FIRST PRUDENTIAL MODARABA

QUARTERLY REPORT
SEPTEMBER 30, 2022

MANAGED BY

AWWAL MODARABA MANAGEMENT LIMITED

Vision

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

Mission

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Audit Committee

Mr. Shahid Ghaffar	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Jaleel Shaikh	Member
Mr. Saiyid Najam Rizvi	Member

Human Resource and Remuneration Committee

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

Company Secretary
Ms. Misbah Asjad

Chief Financial Officer
Mr. Aftab Afroz Mahmoodi

Auditor
BDO Ebrahim & Co, Chartered Accountants

Bankers
Habib Bank Limited
Dubai Islamic Bank

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

Legal Advisor
Ahmed & Qazi
S & B Durrani Law Associates

Shariah Advisor
Al-Hamd Shariah Advisory Services (Pvt) Limited

Registered & Head Office :

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

Directors' Report
For the three months period ended 30 September 2022

On behalf of the Board of Directors of Awwal Modaraba Management Limited, the management company of First Prudential Modaraba, we are pleased to present Directors' Report together with the unaudited financial results of First Prudential Modaraba for the three months period ended 30 September 2022.

Economy

The State Bank of Pakistan has kept the policy rate unchanged since the last hike in July 2022 when the rate was increased to 15%. Monetary Policy Statement cited various reasons in support of the decision including fall in headline inflation to 23.2% in Sep 2022 from 27.3% in Aug 2022 driven by a reduction in electricity prices. Desired moderation in economic activity has become more visible though core inflation continued to drift upwards in both rural and urban areas fueled by supply side shocks. The current account and trade deficits narrowed significantly in Aug-Sep, and the Rupee has recouped some of its losses following the recent depreciation. In Sep 2022, Pakistan's trade deficit reduced by 20% YoY to USD2.8bn led by a sharp decline in imports. Moody's downgraded Pakistan's local and foreign debt ratings to Caa1 from B3 along with decline in the deposit rating of five commercial banks. The downgrade was due to increased government liquidity requirements, external vulnerability risks and higher debt sustainability risks, in the aftermath of devastating floods.

The Asian Development Bank's ("ADB") expectation for GDP growth in FY2023 is 3.5% from approx. 6% in FY2022. Inflation rate in Pakistan is likely to decline in the coming months while interest rate scenario is expected to remain stable with expectations of downward trend next year to stimulate economy. Pak Rupee is expected to stabilize with foreign inflows and reduction in trade deficit.

The most significant recent development is that Financial Action Task Force ("FATF") on 21st October excluded Pakistan from the grey list of the global watchdog on terror financing and money laundering after four long years. It had become increasingly difficult for the country to negotiate financial aid with the IMF, the World Bank, the ADB, and the European Union. One of the structural benchmarks laid down by IMF for Pakistan stated 'Adoption of measures to strengthen the effectiveness of the AML/CFT framework to support the country's efforts to exit the FATF list of jurisdictions with serious deficiencies.'

Financial Performance

The outstanding portfolio size amounted to PKR 323.38 million at September 30, 2022 (June 30, 2022: PKR 309.38 million) with sound recovery from outstanding portfolio and utilization of funds in lending activities. During the period under review, overall revenues have been recorded at PKR 19.31 million compared to PKR 10.22 million in corresponding period last year. Total expenses for the period were PKR 8.0 million. The Modaraba posted profit after tax at PKR 6.04 million compared to Rs.3.31 million in the corresponding period after recording tax expense of PKR 1.98 million.

The process for merger of First Pak Modaraba and KASB Modaraba into First Prudential Modaraba is underway and expected to materialize soon under the approved Scheme of Arrangement.

Governance

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

Acknowledgement

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

On behalf of the Board

Karim Hatim
Chief Executive

Abdul Jaleel Shaikh
Director

Date: 28th October, 2022

ڈائریکٹرز کی رپورٹ:

30 ستمبر 2022 کو ختم ہونے والی تین ماہ کی مدت کے لیے

اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، فرسٹ پروڈینشل مضاربہ کی انتظامی کمپنی، ہمیں 30 ستمبر 2022 کو ختم ہونے والی تین ماہ کی مدت کے لیے پہلے پروڈنشل مضاربہ کے غیر آڈٹ شدہ مالیاتی نتائج کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی ہو رہی ہے۔

معیشت:

اسٹیٹ بینک آف پاکستان نے جولائی 2022 میں آخری اضافے کے بعد سے پالیسی ریٹ میں کوئی تبدیلی نہیں کی تھی جب شرح کو بڑھا کر 15 فیصد کر دیا گیا تھا۔ مانیٹری پالیسی کے بیان میں فیصلے کی حمایت میں مختلف وجوہات کا حوالہ دیا گیا جس میں بجلی کی قیمتوں میں کمی کی وجہ سے اگست 2022 میں 27.3 فیصد سے ستمبر 2022 میں ہیڈ لائن افراط زر میں 23.2 فیصد تک گرنا شامل ہے۔ اقتصادی سرگرمیوں میں مطلوبہ اعتدال زیادہ واضح ہو گیا ہے حالانکہ بنیادی افراط زر دیہی اور شہری دونوں علاقوں میں اوپر کی طرف بڑھ رہا ہے جس کی وجہ سپلائی سائیڈ شاکس ہیں۔ کرنٹ اکاؤنٹ اور تجارتی خسارہ اگست۔ستمبر میں نمایاں طور پر کم ہوا، اور روپے نے حالیہ گراوٹ کے بعد اپنے کچھ نقصانات کو پورا کیا ہے۔ ستمبر 2022 میں، پاکستان کا تجارتی خسارہ سالانہ 20 فیصد کم ہو کر 2.8 بلین امریکی ڈالر تک پہنچ گیا جس کی وجہ درآمدات میں شدید کمی تھی۔ موڈیز نے پانچ کمرشل بینکوں کی ڈپازٹ ریٹنگ میں کمی کے ساتھ پاکستان کے مقامی اور غیر ملکی قرضوں کی درجہ بندی کو B3 سے گھٹا کر Caa1 کر دیا۔ یہ کمی تباہ کن سیلابوں کے نتیجے میں حکومتی لیکویڈیٹی کی بڑھتی ہوئی ضروریات، بیرونی خطرے کے خطرات اور قرضوں کی پائیداری کے زیادہ خطرات کی وجہ سے ہوئی۔

ایشیائی ترقیاتی بینک ("ADB") کی مالی سال 2023 میں جی ڈی پی کی نمو کی توقع تقریباً 3.5 فیصد ہے۔ مالی سال 2022 میں 6 فیصد۔ پاکستان میں آنے والے مہینوں میں افراط زر کی شرح میں کمی کا امکان ہے جبکہ شرح سود کا منظر نامہ مستحکم رہنے کی توقع ہے جس کی توقع ہے کہ اگلے سال معیشت کو متحرک کیا جا سکے گا۔ پاکستانی روپیہ غیر ملکی آمدورفت اور تجارتی خسارے میں کمی کے ساتھ مستحکم ہونے کی توقع ہے۔

سب سے اہم حالیہ پیش رفت یہ ہے کہ فنانشل ایکشن ٹاسک فورس ("FATF") نے 21 اکتوبر کو پاکستان کو چار سال کے طویل عرصے کے بعد دہشت گردی کی مالی معاونت اور منی لانڈرنگ پر عالمی واچ ڈاگ کی گرے لسٹ سے خارج کر دیا۔ ملک کے لیے آئی ایم ایف، ورلڈ بینک، اے ڈی بی اور یورپی یونین کے ساتھ مالی امداد کے لیے بات چیت کرنا مشکل ہوتا جا رہا تھا۔ پاکستان کے لیے IMF کی طرف سے وضع کردہ ڈھانچہ جاتی معیارات میں سے ایک میں کہا گیا ہے کہ AML / CFT فریم ورک کی مؤثریت کو مضبوط بنانے کے لیے اقدامات کو اپنانا ملک کی FATF کے دائرہ اختیار کی فہرست سے باہر نکلنے کی کوششوں کی حمایت کرنے کے لیے سنگین خامیوں کے ساتھ'۔

مالیاتی کارکردگی:

بقایا پورٹ فولیو کا حجم 30 ستمبر 2022 (30 جون 2022: PKR309.38 ملین) کو 323.38 PKR ملین تھا جس میں بقایا پورٹ فولیو سے درست وصولی اور قرض دینے کی سرگرمیوں میں فنڈز کے استعمال کے ساتھ۔ زیر جائزہ مدت کے دوران، مجموعی آمدنی PKR19.31 ملین ریکارڈ کی گئی ہے جو گزشتہ سال کی اسی مدت میں PKR10.22 ملین تھی۔ اس مدت کے لیے کل اخراجات PKR8.0 ملین تھے۔ مضاربہ نے PKR1.98 ملین کے ٹیکس اخراجات کو ریکارڈ کرنے کے بعد اسی مدت میں 3.31 ملین روپے کے مقابلے PKR6.04 ملین بعد ٹیکس منافع کمایا۔

فرسٹ پاک مضاربہ اور کے اے ایس بی مضاربہ کو فرسٹ پروڈینشل مضاربہ میں ضم کرنے کا عمل جاری ہے اور توقع ہے کہ انتظامات کی منظور شدہ اسکیم کے تحت جلد ہی عملی جامہ پہنایا جائے گا۔

گورننس:

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

اعتراف:

بورڈ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا اعتراف اور تعریف کرنا چاہتا ہے۔ ہم مضاربہ پر اعتماد کرنے کے لیے اس کے صارفین اور سرمایہ کاروں کا شکریہ ادا کرنے کے لیے اس موقع سے فائدہ اٹھانا چاہتے ہیں۔

بحکم بورڈ

کریم حاتم	**عبدالجلیل شیخ**
چیف ایگزیکٹو	**ڈائریکٹر**

تاریخ: 28 اکتوبر 2022

FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

	Note	September 30, 2022 Un-audited	June 30, 2022 Audited
		----------Rupees------------	
ASSETS			
NON CURRENT ASSETS			
Property and equipment - own use	6	**1,885,556**	2,050,776
Property, plant and equipment - Ijarah	7	**17,817,883**	16,651,652
Intangible assets	8	**87,362**	102,778
Investment properties	9	**50,105,000**	50,105,000
Long term portion of diminishing musharika finance	10	**222,698,302**	171,621,644
Long term investments	11	**20,533,912**	20,533,912
Long term advances and deposits	12	**478,729**	537,790
Deferred tax asset	13	**-**	268,542
		313,606,744	261,872,094
CURRENT ASSETS			
Musharika, Murabaha and other finance - net	14	**-**	-
Current portion of Diminishing Musharika Finance	10	**100,681,175**	137,757,329
Investment against repurchase agreement	15	**-**	23,624,891
Investments	16	**3,886,822**	3,796,145
Ijarah rentals receivable	17	**183,985**	336,608
Receivable against sale of agriculture produce - net	18	**-**	-
Advances, prepayments and other receivables	19	**55,298,961**	40,180,762
Taxation recoverable		**12,039,284**	12,039,284
Cash and bank balances	20	**101,200,691**	90,691,899
		273,290,918	308,426,918
TOTAL ASSETS		**586,897,661**	570,299,012
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
87,217,660 modaraba certificates of rupees 10/- each		**872,176,600**	872,176,600
Issued, subscribed and paid-up certificate capital			
87,217,660 modaraba certificates of rupees 10/- each	21	**872,176,600**	872,176,600
Statutory reserve		**158,736,760**	157,527,004
Accumulated loss		**(582,372,452)**	(587,211,477)
		448,540,908	442,492,127
Unrealised gain on remeasurement of investment classified as fair value through other comprehensive income	22	**7,769,197**	7,769,197
		456,310,105	450,261,324
NON CURRENT LIABILITIES			
Long term portion of Ijarah deposits	23	**182,500**	182,500
Deferred tax liability	13	**363,471**	-
CURRENT LIABILITIES			
Short term finance	24	**50,000,000**	50,000,000
Current portion of Ijarah deposits	23	**8,091,281**	7,528,781
Accrued and other liabilities	25	**33,565,706**	25,285,826
Provision for taxation		**6,014,461**	4,670,444
Unclaimed profit distribution		**32,370,137**	32,370,137
		130,041,585	119,855,188
TOTAL EQUITY AND LIABILITIES		**586,897,661**	570,299,012
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes from 1 to 33 form an integral part of these financial statements

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR**

FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Note	**Quarter ended September 30, 2022**	Quarter ended September 30, 2021
		--------Un-audited----------	
		----------Rupees------------	
Income			
Ijarah rentals earned		**1,420,999**	576,143
Income from deposits with banks		**2,135,669**	2,049,995
Income from investment in sukuk		**-**	2,646,909
Income from Modaraba term deposit		**-**	1,519,596
Income from Diminishing Musharika Finance		**13,758,744**	2,532,819
Gain on sale of asset- own		**855,000**	-
Dividend income		**239,267**	-
Rental income from investment properties		**845,958**	845,958
Other income		**49,753**	44,736
		19,305,389	10,216,155
Unrealized (loss) / gain on investments classified as 'fair value through profit or loss	16.2.2	**90,677**	(339,729)
Reversal of provision against doubtful receivables - net		**-**	2,103,804
		19,396,066	11,980,230
Expenses			
Depreciation on Ijarah assets	7	**(1,083,769)**	(662,026)
Administrative expenses		**(8,004,356)**	(6,986,623)
Finance charges		**(2,122,633)**	(448,300)
		(11,210,758)	(8,096,949)
		8,185,308	3,883,281
Modaraba company's remuneration	27	**-**	-
Provision for service sales tax on Management '	28	**-**	-
		-	-
Provision for Workers' Welfare Fund	25.1	**(160,497)**	(76,143)
Profit before taxation		**8,024,811**	3,807,138
Provision for taxation	29	**(1,976,030)**	(493,967)
Profit after taxation		**6,048,781**	3,313,171
Earnings per certificate - basic and diluted	30	**0.07**	0.04

The annexed notes from 1 to 33 form an integral part of these financial statements

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR**

FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Note	**Quarter ended September 30, 2022**	Quarter ended September 30, 2021
		--------Un-audited----------	
		----------Rupees------------	
Profit for the period		**6,048,781**	3,313,171
Other Comprehensive income for the period:			
Items that will be reclassified subsequently to profit and loss			
Unrealized gain/(loss) on remeasurement of investment in sukuk certificates		**-**	(39,930)
Total comprehensive income for the period		**6,048,781**	3,273,241

The annexed notes from 1 to 33 form an integral part of these financial statements

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR**

FIRST PRUDENTIAL MODARABA
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Quarter ended September 30, 2022	Quarter ended September 30, 2021
	--------Un-audited----------	
CASH FLOWS FROM OPERATING ACTIVITIES	----------Rupees------------	
Profit before taxation	**8,024,811**	3,807,138
Adjustments for:		
Dividend income	**(239,267)**	-
Unrealised (gain) on investments	**(90,677)**	339,729
Gain on disposal - own assets	**(855,000)**	-
Depreciation - own use assets	**165,219**	174,233
Depreciation - Ijarah assets	**1,083,769**	662,026
Amortization on intangible assets	**15,417**	15,417
	79,461	1,191,405
Cash flows before movements in working capital	**8,104,272**	4,998,543
Decrease / (increase) in current assets		
Diminishing Musharika Finance	**(14,000,504)**	(7,519,192)
Investment against repurchase agreement	**23,624,891**	-
Ijarah rentals receivable	**152,623**	109,614
Advances, prepayments and other receivables	**(14,710,023)**	(5,445,514)
	(4,933,013)	(12,855,092)
Increase / (decrease) in current liabilities		
Ijarah deposits	**562,500**	(799,050)
Accrued and other liabilities	**8,279,881**	(1,244,800)
	8,842,381	(2,043,851)
	12,013,640	(9,900,400)
Taxes paid	**(349,115)**	(976,242)
Net cash (used in) / flows from operating activities	**11,664,525**	(10,876,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	**239,267**	-
Proceeds from disposal - ijarah assets	**-**	338,414
Proceeds from disposal - own assets	**855,001**	-
Purchase of ijarah assets	**(2,250,000)**	-
Net cash flows / (used in) from investing activities	**(1,155,733)**	338,414
Net decrease in cash and cash equivalents	**10,508,792**	(10,538,229)
Cash and cash equivalents at beginning of the period	**90,691,899**	162,187,832
Cash and cash equivalents at end of the period	**101,200,691**	151,649,603

The annexed notes from 1 to 33 form an integral part of these financial statements

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR**

FIRST PRUDENTIAL MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Issued, subscribed, and paid up certificate capital	*Statutory reserve	Accumulated loss	Total
	(Rupees)			
Balance at July 1, 2021 (Audited)	872,176,600	153,622,591	(595,851,717)	429,947,474
Total comprehensive income for the period				
Profit for the period	-	-	3,313,171	3,313,171
Other comprehensive income for the period	-		-	-
Transfer to statutory reserve	-	662,634	(662,634)	-
Distribution @ 0.8% declared for the year ended June 30, 2021			(6,917,413)	(6,917,413)
Balance at September 30, 2021 (Un-audited)	872,176,600	154,285,225	(600,118,593)	426,343,232
Balance at July 1, 2022 (Audited)	872,176,600	157,527,004	(587,211,477)	442,492,127
Total comprehensive income for the period				
Profit for the period	-	-	6,048,781	6,048,781
Other comprehensive income for the period	-	-	-	-
Transfer to statutory reserve	-	1,209,756	(1,209,756)	-
Balance at September 30, 2022 (Un-audited)	872,176,600	158,736,760	(582,372,452)	448,540,908

*Statutory reserve represents profit set aside to comply with the Modaraba Regulations, 2021 issued by Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 33 form an integral part of these financial statements

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR**

FIRST PRUDENTIAL MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

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 (PCML). In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited (KIPL) had taken over the management and administrative control of First Prudential Modaraba effective from November 13, 2014.

The Registrar (Modarabas), with the approval of the SECP, vide order dated April 03, 2019 appointed an Administrator of the Modaraba to take over and manage the affair of the Modaraba in place of KIPL. As per terms of the order, all the powers and duties of the Modaraba Management Company as well as those of its Board of Directors assumed by the Administrator. The term of the Administrator, for holding the modaraba office, was initially for the period of six months which was gradually enhanced till February 03, 2020 as directed by the SECP.

During 2020, the Registrar (Modarabas), with the approval of the SECP, vide order dated January 31, 2020 appointed Awwal Modaraba Management Limited (AMML) to take over and manage the affair of the Modaraba. AMML (the Management Company) has taken over the management and administrative control of First Prudential Modaraba effective from February 03, 2020.

The registered office of First Prudential Modaraba is situated at 3rd floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5, Clifton, 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.

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

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

2 STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities & Exchange Commission of Pakistan (SECP). In case where requirements differ, the requirements of Modaraba Companies and Modaraba (Floatation & Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended June 30, 2022.

The comparative condensed balance sheet, presented in this condensed interim financial statements as at June 30, 2022 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2022 whereas the comparative condensed interim statement of profit or loss , condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the period ended September 30, 2021 have been extracted from the condensed interim financial statements for the period ended September 30, 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial statements are the same as those applied in preparing the financial statements of the Modaraba for the year ended June 30, 2022.

4 SIGNIFICANT ACCOUNTING ESTIMATES , JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of the condensed interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Modaraba’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Modaraba as at and for the year ended June 30, 2022.

5 BASIS OF PREPARATION

These condensed interim financial statements have been prepared under the historical cost convention, except for certain investments which have been measured at fairvalue.

6 Property and equipment - own use

The following is the statement of operating fixed assets - own use at the reporting date:

Description	September 2022					
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	Vehicles	Total
	Rupees					
At July 01, 2022						
Cost / revalued amount	3,100,000	153,400	2,102,716	163,630	3,743,154	9,262,900
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(634,712)	(153,400)	-	(163,630)	(3,561,717)	(4,513,458)
Carrying amount	1,869,338	-	-	-	181,437	2,050,776
Period ended September 30, 2022						
Opening carrying amount	1,869,338	-	-	-	181,437	2,050,775
Disposal	-	-	-	-	-	-
Depreciation charge for the period	(29,736)	-	-	-	(135,483)	(165,219)
Accumulated depreciation on disposal	-	-	-	-		-
Closing carrying amount	1,839,602	-	-	-	45,954	1,885,556
At September 30, 2022						
Cost / revalued amount	3,100,000	153,400	2,102,716	163,630	3,743,154	9,262,900
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(664,448)	(153,400)	-	(163,630)	(3,697,200)	(4,678,678)
Carrying amount	1,839,602	-	-	-	45,954	1,885,556
Depreciation rate (% per annum)	5	33	20	33	20	

Description	June 2022					
	Office premises	Office equipment	Furniture and fixtures	Computer equipments	Vehicles	Total
	Rupees					
At July 01, 2021						
Cost / revalued amount	3,100,000	870,071	4,258,636	865,588	3,784,654	12,878,949
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(503,750)	(870,071)	(2,155,920)	(865,588)	(3,061,310)	(7,456,639)
Carrying amount	2,000,300	-	-	-	723,344	2,723,644
Year ended June 30, 2022						
Opening carrying amount	2,000,300	-	-	-	723,344	2,723,644
Disposal		(716,671)	(2,155,920)	(701,958)	(41,500)	(3,616,049)
Depreciation charge for the year	(130,962)	-	-	-	(541,907)	(672,868)
Accumulated depreciation on disposal		716,671	2,155,920	701,958	41,500	3,616,049
Closing carrying amount	1,869,338	-	-	-	181,437	2,050,776
At June 30, 2022						
Cost / revalued amount	3,100,000	153,400	2,102,716	163,630	3,743,154	9,262,900
Accumulated impairment / unrealized loss	(595,950)	-	(2,102,716)	-	-	(2,698,666)
Accumulated depreciation	(634,712)	(153,400)	-	(163,630)	(3,561,717)	(4,513,458)
Carrying amount	1,869,338	-	-	-	181,437	2,050,776
Depreciation rate (% per annum)	5	33	20	33	20	

7 PROPERTY, PLANT AND EQUIPMENT - IJARAH

Description	,September 2022			
	Plant and machinery	Office equipment	Vehicles	Total
	Rupees			
As at July 01, 2022				
Cost	47,978,781	801,000	72,515,500	121,295,281
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(45,930,152)	(78,444,290)
Carrying amount	7,208,781	-	9,442,871	16,651,652
Period ended September 30, 2022				
Opening carrying amount	7,208,781	-	9,442,871	16,651,652
Additions - at cost	-	-	2,250,000	2,250,000
Disposal - carrying amount	-	-	-	-
Depreciation charge for the year	-	-	(1,083,769)	(1,083,769)
Depreciation on disposal	-	-	-	-
Closing carrying amount	7,208,781	-	10,609,102	17,817,883
As at September 30, 2022				
Cost	47,978,781	801,000	74,765,500	123,545,281
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(47,013,921)	(79,528,059)
Carrying amount	7,208,781	-	10,609,102	17,817,883
Useful life (months)	36 to 60	24 to 60	24 to 60	

Description	June 2022			
	Plant and machinery	Office equipment	Vehicles	Total
	Rupees			
As at July 01, 2021				
Cost	47,978,781	801,000	71,260,000	120,039,781
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(50,976,042)	(83,490,180)
Carrying amount	7,208,781	-	3,141,481	10,350,262
Year ended June 30, 2022				
Opening carrying amount	7,208,781	-	3,141,481	10,350,262
Additions - at cost	-	-	10,251,000	10,251,000
Disposal - carrying amount	-	-	(8,995,500)	(8,995,500)
Depreciation charge for the year	-	-	(2,798,810)	(2,798,810)
Depreciation on disposal	-	-	7,844,700	7,844,700
Closing carrying amount	7,208,781	-	9,442,871	16,651,652
As at June 30, 2022				
Cost	47,978,781	801,000	72,515,500	121,295,281
Accumulated impairment	(8,768,012)	(288,850)	(17,142,477)	(26,199,339)
Accumulated depreciation	(32,001,988)	(512,150)	(45,930,152)	(78,444,290)
Carrying amount	7,208,781	-	9,442,871	16,651,652
Useful life (months)	36 to 60	24 to 60	24 to 60	

	Note	September 30 2022 Un-audited	June 30 2022 Audited
		----------Rupees------------	

8 INTANGIBLE ASSETS

	Note	September 30 2022	June 30 2022
Computer software	8.1	**87,362**	102,778
PSX - Trading rights entitlement certificates (TREC)	8.2	**-**	-
		87,362	102,778

8.1 Computer software

		September 30 2022	June 30 2022
Opening balance		**2,012,847**	2,012,847
Addition / (disposal)		**-**	-
Closing balance		**2,012,847**	2,012,847
Amortization			
Opening balance		**(1,910,069)**	(1,848,402)
Charge for the year (rate 33.33%)		**(15,417)**	(61,667)
		(1,925,485)	(1,910,069)
Closing balance		**87,362**	102,778

8.2 PSX - Trading rights entitlement certificates (TREC)

	Note	September 30 2022	June 30 2022
PSX - Trading rights entitlement certificates (TREC)		**5,344,352**	5,344,352
Impairment of TREC	8.2.2	**(5,344,352)**	(5,344,352)
		-	-

8.2.1 Lahore Stock Exchange (LSE) membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance of a defaulted party.

Pursuant to demutualization of LSE, the membership card had been surrendered to the Exchange against the following;

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

As per the mechanism prescribed by the LSE, the carrying value of the membership card is allocated as follows:

		September 30 2022 Un-audited	June 30 2022 Audited
		----------Rupees------------	
Trading Right Entitlement Certificate (TREC).	8.2.2	**5,344,352**	5,344,352
Broker's room	8.2.3	**4,217,500**	4,217,500
Ordinary shares of face value of Rs. 10/- each of LSE	8.2.4	**12,764,715**	12,764,715
		22,326,567	22,326,567

8.2.2 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 be 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.

8.2.3 The carrying amount of the Broker's room is included in "property and equipment - own use" under office premises (refer note 6).

8.2.4 The carrying amount of ordinary shares is included in "long term investment" (refer note 11).

9 INVESTMENT PROPERTIES - CARRIED AT FAIR VALUE

The following is the statement of investment property at the reporting date:

Description	Office suite	Four shops	Total
		Rupees	
Net carrying value basis period ended September 30, 2022			
Opening net book value	33,705,000	16,400,000	50,105,000
Closing net book value	33,705,000	16,400,000	50,105,000
Gross carrying value basis period ended September 30, 2022			
Cost / revalued amount	33,705,000	16,400,000	50,105,000
Closing net book value	33,705,000	16,400,000	50,105,000
Net carrying value basis year ended June 30, 2022			
Opening net book value	29,800,000	16,400,000	46,200,000
Closing net book value	33,705,000	16,400,000	50,105,000
Gross carrying value basis year ended June 30, 2022			
Cost / revalued amount	29,800,000	16,400,000	46,200,000
Surplus on revaluation of investment property	3,905,000	-	3,905,000
Closing net book value	33,705,000	16,400,000	50,105,000

9.1 Office suite represents two offices in Lakson Sqaure, Karachi, acquired through a settlement agreement. The property is let on rent and therefore, disclosed as investment property.

9.2 Represents shops in Zarkoon Plaza, Sadar, Rawalpindi acquired through a settlement agreement.

9.3 Investment property is revalued by an independent valuer named Ocean Surveyors (Private) Limited as at June 30, 2022.

	Note	September 30 2022 Un-audited	June 30 2022 Audited
		----------Rupees------------	

10 DIMINISHING MUSHARIKA

	Note	September 30 2022 Un-audited	June 30 2022 Audited
Diminishing Musharika			
Principal		**318,918,377**	306,715,428
Profit	10.1	**4,461,100**	2,663,545
		323,379,477	309,378,973
Less: Current portion of diminishing musharika		**100,681,175**	137,757,329
		222,698,302	171,621,644

10.1 This represent diminishing musharaka financing for a term of 3 to 5 years. These carry profit rate ranging from 11.85% and 20.00% (2021: 11.85% and 19.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

11 LONG TERM INVESTMENTS

	Note	September 30 2022 Un-audited	June 30 2022 Audited
		----------Rupees------------	
Investment classified as 'fair value through other comprehensive income			
Unlisted Companies	11.1	20,533,912	20,533,912

11.1 Unlisted companies

September 30 2022 Un-audited	June 30 2022 Audited		Note	September 30 2022 Un-audited	June 30 2022 Audited
----------Rupees------------ Number of Shares				----------Rupees------------	
1,107,244	1,107,244	**Prudential Securities Limited**			
		Cost	11.1.1	4,173,707	4,173,707
		Less: Impairment		(4,173,707)	(4,173,707)
				-	-
191,700	191,700	**Prudential Discount and Guarantee House Limited**			
		Cost	11.1.1	1,041,815	1,041,815
		Less: Impairment		(1,041,815)	(1,041,815)
				-	-
843,975	843,975	**LSE Financial Services Limited**			
		Cost	11.1.2	12,764,715	12,764,715
		Fair value adjustment		7,769,197	7,769,197
				20,533,912	20,533,912
				20,533,912	20,533,912

11.1.1 Due to adverse financial conditions of the investee Company, investments have been fully impaired.

11.1.2 This represent shares acquired against the surrender of Pakistan Stock Exchange (PSX) formerly Lahore Stock Exchange Limited (LSE) membership card. The Modaraba has recognized a fair value adjustment based on audited financial statements of the Investee Company for the year ended June 30, 2021, the break up value of which is Rs. 24.33 per share. Under the current circumstances , the active market is not available for such shares, therefore the net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

		Note	September 30 2022 Un-audited	June 30 2022 Audited
12	**LONG TERM ADVANCES AND DEPOSITS**		----------Rupees------------	
12.1	**Long term advances**			
	Secured and interest free			
	To employees - considered good		**500,033**	559,094
	Less: Due within one year shown under current assets		**248,804**	248,804
			251,229	310,290
12.2	**Long term deposits**			
	Margin deposit	12.2.1	**3,000,000**	3,000,000
	Other deposits		**227,500**	227,500
			3,227,500	3,227,500
	Less: Provision against doubtful amounts	12.2.2	**(3,000,000)**	(3,000,000)
			227,500	227,500
			478,729	537,790

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

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

		Note	September 30 2022 Un-audited	June 30 2022 Audited
13	**DEFERRED TAXATION - NET**		----------Rupees------------	
	The defferred tax asset / (liability) is attributable to the following items			
	Deductible temporary differences			
	Tax losses carry forward		**982,585**	2,327,938
	Alternate corporate tax		**1,069,801**	1,935,692
	Chargeable temporary differences			
	Property, Plant & Equipment		**(162,790)**	(1,742,021)
	Long term investments		**(2,253,067)**	(2,253,067)
			(363,471)	268,542

		Note	September 30 2022	June 30 2022
14	**MUSHARIKA, MURABAHA AND OTHER FINANCE**			
	Musharaka and morabaha finance			
	Considered good		**-**	-
	Considered doubtful	14.1	**352,230,694**	352,230,694
			352,230,694	352,230,694
	Less: Provision against doubtful debts		**(352,230,694)**	(352,230,694)
			-	-
	Other finance - unsecured			
	Considered good		**-**	-
	Considered doubtful	14.2	**5,259,509**	5,259,509
			5,259,509	5,259,509
	Less: Provision against doubtful debts	14.2.1	**(5,259,509)**	(5,259,509)
			-	-

14.1 This include amount of Musharaka and Morabaha finance receivable from various parties, outstanding since many years. Based on the guidelines of Modaraba Regulations outstanding balances against these finances have been fully provided and suspended accordingly.

		September 30 2022 Un-audited	June 30 2022 Audited
14.2 Movement of provision for other finance	**Note**	----------Rupees----------	
Opening balance		**5,259,509**	7,363,313
Reversal of provision during the year		**-**	(2,103,804)
Closing balance		**5,259,509**	5,259,509

14.2.1 During the year 2020, the Modaraba concluded settlement agreement with a defaulted customer. The case was under litigation, therefore, compromise application has been submitted with the Court, which was duly allowed to effect the amicable settlement.

Provision against the receivable is reversed to the extent of actual recovery up to September 30, 2022.

		September 30 2022 Un-audited	June 30 2022 Audited
	Note	----------Rupees----------	
15 INVESTMENTS AGAINST REPURCHASE AGREEMENT		**-**	23,624,891

		September 30 2022 Un-audited	June 30 2022 Audited
16 INVESTMENTS	**Note**	----------Rupees----------	
Amortised cost			
Term Deposits Receipts - considered doubtful	16.1	-	-
Fair value through profit or loss			
Quoted securities	16.2	**3,886,822**	3,796,145
		3,886,822	3,796,145

16.1 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 upto the date of settlement agreement were 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:

		September 30 2022 Un-audited	June 30 2022 Audited
	Note	----------Rupees----------	
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		(3,219,433)	(3,219,433)
Net receivable		4,780,567	4,780,567
Less: provision against doubtful recoveries	16.1.1	(4,780,567)	(4,780,567)
		-	-

16.1.1 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) then Karachi Stock Exchange Limited (KSE) membership as authorized 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.

16.2 **Quoted securities**

Following is the detail of shares of listed entities - held by the Modaraba at the reporting date:

Shares of listed companies - Fully paid up ordinary shares of Rs. 10 each, unless stated otherwise:

September 30 2022 Un-audited	June 30 2022 Audited			**September 30 2022 Un-audited**	June 30 2022 Audited
---------Rupees----------				**---------Rupees----------**	
Number of Shares / Units		**Name of Investee Company / Fund**	**Note**		
525	525	Nishat Mills Limited*		**35,763**	38,803
54,367	54,367	The Hub Power Company Limited		**3,800,797**	3,706,198
1,495	1,495	Sui Northern Gas Pipeline Limited*		**50,262**	51,144
348	348	Hussain Industries Limited*	16.3.1	**-**	-
1,670,720	1,670,720	Prudential Stock Fund	16.3.1	**-**	-
360,000	360,000	Zeal-Pak Cement Factory Limited	16.3.1	**-**	-
2,087,455	2,087,455			**3,886,822**	3,796,145

16.2.1 These investee Companies and Fund are suspended or delisted in prior years, and have been provided in full.

* These shares are not in the name of the Modaraba: Nishat Mills Limited 25 (2020: 25) shares (Second Prudential Modaraba), Sui Northern Gas Pipeline Limited 254 (2020: 254) shares and Hussain Industries Limited 348 (2020: 348) shares (Third Prudential Modaraba).

16.2.2 **Net unrealized (loss) / gain on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net**

	Note	**September 30 2022 Un-audited**	June 30 2022 Audited
		----------Rupees------------	
Weighted average cost of investments		**3,796,146**	4,453,029
Unrealized (loss) / gain on changes in fair value		**90,677**	(656,883)
Market value of investments		**3,886,822**	3,796,146

			September 30 2022 Un-audited	June 30 2022 Audited
17	**IJARAH RENTAL RECEIVABLE**		----------Rupees------------	
	Considered good		**183,985**	336,608
	Considered doubtful		**49,083,826**	49,083,826
			49,267,811	49,420,434
	Less: provision for doubtful receivables		**(49,083,826)**	(49,083,826)
			183,985	336,608
17.1	**Future minimum ijarah rentals receivable**			
	Within one year		**5,747,176**	5,169,862
	After one year but not more than five years		**7,689,378**	6,673,225
			13,436,554	11,843,087
18	**RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE - SECURED**			
	Considered doubtful	18.1	**27,811,518**	27,811,518
	Less: Provision for doubtful receivables		**(27,811,518)**	(27,811,518)
			-	-

18.1 During 2016 KASB Modaraba (KASBM) & First Prudential Modaraba (FPrM) entered into a joint project for crushing of banola seed and sale of oil cake (Khal) in the market. M/s Pakistan Phutti International Limited (PPIL) was engaged as seller & service provider responsible for sale of agriculture produce. Subsequently, natural cyclical shortage in productivity of cotton crop affected the availability of the banola seed and therefore the project was prudently discontinued by the management to safeguard the interest of the Modaraba. As per settlement agreement dated April 27, 2016, with PPIL advance for purchase of banola seed was converted into ijarah finance (secured) leaving a balance of Rs. 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 which is pending adjudication. The management and the legal counsel are optimistic on favorable outcome of the case. However, on prudent basis the management has fully provided the outstanding balance. The details of receivables are as under:

	KASBM	**FPrM**	**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
Provision for doubtful receivable against sale of agriculture produce	(18,200,140)	(27,811,518)	(46,011,658)
	-	-	-

19 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	Considered good		Considered doubtful		Total	
		Sep 2022	June 2022	Sep 2022	June 2022	Sep 2022	June 2022
		----- Rupees -----					
Advance							
Income tax	19.1	13,320,620	12,971,505	-	-	13,320,620	12,971,505
To staff - Secured	19.2 & 19.2.1	248,804	248,804	1,814,000	1,814,000	2,062,804	2,062,804
Against purchase of assets		36,659,500	22,661,500	-	-	36,659,500	22,661,500
Prepayments		355,765	249,304	-	-	355,765	249,304
Other receivables from							
Brokers on account							
- of sale of shares	19.3	-	-	65,619,559	65,619,559	65,619,559	65,619,559
- of advance for shares	19.4	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	19.5	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks		963,110	1,089,958	-	-	963,110	1,089,958
Return on investment in Sukuk / TDR		-	-			-	-
Others		3,751,161	2,959,691	13,466,235	13,466,235	17,217,396	16,425,926
Sub total		55,298,961	40,180,762	109,573,414	109,573,414	164,872,375	149,754,176
Provision for doubtful receivables		-	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
		55,298,961	40,180,762	-	-	55,298,961	40,180,762

19.1 This includes an amount of Rs. 1.674 million forcefully withdrawn from bank by the Taxation Authorities on March 14, 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 Additional Commissioner of Inland Revenue in favor of the Modaraba has been ignored. The management is confident that the amount will be recovered from the tax authority.

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

19.2.1 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 of previous Modaraba Management Company (Prudential Capital Management Limited) for the purchase of a motor vehicle. The Modaraba has initiated legal proceedings for the recovery of said amount from the ex-managing director.

19.3 The doubtful amount includes claim of Rs. 64.62 million receivable from a defaulted stock broker – Investec Securities Limited. Various proposals were initiated in past but none of them was materialized for settlement. In one of the proposal, the said broker has offered / transferred shares and certificates of following entities which were not acknowledged by the Management of the Modaraba, owing to the weak financial position of the entities and significance of the amount of claim. Accordingly, the management of the Modaraba has not accepted the shares / certificates as satisfaction of claim and same is not recorded in the books of account. 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

19.4 This amount includes Rs. 17.889 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.

Name of companies	No. of Shares
Al-Ghazi Tractors Limited	500
Javed Omer Vohra & Company Limited	1,000
Pakistan Petroleum Limited	2,100

Operations of PSL have 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.

19.5 This represents an unauthorised 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 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 of the Modaraba 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.

20 CASH AND BANK BALANCES	Note	**September 30 2022 Un-audited**	June 30 2022 Audited
		----------Rupees------------	
Cash in hand		**10,000**	-
Balances with banks			
Current accounts		**15,031,427**	15,019,362
Saving accounts	20.1	**86,159,264**	75,672,537
		101,190,691	90,691,899
		101,200,691	90,691,899

20.1 The balance in saving accounts carry profit at an average rates ranging from 3.75% to 12.80% per annum (June 30, 2022: 2.75% to 11.75% per annum).

21 CERTIFICATE OF CAPITAL

September 30 2022 Un-audited	June 30 2022 Audited		September 30 2022 Un-audited	June 30 2022 Audited
----------Rupees-----------			----------Rupees------------	
No. of certificates				
		Authorised		
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
87,217,660	87,217,660		872,176,600	872,176,600

As at September 30, 2022, Awwal Modaraba Management Limited, the management company, held 8,721,766 (2021: June 30, 2022: 8,721,766) certificates of Rs. 10/- each.

		September 30 2022 Un-audited	June 30 2022 Audited
22 UNREALISED GAIN / (LOSS) ON REMEASUREMENT OF INVESTMENTS CLASSIFIED AS 'FVTOCI'		**----------Rupees------------**	
Market value of investments	11.1.2	**20,533,912**	20,533,912
Less: cost of investments	11.1.2	**(12,764,715)**	(12,764,715)
		7,769,197	7,769,197
23 IJARAH DEPOSITS			
Ijarah deposits		**8,273,781**	7,711,281
Less: Current portion ijarah deposit		**(8,091,281)**	(7,528,781)
		182,500	182,500
24 **SHORT TERM FINANCE**	24.1	**50,000,000**	50,000,000

24.1 The Modaraba has availed finance facility of Rs. 50 million under Wakala Agreement dated December 31, 2021 from Pak Brunei Investment Company Limited (PBICL). As per terms of the agreement, PBIC acts as Muwakkil (the principal) and Modaraba as Wakil (the agent) to execute the Shariah Compliant transactions through and as part of the Wakil's pool of assets for deployment of funds under the extended facility.

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

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

25 ACCRUED AND OTHER LIABILITIES

	Note	September 30 2022 Un-audited	June 30 2022 Audited
		----------Rupees------------	
Accrued expenses		**1,594,570**	1,173,136
Modaraba Company's remuneration	27	**2,615,235**	2,615,235
Share in common expenses		**9,233,363**	6,626,206
Takaful		**1,980,625**	1,677,911
Workers' welfare fund	25.1	**2,130,547**	1,970,050
Charity payable	25.2	**463,319**	320,304
Client share against diminihing musharika finance		**10,596,310**	6,992,600
Others		**4,951,737**	3,910,385
		33,565,706	25,285,826

25.1 The Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 (the SWWF Act) on June 4, 2015. As per the said SWWF Act the applicability of Sindh Worker's Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly provision has been made at the rate of 2% of profit before taxation or taxable income , whichever is higher , effective after June 30, 2014. During the period an amount of Rs. 160,497 (September 30, 2021: Rs.76,143) have been provided.

25.2 This includes amounts relating to charity accrued on various non-Shariah compliant avenues. The management utilizes 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.

	September 30 2022 Un-audited	June 30 2022 Audited
Charity payable	----------Rupees------------	
Opening balance	**320,304**	1,304,466
Add: Amount credited during the period	**143,015**	730,304
	463,319	2,034,770
Less: Paid during the period	**-**	(1,714,466)
Closing balance	**463,319**	320,304

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 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. The Modaraba filed an appeals and hence, no provision has been made in these financial statements in this regard as the management is confident that outcome of the appeals will be decided in favour of the Modaraba.

26.1.2 The Modaraba received a letter dated October 01, 2018 from the Assistant Commissioner (Unit-12) of the Sindh Revenue Board (SRB), wherein, it is mentioned that through scrutiny of the financial statements of the Modaraba (for the periods from July 2011 to March 2018 fiscal year years 2012-2017), it came to their notice that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the SSTS Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions remains outstanding which aggregated to Rs. 29.527 million. Such letters were also received by some other Modarabas and it was collectively decided that under the supervision of NBFI and Modaraba Association Pakistan, a petition against the same was filed through a common legal counsel.

Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease rentals / lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the HCS stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners. The matter is pending adjudication at the reporting date.

26.2 Commitment

There was no commitment as at the reporting date.

27 MODARABA COMPANY'S REMUNERATION

27.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba.

28 PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax (SST) on the Modaraba Management Company's remuneration with effect from 01 November 2011. However, certain modaraba management companies have approached the Honourable Sindh High Court (the Court) and Appellate Tribunal of SRB, challenging the levy of SST on management company's remuneration. The Modaraba Management Company has not received any demand notice from SRB for payment of SST on Management Company's remuneration and accordingly, based on legal advisor's opinion obtained by one of the Modaraba under common management, can neither file any petition challenging the levy of SST on Management Company's remuneration nor can join the proceedings of pending petition in the Court. As a matter of abundant caution the management is accruing SST on Management Company's remuneration and will discharge the liability on direction of the Court based on outcome of the petition filed by other Modaraba Management Companies.

29 PROVISION FOR TAXATION

	September 30 2022 Un-audited	September 30 2021 Un-audited
	----------Rupees------------	
Current	**1,344,017**	493,967
Deferred	**632,013**	-
	1,976,030	493,967

30 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

	September 30 2022 Un-audited	September 30 2021 Un-audited
Basic	----------Rupees------------	
Profit for the year	**6,048,781**	3,313,171
Weighted average number of ordinary certificates	**87,217,660**	87,217,660
Earnings per certificate	**0.07**	0.04

Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at reporting date which would have any effect on the earnings per certificate if the option to convert is exercised.

31 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, Modarabas under common management (Awwal Modaraba, KASB Modaraba and First Pak Modaraba), other associated companies, staff retirement funds, Directors and Key Management Personnel. Transactions with related parties are carried out at agreed rates.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Modaraba. The Modaraba considers its Chief Financial Officer and business heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement. Details of certificate holding of Holding Company, Management Company, Directors, Key Management Personnel and their family members are disclosed in pattern of certificate holding included in the annual report of the Modaraba.

Amounts outstanding as at period / year end

Name of the company / individual	Relationship with the Modaraba	Nature of Transactions	September 30 2022 Un-audited	June 30 2022 Audited
			----------Rupees----------	
Balances with related parties				
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Short Term Finance	(50,000,000)	(50,000,000)
		Payable shared service cost	(485,872)	(485,872)
Awwal Modaraba Management Limited	Modaraba Management Company	Management Company's remuneration	(2,615,235)	(2,615,235)
Awwal Modaraba	Modaraba under common management	Payable against sharing of common expenses	(2,012,029)	(1,344,539)
		Payable against cost of deputed employee	(5,348,221)	(3,730,397)
KASB Modaraba	Modaraba under common management	Payable against sharing of common expenses	(1,387,241)	(972,680)
First Pak Modaraba	Modaraba under common management	Receivable against sharing of common expenses	14,323	14,323

			September 30 2022 Un-audited	September 30 2021 Audited
			----------Rupees----------	
Expenses/(income) during the period				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	47,076	47,076
Pak Brunei Investment Company Limited	Holding Company of the Management Company	Return on modraba term deposit	-	(1,519,596)
		Return on musharaka finance	-	460,636
		Return on Short Term Finance	2,114,740	-
		Shared services cost	1,493,956	1,457,616
Awwal Modaraba	Modaraba under common management Company	Sharing of common expenses	667,490	377,662
		Staff cost of deputed employee	1,617,824	1,725,849
KASB Modaraba	Modaraba under common management	Sharing of common expenses	414,561	276,561
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	-	(17,250)
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	61,086	100,647
Payments/(receipts) made during the period				
First Prudential Modaraba - Provident Fund Trust	Staff provident fund	Contribution made	47,076	47,076
		Return on modraba term deposit	-	(1,486,916)
		Return on Short Term Finance	2,114,740	-
		Shared service cost	1,493,956	1,457,616
Awwal Modaraba Management Limited	Modaraba Management Company	Management Company's remuneration	-	937,626
Awwal Modaraba	Modaraba under common management	Sharing of common expenses	-	586,270
		Staff cost of deputed employee	-	842,247
KASB Modaraba	Modaraba under common management	Sharing of common expenses	-	386,792
First Pak Modaraba	Modaraba under common management	Sharing of common expenses	-	(69,347)
Jubilee Life Insurance Co. Ltd	Other related party	Takaful premium	61,086	100,647

32 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in these financial statements.

33 DATE OF AUTHORISATION

These financial statements were authorised for issue on __________by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE OFFICER**	**DIRECTOR**	**DIRECTOR**

FIRST PRUDENTIAL MODARABA

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QUARTERLY REPORT SEPTEMBER , 2022