16 % per annum .

8. DIMINISHING MUSHARIKA

Principal	161,689,306	39,366,602
Profit	1,329,439	670,567
	163,018,745	40,037,169
Less: long term portion	(99,590,166)	(9,392,423)
	63,428,579	30,644,746

8.1 These carry profit rate ranging from 10.18% to 18.00% (2016: 12.0% to 16.00%) per annum and are repayable on monthly basis over a maximum period of three years.

	Note	2017 Rupees	2016 Rupees
9. IJARAH RENTALS RECEIVABLE			
Considered good		396,060	12,572,462
Considered doubtful		49,083,826	23,102,607
		49,479,886	35,675,069
Less: Provision for doubtful receivables	9.1	(49,083,826)	(23,102,607)
		396,060	12,572,462
9.1 Movement in provision for doubtful receivables			
Opening balance		23,102,607	23,321,547
Charge for the year		25,981,219	-
Reversal during the year		-	(218,940)
Closing balance		25,981,219	(218,940)
		49,083,826	23,102,607
9.2 Future minimum ijarah rentals receivable			
Within one year		21,519,384	59,519,548
After one year but not more than five years		18,756,087	26,366,151
		40,275,471	85,885,699
10. RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE			
Receivable against sale of agriculture produce	10.1	27,811,518	27,811,518
		-	-

10.1 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 was engaged as seller & service provider responsible for sale of agriculture produce. Subsequently, natural cyclical shortage in productivity of cotton crop affected the availability of the banola seed and therefore the project was prudently discontinued by the management to safeguard the interest of the Modaraba. As per settlement agreement dated April 27, 2016, advance for purchase of banola seed was converted into ijarah finance (secured) leaving a balance of Rs. 27.81 million receivable against sale of agriculture produce. Receivable amount is secured against Registered Mortgage on Property of service provider. After continuous default of payment the management of Modaraba has filed recovery suits in the Banking Courts. The details are as under :-

	KASBM Rupees	FPrM Rupees	Total Rupees
Initial investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of agriculture produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of agriculture produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: Converted to Ijarah financing	(19,311,320)	(40,000,000)	(59,311,320)
Less: Consultancy charges	(194,950)	(305,050)	(500,000)
	18,200,140	27,811,518	46,011,658

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	Considered Good		Considered Doubtful		Total	
		2017	2016	2017	2016	2017	2016
Advance							
Income tax	11.1	2,954,527	2,516,542	-	-	2,954,527	2,516,542
To staff - Secured	11.2 & 11.2.1	138,944	55,800	1,814,000	1,814,000	1,952,944	1,869,800
Against purchase of assets		20,262,250	8,517,500	-	-	20,262,250	8,517,500
Deposits		680,000	-			680,000	-
Prepayments		2,414,686	336,975	-	-	2,414,686	336,975
Other receivables from							
Brokers on account							
- of sale of shares	11.3	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares	11.4	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	11.5	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks		528,454	1,025,400	-	-	528,454	1,025,400
Others		446,298	9,740,394	13,466,235	13,466,235	13,912,533	23,206,629
Sub total		27,425,159	22,192,611	109,573,414	109,573,414	136,998,573	131,766,025
Provision for doubtful receivables	11.6	-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
		27,425,159	22,192,611	-	-	27,425,159	22,192,611

11.1 This includes an amount of Rs. 1,673,957 forcefully withdrawn from bank by the Taxation Authorities on 14th March, 2016 against which the Modaraba has filed an application for refund due to the fact that the amount was wrongly withdrawn on the ground that original return filed for the year 2009 was erroneous. The withdrawal was based on the original return filed whereas the revised return filed and order passed by the Addl Commissioner IR in favor of the Modaraba has been ignored. The management is confident that the amount will be recovered from the Authority.

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

11.2.1 The doubtful amount of Rs.1.8 million was paid to an ex-managing director of the Modaraba without prior approval of the board of directors for the purchase of a motor vehicle. The Modaraba has initiated criminal proceedings for the recovery of said amount from the ex-managing director.

11.3 The doubtful amount includes claim of Rs.64.62 million receivable from a defaulted stock broker – Investec Securities Limited. The said broker, through its various correspondences with the Modaraba has offered / transferred shares and certificates of following entities on various dates which are not acknowledged by the Modaraba. Owing to the weak financial position of the entities and significance of the amount of claim, the management of the Modaraba has not accepted the shares / certificates as satisfaction of claim and same is not recorded in the books of accounts. Detail of shares / certificates offered / transferred is as under:

Name of entities	No. of Shares / Certificates
Zeal-Pak Cement Factory Limited	10,400,000
Usman Textile Mills Limited	700,000
First Investec Modaraba	500,000
Investec Securities Limited	200,000

11.4 This amount includes Rs. 17.89 million paid as advance for purchase of securities to Prudential Securities Limited (PSL). Remaining amount of Rs. 0.54 million is blocked in CDC-sub account of the said broker against various shares as under:

Name of companies	No. of Shares	Value as per investor's claim Rupees
Al-Ghazi Tractors Limited	500	112,095
Javed Omer Vohra & Company Limited	1,000	8,460
Pakistan Petroleum Limited	2,100	422,478

Operations of PSL has been ceased by PSX and the Modaraba has filed a claim with the PSX for the whole amount. However on confirmed existence of event of default, the provision was made accordingly.

11.5 This represents an unauthorized amount debited to Modaraba's account by a scheduled commercial bank on behalf of a party considered to be a group company. The Modaraba filed a suit with a banking court for recovery under the Financial Institutions (Recovery of Finances) Ordinance, XLVI of 2001 which was decreed against the Modaraba only due to the reason that it was time-barred. Management filed an appeal in the Sindh High Court against the judgment of the Banking Court. The Sindh High Court has set aside the decree of the Banking Court with the directions that the Banking Court, in the first instance, shall decide the application for leave to defend moved by the Bank. The case is under process with the Banking Court.

	Note	2017 Rupees	2016 Rupees
11.6 Movement in provision for doubtful receivables			
Opening balance		109,573,414	109,573,414
Provision for the year		-	-
Reversal during the year	23	-	-
Closing balance		109,573,414	109,573,414
12. OTHER ASSETS			
Inventories held for sale - under Morabaha arrangement		17,102,760	-
13. LONG TERM INVESTMENTS			
Available for sale			
Listed entity	13.1	7,002,512	6,202,685
Unlisted companies	13.2	9,781,670	9,925,146
		16,784,182	16,127,831

13.1 Quoted securities

	2017	2016	Note	2017	2016
Number of Units of Rs. 100 each					
413,128	391,583	Meezan Balanced Fund			
		Opening carrying value		6,202,685	5,585,843
		Purchases during the year		367,109	-
		Unrealized gain		432,718	616,842
		Closing carrying value		7,002,512	6,202,685

13.2 Unquoted securities
Number of Shares of Rs. 10 each

	2017	2016	Note	2017	2016
1,107,244	1,107,244	Prudential Securities Limited			
		Cost		4,173,707	4,173,707
		Less: Impairment	13.2.1 & 13.2.2	(4,173,707)	(4,173,707)
191,700	191,700	Prudential Discount and Guarantee House Limited	13.2.2	-	-
843,975	843,975	LSE Financial Services Limited			
		Cost	6.3 & 13.2.3	12,764,715	12,764,715
		Less: Fair value adjustment		(2,983,045)	(2,839,569)
				9,781,670	9,925,146
				9,781,670	9,925,146

	Note	2017 Rupees	2016 Rupees
13.2.1 Movement of impairment			
Opening balance		4,173,707	4,173,707
Impairment charge during the year		-	-
Closing balance		<u>4,173,707</u>	<u>4,173,707</u>

13.2.2 Due to adverse financial condition of the investee Company, investments have been fully impaired.

13.2.3 This represents shares acquired against the surrender of Pakistan Stock Exchange (PSX) formerly Lahore Stock Exchange (LSE) membership card (refer note 13.2). Under the current circumstances the active market is not available for such shares, therefore the net asset based valuation has been considered as the closest estimate of the fair value of the shares. The Modaraba has recognized a fair value adjustment based on latest available audited financial statements of the investee company for the year ended June 30, 2016, the breakup value of which is Rs. 11.59 per share.

14. LONG TERM DEPOSITS

Margin deposit	14.1	3,000,000	3,000,000
Other deposits		<u>66,192</u>	<u>66,192</u>
		3,066,192	3,066,192
Less: Provision against doubtful amounts	14.2	<u>(3,000,000)</u>	<u>(3,000,000)</u>
		<u>66,192</u>	<u>66,192</u>

14.1 This margin deposit was held with a defaulted broker, Prudential Securities Limited, whose operations has been ceased by PSX and the Modaraba has filed a claim with the PSX for the amount.

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

15. INTANGIBLE ASSETS

PSX - Trading right entitlement certificate (TREC)	15.1	5,344,352	5,344,352
Computer software		-	-
		<u>5,344,352</u>	<u>5,344,352</u>
Impairment of TREC	15.1.2	<u>(5,344,352)</u>	<u>(5,344,352)</u>
		-	-

15.1 LSE membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance receivable against a defaulted party.

Pursuant to demutualization of LSE, the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the membership card had been surrendered to LSE against the following:

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

The Institute of Chartered Accountants of Pakistan in its opinion dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

Out of total shares issued to the modaraba by LSE, the Modaraba had received 40% equity shares i.e. 337,590 shares in its CDC account. The remaining 60% shares had been transferred to CDC sub-account in the Modaraba's name under LSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Modaraba.

LSE had determined the fair value of shares on the basis of the fair valuation of the underlying assets and liabilities of LSE in accordance with the requirement of the Demutualization Act. The breakup value of share of Rs. 11.17 per share, based on latest available financial information for the quarter ended June 30, 2014, is considered as the closest estimates of the fair value of the shares. Further, the board of directors of LSE in the meeting held on July 22, 2013 had determined the Notional Value of the TREC as Rs. 4 millions.

Therefore, based on the above estimates of fair values of LSE shares (Rs. 9.554 million) and TREC (Rs. 4 million), the Modaraba had allocated its carrying value of the membership card in the ratio of 0.71 to shares and 0.29 to TREC after deducting the value of broker room based on its fair value determined through valuation carried out by independent valuer. The allocation is as follows:

	Note	Rupees
Membership card and a room as at July 01, 2012		22,326,567
Less: Broker's room at fair value		<u>4,217,500</u>
Amount attributable to LSE shares and TREC	15.1.1	<u>18,109,067</u>

15.1.1 Allocation made on the said ratio:

Trading right entitlement certificate (TREC)	5,344,352
Ordinary shares	<u>12,764,715</u>
	<u>18,109,067</u>

15.1.2 As per section 16 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, every TREC holder was required to register itself as a broker within two years of the date of demutualization i.e. by August 26, 2014, failure to which would've resulted in the lapse of the TREC. The impairment has been recorded as the modaraba did not register itself as a broker before the expiry of the said date.

16 PROPERTY AND EQUIPMENT - OWN USE

Note	Cost		Depreciation		Impairment		"Rate %"
	at July 01, 2016	at June 30, 2017	At July 01, 2016	For the year / (on disposals) at June 30, 2017	at July 01, 2016	For the year	
Office premises	46,761,122	(46,761,122)	5,849,477	585,600 (6,435,077)	21,587,035	(21,587,035)	5
Office equipment	912,071	-	821,299	61,613	882,912	-	33
Furniture and fixture	1,518,159	-	1,212,691	152,392	1,365,083	-	20
Computer equipment	828,188	37,400	865,588	822,557	838,150	-	33
Motor vehicles	1,158,499	(83,500)	1,074,999	1,095,197 (64,017)	1,047,829	-	20
	51,178,039	37,400 (46,844,622)	9,801,221	831,847 (6,499,094)	4,133,974	21,587,035 (21,587,035)	236,843

- For comparative period

Note	Cost		Depreciation		Impairment		"Rate %"
	at July 01, 2015	at June 30, 2016	At July 01, 2015	For the year / (on disposals) at June 30, 2016	at July 01, 2015	For the year	
Office premises	46,761,122	-	4,676,277	1,171,200	5,849,477	21,587,035	5
Office equipment	912,071	-	698,669	122,630	821,299	-	33
Furniture and fixture	1,311,144	207,015	1,060,538	152,153	1,212,691	-	20
Computer equipment	828,188	-	715,136	107,421	822,557	-	33
Motor vehicles	2,261,575	41,500 (1,144,576)	2,216,159	23,614 (1,144,576)	1,095,197	-	20
	52,074,100	248,515 (1,144,576)	9,368,779	1,577,018 (1,144,576)	9,801,221	21,587,035	19,789,783

16.1 This represents two offices in Lakson Square, Karachi, acquired through a settlement agreement. It includes cost of Rs. 1.02 million incurred in transferring the ownership of the said offices in the name of the Modaraba. During the year, the property is let on rent and therefore transferred to and disposed as investment property.

16.2 Details of disposal of fixed assets in own use are as follows:

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain on disposal	Mode of disposal	Purchaser
Motor Vehicle - Bike	83,500	64,017	19,483	19,499	16	Negotiation	Mr. Amir Mehmood
2017	83,500	64,017	19,483	19,499	16		
2016	1,144,576	1,144,576	-	609,000	609,000		

	Note	2017	2016
		Rupees	Rupees
20. IJARAH DEPOSITS			
Ijarah deposits		18,837,934	22,720,581
Long term portion		<u>(11,277,403)</u>	<u>(9,580,800)</u>
		<u>7,560,531</u>	<u>13,139,781</u>
21. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		575,000	939,002
Management fee		1,081,548	773,993
Share in common expenses		1,125,666	3,288,173
Insurance		4,573,268	614,583
Workers welfare fund	21.1	1,263,227	3,545,330
Charity Payable	21.2	309,348	318,780
Others		<u>5,967,841</u>	<u>307,691</u>
		<u>14,895,898</u>	<u>9,787,552</u>

21.1 The Finance Act 2008, introduced an amendment to the Worker's Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers Welfare Fund (WWF) was payable @ 2% of the profit before taxation or taxable income whichever is higher. The legality of the above amendments were challenged in Sindh, Lahore and Peshawar High Courts. Due to variable judgments from the aforesaid Courts, the matter was forwarded to the Honorable Supreme Court of Pakistan. The Honorable Supreme Court has decided the matter on November 10, 2016, and Para 21 of its judgment states that the levy of WWF is in the nature of fee and the law could not be amended by a money bill and as such the amendments made in the year 2006 and 2008 are unlawful and ultravires to the Constitution. In terms of judgment by the Honorable Supreme Court of Pakistan, WWF under WWF Ordinance, is no more payable by the Modaraba and provision made against WWF up till June 30, 2014 is reversed during the period.

Subsequently 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 the Sindh Workers Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly, provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

21.2 This includes amounts relating to charity accrued on various non-Shariah compliant avenues. The management utilises the balances as per the requirements of Clause VI of circular no 8 of 2012 (Shari'ah Compliance and Shari'ah Audit Mechanism) for Modarabas.

Movement in charity payable

Opening balance	318,780	566,601
Add : amount credited during the year	<u>250,568</u>	<u>230,179</u>
	569,348	796,780
Less : Paid during the year	<u>(260,000)</u>	<u>(478,000)</u>
Closing balance	<u>309,348</u>	<u>318,780</u>

22. CERTIFICATE CAPITAL

2017	2016		2017	2016
Number of Certificates	Number of Certificates	Authorised	Rupees	Rupees
87,217,660	87,217,660	Modaraba certificates of Rs.10/- each	872,176,600	872,176,600
		Issued, subscribed and paid-up		
13,451,650	13,451,650	Modaraba certificates of Rs.10/- each fully paid in cash	134,516,500	134,516,500
8,864,716	8,864,716	Modaraba certificates of Rs.10/- each fully paid bonus certificates	88,647,160	88,647,160
64,901,294	64,901,294	Modaraba certificates of Rs.10/- issued under scheme of arrangement for amalgamation with Second and Third Prudential Modaraba	649,012,940	649,012,940
<u>87,217,660</u>	<u>87,217,660</u>		<u>872,176,600</u>	<u>872,176,600</u>

As at June 30, 2017, the Prudential Capital Management Company Limited (The ex-management company) held 10,521,305 (2016: 10,521,305) certificates of Rs. 10 each.

23. CONTINGENCIES AND COMMITMENTS

Contingencies

Taxation officer while making assessment in respect of tax years 2006, 2007 and 2008 disallowed certain expenses on account of apportionment between normal and presumptive income and created an additional demand of Rs. 6.53 million.No provision has been made in the financial statements in this regard as the management is confident that ultimate outcome of the appeals in question will be in favour of the Modaraba.

Except for the matter disclosed above and in the note 11.1, there is no other contingency at year end.

24. IJARAH RENTALS EARNED - NET	Note	2017	2016
		Rupees	Rupees
Ijarah rentals		48,869,305	22,021,323
Suspension of income		(25,981,219)	-
		<u>22,888,086</u>	<u>22,021,323</u>
25. OTHER INCOME			
Gain on disposal of property and equipment - own use		16	609,000
Gain on disposal of property, plant and equipment - Ijarah		30,985	784,261
Front end fee, documentation charges and others		1,582,250	927,387
Processing fee		1,644,000	-
		<u>3,257,251</u>	<u>2,320,648</u>

26. REVERSAL OF WORKER'S WELFARE FUND

The Finance Act 2008, introduced an amendment to the Worker's Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Worker's Welfare Fund (WWF) was payable @ 20%of the profit before taxation or taxable income whichever is higher. The legality of above amendments were challenged in Sindh, Lahore and Peshawar High Courts. Due to variable judgements from the aforesaid Courts, the matter was forwarded to the Honorable Supreme Court of Pakistan. The Honorable Supreme Court has decided the matter on November 10, 2016, and para 21 of its judgement states that the levy of WWF is in the nature of fee and the law could not be amended by a money bill and as such the amendments made in the year 2006 and 2008 are unlawful and ultravires to the Constitution. In terms of judgement by the Honorable Supreme Court of Pakistan, WWF under WWF Ordinance, is no more payable by the Modaraba and provision made against WWF up till June 30, 2014 is reversed during the period. after June 30, 2014.

Subsequently 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 the Sindh Worker's Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly, provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

	Note	2017	2016
		Rupees	Rupees
27. REVERSAL AGAINST DOUBTFUL RECEIVABLES-NET			
(Reversal) against doubtful receivables			
Musharaka and morabaha finance	7.1.2	(248,549)	(12,311,317)
Ijarah finance	9.1	-	(218,940)
		<u>(248,549)</u>	<u>(12,530,257)</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	28.1	9,141,119	9,758,833
Transaction cost on investment		-	9,234
Fees and subscription		1,083,056	1,147,388
Repairs and maintenance		1,247,558	851,840
Rent, rates and taxes		825,775	847,242
Registrar services		237,300	552,600
Telephone and postage		794,871	866,987
Travelling and conveyance		142,945	82,750
Depreciation-own use assets	16	831,847	1,577,018
Amortization - intangibles		-	41,713
Auditors' remuneration	28.2	498,750	494,700
Electricity, water and gas		105,387	158,454
Printing and stationery		639,388	677,437
Vehicles running		178,629	54,470
Legal and professional		2,245,600	2,391,836
Entertainment		165,976	162,383
Advertisement		170,342	260,360
Newspapers and periodicals		-	5,000
Insurance		611,740	233,402
Reimbursement of common expenses		7,817,080	5,825,882
Miscellaneous		4,587	1,971
		<u>26,741,950</u>	<u>26,001,500</u>
28.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES			
		2017	2016
		Officers	Other employees
		Total	Total
		Rupees	Rupees
Remuneration	5,142,794	2,911,758	8,054,552
Provident fund	87,794	121,255	209,049
Medical	225,008	132,905	357,913
Fuel	433,905	85,700	519,605
Others	-	-	-
	<u>5,889,501</u>	<u>3,251,618</u>	<u>9,141,119</u>
No. of persons	3	5	8
		2016	2016
		Officers	Other employees
		Total	Total
		Rupees	Rupees
Remuneration	4,873,326	3,816,238	8,689,564
Provident fund	20,903	141,640	162,543
Medical	256,680	137,775	394,455
Fuel	388,271	112,000	500,271
Others	-	12,000	12,000
	<u>5,539,180</u>	<u>4,219,653</u>	<u>9,758,833</u>
No. of persons	3	11	14

The total number of employees as at June 30, 2017 are 8 (2016: 12) and the average number of employees during the year equates to 10 (2016: 13).

	2017 Rupees	2016 Rupees
28.2 AUDITORS' REMUNERATION		
Statutory audit	350,000	350,000
Half year review	30,000	38,800
Review of code of corporate governance	20,000	20,000
CDC certification	10,000	10,600
Out of pocket expenses	88,750	75,300
	<u>498,750</u>	<u>494,700</u>

29. MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance, 1980, up to a maximum of 10% per annum of the net profit before tax of the Modaraba.

30. PROVISION FOR TAXATION

The income of the Modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance, 2001.

31. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit for the year (Rupees)	15,178,505	20,816,468
Weighted average number of ordinary certificates	87,217,660	87,217,660
Earnings per certificate (Rupee)	0.17	0.24

32. RELATED PARTY TRANSACTIONS

The related parties comprise of associated undertakings and directors of the Modaraba Management Company. The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows

Relationship with the Modaraba	Nature of Transactions	2017 Rupees	2016 Rupees
Balances with related parties			
Staff provident fund	Contribution made	-	-
Modaraba management company	Management fee	1,081,548	773,993
Modaraba under common management	Sharing of common expenses	1,125,666	3,288,173
Expense for the period			
Staff provident fund	Contribution made	209,049	210,551
Modaraba management company	Management fee	1,745,529	2,393,894
Modaraba under common management	Sharing of common expenses	7,817,080	5,825,882
Payments made during the period			
Staff provident fund	Contribution made	209,049	210,551
Modaraba management company	Management fee	1,135,375	1,279,018
Modaraba under common management	Sharing of common expenses	10,271,138	6,501,105

33. FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks entered: liquidity risk entered, credit risk entered and market risk entered (including currency risk, fair value profit rate risk and price risk). The board of directors' of the Management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Modaraba's financial performance.

The Modaraba's principal financial liabilities comprise ijarah deposits and accrued and other liabilities. The Modaraba's principal financial assets comprise of ijarah rentals receivable, musharika, morabaha and other finance and cash and bank balances that arrive directly from its operations. The Modaraba also holds investments classified as held for trading and available-for-sale investments.

33.1 Liquidity risk management

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. Modaraba holds total current assets of Rs. 273.587 million against its current liabilities of Rs. 51.522 million which lead to total surplus of Rs. 222.065 million.

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. However, Modaraba has surplus funds to pay off its liabilities. The amounts in the table are the contractual undiscounted cash flows.

	Total	Up to three months	More than three months and up to one year	More than one year
2017				
Ijarah deposits	18,837,934	7,560,531	-	11,277,403
Accrued and other liabilities	14,895,898	14,895,898	-	-
Unclaimed profit distribution	29,065,618	29,065,618	-	-
	<u>62,799,450</u>	<u>51,522,047</u>	-	<u>11,277,403</u>
2016				
Ijarah deposits	22,720,581	5,748,000	7,208,781	9,763,800
Accrued and other liabilities	6,242,222	6,242,222	-	-
Unclaimed profit distribution	27,187,774	27,187,774	-	-
	<u>56,150,577</u>	<u>39,177,996</u>	<u>7,208,781</u>	<u>12,163,800</u>

The Modaraba do not expose to any interest rate risk against its financial liabilities.

33.2 Credit risk and concentration of credit risk

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 control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (morabaha and musharika finance, diminishing musharika, ijarah rental receivables), deposits with bank and financial institutions and other receivables.

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

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 receivable at June 30, 2017 and June 30, 2016 is the carrying amounts of following financial assets.

	2017 Rupees	2016 Rupees
Balances with banks	95,325,419	241,487,066
Musharika, morabaha and other finance	18,837,534	-
Diminishing musharika	163,018,745	40,037,169
Ijarah rentals receivable	396,060	12,572,462
Advances and other receivables	1,113,696	10,821,594
	<u>278,691,454</u>	<u>304,918,291</u>

The analysis below summarises the quality rating of the major Banks in which the Modaraba deals.

Bank name	Short Term	Long Term	2017 Rupees	2016 Rupees
HBL Islamic Banking Limited	A-1+	AAA	41,898,510	115,890,636
Sindh Bank Limited	A-1+	AA	10,281	28,175,915
Albaraka Bank (Pakistan) Limited	A1	A	10,041	7,851
Summit Bank Limited	A-1	A-	53,404,352	97,399,099

Past due but not impaired financings are those for which contractual profit or principal payments are past due, but the Modaraba believes that impairment is not appropriate on the basis of the level of security/collateral available to the Modaraba.

An analysis of the financial assets that are individually impaired as per the accounting policy is as under:

	As at June 30, 2017				Total
	QAEM	Substandard	Doubtful	Loss	
		Rupees.....		
Ijarah rental receivable	-	-	-	49,083,826	49,083,826
Musharika, morabaha and other finance	-	-	-	341,455,540	341,455,540

	As at June 30, 2016				Total
	QAEM	Substandard	Doubtful	Loss	
		Rupees.....		
Ijarah rental receivable	-	-	-	23,102,607	23,102,607
Musharika, morabaha and other finance	-	-	-	341,704,089	341,704,089

Total impairment against these assets as at June 30, 2017 is Rs. 390.54 million (2016: Rs. 364.81 million).

33.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price 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. All such activities are carried out with the approval of the Board. The Modaraba is exposed to interest rate and currency risks.

33.3.1 Equity price risk

The Modaraba's investment in listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Modaraba manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Modaraba's senior management on a regular basis. The Modaraba's Investment Committee reviews and approves all equity investment decisions.

The carrying amount of investment is as follows:

	2017 Rupees	2016 Rupees
In listed securities carried at fair value through profit or loss	9,641,626	9,655,671
In unlisted security available for sale	9,781,670	9,925,146
In mutual funds available for sale	<u>7,002,512</u>	<u>6,202,685</u>
	<u>26,425,808</u>	<u>25,783,502</u>

Sensitivity analysis

The table below summarises the impact of increase/decrease in market value of investments on the Modaraba's profit after tax and on equity. The analysis is based on the assumption that the market price had increased/decreased by 5% with all other variables held constant and all Modaraba's equity instruments moved on perfect correlation with the market.

Index	Impact on profit after tax and equity	
	2017 Rupees	2016 Rupees
Increase in market value - 5%	482,081	482,784
Decrease in market value - 5%	(482,081)	(482,784)

33.3.2 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the profit rate exposure arises from short term deposits with banks, ijarah finance, diminishing musharika and musharika and morabaha finance. At the balance sheet date the profit rate risk profile of the Modaraba's profit bearing financial instruments is:

	June 30, 2017						
	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years to yield / profit risk
Cash and bank balances							
Investments	2.0% - 6.5%	95,325,419	83,668,524	-	-	-	11,656,895
Musharaka, morabaha and other finance	12.0% - 30.0%	10,344,116	-	-	18,000,000	-	10,344,116
Diminishing musharaka	10.18% - 18.0%	18,837,534	17,468,386	10,705,250	45,573,879	100,311,124	-
Ijarah rentals receivable		163,018,745	6,428,492	-	-	-	396,060
Advances and other receivables		396,060	-	-	-	-	21,375,946
Total financial assets as at June 30, 2017		<u>309,297,820</u>	<u>107,565,402</u>	<u>10,705,250</u>	<u>63,573,879</u>	<u>100,311,124</u>	<u>43,773,017</u>
Ijarah deposit		18,837,934	-	-	-	-	18,837,934
Accrued and other liabilities		13,632,671	-	-	-	-	13,632,671
Unclaimed profit distribution		29,065,618	-	-	-	-	29,065,618
Total financial liabilities as at June 30, 2017		<u>61,536,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,536,223</u>
Total yield / profit risk sensitivity gap		<u>107,565,402</u>	<u>10,705,250</u>	<u>63,573,879</u>	<u>100,311,124</u>	<u>-</u>	<u>-</u>
Cumulative yield / profit risk sensitivity gap		<u>107,565,402</u>	<u>118,270,652</u>	<u>181,844,531</u>	<u>282,155,655</u>	<u>282,155,655</u>	<u>282,155,655</u>

June 30, 2016

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit risk
		Rupees.....					
Cash and bank balances	2.0% - 7.0%	241,487,066	231,701,244	-	-	-	-	9,785,822
Investments		10,358,161	-	-	-	-	-	10,358,161
Musharaka, morabaha and other finance	14.0% - 21.0%	-	-	-	-	-	-	-
Diminishing musharaka	12.0% - 16.0%	40,037,169	26,060,066	824,000	3,708,000	9,392,423	-	-
Ijarah rentals receivable		12,572,462	-	-	-	-	-	12,572,462
Advances and other receivables		19,339,094	-	-	-	-	-	19,339,094
Total financial assets as at June 30, 2016		323,793,952	257,761,310	824,000	3,708,000	9,392,423	-	52,055,539
Ijarah deposit		22,720,581	-	-	-	-	-	22,720,581
Accrued and other liabilities		6,242,222	-	-	-	-	-	6,242,222
Unclaimed profit distribution		27,187,774	-	-	-	-	-	27,187,774
Total financial liabilities as at June 30, 2016		56,150,577	-	-	-	-	-	56,150,577
Total yield / profit risk sensitivity gap			257,761,310	824,000	3,708,000	9,392,423	-	
Cumulative yield / profit risk sensitivity gap			257,761,310	258,585,310	262,293,310	271,685,733	271,685,733	

54

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.

Changes in basis point	Impact on profit or loss	
	2017	2016
+100Rupees.....Rupees.....
-100	169,408	222,461
	(169,408)	(222,461)

55

33.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values. The fair values of these financial assets/liabilities cannot be reasonably estimated due to absence of market for such assets/liabilities.

33.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Rupees.....			
Financial assets at FVTPL				
Quoted companies	9,641,626	-	-	9,641,626
Available-for-sale financial assets				
Listed entities	7,002,512	-	-	7,002,512
Unlisted entities	-	-	9,781,670	9,781,670

33.5 Financial instrument by category

As at June 30, 2017				
	Loan and receivables	Assets at fair value through profit & loss	Available for sale	Total
Rupees.....			
ASSETS				
Cash and bank balances	95,327,554	-	-	95,327,554
Investments	702,490	9,641,626	16,784,182	27,128,298
Musharika, morabaha and other finance	18,837,534	-	-	18,837,534
Diminishing musharika	163,018,745	-	-	163,018,745
Ijarah rentals receivable	396,060	-	-	396,060
Advances and other receivables	1,113,696	-	-	1,113,696
	<u>279,396,079</u>	<u>9,641,626</u>	<u>16,784,182</u>	<u>305,821,887</u>
LIABILITIES				
Ijarah deposits	18,837,934	-	-	18,837,934
Accrued and other liabilities	14,895,898	-	-	14,895,898
Unclaimed profit distribution	29,065,618	-	-	29,065,618
	<u>62,799,450</u>	<u>-</u>	<u>-</u>	<u>62,799,450</u>

As at June 30, 2016				
	Loan and receivables	Assets at fair value through profit & loss	Available for sale	Total
Rupees.....			
ASSETS				
Cash and bank balances	241,497,285	-	-	241,497,285
Investments	702,490	9,655,671	16,127,831	26,485,992
Musharika, morabaha and other finance	-	-	-	-
Diminishing musharika	40,037,169	-	-	40,037,169
Ijarah rentals receivable	12,572,462	-	-	12,572,462
Advances and other receivables	10,821,594	-	-	10,821,594
	<u>305,631,000</u>	<u>9,655,671</u>	<u>16,127,831</u>	<u>331,414,502</u>
LIABILITIES				
Ijarah deposits	22,720,581	-	-	22,720,581
Accrued and other liabilities	6,242,222	-	-	6,242,222
Unclaimed profit distribution	27,187,774	-	-	27,187,774
	<u>56,150,577</u>	<u>-</u>	<u>-</u>	<u>56,150,577</u>

34. CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As at balance sheet date Modaraba do not have any exposure in short term and long term borrowing and it has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further Modaraba has very positive current ratio of 5.394:1 (2016: 7.143:1).

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During the current year, the Modaraba's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio to zero.

35. SEGMENT INFORMATION

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief decision-maker. The Board of Directors of the Management Company has been identified as the chief decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

36. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed dividend for the year ended June 30, 2017 of Re 0.13 per certificate (2016: Re. 0.18 per certificate), amounting to Rs.11,338,296/- (2016: Rs.15,699,781/-) at their meeting held on October 06, 2017. The financial statements for the year ended June 30, 2017 do not include the effect of the above which will be accounted for in the period in which it is declared.

37. CORRESPONDING FIGURES

Certain prior year's figures have been reclassified / rearranged for the purpose of better presentation and comparison, where necessary. The details of major reclassifications are as follows:

Reclassification from	Reclassification to	Amount in Rupees
Advance tax	Tax refundable - considered good	12,913,879

38. DATE OF AUTHORISATION OF ISSUE

These financial statements has been authorised for issue on 06, October, 2017 by the Board of Directors of the KASB Invest (Private) Limited.

39. GENEARL

Figures have been rounded off to the nearest Rupee.

CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2017

	NO OF CERTIFICATE HOLDER	NO OF CERTIFICATES	PERCENTAGE
ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES	-	-	-
NIT AND ICP	2	82,352	0.09
NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT INVESTMENT CORPORATION OF PAKISTAN		39,449 42,903	
DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN - EXECUTIVES	-	-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS. STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD.	1	1,929,159	2.21
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	29	2,359,580	2.71
FIRST INTERFUND MODARABA		859	
THE BANK OF PUNJAB		2,974	
HABIB BANK LTD. LSE BRANCH		848	
NATIONAL DEVELOPMENT FINANCE CORPORATION		2,120	
NATIONAL DEVELOPMENT FINANCE CORPORATION		4,500	
NATIONAL DEVELOPMENT FINANCE CORPORATION		4,005	
CRESCENT INVESTMENT BANK LTD.		100	
FIDELITY INVESTMENT BANK LTD.		32	
FIDELITY INVESTMENT BANK LTD.		2,528	
FIDELITY INVESTMENT BANK LTD.		6,868	
PARAMOUNT INVESTMENT BANK LTD.		1,638	
GULF INSURANCE COMPANY LTD.		13,653	
DELTA INSURANCE COMPANY LTD.		164	
CRESCENT STAR INSURANCE COMPANY LTD.		154	
NATIONAL INSURANCE COMPANY LTD.		2,275,232	
FIRST INTERFUND MODARABA		263	
UNI CAP MODARABA		136	
INDUSTRIAL CAPITAL MODARABA		100	
FIRST MEHRAN MODARABA		7,555	
FIRST MEHRAN MODARABA		210	
FIRST MEHRAN MODARABA		170	

For KASB Invest (Private) Limited
(Management Company)



CHIEF EXECUTIVE



DIRECTOR

57



DIRECTOR

58

CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2017

	<u>NO OF CERTIFICATE HOLDER</u>	<u>NO OF CERTIFICATES</u>	<u>PERCENTAGE</u>
GENERAL MODARABA		3,306	
MODARABA AL MALI		47	
FIRST PROVIDENCE MODARABA		449	
FIRST HAJVERI MODARABA		3,000	
FIRST EQUITY MODARABA		16,484	
PRUDENTIAL DISCOUNT & GUARANTEE HOUSE LIMITED		9,000	
CITY BANK		2,635	
JAHANGIR SIDDIQUI & CO LTD		550	
CERTIFICATE HOLDERS - HOLDING FIVE PERCENT OR MORE CERTIFICATES IN THE MODARABA	2	22,322,705	25.59
PRUDENTIAL CAPITAL MANGEMENT LTD		10,521,205	
PASHTOON RASHIDULLAH		11,801,500	
INDIVIDUAL	11,527	47,996,043	55.03
OTHER CORPORATE SHAREHOLDERS	55	12,527,821	14.36
	<u>11,616</u>	<u>87,217,660</u>	<u>100.00</u>

PATTERN OF CERTIFICATE HOLDING AS AT 30 - 06 - 2017

<u>NUMBER OF CERTIFICATES HOLDERS</u>	<u>CERTIFICATE HOLDINGS</u>			<u>TOTAL CERTIFICATES HELD</u>
3,423	1	-	100	169,285
2,669	101	-	500	651,180
2,184	501	-	1000	1,837,739
2,145	1001	-	5000	5,066,550
483	5001	-	10000	3,822,012
172	10001	-	15000	2,154,118
109	15001	-	20000	1,981,407
80	20001	-	25000	1,867,560
46	25001	-	30000	1,315,145
33	30001	-	35000	1,082,088
28	35001	-	40000	1,071,602
17	40001	-	45000	732,090
35	45001	-	50000	1,734,611
16	50001	-	55000	852,040
14	55001	-	60000	818,353
10	60001	-	65000	641,888
12	65001	-	70000	753,757
9	70001	-	75000	670,827
11	75001	-	80000	869,881
5	80001	-	85000	420,000
8	85001	-	90000	702,724
4	90001	-	95000	376,912
21	95001	-	100000	2,100,000
2	100001	-	105000	205,578
4	105001	-	110000	437,500
4	110001	-	115000	452,689
1	115001	-	120000	120,000
3	120001	-	125000	369,571
3	125001	-	130000	388,000
1	135001	-	140000	140,000
4	145001	-	150000	598,000
3	150001	-	155000	456,624
3	155001	-	160000	316,000
1	160001	-	165000	161,000
1	165001	-	170000	170,000
1	170001	-	175000	175,000
4	175001	-	180000	703,091
1	180001	-	185000	180,200
1	190001	-	195000	195,000
5	195001	-	200000	996,500
1	200001	-	205000	205,000
1	205001	-	210000	206,000
1	210001	-	215000	211,168

PATTERN OF CERTIFICATE HOLDING AS AT 30 - 06 - 2017

<u>NUMBER OF CERTIFICATES HOLDERS</u>	<u>CERTIFICATE HOLDINGS</u>			<u>TOTAL CERTIFICATES HELD</u>
2	215001	-	220000	434,000
1	220001	-	225000	223,073
1	225001	-	230000	227,523
1	240001	-	245000	242,000
1	245001	-	250000	250,000
1	250001	-	255000	250,009
1	265001	-	270000	268,500
1	275001	-	280000	276,500
1	290001	-	295000	295,000
1	300001	-	305000	303,461
1	315001	-	320000	317,290
1	330001	-	335000	331,500
1	350001	-	355000	353,521
1	355001	-	360000	358,500
1	365001	-	370000	366,500
1	395001	-	400000	400,000
1	420001	-	425000	425,000
1	480001	-	485000	484,432
3	495001	-	500000	1,500,000
1	500001	-	505000	501,500
1	505001	-	510000	509,065
1	540001	-	545000	543,500
1	675001	-	680000	680,000
1	695001	-	700000	700,000
1	745001	-	750000	750,000
1	815001	-	820000	820,000
1	1260001	-	1265000	1,262,000
1	1395001	-	1400000	1,400,000
1	1925001	-	1930000	1,929,159
1	2275001	-	2280000	2,275,232
1	4220001	-	4225000	4,220,500
1	4315001	-	4320000	4,320,000
1	1052001	-	10525000	10,521,205
1	11095001	-	11100000	11,100,000
				<u>87,217,660</u>
	<u>11,616</u>			

First Prudential Modaraba

Managed by KASB Invest (Pvt.) Ltd.

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 18th Annual Review Meeting of certificate-holders of First Prudential Modaraba will be held on Monday, October 30, 2017 at 06:45 p.m. at KASBIT Auditorium, 84-B S.M.C.H.S Off. Shakra-e-Faisal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2017.

Syed Shahid Owais
Company Secretary

On behalf of the Board
Karachi
October 09, 2017

Notes:

- The certificate transfer books shall remain closed from October 24, 2017 to October 30, 2017 (both days inclusive). Transfers received in order at the office of the Registrar of First Prudential Modaraba i.e. M/s C&K Management Associates (Private) Limited., before the close of business hours on October 23, 2017 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
- The Certificate holders are advised to notify change in their address, if any, to the Share Registrars, M/s C&K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi, Telephone No. 021-35687839-35685930.
- For attending the Meeting:**
 - In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
 - In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
- In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (1)/2014, the Annual Report for the year ended June 30, 2017 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.

5. Deduction of withholding tax on the amount of Dividend

The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. Further, the Government of Pakistan through Finance Act, 2017 has revised the withholding tax rates for tax year 2017-2018 as under:

(a) Rate of tax deduction for the filer(s) of income tax returns: 15%

(b) Rate of tax deduction for the non-filer(s) of income tax returns: 20%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the certificate holders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the start of closed period (referred above) otherwise tax on their cash dividend will be deducted a 20% instead of 15%. For any query/problems information, the Certificate holders may contact the Share Registrar M/s C&K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi, Telephone No. 021-35687839-35685930. The corporate certificate holders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical certificate holders should send a copy of their NTN certificate to the Company or its Share Registrar. The certificate holders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers. 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 certificate or necessary documentary evidence as the case may be. Certificate holders desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat

6. Dividend Mandate

As per Section 242 of the Companies Act, 2017 (the "Act"), the payment of cash dividend through electronic mode has now become mandatory. However, as per Circular No. 18/2017 dated August 01, 2017 the Securities and Exchange Commission of Pakistan has granted one time relaxation till October 31, 2017 to comply with the said requirement. Therefore, all the certificate holders of First Prudential Modaraba are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on Company's website. Certificate holders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant/CDC investor Account Service. For more information, you may contact our Share Registrar at C&K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi, Telephone No. 021-35687839-35685930.

7. Withholding tax on dividend in case of Joint Account Holders

All certificate holders who hold certificates jointly are requested to provide shareholding proportions of Principal certificate holder and Joint-holder(s) in respect of certificates held by them to our Share Registrar, in writing as follows:

Folio No /CDC Account No	Total Certificates	Principal Certificate holders		Joint Certificate holder(s)	
		Name and CNIC No.	Certificate holding Proportion (No. of Certificate)	Name and CNIC No.	Certificate holding Proportion (No. of Certificate)

The required information must reach our Share Registrar before the close of business on October 23, 2017. Otherwise it will be assumed that the certificates are equally held by Principal certificate holder and Joint-holder(s).

- As per the directives issued by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O.787 (1)2014 dated September 08, 2014, companies are allowed the circulation of Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at KASB Modaraba website) and return it to our Share Registrar M/s C&K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi, Telephone No. 021-35687839-35685930.



FIRST PRUDENTIAL MODARABA

28th ANNUAL REPORT
JUNE 30, 2017

If undelivered please return to :

First Prudential Modaraba

16-C, Main Khayaban-e-Bukhari, Phase VI, DHA, Karachi.
Tel: 021-35171786-89

Managed by:

KASB Invest (Private) Limited
