



FIRST PRUDENTIAL MODARABA

HALF YEARLY REPORT
FOR THE PERIOD ENDED
DECEMBER 31, 2016 (UN-AUDITED)
(REVIEWED BY EXTERNAL AUDITORS)

If undelivered please return to :

First Prudential Modaraba

8-C, Block-6, PECHS, Off. Sharah-e-Faisal, Karachi.
Tel: 021-34398852-5, 021-34370141

Managed by :
KASB Invest (Private) Limited

CORPORATE INFORMATION

Board of Directors	Syed Waseem -ul- Haq Haqqie Syed Muhammad Rehmanullah Farukh S. Ansari Rashid K. Siddiqui	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 Rashid K. Siddiqui	Chairman Member Member Member
Chief Financial Officer	Aftab Afroz Mahmoodi	
Company Secretary	Zia - ul - Haq	
Head of Internal Audit	Syed Shahid Owais	
Management Company	KASB Invest (Private) Limited	
Registered & Head Office	8-C, Block-6, PECHS, Off. Sharah-e-Faisal, Karachi. Tel: 021-34398852-5, 021-34370141	
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	

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DIRECTOR'S REPORT

The Board of Directors of KASB Invest (Private) Limited, the Management Company of First Prudential Modaraba is pleased to present the half yearly unaudited financial statements of the Modaraba for the half year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

Financial highlights for the period under review are summarized as under:-

	December 31, 2016 Rs "000"	June 30, 2016 Rs "000"
BALANCE SHEET		
Cash and bank balances	124,453	241,497
Investments	27,793	26,486
Diminishing Musharakah Finance	64,910	40,037
Ijarah Assets	60,578	89,520
Musharika, morabaha & other finances	81,571	-
Total Assets	512,167	512,087
Net Assets	443,409	452,391

PROFIT & LOSS ACCOUNT

Gross Income	57,807	26,479
Operating & Financial Charges	(50,425)	(15,877)
Management Company Fee	(577)	(895)
Net Profit/Loss for the Year	6,717	9,572
Earning per Modaraba Certificate (Rupees)	0.07	0.10

OPERATIONS AND PERFORMANCE

The first half of the Modaraba ended with a positive bottom line, by the Grace of the Almighty Allah, with a net profit of PKR. 6.72 million (December 31, 2015: PKR. 9.57 million). The gross revenue increased to PKR. 57.81 million in the current period as compared to PKR. 26.48 million in the corresponding period. This is majorly because of increase in Ijarah and Diminishing Musharika financing during the period. The operating and financial charges remained PKR. 50.43 million as compared to PKR. 15.88 million in the corresponding period. Major contributor to such increase is the depreciation on the Ijarah assets which increased from PKR. 3.45 million in the corresponding period to PKR. 35.88 million in the current period.

During the period, modaraba increased its investment in Diminishing Musharika Finance from PKR. 40.04 million as on December 31, 2015 to PKR. 64.91 million as on December 31, 2016. Ijarah assets decreased from PKR. 89.52 million as on December 31, 2015 to PKR. 60.58 million as on December 31, 2016. No fresh provision was required to be made against receivables during the current period. This is because of management's conservative approach and vigorous follow-ups on financing projects.

The Modaraba would continue to invest in low risk Diminishing Musharika and Ijarah financing for suitable returns. Modaraba would also ensure steady growth to build a sound institution for Islamic financing.

FUTURE PROSPECTS

Your Modaraba would keep investing in secured low risk sharia compliant business avenues for long term profitability. With a conservative investment and financing business approach, the modaraba would keep recovery from old outstandings as its focal point for release of stuck up funds and better performance.


The planned merger of First Pak Modaraba and First Prudential Modaraba would bring about substantial positive changes in the business results through synergy and economies of scale.

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 Muhammad Rehmanullah
Director

Karachi.

Dated: February 28, 2017

ڈائریکٹرز رپورٹ

کے۔ اے۔ ایس۔ بی انویسٹ (پرائیویٹ) لمیٹڈ انتظامی کمپنی برائے فرسٹ پروڈینشل مضاربہ، کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کی 31 دسمبر 2016 کو اختتام پذیر ہونے والی ششماہی کا غیر آڈٹ شدہ مالیاتی گوشوارہ پیش کر رہا ہے

مالیاتی جھلکیاں

زیر جائزہ مدت کیلئے مالیاتی جھلکیاں درج ذیل ہیں۔

بیلنس شیٹ	31 دسمبر 2016	30 جون 2016
لقد اور بک بیلنس	124,453	241,497
سرمایہ کاری	27,993	26,486
شرکت متناقصہ مالیات	64,910	40,037
اجارہ اثاثہ جات	60,578	89,520
مشارکہ، مراہجہ و دیگر مالیات	81,571	--
کل اثاثہ جات	512,167	512,087
خالص اثاثہ	443,409	452,391

نفع و نقصان کا حساب	13 دسمبر 2016	31 دسمبر 2015
مجموعی آمدنی	57,807	26,479
انتظامی و مالیاتی اخراجات	(50,425)	(18,877)
میتجسٹ کپیٹی فیس	(577)	(895)
خالص منافع برائے موجودہ مدت	6,717	9,572
فی حصہ آمدنی	0.07	0.10

انتظامی کارکردگی

اللہ تعالیٰ کے فضل و کرم سے مضاربہ کی پہلی ششماہی کے نتائج 6.72 ملین روپے (31 دسمبر 2015: 9.57 ملین روپے) کے خالص منافع کے ساتھ مثبت رہے۔

مجموعی آمدنی میں گزشتہ سال کی اس ششماہی کے مقابلے میں اضافہ ہوا جو کہ اس ششماہی میں 57.81 ملین روپے رہی۔ اس اضافے کی بنیادی وجہ اجارہ مالیات اور شرکت متناقصہ مالیات میں خاطر خواہ اضافہ رہا۔ انتظامی و مالیاتی اخراجات 50.43 ملین روپے رہے جو کہ گزشتہ سال کی اسی ششماہی میں 15.88 ملین روپے تھے۔ اس اضافے کی اہم وجہ اجارہ اثاثہ جات میں فرسودگی ہے جو گزشتہ مدت کے 3.45 ملین روپے سے بڑھ کر موجودہ مدت میں 35.88 ملین روپے ہوئی۔

دوران مدت مضاربہ نے شرکت متناقصہ مالیات میں سرمایہ کاری گزشتہ مدت کی 40.04 ملین روپے سے بڑھا کر دوران مدت

64.91 ملین روپے تک پہنچائی۔ دوران مدت قابل وصول قرضہ جات کے مد میں کوئی

رقم مشکوک فراہم نہیں کی گئی۔ اسکی بنیادی وجہ انتظامیہ کا قدامت پسند نقطہ نظر اور قابل وصول قرضہ جات کی مضبوط نگرانی ہے۔

مضاربہ بہتر منافع کے لئے کم اندیشوں والے سرمایہ کاری کے مواقع کی تلاش کرتا رہیگا۔ مضاربہ مستحکم ترقی کے ذریعے اس اسلامی مالیاتی ادارے کو توانا ادارہ بنانے کی جدوجہد جاری رکھے گا۔

مستقبل کے امکانات

آپ کا مضاربہ دیر پامنافع کیلئے محفوظ کم اندیشہ سرمایہ کاری کے مواقعوں کی تلاش کرتا رہیگا۔ مضاربہ اپنی قدامت پسند طرز کے ذریعے قابل وصول قرضہ جات کی وصولی کی کوشش جاری رکھے گا تاکہ منجند ہوئے پرانے قرضہ جات کی وصولی سے مالیاتی ضرورت پوری کی جاسکے اور کاروباری اہداف وصول کیے جاسکیں۔

فرسٹ پروڈینشل مضاربہ اور فرسٹ پاک مضاربہ کا مجوزہ انتظام مطابقت اور پیمانے کی معیشت کے اصولوں کے ذریعے ایک مثبت تبدیلی پر منتج ہوگا۔

اعتراف

بورڈ ریگولیٹری اتھارٹی، حصص یافتگان، کسٹمرز اور بینکران کی معاونت اور تعاون کو بے حد سراہتا ہے اور مستقبل میں بھی انکی معاونت اور مشورے کا منتظر رہیگا۔ ہم اللہ تعالیٰ کے حضور آپ کے مضاربہ کی کامیابی کے لئے دعا گو ہیں۔

بورڈ آف ڈائریکٹرز کی جانب تو وسط سے

ڈائریکٹر

28 فروری 2017

کراچی۔



RSM Awaits Hyder Liaquat Nauman
Chartered Accountants

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**INDEPENDENT AUDITORS' REPORT TO THE
CERTIFICATE HOLDERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of FIRST PRUDENTIAL MODARABA (the Modaraba) as at December 31, 2016, the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period ended (here-in-after referred to as the "interim financial information"). Management of Modaraba Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review


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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended December 31, 2016 and December 31, 2015 in the condensed interim profit and loss account has not been reviewed and we do not express a conclusion on them.



RSM Awaits Hyder Liaquat Nauman
Chartered Accountants
Karachi

Dated: 28 February, 2017

Engagement Partner: Adnan Zaman

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Awaits Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2016

		(Unaudited) December 31, 2016 Rupees	(Audited) June 30, 2016 Rupees
ASSETS	Note		
Current assets			
Cash and bank balances	5	124,452,582	241,497,285
Investments	6	10,721,038	10,358,161
Musharika, morabaha and other finance	7	81,571,256	-
Current portion of diminishing musharika	8	24,588,438	30,644,746
Ijarah rentals receivable	9	29,824,900	12,572,462
Receivable against sale of agriculture produce	10	27,811,518	27,811,518
Advances, prepayments and other receivables	11	56,866,918	35,106,490
Total current assets		355,836,650	357,990,662
Non - current assets			
Long term investments	12	17,071,547	16,127,831
Long term portion of diminishing musharika	8	40,321,460	9,392,423
Long term deposits	13	66,192	66,192
Intangible assets	14	-	-
Property and equipment - own use	15	19,093,003	19,789,783
Property, plant and equipment - ijarah	16	60,577,793	89,519,677
Investment properties	17	19,200,000	19,200,000
Total Non - Current Assets		156,329,995	154,095,906
TOTAL ASSETS		512,166,645	512,086,568
LIABILITIES			
Current liabilities			
Current portion of ijarah deposits		10,760,531	13,139,781
Accrued and other liabilities		12,360,064	9,787,552
Unclaimed profit distribution		34,774,398	27,187,774
Total current liabilities		57,894,993	50,115,107
Non-current liabilities			
Long term portion of ijarah deposits		10,862,700	9,580,800
TOTAL LIABILITIES		68,757,693	59,695,907
NET ASSETS		443,408,952	452,390,661
REPRESENTED BY			
Certificate capital			
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		872,176,600	872,176,600
Statutory reserve		149,401,974	148,247,223
Accumulated loss		(578,169,622)	(568,033,162)
		443,408,952	452,390,661
Contingencies and commitments	19		

The annexed notes form an integral part of these condensed interim financial statements.

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

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CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

		Half year ended		Quarter ended	
		December 31 2016 Rupees	December 31 2015 Rupees	December 31 2016 Rupees	December 31 2015 Rupees
INCOME	Note				
Ijarah rentals earned		38,401,551	4,208,404	16,197,142	2,057,307
Return on deposits with bank		4,899,986	8,060,539	2,060,694	3,804,954
Income on diminishing musharika		1,987,093	4,776,060	1,193,974	2,321,619
Income on morabaha		5,537,126	-	3,428,414	-
Capital gain on sale of investments		-	213,575	-	27,000
Dividend income		568,744	690,442	330,244	253,192
Rental income from investment property		72,000	150,000	27,000	100,000
Other income		2,447,875	2,022,691	1,801,516	1,314,691
		53,914,375	20,121,711	25,038,984	9,878,763
Unrealized gain on investments - held for trading at fair value through profit or loss		362,877	703,834	395,633	386,352
Reversal of provision against workers' welfare fund	18	2,585,673	-	2,585,673	-
Reversal of provision against doubtful receivables - net		-	5,028,060	-	5,028,060
		56,862,925	25,853,605	28,020,290	15,293,175
EXPENDITURE					
Depreciation on ijarah assets		(35,881,630)	(3,454,749)	(15,082,171)	(1,704,107)
Administrative expenses		(14,371,530)	(12,195,129)	(8,140,550)	(6,273,173)
Workers welfare fund		(115,475)	(178,936)	(83,989)	(128,307)
Bank and other charges		(56,555)	(49,121)	(31,183)	(34,489)
		(50,425,190)	(15,877,935)	(23,337,893)	(8,140,076)
Profit for the year		6,437,735	9,975,670	(4,682,397)	7,153,099
Modaraba company's management fee	20	(577,375)	(894,679)	(419,946)	(641,534)
Sales tax on management fee		(86,606)	(134,202)	(62,992)	(96,230)
Profit before taxation		5,773,754	8,946,789	4,199,459	6,415,335
Provision for taxation	21	-	-	-	-
Profit after taxation		5,773,754	8,946,789	4,199,459	6,415,335
Other comprehensive income					
Unrealized gain on remeasurement of investments classified as 'available for sale'		943,716	625,131	704,850	-
Total comprehensive income for the year		6,717,470	9,571,920	4,904,309	6,415,335
Earnings per certificate		0.07	0.10	0.05	0.07

The annexed notes form an integral part of these condensed interim financial statements.

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

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CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended	
	December 31, 2016 Rupees	December 31, 2015 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,773,754	8,946,789
Adjustments for non-cash changes and other items:		
Gain on sale of investments	-	-
Dividend income	(568,744)	(690,442)
Unrealised (gain) on changes in fair value of held for trading investments - at fair value through profit and loss	(362,877)	(703,834)
Reversal against doubtful receivables - net	-	(5,028,060)
Capital gain on sale of investments	-	(213,575)
(Gain) on disposal-ijarah assets	-	(824,792)
(Gain) on disposal-own assets	(16)	(600,000)
Depreciation-own use assets	712,953	801,143
Depreciation on ijarah assets	35,881,630	3,454,749
Amortization - intangibles	-	41,713
	<u>35,662,946</u>	<u>(3,763,098)</u>
Cash flows before movements in working capital	41,436,700	5,183,691
(Increase) / decrease in operating assets		
Musharika, morabaha and other finance	(81,571,256)	5,028,060
Diminishing musharika	(24,872,729)	(12,041,359)
Agriculture produce - Work in process	-	(23,744,750)
Ijarah rentals receivable	(17,252,438)	67,479
Advances, prepayments and other receivables	(21,425,417)	392,475
Advance for purchase of agriculture produce	-	(57,255,250)
	<u>(145,121,841)</u>	<u>(87,553,345)</u>
(Decrease) / increase in operating liabilities		
Ijarah deposits	(1,097,350)	(6,931,772)
Accrued and other liabilities	2,572,512	(1,890,882)
	<u>1,475,162</u>	<u>(8,822,654)</u>
	<u>(102,209,978)</u>	<u>(91,192,308)</u>
Income tax paid	(335,010)	(90,160)
Net cash (used in) operating activities	<u>(102,544,988)</u>	<u>(91,282,468)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	568,744	437,250
Investments - net	-	1,865,975
Proceeds from disposal - ijarah assets	2,379,254	7,947,405
Purchase of own use assets	(37,400)	(248,515)
Purchase of ijarah assets	(9,319,000)	(1,220,000)
Proceeds from disposal - own use assets	21,243	600,000
Net cash (used in) / generated from investing activities	<u>(6,387,159)</u>	<u>9,382,115</u>

	Half year ended	
	December 31, 2016 Rupees	December 31, 2015 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(8,112,555)	(13,474,659)
Net cash used in financing activities	<u>(8,112,555)</u>	<u>(13,474,659)</u>
Net (decrease) in cash and cash equivalents (A+B+C)	(117,044,703)	(95,375,012)
Cash and cash equivalents at July 1	<u>241,497,285</u>	<u>315,062,081</u>
Cash and cash equivalents at December 31	<u>124,452,582</u>	<u>219,687,069</u>

The annexed notes form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE

For KASB Invest (Private) Limited
(Management Company)


DIRECTOR


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Reserves				
	Certificate capital	Capital		Revenue	
		Statutory Reserve	Unrealized gain / (loss) on available for sale investments	Accumulated loss	Sub total
				Rupees.....	
Balance at July 1, 2015 (Audited)	872,176,600	144,083,929	(2,785,079)	(562,528,235)	(565,314,314)
Comprehensive income	-	-	-	8,946,789	8,946,789
Profit for the half year ended December 31, 2015	-	-	625,131	-	625,131
Other comprehensive income for the half year ended December 31, 2015	-	-	625,131	8,946,789	9,571,920
Total comprehensive income for the half year ended December 31, 2015	-	-	-	(20,060,062)	(20,060,062)
Final dividend @ Rs. 0.23 per certificate for the year ended June 30, 2015	-	1,789,368	-	(1,789,368)	-
Transfer to statutory reserve	-	145,873,287	(2,159,948)	(575,431,866)	(575,802,456)
Balance at December 31, 2015 (Unaudited)	872,176,600	145,873,287	(2,159,948)	(575,431,866)	440,458,073
Balance at July 1, 2016 (Audited)	872,176,600	148,247,223	(2,097,039)	(565,936,123)	(568,033,162)
Comprehensive income	-	-	-	5,773,753	5,773,753
Profit for the half year ended December 31, 2016	-	-	943,716	-	943,716
Other comprehensive income for the half year ended December 31, 2016	-	-	943,716	5,773,754	6,717,470
Total comprehensive income for the half year ended December 31, 2016	-	-	-	(15,699,179)	(15,699,179)
Final dividend @ Rs. 0.18 per certificate for the year ended June 30, 2016	-	1,154,751	-	(1,154,751)	-
Transfer to statutory reserve	-	149,401,974	(1,153,323)	(577,016,299)	(578,169,622)
Balance at December 31, 2016 (Unaudited)	872,176,600	149,401,974	(1,153,323)	(577,016,299)	443,408,952

* Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by SECP.

The annexed notes form an integral part of these condensed interim financial statements.

For KASB Invest (Private) Limited
(Management Company)


CHIEF EXECUTIVE


DIRECTOR

CONDENSED NOTES TO INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

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 has taken over the management and administrative control of First Prudential Modaraba effective from November 13, 2014.

1.2 The registered office of the Modaraba is situated at 8 C Block 6, PECHS, Shahrah e Faisal, Karachi. The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange post demutualization of all Stock Exchanges). The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in musharika, 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. STATEMENT OF COMPLIANCE

2.1 The condensed interim financial statements for the six months period ended December 31, 2016 have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modaraba and directives issued by Securities and Exchange Commission of Pakistan (the Modaraba regulations). The 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 Modaraba's annual Financial Statements for the year ended June 30, 2016. The figures for the half year ended December 31, 2016 have been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.2 This condensed interim financial statements comprises of the condensed interim balance sheet as at December 31, 2016 and the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and the notes forming part thereof for the half year ended December 31, 2016 which have been subjected to a review but not audited.

2.3 The comparative condensed balance sheet, presented in this condensed interim financial statements, as at June 30, 2016 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2016 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year ended December 31, 2015 have been extracted from the condensed interim financial statements for the half year ended December 31, 2015 which were subjected to a review but not audited.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Modaraba in the preparation of these condensed interim financial statements are the same as those applied in preparation of the preceding published financial statements of the Modaraba for the year ended June 30, 2016.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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, 2016.

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.

	Note	(Unaudited) December 31, 2016 Rupees	(Audited) June 30, 2016 Rupees
5. CASH AND BANK BALANCES			
Cash in hand		3,375	10,219
Cash at banks			
Current accounts		17,374,757	9,785,822
Savings accounts	5.1	107,074,450	231,701,244
		<u>124,449,207</u>	<u>241,487,066</u>
		<u>124,452,582</u>	<u>241,497,285</u>

5.1 Effective mark-up rate in respect of saving accounts ranges from 2.40 % to 6.15 % per annum (Jun 2016: 2.00% to 7.00%) per annum.

6. INVESTMENTS

Held for trading at fair value through profit or loss - in quoted securities	6.1 & 6.2	10,018,548	9,655,671
Loan and receivables			
Receivable against TDR - considered good	6.3	<u>702,490</u>	<u>702,490</u>
		<u>10,721,038</u>	<u>10,358,161</u>

6.1 Held for trading at fair value through profit or loss - in quoted securities
Unless stated otherwise, the holdings are in the fully paid ordinary shares/ certificates/ units of Rs 10/- each.

Un-Audited 31 December 2016	Audited 30 June 2016	Un-Audited 31 December 2016 Rupees	Audited 30 June 2016 Rupees
Number of Certificates / shares/ Units			
525	525		
		79,941	56,647
79,500	79,500	9,816,660	9,544,770
1,495	1,495	121,947	54,254
348	348	-	-
1,670,720	1,670,720	-	-
360,000	360,000	-	-
<u>2,112,588</u>	<u>2,112,588</u>	<u>10,018,548</u>	<u>9,655,671</u>

Note	Unaudited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
6.2 Unrealized Gain on changes in fair value of held for trading investments		
Weighted average cost of investments	9,655,671	7,538,613
Unrealized gain on changes in fair value of held for trading investments	362,877	2,117,058
Market value of investments	<u>10,018,548</u>	<u>9,655,671</u>
6.3 Other receivable- considered good		
Term deposit receipt as at December 06,2012	10,000,000	10,000,000
Less : Amortization charges	(2,000,000)	(2,000,000)
Less : Received in earlier period	(2,516,943)	(2,516,943)
Total receivable	<u>5,483,057</u>	<u>5,483,057</u>
Installments received during the period / year	-	-
Net receivable	<u>5,483,057</u>	<u>5,483,057</u>
Provision against doubtful recoveries	<u>(4,780,567)</u>	<u>(4,780,567)</u>
	<u>702,490</u>	<u>702,490</u>

7. MUSHARIKA, MORABAHA AND OTHER FINANCE

Musharika and morabaha finance

- considered good	81,571,256	-
- considered doubtful	<u>341,704,089</u>	<u>341,704,089</u>
	423,275,345	341,704,089
Less: Provision against doubtful amounts	<u>(341,704,089)</u>	<u>(341,704,089)</u>
	<u>81,571,256</u>	-
Other finance - unsecured		
- considered good	-	-
- considered doubtful	<u>11,002,281</u>	<u>11,002,281</u>
	11,002,281	11,002,281
Less: Provision against doubtful amounts	<u>(11,002,281)</u>	<u>(11,002,281)</u>
	<u>-</u>	<u>-</u>
	<u>81,571,256</u>	<u>-</u>

7.1 Movement in provision

	December 31, 2016			June 30, 2016		
	Principal	Profit	Total	Principal	Profit	Total
	-----Rupees-----					
Opening balance	178,770,745	162,933,344	341,704,089	189,394,002	164,621,404	354,015,406
Reversal of provision / provision during the period / year	-	-	-	(10,623,257)	(1,688,060)	(12,311,317)
Closing balance	<u>178,770,745</u>	<u>162,933,344</u>	<u>341,704,089</u>	<u>178,770,745</u>	<u>162,933,344</u>	<u>341,704,089</u>

	Unaudited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
8. DIMINISHING MUSHARIKA		
Diminishing musharika		
Principal	64,909,898	39,366,602
Profit	-	670,567
	<u>64,909,898</u>	<u>40,037,169</u>
Less: Long term portion of diminishing musharika	<u>(40,321,460)</u>	<u>(9,392,423)</u>
	<u>24,588,438</u>	<u>30,644,746</u>

8.1 These carry profit rate ranging from 10.06% to 18.00% (2015: 14.67% to 16.80%) per annum and are repayable on monthly basis over a maximum period of three years.

9. IJARAH RENTALS RECEIVABLE

Considered good	29,824,900	12,572,462
Considered doubtful	<u>23,102,607</u>	<u>23,102,607</u>
	52,927,507	35,675,069
Less: Provision for doubtful receivables	<u>(23,102,607)</u>	<u>(23,102,607)</u>
	<u>29,824,900</u>	<u>12,572,462</u>
9.1 Movement in provision for doubtful receivables		
Opening balance	23,102,607	23,321,547
Charge during the period	-	-
Reversal during the period	-	(218,940)
Closing balance	<u>23,102,607</u>	<u>23,102,607</u>

10. RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE

This represents the amount receivable from Pakistan Phutti International (Pvt.) Limited (Seller/service provider) against sale of of agriculture produce.

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Considered Good		Considered Doubtful		Total	
	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016
Advance			-----Rupees-----			
Income tax	15,818,179	15,430,421	-	-	15,818,179	15,430,421
To staff	20,802	55,800	1,814,000	1,814,000	1,834,802	1,869,800
Against purchase of assets	38,361,250	8,517,500	-	-	38,361,250	8,517,500
Prepayments	335,711	336,975	-	-	335,711	336,975
Other receivables from						
Brokers on account of sale of shares			65,619,559	65,619,559	65,619,559	65,619,559
Prudential Securities Ltd.						
11.1	-	-	18,432,273	18,432,273	18,432,273	18,432,273
A bank	11.2	-	10,241,347	10,241,347	10,241,347	10,241,347
Return on deposits with banks	604,587	1,025,400	-	-	604,587	1,025,400
Others	1,726,389	9,740,394	13,466,235	13,466,235	15,192,624	23,206,629
Sub total	<u>56,866,918</u>	<u>35,106,490</u>	<u>109,573,414</u>	<u>109,573,414</u>	<u>166,440,331</u>	<u>144,679,904</u>
Provision for doubtful receivables	11.3	-	(109,573,414)	(109,573,414)	(109,573,414)	(109,573,414)
	<u>56,866,918</u>	<u>35,106,490</u>	<u>-</u>	<u>-</u>	<u>56,866,918</u>	<u>35,106,490</u>

11.1 This amount includes Rs. 17,889,240/- paid as advance for purchase of securities to Prudential Securities Limited (PSL). Remaining amount of Rs. 543,033/- is blocked in CDC-sub account of the said broker against various shares.

Operations of PSL had been ceased by Karachi Stock Exchange Limited (KSE) and the Modaraba has filed a claim with the KSE of Rs. 18 million along with margin deposit of Rs. 3 million included in long term deposits.

11.2 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 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	(Unaudited) December 31, 2016 Rupees	(Audited) June 30, 2016 Rupees
11.3 Movement in provision for doubtful receivables			
Opening balance		109,573,414	109,573,414
Provision made		-	-
Reversal of provision		-	-
Closing balance		<u>109,573,414</u>	<u>109,573,414</u>

12. Long term investments

Available for sale			
Listed entity	12.1	7,146,401	6,202,685
Unlisted companies	12.2	<u>9,925,146</u>	<u>9,925,146</u>
		<u>17,071,547</u>	<u>16,127,831</u>

12.1 Listed entities

Un-Audited 31 December 2016	Audited 30 June 2016		Un-Audited 31 December 2016 Rupees	Audited 30 June 2016 Rupees
391,583	391,583	Meezan Balance Fund		
		Carrying value	6,202,685	5,585,843
		Unrealized gain	<u>943,716</u>	<u>616,842</u>
			<u>7,146,401</u>	<u>6,202,685</u>

12.2 Unlisted companies

Number of shares of Rs. 10

1,107,244	1,107,244	Prudential Securities Limited (PSL)		
		Cost	4,173,707	4,173,707
		Less: Impairment	<u>(4,173,707)</u>	<u>(4,173,707)</u>
			-	-
191,700	191,700	Prudential Discount and Guarantee House Limited		
		Cost	1,041,815	1,041,815
		Less: Impairment	<u>(1,041,815)</u>	<u>(1,041,815)</u>
			-	-
843,975	843,975	Lahore Stock Exchange Limited		
		Cost	12,764,715	12,764,715
		Less: Fair value adjustment	<u>(2,839,569)</u>	<u>(2,839,569)</u>
			9,925,146	9,925,146
			<u>9,925,146</u>	<u>9,925,146</u>

12.2.1 Movement of impairment

Opening balance	5,215,522	5,215,522
Impairment charge during the period / year	-	-
Closing balance	<u>5,215,522</u>	<u>5,215,522</u>

The breakup value of shares of Prudential Securities Limited was Rs. 3.77 per share based on last available audited financial statements for the year ended June 30, 2008.

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

12.2.3 This represent the non-Shari'ah compliant shares acquired against the surrender of Lahore Stock Exchange Limited (LSE) membership card. Under the current circumstances the active market is not available for such shares as LSE has not listed yet, therefore the net asset value 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 financial information of the investee company.

	Note	(Unaudited) December 31, 2016 Rupees	(Audited) June 30, 2016 Rupees
13. Long term deposits			
Margin deposit		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		<u>(3,000,000)</u>	<u>(3,000,000)</u>
		<u>66,192</u>	<u>66,192</u>
14. INTANGIBLE ASSETS			
LSE - Trading right entitlement certificate (TREC)	14.1	5,344,352	5,344,352
Impairment of TREC		<u>(5,344,352)</u>	<u>(5,344,352)</u>
		-	-

14.1 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 TREC. The impairment was recorded as the Modaraba did not register itself as a broker before the expiry of the said date.

15. PROPERTY AND EQUIPMENT - OWNED		<u>19,094,748</u>	<u>19,789,783</u>
15.1 Details of addition / (disposal) during the period			
Addition			
-Furniture and fixtures		-	207,015
-Computer equipment		37,400	-
-Vehicle		-	41,500
		<u>37,400</u>	<u>248,515</u>
Disposal			
-Vehicle		83,500	1,144,576
		<u>83,500</u>	<u>1,144,576</u>
16. PROPERTY, PLANT AND EQUIPMENT - IJARAH		<u>60,574,791</u>	<u>89,519,677</u>
16.1 Details of addition / (disposal) during the period			
Addition			
-Vehicle		9,319,000	76,236,781
		<u>9,319,000</u>	<u>76,236,781</u>
Disposal			
-Vehicle		-	-
		<u>-</u>	<u>-</u>

	Note	(Unaudited) December 31, 2016 Rupees	(Audited) June 30, 2016 Rupees
17. INVESTMENT PROPERTIES			
Opening balance	17.1	19,200,000	26,550,000
Deletions		-	(8,250,000)
Unrealized gain on measurement of investment property		-	900,000
Closing balance		<u>19,200,000</u>	<u>19,200,000</u>

17.1 These includes properties which are acquired by the Modaraba against settlement of Morahaba facility and from defaulted parties, in prior years.

18. 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 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.

19. CONTINGENCIES AND COMMITMENTS

The taxation officer while making assessment in respect of the 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 had filed appeals with CIT (Appeals) against the said order, which is pending.

No provision has been made in the financial statements in this regard as management is confident that ultimate outcome of the appeals in question will be in favor of the Modaraba.

20. MODARABA COMPANY'S MANAGEMENT FEE

The management fee is calculated @ 10% on profit before tax.

21. 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 management intends to distribute the profit and accordingly no provision for tax has been made in the current period. 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.

22. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise the modaraba management company [KASB Invest (Private) Limited], modaraba under common management (KASB Modaraba) First Prudential Modaraba staff provident fund, directors and key management personnel. Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Significant transactions with related parties are as follows: -


Relationship with Modaraba	Nature of Transactions	Un-Audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
Balances with related parties		-	-
Staff provident fund	Contribution made	506,553	1,028,881
Modaraba management company	Management fee	2,478,763	4,034,395
Modaraba under common management	Sharing of common expenses		
		Un-Audited December 31, 2016 Rupees	Un-Audited December 31, 2015 Rupees
Expense for the period			
Staff provident fund	Contribution made	121,514	132,552
Modaraba management company	Management fee	663,982	1,028,881
Modaraba under common management	Sharing of common expenses	4,265,959	2,537,709
Payments made during the period			
Staff provident fund	Contribution made	121,514	132,552
Modaraba management company	Management fee	625,414	-
Modaraba under common management	Sharing of common expenses	5,075,369	2,466,710


21. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial statements have been authorised for issue on 28 February, 2017 by the Board of Directors of the KASB Invest (Pvt) Limited.

22. FIGURES

Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE

For KASB Invest (Private) Limited
(Management Company)

DIRECTOR


DIRECTOR