

GROWTH + PROSPERITY



FIRST PUNJAB MODARABA

(An Islamic Financial Institution)

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Corporate Profile

Board of Directors

Punjab Modaraba Services (Pvt.) Ltd.

Nadeem Amir	Chairman
Aamir Malik	Chief Executive
Ijaz ur Rehman Qureshi	Director
Umer Iqbal Shelkh	Director
Imran Bashir	Director
Samina Afsar	Director
Khawar Shahid Ansari	Director

Chief Financial Officer

Syed Asad Raza

Company Secretary

Mudassar Kaiser Pal

Audit Committee

Imran Bashir	Chairman
Ijaz ur Rehman Qureshi	Member
Samina Afsar	Member

Human Resource Committee

Samina Afsar	Chairman
Ijaz ur Rehman Qureshi	Member
Umer Iqbal Sheikh	Member
Aamir Malik	Member

Auditors of the Modaraba

A.F.Ferguson & Co
Chartered Accountants

Auditors of the Management Company

Shinewing Hameed Chaudhry & Co.
Chartered Accountants

Bankers

The Bank of Punjab

Registrar

Hameed Majeed Associates (Pvt) Ltd.
H.M. House, 7-Bank Square,
The Mall, Lahore
Tel: (+92-42) 37235081-2

Registered office

Office No 100, 3rd Floor National Tower
Egerton Road, Lahore.
Postal Code No. 54600
PABX: (+92-42) 36365191
Fax: (+92-42) 36365193
E-mail: info@punjabmodaraba.com.pk
URL: www.punjabmodaraba.com.pk

DIRECTOR'S REPORT

The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the Management Company of First Punjab Modaraba (the Modaraba), is pleased to present the half yearly results of the Modaraba, together with Directors' report, for half year ended June 30, 2022.

Pakistan's economy continued to demonstrate cycles of boom and bust. Impressive GDP growth rate of almost 6% was overshadowed by twin fiscal and current account deficits. Political instability, high international fuel & commodity prices and striking trade deficit exerted immense pressure on foreign exchange reserves resulting in significant depreciation of PKR against USD which in turn contributed towards high inflation.

Going forward, Pakistan's economy faces several severe challenges. Inflation is running too high, the prospects for future growth in potential output are challenging. Fiscal deficit is at a level where its financing is becoming challenging. Further, high trade deficit is leading to external imbalances putting extra pressure on foreign reserves and on the exchange rate. Economic growth seems to be slow down next year. Moreover, high uncertainties are restricting market confidence.

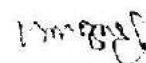
The Modaraba was able to increase its total income by 65% as compared with corresponding period, while the increase in expenses remained at 42%. Among expenses, financial cost increased by 49% in comparison to corresponding period, owing to increasing trend of inter-bank rates. Although the pre-tax profit remained positive to the tune of Rs.1.72 million, the bottom line turned negative to Rs.19.25 million due to adjustment in deferred tax asset amounting to Rs.20.34 million.

The Modaraba will remain focused on business expansion by booking of fresh assets, whereas full fledged efforts for recovery from NPAs will be equally prioritized in business strategy. The recent exorbitant increase in policy rate will, however, remain a constant threat to the profitability in coming periods. The Management is also working on diversification of business model and revenue streams, the results are expected to appear with time. The wholly owned subsidiary, i.e. Punjab Capital Securities (Pvt) Limited earned profit of Rs.2.085 million during the period under consideration.

The Board is grateful for the continuous guidance and support extended by the Registrar Modaraba, Securities & Exchange Commission of Pakistan and hopes for its continuity in the future. The Board also appreciates the benefaction extended by the certificate holders.
For and on behalf of the Board of Directors



(Aamir Malik)
CHIEF EXECUTIVE



(Imran Bashir)
DIRECTOR

ڈائریکٹرز کی رپورٹ

پنجاب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز، ٹرسٹ پنجاب مضاربہ (مضاربہ) کی منجمنٹ کمیٹی، مضاربہ کے ششماہی نتائج، ڈائریکٹرز کی رپورٹ کے ساتھ، 30 جون 2022 کو ختم ہونے والے ششماہی کے لیے پیش کرتے ہوئے خوش ہے۔

پاکستان کی معیشت تیزی اور عورت کے چکر کا مظاہرہ کرتی رہی۔ تقریباً 6 فیصد کی مٹاؤ کی شرح نے ڈی پی ٹی کی شرح نمو جزواں مالیاتی اور کرنٹ اکاؤنٹ خسارے کے زیر سایہ تھی۔ سیاسی عدم استحکام، ایندھن اور اجناس کی بلند بین الاقوامی قیمتوں اور تجارتی خسارے نے غیر ملکی زرمبادلہ کے ذخائر پر بہت زیادہ دباؤ ڈالا جس کے نتیجے میں امریکی ڈالر کے مقابلے میں پاکستانی روپے میں نمایاں کمی واقع ہوئی جس کے نتیجے میں مہنگائی میں اضافہ ہوا۔

آگے بڑھتے ہوئے پاکستان کی معیشت کوئی یقین چیلنجز کا سامنا ہے۔ افراط زر بہت زیادہ چل رہا ہے، ممکنہ پیداوار میں مستقبل میں ترقی کے امکانات چیلنجز ہیں۔ مالیاتی خسارہ اس سٹیج پر ہے جہاں اس کی فنانسنگ مشکل ہوتی جا رہی ہے۔ مزید یہ کہ اعلیٰ تجارتی خسارہ بیرونی عدم توازن کا باعث بن رہا ہے جس سے غیر ملکی ذخائر اور شرح مبادلہ پر اضافی دباؤ پڑتا ہے۔ اگلے سال معاشی ترقی کی رفتار کم ہوتی دکھائی دے رہی ہے۔ مزید برآں، اعلیٰ غیر یقینی صورتحال مارکیٹ کے اعتماد کو محدود کر رہی ہے۔

مضاربہ باسی مدت کے مقابلے میں اپنی آمدنی میں 65 فیصد اضافہ کرنے میں کامیاب رہا، جبکہ اخراجات میں اضافہ 42 فیصد رہا۔ اخراجات میں، مالی لاگت میں اسی مدت کے مقابلے میں 49 فیصد اضافہ ہوا، جس کی وجہ سے بینک شرحوں میں اضافہ ہوا ہے۔ اگرچہ قلیل از ٹیکس منافع 1.72 ملین روپے کا مثبت رہا، لیکن 20.34 ملین روپے کے ڈیفریڈ ٹیکس اثاثوں میں ایڈجسٹمنٹ کی وجہ سے بائیں لائن منفی 19.25 ملین روپے ہو گئی۔

مضاربہ تنازعہ اثاثوں کی بنگلہ کے ذریعے کاروبار میں توسیع پر توجہ مرکوز رکھے گا، جبکہ NPAs سے وصولی کے لیے بھرپور کوششوں کو کاروباری حکمت عملی میں یکساں ترجیح دی جائے گی۔ تاہم، پالیسی کی شرح میں حالیہ غیر معمولی اضافہ آنے والے ادوار میں منافع کے لیے ایک مستقل خطرہ ہے گا۔ انتظامیہ کاروباری ماڈل اور ریونیو سٹریٹجی کو متنوع بنانے پر بھی کام کر رہی ہے، توقع ہے کہ نتائج وقت کے ساتھ سامنے آئیں گے۔ مکمل ملکیتی ذیلی کمپنی، یعنی پنجاب کیمپائل سکیورٹیز (پرائیویٹ) لمیٹڈ نے زرخور مدت کے دوران 2.085 ملین روپے کا منافع کمایا۔

بورڈر جسٹریٹس مضاربہ سکیورٹیز اینڈ ایڈجسٹمنٹ کمیشن آف پاکستان کی طرف سے مسلسل رہنمائی اور تعاون کا مشکور ہے اور مستقبل میں بھی اس کے تسلسل کی امید کرتا ہے۔ بورڈر جو کھلیٹ ہولڈرز کی طرف سے دی جانے والی امداد کو بھی سراہتا ہے۔

بورڈ آف ڈائریکٹرز کے لیے اور اس کی جانب سے

محمد عمران بشیر
ڈائریکٹر

عامر ملک
چیف ایگزیکٹو

INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE CERTIFICATE HOLDERS OF FIRST PUNJAB MODARABA****REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****Introduction**

We have reviewed the accompanying unconsolidated condensed interim balance sheet of First Punjab Modaraba (the "Modaraba") as at June 30, 2022 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim cash flow statement, and notes to the unconsolidated condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management of the Modaraba Management Company [Punjab Modaraba Services (Private) Limited] is responsible for the preparation and presentation of this interim financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the three-month ended June 30, 2022 and June 30, 2021 have not been reviewed and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

Emphasis of matter

We draw attention to Note 2 in the interim financial statements, which indicates that the Modaraba has accumulated losses net of capital reserves of Rs. 204,106,287 as at June 30, 2022 and, as of that date, the Modaraba's current liabilities exceeded its current assets by Rs. 757,979,683. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk*



Other matters

The unconsolidated financial statements of the Modaraba for the six-month period ended December 31, 2021 and unconsolidated financial statements for the year ended June 30, 2021 were audited by another firm of Chartered Accountants, who had expressed an unmodified opinion thereon vide their reports dated April 19, 2022 and October 30, 2021 respectively.

The comparative information for the unconsolidated condensed interim balance sheet is based on the audited unconsolidated financial statements as at December 31, 2021. The comparative information for unconsolidated condensed interim statement of profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim cash flow statement, and related explanatory notes for the six-month period ended June 30, 2021 has not been audited or reviewed.

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

A. F. Ferguson & Co.
Chartered Accountants

Lahore

Dated: November 15, 2022

UDIN: RR202210092HXWDwrGak

**UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2022**

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Rupees			
ASSETS			
Non-current assets			
Tangible fixed assets			
- Ijarah assets	6.1	368,358,309	402,480,335
- Assets in own use	6.2	3,323,787	3,415,009
Intangible assets	7	1,512,500	1,100,000
Investment in subsidiary	8	76,500,000	76,500,000
Long term musharikhah investment - secured	9	404,050,403	289,701,023
Long term morabaha investment - secured	10	21,967,479	4,280,524
Long term deposits		308,444	203,444
Deferred tax asset	11	44,061,078	64,398,663
		920,082,000	842,078,998
Current assets			
Short term morabaha investment - secured	12	209,122,009	204,569,839
Current maturity of long term investment	13	345,177,193	399,344,987
Ijarah rentals receivable	14	155,942,349	200,621,167
Short term investment		200,000,000	200,000,000
Development properties		46,986,964	39,483,636
Advances, deposits, prepayments and other receivables	15	163,294,163	135,742,658
Tax refund due from government		4,251,779	4,201,717
Cash and bank balances	16	83,655,176	135,278,267
		1,208,429,633	1,319,242,271
TOTAL ASSETS		2,128,511,633	2,161,321,269
EQUITY AND LIABILITIES			
Authorized certificate capital 50,000,000 (December 31, 2021: 50,000,000) modaraba certificates of Rs.10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital 34,020,000 (December 31, 2021: 34,020,000) modaraba certificates of Rs.10 each	17	340,200,000	340,200,000
Statutory reserve	18	220,303,614	220,303,614
Accumulated losses	18	(424,409,901)	(405,149,952)
		136,093,713	155,353,662
Non-current liabilities			
Long term security deposits		19,324,729	42,274,729
Deferred morabaha income		6,683,875	-
Long term musharikhah finance - secured	19	-	131,100,952
		26,008,604	173,375,681
Current liabilities			
Current maturity of non-current liabilities	20	97,876,632	79,669,360
Redeemable capital - participatory and unsecured	21	1,778,000,000	1,603,000,000
Deferred morabaha income		3,142,232	4,555,795
Profit payable		20,476,187	22,864,964
Trade and other payables	22	46,896,894	101,600,451
Provision for taxation		2,826,095	3,698,100
Unclaimed dividend		17,191,276	17,203,256
		1,966,409,316	1,832,591,926
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		2,128,511,633	2,161,321,269

The annexed notes 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

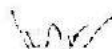
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



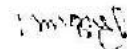
Chief Financial
Officer



Chief Executive



Director



Director

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED JUNE 30, 2022**

	Note	2022		2021	
		Six months period ended June 30	Three months period ended June 30	Six months period ended June 30	Three months period ended June 30
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Rupees					
Income					
Income from ijarah rentals - net		28,257,902	11,402,865	35,983,567	27,654,500
Income / (loss) from morabaha financing		4,335,170	3,332,956	270,139	(676,013)
Income from diminishing musharikhah financing		45,337,277	25,241,472	29,799,434	15,850,049
Other income	24	43,873,195	25,355,274	7,484,172	5,138,921
		121,803,544	65,332,567	73,537,312	47,967,457
Expenses					
Administrative expenses	25	32,409,771	19,840,446	24,845,056	14,084,274
Finance cost	26	86,969,044	47,066,760	58,201,779	28,996,876
Other expenses		200,869	200,869	1,276,939	1,057,235
		119,579,684	67,108,075	84,323,774	44,138,385
Operating profit / (loss) before provision and impairment		2,223,860	(1,775,508)	(10,786,462)	3,829,072
Reversal / (charge) for impairment of ijarah assets		-	-	5,000,000	(13,955,522)
(Charge) / reversal of provision against ijarah rentals - net		(498,316)	(438,916)	13,389,658	13,389,658
		(498,316)	(438,916)	18,389,658	(565,864)
Operating profit / (loss) after provision and impairment		1,725,544	(2,214,424)	7,603,196	3,263,208
Modaraba management company's fee		-	-	-	-
Profit / (loss) for the period before taxation		1,725,544	(2,214,424)	7,603,196	3,263,208
Taxation	27	(20,985,493)	(20,315,698)	(1,292,544)	(480,046)
(Loss) / profit for the period after taxation		(19,259,949)	(22,530,122)	6,310,652	2,783,162
(Loss) / earnings per certificate - basic and diluted	28	(0.57)	(0.66)	0.19	0.08

The annexed notes 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

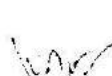
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



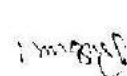
Chief Financial
Officer



Chief Executive



Director



Director

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED JUNE 30, 2022**

	2022		2021	
	Six months period ended June 30 (Unaudited)	Three months period ended June 30 (Unaudited)	Six months period ended June 30 (Unaudited)	Three months period ended June 30 (Unaudited)
(Loss) / profit for the period after taxation	(19,259,949)	(22,530,122)	6,310,652	2,783,162
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / Income for the period	(19,259,949)	(22,530,122)	6,310,652	2,783,162

Rupees

The annexed notes 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

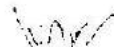
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(Modaraba Management Company)



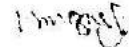
Chief Financial
Officer



Chief Executive



Director



Director

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

	Issued, subscribed and paid-up certificate capital	Capital Reserves	Revenue reserves	Total
		Statutory reserve	Accumulated losses	
Rupees				
Balance as at December 31, 2020 (Unaudited)	340,200,000	216,692,528	(418,484,198)	138,408,330
Total comprehensive income for the six months period ended June 30, 2021				
Profit after taxation for the six months period ended June 30, 2021	-	-	6,310,652	6,310,652
Other comprehensive income for the six months period ended June 30, 2021	-	-	-	-
Total comprehensive income for the six months period ended June 30, 2021	-	-	6,310,652	6,310,652
Transfer to statutory reserve	-	1,484,150	(1,484,150)	-
Balance as at June 30, 2021 (Audited)	340,200,000	218,176,678	(413,657,696)	144,718,982
Total comprehensive income for the six months period ended December 31, 2021				
Profit after taxation for the six months period ended December 31, 2021	-	-	10,634,680	10,634,680
Other comprehensive income for the six months period ended December 31, 2021	-	-	-	-
Total comprehensive income for the six months period ended December 31, 2021	-	-	10,634,680	10,634,680
Transfer to statutory reserve	-	2,126,936	(2,126,936)	-
Balance as at December 31, 2021 (Audited)	340,200,000	220,303,614	(405,149,952)	155,353,662
Total comprehensive income for the six months period ended June 30, 2022				
Loss after taxation for the six months period ended June 30, 2022	-	-	(19,259,949)	(19,259,949)
Other comprehensive income for the six months period ended June 30, 2022	-	-	-	-
Total comprehensive loss for the six months period ended June 30, 2022	-	-	(19,259,949)	(19,259,949)
Transfer to statutory reserve	-	-	-	-
Balance as at June 30, 2022 (Unaudited)	340,200,000	220,303,614	(424,409,901)	136,093,713

The annexed notes 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)

Chief Financial
Officer

Chief Executive

Director

Director

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

		2022	2021
		Six months period ended June 30 (Unaudited)	Six months period ended June 30 (Unaudited)
	Note	Rupees	
Cash flow from operating activities			
Net cash (used in) / generated from operations	32	(5,463,144)	161,803,385
Finance charges paid on redeemable capital		(79,574,861)	(36,771,368)
Finance charges paid on long term musharikhah finance		(9,659,289)	(23,915,803)
Taxes paid		(1,569,975)	(43,016)
		(90,804,125)	(60,730,187)
Net cash (used in) / generated from operating activities		(96,267,269)	101,073,198
Cash flow from investing activities			
Proceeds from disposal of fixed assets		2,500	-
Proceeds from disposal of ijarah assets		15,776,373	43,716,739
Purchase of fixed assets in own use		(556,500)	(424,165)
Purchase of ijarah assets		(29,249,901)	(33,851,964)
Dividend received from subsidiary		4,319,384	-
Advance paid against purchase of software		(412,500)	(1,200,000)
Profit received on bank deposits		10,877,754	1,981,812
Net cash generated from investing activities		757,110	10,222,422
Cash flow from financing activities			
Repayment of long term musharikhah finance - secured		(131,100,952)	(70,850,462)
Proceeds from issuance of redeemable capital		175,000,000	44,962
Unclaimed dividend paid to the Modaraba certificate holders		(11,980)	(82,664)
Net cash generated from / (used in) financing activities		43,887,068	(70,888,164)
Net (decrease) / increase in cash and cash equivalents		(51,623,091)	40,407,456
Cash and cash equivalents at the beginning of the period		135,278,267	71,340,969
Cash and cash equivalents at the end of the period	16	83,655,176	111,748,425

The annexed notes 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

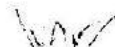
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



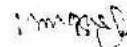
Chief Financial
Officer



Chief Executive



Director



Director

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

1 Status and nature of business

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (the Modaraba Management Company), which is wholly owned subsidiary of The Bank of Punjab. The Modaraba Management Company is incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and is registered with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980. The registered office of the Modaraba is situated at Office No. 100, 3rd floor, National Tower, 28-Egerton Road, Lahore. The Modaraba commenced its operations on December 23, 1992 and the Modaraba is listed on Pakistan Stock Exchange Limited.

The Modaraba established its wholly owned subsidiary on November 29, 2016 as a private limited Company under the name of Punjab Capital Securities Private Limited (the subsidiary company). The registered office of Punjab Capital Securities Private Limited is situated at 3rd Floor, LSE Plaza, 19-Khayabane Aiwane Iqbal, Lahore. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services.

The Modaraba is a perpetual and multi-dimensional Modaraba and is primarily engaged in the business of Ijarah, Musharikhah and Morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam. The Modaraba has obtained approval of the Securities & Exchange Commission of Pakistan to undertake Building, Construction and Real Estate activity by insertion of a new clause for this purpose in prospectus of the Modaraba on January 13, 2021.

- 1.1 These unconsolidated condensed interim financial statements are the separate condensed financial statements of the Modaraba in which investments in subsidiary is carried at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investee. The consolidated condensed interim financial statements have been presented separately.
- 1.2 During the year ended December 31, 2021, the Modaraba changed its financial year end from June 30, 2021 to December 31, 2021. Accordingly, the financial statements of the Modaraba were prepared for the six months period ended December 31, 2021.

2 Management's assessment of going concern

During the period ended June 30, 2022, the Modaraba has incurred loss after tax of Rs. 19,259,949. The accumulated losses - net of capital reserves, as at June 30, 2022 amount to Rs. 204,106,287 (December 2021: Rs. 184,846,338) which exceeds fifty percent of the total amount subscribed by the holders of the Modaraba Certificates, which is a non-compliance of Section 23 of Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (the Modaraba Ordinance). The current liabilities of the Modaraba exceed its current assets by Rs. 757,979,683 as at June 30, 2022. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Modaraba's ability to continue as a going concern.

In order to address going concern issue in terms of section 23 of the Modaraba Ordinance, The Bank of Punjab (BOP) being the parent company of the Modaraba Management Company is providing enduring support and has confirmed that it shall continue to provide financial support to the Modaraba in order to mitigate liquidity risks. In assessing the going concern status of the Modaraba, management has carefully assessed a number of factors covering the performance of the business, future business prospects and appetite of majority shareholder to continue financial support. The management has prepared a business plan to increase exposure through continued financial support from BOP and better recoveries against certain classified borrowers in order to improve profitability and overcome current negative equity situation.

Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity situation will be overcome in future. Accordingly, these unconsolidated condensed interim financial statements have been prepared on a going concern basis.

3 Basis of preparations

3.1 Statement of compliance

The unconsolidated condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of:

- International Accounting Standard (IAS) 34, interim financial reporting issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the Modaraba Regulations, 2021; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, Islamic Financial Accounting Standards (IFASs), the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IAS 34, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

- 3.1.1** The disclosures made in these unconsolidated condensed interim financial statements are based on the requirements of the International Accounting Standard (IAS) 34: 'Interim Financial Reporting'. These unconsolidated condensed interim financial statements does not include all the disclosures and statements required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended December 31, 2021.
- 3.1.2** The comparative balance sheet presented in these unconsolidated condensed interim financial statements has been extracted from the published audited financial statements of the Modaraba for the year ended December 31, 2021, whereas the comparative statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement have been extracted from the unaudited unconsolidated condensed interim financial statements of the Modaraba for the period ended December 31, 2020 and audited unconsolidated financial statements of the Modaraba for the year ended June 30, 2021.
- 3.1.3** These unconsolidated condensed interim financial statements are being submitted to the certificate holders as required under the Rule 10 of Modaraba Companies and Modaraba Rules, 1981.

3.2 Basis of measurement

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention.

3.3 Functional and presentation currency

These unconsolidated condensed interim financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency and all the figures presented in these unconsolidated condensed interim financial statements presented have been rounded off to the nearest Rupee, unless otherwise stated.

4 Significant accounting estimates and judgments

4.1.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these unconsolidated condensed interim financial statements are the same as those that were applied in the preparation of the annual published audited financial statements of the Modaraba for the year ended December 31, 2021.

4.1.2 The preparation of these unconsolidated condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

4.1.3 The significant judgments, estimates and assumptions made in applying the Modaraba's accounting policies and the factors used in making those estimates were the same as those that were applied to the annual published audited financial statements for the year ended December 31, 2021.

4.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the published approved accounting standards that are mandatory for the Modaraba's accounting period beginning on or after January 1, 2022. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these unconsolidated condensed interim financial statements.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these unconsolidated condensed interim financial statements, other than IFRS - 9.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed.

The Securities and Exchange Commission of Pakistan (SECP) has deferred the applicability of IFRS 9 on Modarabas in Pakistan to accounting periods ending on or after June 30, 2024 through Notification vide S.R.O. 1827 (I)/2022 dated September 29, 2022. Therefore these unconsolidated condensed financial statements have been prepared in accordance with the existing prudential regime.

5 Financial Risk Management Policies

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual published audited financial statements of the Modaraba for the year ended December 31, 2021.

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
		Rupees	
	6.1	368,358,309	402,480,335
	6.2	3,323,767	3,415,009
		371,682,096	405,895,344

Description	June 30, 2022 (Unaudited)										Net Book Value As at June 30, 2022	Life (Years)
	Cost			Depreciation			Impairment					
	As at January 01, 2022	Additions	Disposals	As at June 30, 2022	Charge for the period	Disposals	As at June 30, 2022	As at January 01, 2022	Adjustments	As at June 30, 2022		
Plant and machinery	391,590,463	525,000	(20,415,000)	371,700,463	304,754,573	2,161,525	(16,793,648)	287,522,450	15,593,102	(15,593,102)	84,178,013	1 to 7
Vehicle	432,937,429	-	(44,187,908)	388,749,521	172,178,057	35,435,750	(33,386,463)	174,227,344	1,104,397	(1,104,397)	214,522,177	2 to 8
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	2
Consumer products	133,693,279	28,724,901	(16,253,500)	146,364,680	62,910,707	25,101,212	(11,305,358)	76,706,561	-	-	69,558,119	1 to 4
	971,973,775	29,249,901	(80,656,408)	920,367,268	552,795,841	62,698,487	(63,485,466)	552,008,859	16,697,499	(15,697,499)	368,358,309	

Description	December 31, 2021 (Audited)										Net Book Value As at December 31, 2021	Life (Years)	
	Cost			Depreciation			Impairment						
	As at July 01, 2021	Additions	Disposals	As at December 31, 2021	Charge for the period	Disposals	As at December 31, 2021	As at July 01, 2021	Adjustments	As at December 31, 2021			
Plant and machinery	461,728,567	1,011,900	(71,150,004)	391,590,463	360,791,215	5,325,238	(61,961,940)	304,154,573	15,593,102	-	15,593,102	71,842,786	1 to 7
Vehicle	442,297,959	2,805,900	(12,165,530)	432,937,429	144,735,913	37,292,202	(9,850,058)	172,178,057	1,104,397	-	1,104,397	259,654,975	2 to 8
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	-	2
Consumer products	113,774,738	32,005,500	(11,886,959)	133,893,279	45,136,926	24,908,139	(7,134,358)	62,910,707	-	-	70,982,572	1 to 4	
	1,031,353,868	35,622,400	(95,202,493)	971,973,775	564,216,718	67,525,579	(78,946,356)	552,795,941	16,697,499	-	16,697,499	402,480,335	

6.1.1 The cost of fully depreciated ijarah assets that are still in use amounts to Rs. 362,301,497. (December 31, 2021: Rs. 342,447,098).

6.2 Assets in own use

Description	June 30, 2022 (Unaudited)							Life (Years)
	Cost			Depreciation			Net Book Value As at June 30, 2022	
	As at January 01, 2022	Additions	Disposals	As at January 01, 2022	Charge for the Period	Disposals		
Office Equipment	4,096,645	521,700	(15,000)	2,284,702	286,038	(15,000)	2,047,605	3 to 7
Furniture & Fixtures	2,199,000	34,800	-	2,233,800	119,450	-	587,419	6 to 7
Vehicles	2,450,800	-	-	2,450,800	242,234	-	688,763	5
	<u>8,746,445</u>	<u>556,500</u>	<u>(15,000)</u>	<u>5,331,436</u>	<u>647,722</u>	<u>(15,000)</u>	<u>5,964,158</u>	<u>3,323,787</u>

Rupees

Description	December 31, 2021 (Audited)							Life (Years)
	Cost			Depreciation			Net Book Value As at December 31, 2021	
	As at July 01, 2021	Additions	Disposals	As at July 01, 2021	Charge for the Year	Disposals		
Office Equipment	2,942,895	1,153,750	-	2,264,876	19,826	-	1,811,943	3 to 7
Furniture & Fixtures	2,199,000	-	-	2,199,000	126,899	-	672,069	6 to 7
Vehicles	2,259,300	191,500	-	2,450,800	598,150	-	930,997	5
	<u>7,401,195</u>	<u>1,345,250</u>	<u>-</u>	<u>4,586,561</u>	<u>744,875</u>	<u>-</u>	<u>5,331,436</u>	<u>3,415,009</u>

Rupees

6.2.1 The cost of fully depreciated assets that are still in use amounts to Rs. 2,040,941 (December 31, 2021: Rs. 2,040,971).

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
7 Intangible Assets		Rupees	
Computer software	7.1	-	-
Capital work in progress	7.2	1,512,500	1,100,000
Net book value as at June 30, 2022		<u>1,512,500</u>	<u>1,100,000</u>
7.1 Computer Software			
Cost		2,495,000	2,495,000
Accumulated amortization		(2,495,000)	(2,495,000)
Balance as at June 30, 2022		<u>-</u>	<u>-</u>
Life (years)		<u>2 to 7</u>	<u>2 to 7</u>
7.2 Capital work in progress			
Advance against purchase of software		1,512,500	1,100,000
		<u>1,512,500</u>	<u>1,100,000</u>

8 Investment in subsidiary

As a result of Stock Exchange (Corporatization, Demutualization and Integration) Act 2012, the Modaraba acquired Trading Rights Entitlement Certificate (TREC) and the subsidiary was setup to undertake brokerage business and thereby utilize the TREC. The Modaraba obtained permission from SECP vide letter dated October 21, 2016 to form a wholly owned subsidiary to undertake brokerage business and the subsidiary was incorporated on November 29, 2016. During the period, total investment in subsidiary remained at Rs. 76,500,000 (December 31, 2021: Rs. 76,500,000).

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
9 Long term musharikhah investment - secured		Rupees	
Long term musharikhah investment		765,942,971	713,092,641
Less: Current portion of long term musharikhah investment	13	(361,892,568)	(423,391,618)
		<u>404,050,403</u>	<u>289,701,023</u>
10 Long term morabaha investment - secured			
Long term morabaha investment		29,955,276	13,522,222
Add: Unearned morabaha income		10,489,747	1,904,590
		40,445,023	15,426,812
Less: Current portion of long term morabaha investment	13	(14,671,672)	(10,466,668)
		25,773,351	4,960,144
Less: Current portion of unearned morabaha income	13	(3,805,872)	(679,620)
		<u>21,967,479</u>	<u>4,280,524</u>

		Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
11	Deferred tax asset			
			Rupees	
	Deferred tax asset	11.1	44,061,078	64,398,663
11.1				
	As at December 31, 2021	Reversed in P&L	Recognised in OCI	As at June 30, 2022
			Rupees	
	Deductible temporary differences:			
	- Brought forward business losses			
	34,707,970	(20,337,585)	-	14,370,385
	- Brought forward depreciation expense losses			
	29,690,693	-	-	29,690,693
	64,398,663	(20,337,585)	-	44,061,078
	<u>64,398,663</u>	<u>(20,337,585)</u>	<u>-</u>	<u>44,061,078</u>
		Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
			Rupees	
12	Short term morabaha investment - secured			
	Short term morabaha investment		420,233,156	416,172,013
	Add: Unearned morabaha income		3,142,732	2,651,705
			423,375,888	418,823,718
	Less: Provision against morabaha investment	12.1	(214,253,879)	(214,253,879)
			<u>209,122,009</u>	<u>204,569,839</u>
12.1	Provision against morabaha investment			
	Opening balance		214,253,879	235,561,379
	Reversals during the period		-	(2,307,500)
	Closing balance		<u>214,253,879</u>	<u>214,253,879</u>
13	Current maturity of long term investment			
	Current portion of long term musharikhah investment	9	361,892,568	423,391,618
	Less: Provision against musharikhah investment	13.1	(26,392,919)	(26,392,919)
			335,499,649	396,998,699
	Current portion of long term morabaha investment	10	14,671,672	10,466,668
	Add: Unearned morabaha income	10	3,805,872	679,620
	Less: Provision against morabaha investment	13.2	(8,800,000)	(8,800,000)
			9,677,544	2,346,288
			<u>345,177,193</u>	<u>399,344,987</u>

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
13.1 Provision against musharikhah investment		Rupees	
Opening balance		26,392,919	15,761,143
Additions during the period		-	10,631,776
Closing balance		<u>26,392,919</u>	<u>26,392,919</u>
13.2 Provision against morabaha investment			
Opening balance		8,800,000	8,800,000
Closing balance		<u>8,800,000</u>	<u>8,800,000</u>
14 Ijarah rentals receivable			
Ijarah rentals receivable		230,510,215	257,993,218
Less: Provision against ijarah rental receivable	14.1	(74,567,866)	(57,372,051)
		<u>155,942,349</u>	<u>200,621,167</u>
14.1 Provision against ijarah rental receivable			
Opening balance		57,372,051	57,038,251
Additions in provision during the period		983,180	333,800
Reversals of provision during the period		(484,864)	-
Adjustments in impairment of ijarah assets - net		16,697,499	-
Closing balance		<u>74,567,866</u>	<u>57,372,051</u>
15 Advances, deposits, prepayments and other receivables			
Profit receivable			
- Morabaha investment		4,339,006	732,319
- Musharikhah investment		38,353,975	33,728,953
		42,692,981	34,461,272
Prepayments		5,452,264	4,431,221
Advances		15,362,978	2,070,704
Non-banking assets		4,772,500	8,391,250
Other receivables		106,141,732	97,516,503
		<u>174,422,455</u>	<u>146,870,950</u>
Less: Provision against other receivables	15.1	(11,128,292)	(11,128,292)
		<u>163,294,163</u>	<u>135,742,658</u>
15.1 Provision against other receivables			
Opening balance		11,128,292	11,128,292
Closing balance		<u>11,128,292</u>	<u>11,128,292</u>

	(Unaudited) June 30, 2022	(Audited) December 31, 2021
	Rupees	
16 Cash and bank balances		
Cash at banks		
Current accounts	27,833,311	32,709,947
Current account with State Bank of Pakistan	3,522	233,586
Savings accounts	55,636,754	102,073,480
	83,473,587	135,017,013
Cash in hand	181,589	261,254
	<u>83,655,176</u>	<u>135,278,267</u>

16.1 The balance of Rs. 66,024,108 (December 31, 2021: Rs. 32,694,142) is maintained with The Bank of Punjab (the holding company of the Modaraba's Management Company).

	(Unaudited) June 30, 2022	(Audited) December 31, 2021
	Rupees	
17 Authorized, issued, subscribed and paid up certificate capital		
Authorized certificate capital		
50,000,000 modaraba certificates of Rs.10 each	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital		

(Unaudited) June 30, 2022	(Audited) December 31, 2021		(Unaudited) June 30, 2022	(Audited) December 31, 2021
Number of certificates			Rupees	
20,000,000	20,000,000	Modaraba Certificates of Rs. 10 each fully paid in cash	200,000,000	200,000,000
14,020,000	14,020,000	Modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	140,200,000	140,200,000
<u>34,020,000</u>	<u>34,020,000</u>		<u>340,200,000</u>	<u>340,200,000</u>

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
		Rupees	
18 Reserves			
Capital reserves			
Statutory reserve	18.1	220,303,614	220,303,614
Revenue reserves			
Accumulated losses		(424,409,901)	(405,149,952)
		<u>(204,106,287)</u>	<u>(184,846,338)</u>

18.1 This represents profit set aside to comply with the Modaraba Regulations issued by Securities and Exchange Commission of Pakistan requiring modaraba to transfer not less than 20% and not more than 50% of its profits after tax in such manner that reserves equal 100% of the paid up capital. Thereafter a sum not less than 5% of the profit after tax is to be set aside.

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
Rupees			
19 Long term musharikhah finance secured			
Opening balance		131,100,952	535,128,774
Obtained during the period		-	2,038,378,738
Less: Repaid during the period		(131,100,952)	(2,442,406,560)
		(131,100,952)	(404,027,822)
Closing balance		-	131,100,952
20 Current maturity of non current liabilities			
Current maturity of long term security deposits		94,070,760	79,669,360
Current maturity of deferred morabaha income		3,805,872	-
		97,876,632	79,669,360
21 Redeemable capital - participatory and unsecured			
Opening balance		1,603,000,000	1,014,101,593
Add: Issued during the period		175,000,000	600,000,000
Add: Rolled over during the period		1,600,000,000	1,000,000,000
Less: Redeemed during the period		(1,600,000,000)	(1,011,101,593)
		175,000,000	588,898,407
Closing balance		1,778,000,000	1,603,000,000
22 Trade and other payables			
Accrued expenses	22.1	6,276,358	5,222,072
Advances against ijarah, morabaha and musharikhah financing		22,896,701	46,016,677
Other payables		17,723,835	50,361,702
		46,896,894	101,600,451
22.1	This includes gratuity payable to employees amounting to Rs. 5,350,108 (December 31, 2021: Rs. 4,419,572).		
23 Contingencies and commitments			
23.1 Contingencies			
	There are no significant changes in contingent liabilities since the last published financial statements as at December 31, 2021.		
23.2 Commitments			
23.2.1	Ijara commitments as on balance sheet date amount to Nil. (December 31, 2021: Rs. 138,380,000)		
23.2.2	Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs. 20,000,000 (December 31, 2021: 15,000,000).		
23.2.3	Musharikhah commitments approved but not disbursed as on balance sheet date amount to Rs. 61,455,250 (December 31, 2021: Rs.122,380,000).		

	Note	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
Rupees			
24	Other income		
	Profit on bank deposits	12,819,659	1,981,812
	Processing fee	823,168	485,600
	Advising fee	1,801,000	-
	Cheque return charges	1,904,282	-
	Gain on settlement of musharikhah financing	4,200,739	3,600,922
	Gain on settlement of morabaha financing	14,317,013	342
	Dividend income	4,319,384	-
	Rebate income from takaful	1,208,763	1,099,076
	Miscellaneous income	2,479,187	316,420
		<u>43,873,195</u>	<u>7,484,172</u>
25	Administrative expenses		
	Salaries and benefits	25.1 19,291,394	16,520,840
	Travelling and conveyance	32,342	81,214
	Depreciation - on assets in own use	647,722	612,888
	Amortization of intangible assets	-	797,814
	Legal and professional	585,500	330,625
	Printing and stationary	701,546	424,523
	Insurance	1,599,578	1,884,458
	Fee and subscription	1,423,906	628,809
	Auditor's remuneration	575,000	350,000
	Repair and maintenance	1,200,816	1,185,791
	Vehicle running and maintenance	352,106	89,156
	Power and utilities	786,194	370,428
	Entertainment expenses	291,056	246,663
	Advertisement	148,201	86,400
	Telephone and postage	410,778	354,738
	Corporate expenses	561,730	371,165
	Rent rates and taxes	186,620	6,275
	Selling and marketing expenses	3,277,400	283,966
	Miscellaneous expenses	337,882	219,303
		<u>32,409,771</u>	<u>24,845,056</u>
25.1	Salaries and other benefits include Rs. 542,349 (June 2021: 384,596) on account of provident fund contribution and Rs. 930,536 (June 2021: Rs. 1,645,194) in respect of gratuity payable to employees.		
		(Unaudited)	(Unaudited)
		June 30, 2022	June 30, 2021
26	Finance cost		
	Financial charges on long term musharikhah finance	196,055	22,842,619
	Financial charges on redeemable capital	86,649,318	35,211,990
	Bank charges	123,671	147,170
		<u>86,969,044</u>	<u>58,201,779</u>

	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
27 Taxation	Rupees	
Current Tax	647,908	1,292,544
Deferred Tax	20,337,585	-
	<u>20,985,493</u>	<u>1,292,544</u>
28 (Loss) / earnings per certificate		

28.1 Basic

Basic (loss) / earnings per certificate are calculated by dividing the profit after tax for the period by the weighted average number of certificates outstanding during the period as follows:

	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
	Rupees	
(Loss) / profit for the period after taxation	(19,259,949)	6,310,652
Weighted average number of Modaraba certificates	34,020,000	34,020,000
(Loss) / earnings per certificate	<u>(0.57)</u>	<u>0.19</u>

28.2 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have a dilutive impact on basic earnings per certificate when exercised.

29 Related party transactions					
The related parties and associated undertakings comprise of The Bank of Punjab, Punjab Modaraba Services (Private) Limited and Punjab Capital Securities (Private) Limited. The Modaraba enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:					
29.1 Transactions with the related parties	Name of related party	Relationship	Transactions during the period	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
	The Bank of Punjab	Holding Company of Modaraba's Management Company	Musharikhah placements received during the period Musharikhah placements rolled over during the period Repayment of musharikhah finance during the period Profit paid on musharikhah finance during the period Profit paid on musharikhah placements during the period	175,000,000 1,600,000,000 131,100,952 9,659,289 79,574,861	44,962 1,000,000,000 70,850,462 23,915,803 36,771,368
	Key Management Personnel	Key Management Personnel	Remuneration of key management personnel paid during the period Staff loans disbursed during the period Staff loans repaid during the period	6,806,769 510,000 865,048	6,444,791 552,000 794,017
	Punjab Capital Securities (Private) Limited	Subsidiary Company	Dividend received during the period	4,319,384	-
29.2 Balances with the related parties	Name of Related Party	Relationship	Period end balances	(Unaudited) June 30, 2022	(Audited) December 31, 2021
	The Bank of Punjab	Holding Company of Modaraba's Management Company	Musharikhah finance Musharikhah placement Profit payable on musharikhah finance Profit payable on musharikhah placement Outstanding Modaraba certificates 4,788 (December 31, 2021 : 4,788)	- 1,775,000,000 - 19,733,148 47,880	131,100,952 1,600,000,000 9,463,234 12,047,445 47,880
	Punjab Modaraba Services (Private) Limited	Modaraba Management Company	Outstanding Modaraba certificates 13,320,694 (December 31, 2021 : 13,320,694)	133,206,940	133,206,940
	Trustee - The Bank of Punjab Employees Gratuity Fund	Associated Company	Outstanding Modaraba certificates 5,099,500 (December 31, 2021 : 5,099,500)	5,099,500	5,099,500
	Punjab Capital Securities (Private) Limited	Subsidiary Company	Investment at cost	76,500,000	76,500,000

FAIR VALUE MEASUREMENTS

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Modaraba to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

As at June 30, 2022 and December 31, 2021, there were no financial instruments which were measured at fair values in these unconsolidated condensed interim financial statements.

The following table shows the carrying amounts and fair values of all financial assets and financial liabilities, including their levels in the fair value hierarchy.

	As at June 30, 2022 (Unaudited)							
	Carrying Value			Fair Value				
	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investment in subsidiary	76,500,000	-	-	76,500,000	-	-	-	-
Long term musharikah investment - secured	404,050,403	-	-	404,050,403	-	-	-	-
Long term morabaha investment - secured	21,967,479	-	-	21,967,479	-	-	-	-
Long term security deposits	308,444	-	-	308,444	-	-	-	-
Short term morabaha investment - secured	209,122,009	-	-	209,122,009	-	-	-	-
Current maturity of long term investment	345,177,193	-	-	345,177,193	-	-	-	-
ijarah rental receivable	155,942,349	-	-	155,942,349	-	-	-	-
Short term investment	200,000,000	-	-	200,000,000	-	-	-	-
Advances, deposits and other receivables	137,706,421	-	-	137,706,421	-	-	-	-
Cash and bank balances	83,655,176	-	-	83,655,176	-	-	-	-
	1,634,429,474	-	-	1,634,429,474	-	-	-	-
Financial liabilities								
Long term security deposits	-	-	113,395,489	113,395,489	-	-	-	-
Redeemable capital - participatory and unsecured	-	-	1,778,000,000	1,778,000,000	-	-	-	-
Profit payable	-	-	20,476,187	20,476,187	-	-	-	-
Trade and other payables	-	-	46,896,894	46,896,894	-	-	-	-
Unclaimed dividend	-	-	17,191,276	17,191,276	-	-	-	-
	-	-	1,975,959,846	1,975,959,846	-	-	-	-

As at December 31, 2021 (Audited)

	Carrying Value		Fair Value					
	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investment in subsidiary	76,500,000	-	-	76,500,000	-	-	-	-
Long term musharika investment - secured	289,701,023	-	-	289,701,023	-	-	-	-
Long term morabaha investment - secured	4,280,524	-	-	4,280,524	-	-	-	-
Long term security deposits	203,444	-	-	203,444	-	-	-	-
Short term morabaha investment - secured	204,569,839	-	-	204,569,839	-	-	-	-
Current maturity of long term investment	399,344,987	-	-	399,344,987	-	-	-	-
Ijarah rental receivable	200,621,167	-	-	200,621,167	-	-	-	-
Short term investment	200,000,000	-	-	200,000,000	-	-	-	-
Advances, deposits and other receivables	120,849,483	-	-	120,849,483	-	-	-	-
Cash and bank balances	135,278,267	-	-	135,278,267	-	-	-	-
	<u>1,631,348,734</u>	<u>-</u>	<u>-</u>	<u>1,631,348,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities								
Long term security deposits	-	-	121,944,089	121,944,089	-	-	-	-
Long term musharika finance - secured	-	-	131,100,952	131,100,952	-	-	-	-
Redeemable capital - participatory and unsecured	-	-	1,603,000,000	1,603,000,000	-	-	-	-
Profit payable	-	-	22,864,964	22,864,964	-	-	-	-
Trade and other payables	-	-	101,600,451	101,600,451	-	-	-	-
Unclaimed dividend	-	-	17,203,256	17,203,256	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,997,713,712</u>	<u>1,997,713,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30.1 The Modaraba has not disclosed the fair values for the above financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their fair values are not significantly different from their carrying amounts.

31 Segment reporting

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief executive officer of the management company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of the approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan. The Modaraba has a diversified product portfolio whereby resources have been allocated.

	Note	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
32 Cash flow from operating activities			
		Rupees	
Profit for the period before taxation		1,725,544	7,603,196
Adjustments for:			
Depreciation on ijarah assets	6.1	62,698,487	54,246,500
Depreciation on assets in own use	6.2	647,722	612,888
Amortization on intangible assets		-	797,814
Loss on disposal of Ijarah assets		485,653	1,276,939
Gain on disposal of assets in own use		(2,500)	-
Gain on disposal of non-banking assets		(317,500)	-
Reversal for impairment of ijarah assets		-	(5,000,000)
Charge / (reversal) of provision against Ijarah rentals - net		498,316	(13,168,058)
Financial charges on long term musharikhah finance	26	196,055	22,842,619
Dividend received		(4,319,384)	-
Profit on bank deposits		(12,819,659)	(1,981,812)
Financial charges on redeemable capital	26	86,649,318	35,211,990
		133,716,508	94,838,880
Operating profit before working capital changes		135,442,052	102,442,076
(Increase) / decrease in assets:			
Morabaha investment - net		(20,494,198)	6,725,335
Investment in musharikhah		(52,850,330)	27,244,531
Development properties		(7,503,328)	(6,975,000)
Ijarah rental receivable - net		28,909,417	61,627,605
Cash paid for long term security deposit		(105,000)	-
Advances, deposits, prepayments and other receivables		(25,609,600)	(2,921,763)
		(77,653,039)	85,700,708
Increase / (decrease) in liabilities:			
Security deposits		(8,548,600)	(11,840,379)
Trade and other payables		(54,703,557)	(14,499,020)
		(63,252,157)	(26,339,399)
Net changes in operating assets and operating liabilities		(140,905,196)	59,361,309
Cash (used in) / generated from operations		(5,463,144)	161,803,385

33 General

The figures of the unconsolidated condensed interim statement of profit and loss account and unconsolidated condensed interim statement of comprehensive income for three months period ended June 30, 2022 and June 30, 2021 have not been subjected to limited scope review by the auditors as the scope of review covered only cumulative figures.

33.1 Reclassification of corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current period except for the following;

From	To	As at December 31, 2021 (Rupees)
Advances, deposits, prepayments and other receivables	Intangible assets	1,100,000
Trade and other payables	Advances, deposits, prepayments	3,452,649
Short term morabaha investment - secured	Long term morabaha investment - secured	4,280,524
Short term morabaha investment - secured	Current maturity of long term investment	2,346,288
Current maturity of non-current liabilities	Deferred morabaha income	4,555,795

34 Date of authorization for issue

These unconsolidated condensed interim financial statements of Modaraba were authorised for issue by the Board of Directors of the Management Company in its meeting held on November 09, 2022.

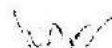
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



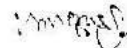
Chief Financial
Officer



Chief Executive



Director



Director



KEMENTERIAN KEWANGAN MALAYSIA
MINISTRY OF FINANCE

**CONSOLIDATED
FINANCIAL INFORMATION**
For the Six months ended
June 30, 2022

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2022

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Rupees			
ASSETS			
Non-current assets			
Tangible fixed assets			
- Ijarah assets	6.1	368,358,309	402,480,335
- Assets in own use	6.2	4,414,362	4,539,641
Intangible assets	7	8,652,725	7,865,726
Long Term Investment		23,842,294	20,466,394
Long term musharika investment - secured	8	404,050,403	289,701,023
Long term morabaha investment - secured	9	21,967,479	4,280,524
Long term deposits		8,500,471	8,395,471
Deferred tax asset	10	43,461,595	63,799,180
		883,247,638	801,528,294
Current assets			
Short term morabaha investment - secured	11	209,122,009	204,569,839
Current maturity of long term investment	12	365,177,193	399,344,987
Ijarah rental receivable	13	155,942,349	200,621,167
Trade Receivable		5,845,665	7,778,595
Short term investment		200,000,000	200,000,000
Development properties		46,986,964	39,483,636
Advances, deposits, prepayments and other receivables	14	172,926,223	168,679,460
Tax refund due from government		6,364,184	5,743,208
Cash and bank balances	15	115,856,112	163,486,952
		1,278,222,699	1,387,707,844
TOTAL ASSETS		2,161,470,337	2,189,236,138
EQUITY AND LIABILITIES			
Authorized certificate capital			
50,000,000 (December 31, 2021: 50,000,000) modaraba certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital 34,020,000 (December 31, 2021: 34,020,000) modaraba certificates of Rs. 10 each	16	340,200,000	340,200,000
Fair Value Reserve		5,574,500	5,642,018
Statutory reserves	17	220,303,614	220,303,614
Revenue reserves	17	(426,302,717)	(405,285,175)
		139,775,397	160,860,457
Non-current liabilities			
Long term security deposits		19,324,729	42,274,729
Deferred morabaha income	18	6,683,875	-
Long term musharika finance - secured	18	-	131,100,952
		26,008,604	173,375,681
Current liabilities			
Current maturity of non-current liabilities	19	97,876,632	79,669,360
Redeemable capital - participatory and unsecured	20	1,778,000,000	1,603,000,000
Deferred morabaha income		3,142,232	4,555,795
Profit payable		20,476,187	22,864,964
Trade and other payables	21	75,369,690	123,003,540
Provision for taxation		3,610,319	4,703,085
Unclaimed dividend		17,191,276	17,203,256
		1,995,686,336	1,855,000,000
CONTINGENCIES AND COMMITMENTS	22	-	-
TOTAL EQUITY AND LIABILITIES		2,161,470,337	2,189,236,138

The annexed notes 1 to 33 form an integral part of these consolidated condensed interim financial statements.

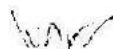
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



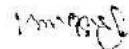
Chief Financial
Officer



Chief Executive



Director



Director

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

	2022		2021	
	Six months period ended June 30 (Unaudited)	Three months period ended June 30 (Unaudited)	Six months period ended June 30 (Unaudited)	Three months period ended June 30 (Unaudited)
	Rupees			
Income				
Income from ijarah rentals - net	28,257,902	11,402,865	35,983,567	27,654,500
Income / (loss) from morabaha financing	4,335,170	3,332,956	270,139	(676,013)
Income from diminishing musharaka financing	45,337,277	25,241,472	29,799,434	15,850,049
Revenue from contract from customers	10,498,336	5,320,702	16,547,495	9,649,330
Other income	42,182,179	22,053,764	8,766,230	5,753,535
	130,610,864	67,351,759	91,366,865	58,431,401
Expenses				
Administrative expenses	43,005,549	25,608,945	36,627,237	20,717,290
Finance cost	86,987,343	47,081,434	58,218,657	29,012,014
Gain / (loss) on disposal of assets	166,573	166,573	1,276,939	1,057,235
	130,159,465	72,856,952	96,122,833	50,786,539
Operating profit / (loss) before provision	451,399	(5,505,193)	(4,755,968)	7,644,862
Reversal / (charge) for impairment of ijarah assets	-	-	5,000,000	(13,955,522)
Reversal / (charge) against ijarah rentals - net	(498,316)	(438,916)	13,389,658	13,389,658
Reversal / (Provision) for murabaha investment	-	-	-	-
	(498,316)	(438,916)	18,389,658	(565,864)
Operating profit after provision and impairment	(46,917)	(5,944,109)	13,633,690	7,078,998
Modaraba company's management fee	-	-	-	-
Profit for the period before taxation	(46,917)	(5,944,109)	13,633,690	7,078,998
Taxation	(20,970,625)	1,010,499	(2,745,577)	(1,849,351)
(Loss) / Profit for the period	(21,017,542)	(4,933,610)	10,888,113	5,229,647
(Loss) / Earnings per certificate - basic and diluted	(0.62)	(0.15)	0.32	0.15

The annexed notes 1 to 33 form an integral part of these consolidated condensed interim financial statements.

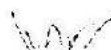
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



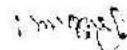
Chief Financial
Officer



Chief Executive



Director




Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2022

	2022		2021	
	Six months period ended June 30 (Unaudited)	Three months period ended June 30 (Unaudited)	Six months period ended June 30 (Unaudited)	Three months period ended June 30 (Unaudited)
	Rupees			
(Loss)/Profit for the period	(21,017,542)	(4,933,610)	10,888,113	5,229,647
Other Comprehensive Income / (loss) for the period	(67,518)	-	-	-
Items that will not be reclassified to the unconsolidated condensed interim statement of profit or loss	-	-	-	-
Total comprehensive income / (loss) for the period	(21,085,060)	(4,933,610)	10,888,113	5,229,647

The annexed notes 1 to 33 form an integral part of these consolidated condensed interim financial statements.

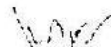
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 (Modaraba Management Company)



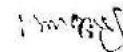
Chief Financial
Officer



Chief Executive



Director



Director



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

	Certificate capital	Capital Reserve		Revenue reserves	Total
		Fair Value Reserve	Statutory reserves		
Rupees					
Balance as at January 01, 2021	340,200,000	8,846,368	216,692,528	(431,684,549)	134,054,347
Total comprehensive income for the six months period ended June 30, 2021					
Profit after taxation for the six months period ended June 30, 2021	-	928,373	-	10,991,188	11,919,561
Other comprehensive income for the six months period ended June 30, 2021	-	-	-	-	-
Total comprehensive income / (loss) for the six months period ended June 30, 2021	-	-	-	10,991,188	11,919,561
Transfer to statutory reserves			1,484,150	(1,484,150)	-
Balance as at June 30, 2021 (Audited)	340,200,000	8,846,368	218,176,678	(422,177,511)	145,973,908
Balance as at January 01, 2022	340,200,000	5,642,018	220,303,614	(405,285,175)	160,860,457
Total comprehensive income for the six months period ended June 30, 2022					
(Loss)/ Profit after taxation for the half year ended June 30, 2022	-	(67,518)	-	(21,017,542)	(21,017,542)
Other comprehensive income for the half year ended June 30, 2022	-	-	-	-	(67,518)
Total comprehensive income / (loss) for the half year ended June 30, 2022	-	(67,518)	-	(21,017,542)	(21,085,060)
Transfer to statutory reserves	-	-	-	-	-
Balance as at June 30, 2022 (Unaudited)	340,200,000	5,574,500	220,303,614	(426,302,717)	139,775,397

The annexed notes 1 to 33 form an integral part of these consolidated condensed interim financial statements.

For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)

Chief Financial Officer

Chief Executive

Director

Director

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

	Note	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Rupees			
Cash flow from operating activities			
Cash generated from operations		2,610,788	161,803,385
Finance charges paid on redeemable capital		(79,574,861)	(36,771,368)
Finance charges paid on long term musharikhah finance		(9,659,289)	(23,915,803)
Taxes paid		(2,346,782)	(43,016)
		(91,580,932)	(60,730,187)
Net cash generated / (used in) from operating activities		(88,970,144)	101,073,198
Cash flow from investing activities			
Proceeds from disposal of fixed assets	26	2,500	-
Purchase of assets under ijarah arrangements		(29,249,901)	(33,851,964)
Proceeds from transfer of ijarah assets		16,578,737	43,716,739
Dividend received from subsidiary	23	632,981	-
Advance against purchase of software		(786,999)	(1,200,000)
Profit on bank deposits		10,906,919	1,981,812
Purchase of fixed assets in own use	6.2	(630,000)	(424,165)
Net cash generated / (used in) from investing activities		(2,545,763)	10,222,422
Cash flow from financing activities			
Payment of long term musharikhah finance - net		(131,100,952)	(70,850,462)
Proceeds against the redeemable capital - net		175,000,000	44,962
Dividend distributed among the certificate holders		(11,981)	(82,664)
Net cash generated from / (used in) financing activities		43,887,067	(70,888,164)
Net (decrease) / increase in cash and cash equivalents		(47,628,840)	40,407,456
Cash and cash equivalents at the beginning of the period		163,486,952	71,340,969
Cash and cash equivalents at the end of the period	15	115,858,112	111,748,425

The annexed notes 1 to 33 form an integral part of these consolidated condensed interim financial statements.

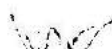
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



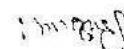
Chief Financial
Officer



Chief Executive



Director



Director

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)
(FOR THE HALF YEAR ENDED JUNE 30, 2022)

1 The Group and its Operations

The "Group" consists of:

Parent

First Punjab Modaraba

Subsidiary Company

Punjab Capital Securities (Private) Limited

Percentage of holding
30-Jun-22 31-Dec-21

100% **100%**

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at 3rd floor, National Tower, Egerton Road, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

The Modaraba is a perpetual and multi-dimensional Modaraba and is primarily engaged in the business of Ijarah, Musharikah and Morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam.

Modaraba has obtained approval of the Securities and Exchange Commission of Pakistan to undertake Building, Construction and Real Estate activity by insertion of a new clause for this purpose in prospectus of the Modaraba on 13 January 2021.

Punjab Capital Securities (Private) Limited

The Punjab Capital Securities (Private) Limited ("the Company") is registered under the repealed Companies Ordinance, 1984 (which is replaced by Companies Act 2017) as a company limited by shares on the 29th day of November 2016. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the Company is situated at Room No 319, 3rd Floor, Lahore stock exchange (LSE) Building, Lahore.

1.1 During the period, the Modaraba has changed its financial year from 30 June to 31 December. Accordingly, financial statements of the Company are prepared for the six month period ended 31 December 2021 and hence comparative figures in Consolidated Profit or Loss Accounts, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows are not comparable.

1.2 Basis of Consolidation

The Group consolidated financial statements include the consolidated financial statements of the Modaraba and its subsidiary.

Subsidiary are fully consolidated from the date on which control is transferred to the Modaraba. They are deconsolidated from the date that control ceases. The consolidated financial statements of subsidiary have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

The Modaraba applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Modaraba recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The consolidated financial statements of the Modaraba and its subsidiary are prepared upto the same reporting date using consistent accounting policies.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Any contingent consideration to be transferred by the Modaraba is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill, if any, is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income statement. After initial recognition, is measured at carrying value i.e. cost at the date of acquisition less any accumulated impairment.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Modaraba ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Modaraba had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

1.3 Status and nature of business

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at Office No. 100, 3rd floor, National Tower, 28-Egerton Road, Lahore. The Modaraba commenced its operations on December 23, 1992. The Modaraba is listed on Pakistan Stock Exchange.

The Modaraba established its wholly owned subsidiary on November 29, 2016 as a private limited Company under the name of Punjab Capital Securities Privatet Limited. The registered office of Punjab Capital Securities Private Limited is situated at 3rd Floor, LSE Plaza, 19-Khayabane Alwane Iqbal, Lahore. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services.

The Modaraba is a perpetual and multi-dimensional Modaraba and is primarily engaged in the business of Ijarah, Musharikah and Morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam. The Modaraba has obtained approval of the Securities & Exchange Commission of Pakistan to undertake Building, Construction and Real Estate activity by insertion of a new clause for this purpose in prospectus of the Modaraba on January 13, 2021.

These consolidated condensed interim financial statements are the separate condensed financial statements of the Modaraba in which investments in subsidiary are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated condensed interim financial statements are prepared separately.

During the year ended December 31, 2021, the Modaraba changed its financial year end from the 30 June 2021 to December 31, 2021. The financial statements of the Modaraba are prepared for the six months ended December 31, 2021.

2 Management's Assessment of Going Concern

During the period ended June 30, 2022, the Group has incurred loss after tax of Rs. 21,017,542. The accumulated losses - net of capital reserves, as at June 30, 2022 amount to Rs. 205,999,103 (December 2021: Rs. 184,846,338) which exceeds fifty percent of the total amount subscribed by the holders of the Modaraba Certificates, which is a non-compliance of Section 23 of Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (the Modaraba Ordinance). The current liabilities of the Modaraba exceed its current assets by Rs. 717,463,636 as at June 30, 2022. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Modaraba's ability to continue as a going concern.

In order to address going concern issue in terms of section 23 of the Modaraba Ordinance, The Bank of Punjab (BOP) being the parent company of the Modaraba Management Company is providing enduring support and has confirmed that it shall continue to provide financial support to the Modaraba in order to mitigate liquidity risks. In assessing the going concern status of the Modaraba, management has carefully assessed a number of factors covering the performance of the business, future business prospects and appetite of majority shareholder to continue financial support. The management has prepared a business plan to increase exposure through continued financial support from BOP and better recoveries against certain classified borrowers in order to improve profitability and overcome current negative equity situation.

3 Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity situation will be overcome in future. Accordingly, these unconsolidated condensed interim financial statements have been prepared on a going concern basis.

3.1 Statement of compliance

The consolidated condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of:

- International Accounting Standard (IAS) 34, interim financial reporting issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the Modarabas Regulations 2021; and
- Provisions of and directions issued by the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs), the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IAS 34, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

3.1.1 The disclosures made in these consolidated condensed interim financial statements are based on the requirements of the International Accounting Standard (IAS) 34: 'Interim Financial Reporting'. These unconsolidated condensed interim financial statements does not include all the disclosures and statements required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended December 31, 2021.

3.1.2 The comparative balance sheet presented in these consolidated condensed interim financial statements has been extracted from the published audited financial statements of the Modaraba for the year ended December 31, 2021, whereas the comparative statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement have been extracted from the consolidated condensed interim financial statements of the Modaraba for the period ended December 31, 2020 and consolidated financial statements of the Modaraba for the year ended June 30, 2021.

3.1.3 These consolidated condensed interim financial statements are being submitted to the certificate holders as required under the Rule 10 of Modaraba Companies and Modaraba Rules, 1981.

3.2 Basis of measurement

These consolidated condensed interim financial statements have been prepared under the historical cost convention

3.3 Functional and presentation currency

These consolidated condensed interim financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency and all the figures presented in these consolidated condensed interim financial statements presented have been rounded off to the nearest Rupee, unless otherwise stated.

4 Significant accounting estimates and judgments

4.1.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these consolidated condensed interim financial statements are the same as those that were applied in the preparation of the annual published audited financial statements of the Modaraba for the year ended December 31, 2021.

4.1.2 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

4.1.3 The significant judgments, estimates and assumptions made in applying the Modaraba's accounting policies and the factors used in making those estimates were the same as those that were applied to the annual published audited financial statements for the year ended December 31, 2021.

4.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the published approved accounting standards that are mandatory for the Modaraba's accounting period beginning on January 1, 2022. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these consolidated condensed interim financial statements.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk.

As per Securities and Exchange Commission of Pakistan (SECP) Notification vide S.R.O. 1827 (I)/2022 dated September 29, 2022, has deferred the applicability of IFRS 9 on Modarabas in Pakistan to accounting periods ending on or after June 30, 2024.

5 Financial Risk Management Policies

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual published audited financial statements of the Modaraba for the year ended December 31, 2021.

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
		Rupees	
	6.1	368,358,309	402,480,335
	6.2	4,414,362	4,539,641
		<u>372,772,671</u>	<u>407,019,976</u>

6 Tangible fixed assets

Ipazah assets
Assets in own use

6.1 Ipazah assets

Description	June 30, 2022 (Unaudited)											
	Cost			Depreciation			Impairment		Net Book Value		Life (Years)	
	As at January 01, 2022	Additions	Transfer	As at June 30, 2022	Charge for the period	Transfer	As at June 30, 2022	Reversal for the period	Transfer	As at June 30, 2022		
Plant and machinery	391,590,463	525,000	(20,415,000)	371,700,463	304,154,573	2,161,525	(18,793,648)	287,522,450	15,593,302	(15,593,302)	84,176,013	As per term
Vehicle	412,937,429	-	(44,187,903)	368,749,526	172,178,057	35,435,750	(33,386,463)	174,222,344	1,104,497	(1,104,497)	214,522,177	As per term
Cessna aircraft	13,557,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	As per term
Consumer products	113,893,179	28,774,301	(10,353,500)	146,364,680	62,910,707	25,301,212	(31,405,358)	76,706,561	-	-	69,658,113	As per term
	<u>921,971,775</u>	<u>29,749,301</u>	<u>(30,855,408)</u>	<u>920,867,268</u>	<u>552,795,941</u>	<u>(47,598,487)</u>	<u>(63,489,469)</u>	<u>552,008,959</u>	<u>16,697,409</u>	<u>(16,697,409)</u>	<u>368,158,309</u>	

Description	December 31, 2021 (Audited)											
	Cost			Depreciation			Impairment		Net Book Value		Life (Years)	
	As at July 01, 2021	Additions	Transfer	As at December 31, 2021	Charge for the period	Transfer	As at December 31, 2021	Reversal for the period	Transfer	As at December 31, 2021		
Plant and machinery	461,728,567	3,011,400	(71,140,004)	393,599,963	360,791,275	5,325,738	(61,961,940)	304,154,573	15,593,302	-	15,593,102	As per term
Vehicle	442,291,959	2,805,000	(32,165,530)	412,937,429	146,735,913	37,282,702	(9,850,048)	172,178,057	1,104,397	-	1,104,397	As per term
Cessna aircraft	13,557,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	As per term
Consumer products	113,774,738	32,005,500	(13,886,959)	141,893,279	45,136,976	74,908,139	(7,131,358)	67,910,707	-	-	70,982,572	As per term
	<u>1,031,353,868</u>	<u>35,822,400</u>	<u>(95,202,493)</u>	<u>971,973,775</u>	<u>564,216,718</u>	<u>67,525,579</u>	<u>(78,943,356)</u>	<u>552,795,941</u>	<u>16,697,409</u>	<u>-</u>	<u>16,697,499</u>	<u>402,480,335</u>

6.1.1 The cost of fully depreciated Ipazah assets that are still in use amounts to Rs. 367,301,497, (December 31, 2021 : Rs. 342,447,098).

6.2 Assets in own use

Description	June 30, 2022 (Unaudited)											
	Cost					Depreciation					Net Book Value	
	As at January 01, 2022	Additions	Disposal	As at June 30, 2022	As at January 01, 2022	Charge for the Period	Disposal	As at June 30, 2022	As at June 30, 2022	Life (Years)		
Office Equipment	5,042,797	588,700	(15,000)	5,616,497	2,694,343	329,837	(15,000)	3,009,180	2,607,317	3 to 7		
Furniture & Fixtures	2,947,985	34,800	-	2,982,785	1,932,497	145,000	-	2,077,497	905,288	6 to 7		
Vehicles	2,450,800	-	-	2,450,800	1,519,803	242,234	-	1,762,037	688,763	5		
Computers	1,240,980	6,500	-	1,247,480	996,279	38,208	-	1,034,487	212,993	15		
	<u>11,682,562</u>	<u>630,000</u>	<u>(15,000)</u>	<u>12,297,562</u>	<u>7,142,922</u>	<u>755,279</u>	<u>(15,000)</u>	<u>7,883,201</u>	<u>4,414,362</u>			

Rupees

December 31, 2021 (Audited)

Description	December 31, 2021 (Audited)											
	Cost					Depreciation					Net Book Value	
	As at July 01, 2021	Additions	Disposal	As at December 31, 2021	As at July 01, 2021	Charge for the Year	Disposal	As at December 31, 2021	As at December 31, 2021	Life (Years)		
Office Equipment	3,682,747	1,360,050	-	5,042,797	2,644,954	49,389	-	2,694,343	2,348,454	3 to 7		
Furniture & Fixtures	2,947,985	-	-	2,947,985	1,777,753	154,744	-	1,932,497	1,015,488	6 to 7		
Vehicles	2,259,300	191,500	-	2,450,800	921,653	598,150	-	1,519,803	930,997	5		
Computers	1,212,980	28,000	-	1,240,980	958,041	36,238	-	996,279	244,701	15		
	<u>10,103,012</u>	<u>1,579,550</u>	<u>-</u>	<u>11,682,562</u>	<u>6,302,401</u>	<u>840,521</u>	<u>-</u>	<u>7,142,922</u>	<u>4,539,641</u>			

Rupees

6.2.1 The cost of fully depreciated assets that are still in use amounts to Rs. 2,040,941 (December 31, 2021 : Rs. 2,040,971).



	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
7 Intangible Assets		Rupees	
Computer software	7.1	-	-
Capital work in progress	7.2	1,512,500	1,100,000
LSE Room		4,640,225	4,265,726
Trading Right Entitlement Certificate (TREC)		2,500,000	2,500,000
Net book value as at June 30, 2022		8,652,725.00	7,865,726.00
7.1 Computer Software			
Cost		2,495,000	2,495,000
Accumulated amortization		(2,495,000)	(2,495,000)
Balance as at June 30, 2022		-	-
7.2 Capital Work in Progress			
Advance against purchase of software		1,512,500	1,100,000
		1,512,500	1,100,000
8 Long term musharikhah investment - secured			
Long term musharikhah investment		759,550,052	686,699,722
Less: Current portion of long term musharikhah investment	12	(355,499,649)	(396,998,699)
		404,050,403	289,701,023
9 Long term morabaha investment - secured			
Long term morabaha investment		29,955,276	13,522,222
Add: Unearned morabaha income		10,489,747	1,904,590
		40,445,023	15,426,812
Less: Current portion of long term morabaha investment	12	(14,671,672)	(10,466,668)
		25,773,351	4,960,144
Less: Current portion of unearned morabaha income	12	(3,805,872)	(679,620)
		21,967,479	4,280,524



10	Deferred tax	Note	(Unaudited)	(Audited)
			June 30, 2022	December 31, 2021
Rupees				
	Deferred tax asset	10.1	43,461,595	64,398,663
10.1			As at December 31, 2021	Recognised/ (Reversal) in P&L
			Recognised in OCI	As at June 30, 2022
Rupees				
	Taxable temporary differences:		-	-
	Deductible temporary differences:			
	- Brought forward business losses		34,707,970	(20,937,068)
	- Brought depreciation expense losses		29,690,693	-
			64,398,663	(20,937,068)
			<u>64,398,663</u>	<u>(20,937,068)</u>
			-	43,461,595
11	Short term morabaha investment - secured			
	Short term morabaha investment		420,233,156	416,172,013
	Add: Unearned morabaha income		3,142,732	2,651,705
			423,375,888	418,823,718
	Less: Provision against morabaha investment	11.1	(214,253,879)	(214,253,879)
			<u>209,122,009</u>	<u>204,569,839</u>
11.1	Provision for morabaha investment			
	Opening balance		214,253,879	235,561,379
	Additions during the period		-	-
	Reversals during the period		-	(21,307,500)
			-	(21,307,500)
	Closing balance		<u>214,253,879</u>	<u>214,253,879</u>
12	Current maturity of long term investment			
	Current portion of long term musharika investment		381,892,568	423,391,618
	Less: Provision against musharika investment	12.1	(26,392,919)	(26,392,919)
		8	355,499,649	396,998,699
	Current portion of long term morabaha investment	9	14,671,672	10,486,668
	Add: Unearned morabaha income	9	3,805,872	679,620
	Less: Provision against morabaha investment	12.2	(8,800,000)	(8,800,000)
			9,677,544	2,346,288
			<u>365,177,193</u>	<u>399,344,987</u>
12.1	Provision against musharika investment			
	Opening balance		26,392,919	15,761,143
	Additions during the period		-	10,631,776
	Reversal during the period		-	-
	Closing balance		<u>26,392,919</u>	<u>26,392,919</u>

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
Rupees			
12.2 Provision against morabaha investment			
Opening balance		8,800,000	8,800,000
Closing balance		8,800,000	8,800,000
13 Ijarah rental receivable			
Ijarah rental receivable		230,510,215	257,993,218
Less: Provision against ijarah rental receivable	13.1	(74,567,866)	(124,026,374)
		155,942,349	133,966,844
13.1 Provision against ijarah rental receivable			
Opening balance		57,372,051	57,038,251
Additions in provision during the period		983,180	333,800
Reversals in provision during the period		(484,864)	-
Adjustments in impairment of Ijarah Assets-net		16,697,499	
Closing balance		74,567,866	57,372,051
14 Advances, deposits, prepayments and other receivables			
Profit receivable			
- Morabaha investment	14.1	4,339,006	732,319
- Musharikah investment	14.2	18,353,975	33,728,953
		22,692,981	34,461,272
Prepayments		5,452,264	4,530,524
Advances to Suppliers		730,150	797,140
Advances		15,362,978	2,070,704
Security Deposits		27,900,000	29,917,195
Non-banking assets		4,772,500	8,391,250
Accrued Mark upon Margin Financing		1,001,911	123,164
Other receivables		106,141,731	97,516,503
		184,054,515	177,807,752
Less Provision against other receivables	14.1	(11,128,292)	(11,128,292)
		172,926,223	166,679,460
14.1 Provision against other receivables			
Opening balance		11,128,292	11,128,292
Closing balance		11,128,292	11,128,292
15 Cash and bank balances			
Cash at banks			
Current accounts	15.1	56,718,732	58,258,429
Deposit accounts		17,430,151	102,073,480
Savings accounts		41,524,118	2,660,203
Current account with State Bank of Pakistan		3,522	233,586
		115,676,523	163,225,698
Cash in hand		181,589	261,254
		115,858,112	163,486,952
15.1			
The balance of Rs. 66,024,108 (December 31, 2021: Rs. 32,594,142) is maintained with The Bank of Punjab (the holding company of the Modaraba's Management Company).			

		(Unaudited) June 30, 2022	(Audited) December 31, 2021
		Rupees	
16	Authorized, issued, subscribed and paid up certificates		
	Authorized certificate capital		
	50,000,000 modaraba certificates of Rs 10 each	500,000,000	500,000,000
	Issued, subscribed and paid-up certificate capital		
		(Unaudited) June 30, 2022	(Audited) December 31, 2021
		Rupees	
	Number of certificates		
	20,000,000	20,000,000	Modaraba Certificates of Rs. 10 fully paid on cash
	14,020,000	14,020,000	Modaraba certificates of Rs. 10 - issued as bonus certificates
	<u>34,020,000</u>	<u>34,020,000</u>	
		<u>340,200,000</u>	<u>340,200,000</u>
17	Reserves		
	Capital reserve		
	Statutory reserve	17.1	220,303,614
	Revenue reserves		
	Accumulated loss	(426,302,717)	(405,149,952)
		<u>(205,999,103)</u>	<u>(184,846,338)</u>
17.1	This represents profit set aside to comply with the Modaraba Regulations issued by Securities and Exchange Commission of Pakistan requiring modaraba to transfer not less than 20% and not more than 50% of its profits after tax in such manner that reserves equal 100% of the paid up capital. Thereafter a sum not less than 5% of the profit after tax is to be set aside.		
		(Unaudited) June 30, 2022	(Audited) December 31, 2021
		Rupees	
18	Long term musharikhah finance secured		
	Opening balance	131,100,952	535,128,774
	Additions during the period	-	2,038,378,738
	Less: Paid during the period	(131,100,952)	(2,442,406,560)
		<u>(131,100,952)</u>	<u>(404,027,822)</u>
		<u>-</u>	<u>131,100,952</u>

	Note	(Unaudited) June 30, 2022	(Audited) December 31, 2021
Rupees			
19	Current maturity of non current liabilities		
	Current maturity of long term security deposits	94,070,760	79,669,360
	Current maturity of deferred morabaha income	6,948,104	4,555,795
		<u>101,018,864</u>	<u>84,225,155</u>
20	Redeemable capital - participatory and unsecured		
	Opening balance	1,603,000,000	1,014,101,593
	Add: Issued during the period	100,000,000	600,000,000
	Add: Rolled over during the period	1,675,000,000	1,000,000,000
	Less: Redeemed during the period	(1,600,000,000)	(1,011,101,593)
		175,000,000	588,898,407
	Closing balance	<u>1,778,000,000</u>	<u>1,603,000,000</u>
21	Trade and other payables		
	Accrued expenses	21.1 6,278,819	5,222,072
	Trade Payable	23,333,377	13,881,979
	Advances against ijarah, morabaha and musharikhah	22,896,701	46,016,677
	Other payables	22,880,793	57,882,812
		<u>75,389,690</u>	<u>123,003,540</u>

21.1 This includes amount in respect of gratuity payable to employees amounting to Rs. 5,350,108 (December 31, 2021: Rs. 4,419,572).

22 Contingencies and commitments

22.1 Contingencies

The assessing officer while finalizing assessments for the years 1997-98 and 1998-99, made add backs out of profit and loss account. The Modaraba filed an appeal before the Commissioner of Income Tax (Appeals) (CIT-(A)), however the CIT upheld the order of Deputy commissioner of Income Tax (DCIT). Being aggrieved with the decision of DCIT the Modaraba filed an appeal against the order of CIT-(A), before the honorable Income Tax Appellate Tribunal (ITAT), which has been decided in favor of Modaraba, however Income Tax Department has filed appeal before honorable Lahore High Court. The Lahore High Court, Lahore heard the appeal and remanded back the case to the Appellant Tribunal Inland Revenue (ATIR) vide Order dated November 26, 2020. However, till date no notice has been received from ATIR in this regard.

22.1.2 Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2003 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and made additions on account of provision for bad debts, which resulted in a tax liability of Rs. 27,410,608. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%, resultantly the rectification order passed by the tax department and reduced the tax liability to Rs. 14,580,110. The Modaraba also filed an appeal before the CIR (Appeals) for tax year 2003 against the order of ACIR. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 14,580,110 vide order No. 31 dated June 27, 2009. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. The Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.

22.1.3 Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2005 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance in an arbitrary manner and assessing the taxable income at Rs. 49,845,335 and tax liability at Rs. 17,667,886. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%. Further, the Modaraba has filed an appeal before the CIR (Appeals) for tax year 2005 against this order. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 17,667,886.

The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. The Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.

22.1.4 Suit for rendition of account Rs. 22.145 (December 2021: Rs. 22.145) million filed by a defaulter against the Modaraba. The suit is pending in Honorable Banking Court. The management is of the view that case has no merit and would be disposed off in favor of the Modaraba.

22.1.5 Aggregate amount of guarantee given by a bank on behalf of the Modaraba in respect of the payment guarantee amounts to Nil (December 2021: Rs. Nil).

22.2 Commitments

22.2.1 There are no lara commitments on balance sheet due date. (December 31, 2021 : Rs. 138.38 Million)

22.2.2 Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs. 20,000,000 (December 31, 2021: 15,000,000).

22.2.3 Musharikhah commitments approved but not disbursed as on balance sheet date amount to Rs. 61,455,250 (December 31, 2021: Rs.122.38 million).

	Note	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
Rupees			
23 Other income			
Profit on bank deposits		12,848,824	2,019,640
Margin Finance Income		766,906	239,422
Return on Exposure deposit with PSX		960,200	713,753
Processing fee		823,168	485,600
Advising fee		1,801,000	-
Cheque return charges		1,904,282	-
Gain on settlement of musharikhah		4,200,738	3,600,922
Gain on settlement of morabaha		14,317,013	342
Dividend income		632,981	-
Miscellaneous income		2,483,559	316,420
Rebate income from takaful		1,208,763	1,099,076
Return on Exposure deposit-BMC		234,744	12,830
		<u>42,182,179</u>	<u>8,488,005</u>
24 Administrative expenses			
Salaries and benefits	24.1	25,611,591	20,832,134
Travelling and conveyance		76,992	153,235
Depreciation - owned asset		755,279	840,520
Amortization of intangible assets		-	402,186
Legal and professional		732,595	475,525
Printing and stationary		701,546	830,945
Insurance		1,698,881	1,652,473
PSX, Clearing house and CDC Charges		602,380	747,722
Fee and subscription		1,944,083	2,308,163
Auditor's remuneration		575,000	670,000
Repair and maintenance		1,445,056	1,631,587
Vehicle running and maintenance		352,106	117,370
Power and utilities		1,045,747	1,139,722
Entertainment expenses		406,017	505,178
Commission to Traders		1,720,925	2,552,471
Advertisement		245,135	190,150
Telephone and postage		410,778	349,391
Corporate expenses		561,730	217,441
Rent rates and taxes		376,228	215,818
Selling and marketing expenses		3,403,400	1,526,313
Miscellaneous expenses		340,080	252,631
		<u>43,005,549</u>	<u>37,610,975</u>
24.1 Salaries and other benefits include Rs. 542,349 (June 2021: 395,989) on account of provident fund contribution and Rs. 930,536 (June 2021: Rs. 1,645,194) in respect of gratuity payable to employees.			
25 Finance cost			
Financial charges on long term musharikhah finance		196,055	22,842,619
Financial charges on redeemable capital		86,649,318	35,211,990
Bank charges		141,970	162,308
		<u>86,987,343</u>	<u>58,216,917</u>

	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
	Rupees	
26 Taxation		
Current Tax		
- Current year	633,040	1,292,544
Deferred Tax		
- Relating to origination and reversal of temporary differences	20,337,585	-
	<u>20,970,625</u>	<u>1,292,544</u>

27 Earning per certificate

27.1 Basic

Basic earnings per certificate are calculated by dividing the net profit for the period by the weighted average number of certificates outstanding during the period as follows:

	(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
	Rupees	
(Loss) / Profit for the period	<u>(21,017,542)</u>	<u>6,310,652</u>
Weighted average number of ordinary certificates	<u>34,020,000</u>	<u>34,020,000</u>
Earning per certificate	<u>(0.62)</u>	<u>0.19</u>

27.2 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

28 Transactions with related parties

The related parties and associated undertakings comprise of The Bank of Punjab, Punjab Modaraba Services (Private) Limited and Punjab Capital Securities (Private) Limited. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

28.1 Transactions with the parties			(Unaudited) June 30, 2022	(Unaudited) June 30, 2021
Name of Related Party	Relationship	Transactions during the period		
The Bank of Punjab	Holding Company of Modaraba's Management Company	Musharikah placements received during the period Musharikah placements rolled over during the period Repayment of musharika finance during the period Profit paid on musharika finance during the period Profit paid on musharika placements during the period	175,000,000 1,600,000,000 131,100,952 9,659,289 79,574,861	10,000,000 1,010,000,000 2,260,658,854 24,549,656 34,401,994
Key Management Personnel	Key Management Personnel	Remuneration of key management personnel paid during the period. Staff Loan disbursed during the period Staff Loan repayments received during the period	9,686,769 510,000 865,048	6,444,791 552,000 794,017
28.2 Balances with Related Parties				
Name of Related Party	Relationship	Period end balances	(Unaudited) June 30, 2022	(Audited) December 31, 2021
The Bank of Punjab	Holding Company of Modaraba's Management Company	Musharika finance Musharika placement Profit payable on musharika finance Profit payable on musharika placement Outstanding Modaraba certificates 4,788 (December 31, 2021: 4,788)	- 1,775,000,000 - 13,401,730 47,880	131,100,952 1,600,000,000 9,463,234 13,401,730 47,880
Punjab Modaraba Services (Pvt) Ltd.	Modaraba Management Company	Outstanding Modaraba certificates 5,232,194 (December 31, 2021: 5,232,194)	52,321,940	133,206,940
Trustee-The Bank Of Punjab Employees Gratuity Fund	Associated Company	Outstanding Modaraba certificates 5,099,500 (December 31, 2021: 5,099,500)	5,099,500	5,099,500

MEASUREMENTS

Financial Reporting Standard 13, 'Fair Value Measurement' requires the Modaraba to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the fair value hierarchy has the following levels:

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

Level 2: (unadjusted) prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

As at December 31, 2021, there were no financial instruments which were measured at fair values in these unconsolidated condensed interim financial statements.

The following table shows the carrying amounts and fair values of all financial assets and financial liabilities, including their levels in the fair value hierarchy.

	As at June 30, 2022 (Unaudited)						
	Loans and Receivables	Carrying Value		Fair Value			Total
		Other Financial Assets	Other Financial Liabilities	Level 1	Level 2	Level 3	
Deposits and other receivables	115,858,112	-	-	115,858,112	-	-	-
Deposits	155,942,349	-	-	155,942,349	-	-	-
Equity investment - secured	22,692,981	-	-	22,692,981	-	-	-
Equity investment - secured	8,500,471	-	-	8,500,471	-	-	-
Long term investment	404,050,403	-	-	404,050,403	-	-	-
Long term investment	21,967,479	-	-	21,967,479	-	-	-
Long term investment	209,122,009	-	-	209,122,009	-	-	-
Long term investment	365,177,193	-	-	365,177,193	-	-	-
Long term investment	200,000,000	-	-	200,000,000	-	-	-
Total	1,503,310,997	-	-	1,503,310,997	-	-	-

Assets measured at fair value

Equity investment - secured	19,324,729	-	-	-	-	-	-
Equity investment - secured	1,778,000,000	-	-	1,778,000,000	-	-	-
Equity investment - secured	20,476,187	-	-	20,476,187	-	-	-
Equity investment - secured	75,389,690	-	-	75,389,690	-	-	-
Equity investment - secured	17,191,276	-	-	17,191,276	-	-	-
Total	1,910,381,882	-	-	1,910,381,882	-	-	-

As at December 31, 2021 (Audited)

	Carrying Value		Fair Value					
	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and bank balances	163,480,952	-	-	163,480,952	-	-	-	-
Ijarah rental receivable	1,321,053,521	-	-	1,321,053,521	-	-	-	-
Advances, deposits, prepayments and other receivables	22,692,981	-	-	22,692,981	-	-	-	-
Long term security deposits	8,395,471	-	-	8,395,471	-	-	-	-
Long term musharakah investment - secured	289,701,023	-	-	289,701,023	-	-	-	-
Long term morabaha investment - secured	4,280,524	-	-	4,280,524	-	-	-	-
Short term morabaha investment - secured	204,569,839	-	-	204,569,839	-	-	-	-
Current maturity of long term investment	1,603,000,000	-	-	1,603,000,000	-	-	-	-
Short Term Investment	123,003,540	-	-	123,003,540	-	-	-	-
	3,740,183,851	-	-	3,740,183,851	-	-	-	-
Financial liabilities not measured at fair value								
Long term security deposits	-	-	42,274,729	42,274,729	-	-	-	-
Redeemable capital - participatory and unsecured	-	-	1,603,000,000	1,603,000,000	-	-	-	-
Profit payable	-	-	22,864,964	22,864,964	-	-	-	-
Trade and other payables	-	-	123,003,540	123,003,540	-	-	-	-
Unclaimed Dividend	-	-	17,203,256	17,203,256	-	-	-	-
	-	-	1,808,346,489	1,808,346,489	-	-	-	-

29.1 The Modaraba has not disclosed the fair values for the above financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their fair values are not significantly different from their carrying amounts.

30 Segment reporting

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief executive officer of the management company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of the approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan. The Modaraba has a diversified product portfolio whereby resources have been allocated.

31	Cash flow from operating activities	Note	(Unaudited)	(Audited)
			June 30, 2022	December 31, 2021
			Rupees	
	Loss / Profit for the period before taxation		(46,917)	7,603,196
	Adjustments for:			
	Depreciation on Ijarah assets	6.1	62,698,487	54,246,500
	Depreciation on assets in own use	6.2	755,279	612,888
	Amortization on Intangible Assets		-	797,814
	Gain / (loss) on disposal of Ijarah assets	26	485,653	1,276,939
	Gain on disposal of owned assets	26	(2,500)	-
	Gain on disposal of non-banking assets	26	(317,500)	-
	Reversal for impairment of Ijarah assets		-	(5,000,000)
	Reversal / charge of provision for Ijarah investment -net		498,316	(13,168,058)
	Financial charges on long term musharikhah finance	25	196,055	22,842,619
	Dividend Received		(632,981)	-
	Profit on bank deposits		(12,848,824)	(1,981,812)
	Financial charges on redeemable capital	25	86,649,318	35,211,990
			137,481,303	94,838,880
	Operating profit before working capital changes		137,434,386	102,442,076
	Working capital changes			
	(Increase) / decrease in assets:			
	Morabaha investment		(20,494,197)	6,725,335
	Investment in musharikhah-net		(72,850,330)	27,244,531
	Development Properties		(7,503,328)	(6,975,000)
	Ijarah Rental Receivable - net		28,424,553	61,627,605
	Long term deposits		(105,000)	-
	Advances, deposits, prepayments and other receivables		(4,622,358)	(2,921,763)
			(77,150,660)	85,700,708
	Increase / (decrease) in liabilities:			
	Security deposits - net		(8,548,600)	(11,840,379)
	Trade and other payables		(49,124,338)	(14,499,020)
			(57,672,938)	(26,339,399)
	Net changes in operating assets and operating liabilities		(134,823,598)	59,361,309
	Cash generated from operations		2,610,788	161,803,385
32	General			

Figures in these consolidated condensed interim financial statements for the half year ended June 30, 2022 and June 30, 2021 have not been subjected to limited scope review of the auditors.

32.1 Reclassification of comparatives

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current year except for the following;

From	To	Balance (December 31, 2021) (Rupees)
Advances, deposits, prepayments and other	Intangible assets	1,100,000
Trade and Other Payables	Advances, deposits, prepayments and other	3,452,649
Short term morabaha investment - secured	Long term morabaha investment - secured	4,280,524
Short term morabaha investment - secured	Current maturity of long term investment	2,346,288

33 Date of authorization for issue

These consolidated condensed interim financial statements of Modaraba were authorised for issue by the Board of Directors of the Management Company in its meeting held on Novemebr 09, 2022.

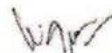
For Punjab Modaraba Services (Private) Limited
(Modaraba Management Company)



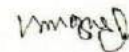
Chief Financial
Officer



Chief Executive



Director



Director



**FIRST
PUNJAB
MODARABA**
City of Modaraba (Financial District)

Managed By:

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