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INDEPENDENT AUDITOR'S REPORT
To the certificate holders of First UDL Modaraba
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of First UDL Modaraba (the Modaraba), which comprise the balance sheet as at 31 March 2023, and the profit and loss account, the statement of other comprehensive income, the statement of changes in equity and the cash flows statement for the period from 01 July 2022 to 31 March 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, financial position of the Modaraba for the period from 01 July 2022 to 31 March 2022 and of its financial performance and its cash flows for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Modaraba in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 2 of these financial statements which describe the basis of preparation. These financial statements are prepared to evaluate the possibilities for conversion of the Modaraba into a Public Limited Company subject to all requisite regulatory and legal approvals. As result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Board of Directors for the Financial Statements

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Modaraba's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Modaraba or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Modaraba's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Chartered Accountants
Karachi
Date: 15 June 2023

**FIRST UDL MODARABA
BALANCE SHEET
AS AT 31 MARCH 2023**

		31 March 2023	30 June 2022
	Note	Rupees	
ASSETS			
Non-current assets			
Fixed assets - tangible	6	29,104,732	26,412,551
Intangible assets	7	1,141,403	1,832,498
Long term investments	8	88,583,543	105,826,135
Diminishing Musharakah Financing	9	55,638,462	93,201,258
Long term deposits	10	1,384,350	1,384,350
		175,852,490	228,656,792
Current assets			
Investments	11	244,529,741	247,693,994
Current portion of Diminishing Musharakah financing	9	45,562,208	44,251,358
Diminishing Musharakah financing rent receivable		1,125,684	806,270
Advances		5,323,200	4,584,455
Taxation - net		17,008,230	15,494,824
Prepayments, deposits and other receivables		5,898,318	29,281,160
Cash and bank balances	12	50,235,523	37,227,011
		369,682,904	379,339,072
TOTAL ASSETS		545,535,394	607,995,864
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital	13	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital	13	351,205,480	351,205,480
Statutory reserve		192,812,478	192,812,478
Accumulated profit		11,810	32,390,940
Certificate holders' equity		544,029,769	576,408,898
DEFICIT ON REVALUATION OF INVESTMENTS	14	(45,698,067)	(23,701,850)
Current Liabilities			
Accrued and other liabilities	15	17,570,787	26,989,295
Unclaimed profit distributions	16	29,632,906	28,299,521
		47,203,693	55,288,816
TOTAL EQUITY AND LIABILITIES		545,535,394	607,995,864
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes from 1 to 29 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

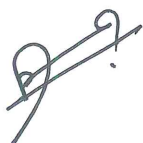
Director

**FIRST UDL MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2023**

		For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
	Note	Rupees	
Income / gain from:			
- Ijarah operations		-	28,750
- Diminishing Musharakah		16,180,835	20,316,717
- Sale of investments		23,851	3,709
- Rental property		-	2,149,076
- Dividend		19,914,944	7,242,666
- Bank balances / TDRs		8,286,155	17,594,855
- Other sources		2,490,679	94,489,979
		46,896,464	141,825,753
Unrealized loss on re-measurement of investments at FVTPL		(1,164,253)	(9,827,148)
		45,732,211	131,998,605
Operating expenses	18	(42,436,746)	(38,694,789)
Financial charges		(357,475)	(18,379)
		2,937,990	93,285,437
Management Company's remuneration	15.2	(293,799)	(9,328,544)
Sales tax on management Company's remuneration	15.2	(38,194)	(1,212,711)
Provision for Sindh Workers' Welfare Fund	15.3	(52,120)	(1,654,884)
Profit before taxation		2,553,877	81,089,299
Taxation	19	(3,324,511)	(5,165,675)
(Loss) / profit after taxation		(770,633)	75,923,624
(Loss) / Earning per certificate - basic and diluted	20	(0.02)	2.16

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For UDL Modaraba Management (Private) Limited
(Management Company)**



Chief Financial Officer



Chief Executive Officer



Director

**FIRST UDL MODARABA
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2023**

	For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
	----- Rupees -----	
(Loss) / profit after taxation	(770,633)	75,923,624
Items that will not be reclassified subsequently to profit and loss account		
Unrealized loss on re-measurement of investments at FVOCI	(21,996,217)	(70,526,048)
Total comprehensive (loss)/ income for the period / year	<u>(22,766,850)</u>	<u>5,397,576</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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For UDL Modaraba Management (Private) Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director

FIRST UDL MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2023

	Certificate Capital	Capital Reserve *Statutory Reserve	Revenue Reserve Accumulated (Loss) / Profit	Total Certificate Holders' Equity
----- Rupees -----				
Balance as at 01 July 2021	351,205,480	177,627,753	38,774,088	567,607,321
Total comprehensive income for the year	-	-	75,923,624	75,923,624
Surplus transferred to unappropriated profit	-	-	6,631,110	6,631,110
Transfer to statutory reserve at 20%	-	15,184,725	(15,184,725)	-
Transaction with certificate holders of the Modaraba				
Dividend for the year ended 30 June 2021(11%)	-	-	(38,632,603)	(38,632,603)
Interim dividend for the year ended 30 June 2022(10%)	-	-	(35,120,552)	(35,120,552)
Balance as at 30 June 2022	351,205,480	192,812,478	32,390,940	576,408,898
Total comprehensive loss for the period	-	-	(770,633)	(770,633)
Transaction with certificate holders of the Modaraba				
Dividend for the year ended 30 June 2022 (9%)	-	-	(31,608,497)	(31,608,497)
Balance as at 31 March 2023	<u>351,205,480</u>	<u>192,812,478</u>	<u>11,810</u>	<u>544,029,769</u>

*The statutory reserve represents profit set aside as required under the Modaraba Regulation 2021 for Modarabas as issued by the Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 29 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited
(Management Company)


Chief Financial Officer


Chief Executive Officer


Director

**FIRST UDL MODARABA
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2023**

	For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,553,877	81,089,299
Adjustment of non cash items:		
Depreciation - fixed assets	3,354,746	3,470,738
Amortization of intangible assets	691,095	988,126
Unrealized loss on re-measurement of investments at FVTPL	1,164,253	9,827,148
Gain on sale of investments	(23,851)	(3,709)
Gain on sale of assets classified as held for sale	-	(93,551,519)
Gain on sale of fixed assets	(586,474)	(459,552)
Provision of expected credit losses(ECL)	157,881	-
Dividend income	(19,914,944)	(7,242,666)
Financial charges	357,475	18,379
Operating loss before working capital changes	(12,245,942)	(5,863,756)
Changes in working capital:		
Decrease / (increase) in current assets		
Ijarah rental receivables	-	28,210
Diminishing Musharakah financing	35,774,652	(3,725,381)
Advances	(738,745)	(1,939,093)
Prepayments and other receivables	23,814,468	(26,275,969)
	58,850,374	(31,912,233)
(Decrease) / increase in current liabilities		
Accrued and other liabilities	(9,418,508)	(128,178,949)
Security deposits	-	(1,406,020)
	(9,418,508)	(129,584,969)
Tax paid	(4,837,917)	(5,656,999)
Financial charges paid	(357,475)	(18,379)
Net cash generated / (used in) from operating activities	31,990,532	(173,036,336)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(6,247,954)	(8,258,500)
Proceeds from sale of asset held for sale	787,500	230,000,000
Net investments during the period/ year	(2,507,883)	(60,002,899)
Proceeds from sale of fixed assets	-	1,929,852
Dividends received	19,261,429	7,242,666
Net cash generated from investing activities	11,293,092	170,911,119
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(30,275,112)	(70,419,706)
Net increase/ (decrease) in cash and cash equivalents	13,008,512	(72,544,923)
Cash and cash equivalents at the beginning of the period/ year	37,227,011	109,771,934
Cash and cash equivalents at the end of the period/ year	50,235,523	37,227,011

The annexed notes from 1 to 29 form an integral part of these financial statements.

For UDL Modaraba Management (Private) Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

**FIRST UDL MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023**

1 LEGAL STATUS AND NATURE OF THE BUSINESS

- 1.1** First UDL Modaraba (the Modaraba) was formed in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under, having its registered office at 1st Floor, Business Enclave, 77-C, 12th Commercial Street, Off: Khayaban-e-Ittehad, DHA (Ext), Karachi and is managed by UDL Modaraba Management (Private) Limited (the Management Company), a company incorporated in Pakistan. It is a perpetual, multipurpose and multidimensional Modaraba engaged in providing finance under Murabaha and Musharakah arrangements, Ijarah, commodity trading, and trading in listed and non-interest bearing securities. The Modaraba is listed on Pakistan Stock Exchange.
- 1.2** The Board of Directors, in its meeting held on 10 February 2022, had resolved to evaluate possibilities for conversion of the Modaraba into a public limited company subject to all requisite regulatory and legal approvals.

2 BASIS OF PREPARATION

These special purpose financial statements are prepared for the period from 01 July 2022 to 31 March 2023 to evaluate possibilities for conversion of the Modaraba into a Public Limited Company subject to all requisite regulatory and legal approvals. Accordingly, the comparative figures, except for the balance sheet, are not comparable.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directions issued under the Companies Act 2017; and
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas.

Where the provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas differ from IFRS Standards and IFAS, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

The Securities and Exchange Commission of Pakistan (SECP) has issued directive (vide SRO 431(1)/2007 dated 22 May 2007) that Islamic Financial Accounting Standard 2 (IFAS - 2) shall be followed in the preparation of the financial statements by Companies and Modarabas while accounting for lease financing transaction as defined by the said standard. The Modaraba has adopted the said standard.

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except otherwise disclosed in the financial statements.

Permissible Islamic financial products including Murabaha (as a liability) and Musharakah have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistani Rupee, which is the functional and presentation currency of the Modaraba.

3 NEW ACCOUNTING STANDARDS

3.1 Accounting standards effective for the period

There are certain new standards and amendments that are mandatory for the Modaraba's accounting period beginning on 01 July 2022, but are considered either to be not relevant or to not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these financial statements.

3.2 Accounting standards not yet effective

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Modaraba's accounting periods beginning on / after 01 April 2023. However, the Modaraba expects that these standards will not have any material impact on the future financial statements of the Modaraba.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
- Determination of useful lives, pattern of flow of economic benefits and	5.1, 5.2, 6 & 7
- Classification and valuation of investments	5.4, 8 & 11
- Provisions against non-performing financing	5.4 & 9
- Provision for taxation	5.14 & 19

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Fixed assets - tangible

Assets in own use

These are stated at cost less accumulated depreciation. Depreciation is charged to profit and loss account applying the reducing balance method. In respect of depreciation on additions is charged from the month during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month of disposal. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

Assets leased out under Ijarah

Ijarah financing assets are stated at cost less accumulated depreciation. Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset less salvage value is written off over the lease financing period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination. At the end of the lease financing period, asset is transferred to the customer.

Gain or loss on disposal

Gain or loss on disposal of assets, if any, is recognized as and when incurred.

Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

5.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, amortization is charged proportionately for the period of use.

Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, intangible assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

5.3 Assets held for sale

Assets held for sale are classified as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Investment property and fixed assets once classified as held for sale are not depreciated.

5.4 Financial Instruments

5.4.1 Initial recognition and measurement

Financial assets and liabilities, with the exception of bank balances, loans and advances are initially recognised on the trade date, i.e., the date that the Modaraba becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Bank balances and loans and advances are recognised when funds are transferred to the banks / employees.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Financial assets

The Modaraba classifies its financial assets at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Modarabas business model for managing them.

i) Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

ii) Financial assets measured at FVTPL

A financial asset is measured at FVTPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

iii) Financial assets measured at FVOCI

Equity instrument

Upon initial recognition, the Modaraba can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 - 'Financial Instruments: Presentation and are not held for trading'. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit and loss account. Dividends are recognised as other income in the statement of profit and loss account when the right of payment has been established, except when the Modaraba benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in Other Comprehensive Income.

Impairment of financial assets

Loss allowance for diminishing musharika financing is always measured applying simplified approach at an amount equal to 12 months ECLs.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Modaraba expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The default rates are benchmarked and adjusted for forward looking information and the rates in provision matrix are based on days past due for various customer segments that have similar loss patterns. The provision matrix is initially based on the Modaraba's historical observed default rates which is then adjusted for forward looking information.

Financial liabilities

All financial liabilities of the Modaraba are subsequently measured at amortised cost using effective interest method.

5.4.2 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Modaraba has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Modaraba has:

- (a) transferred substantially all of the risks and rewards of the asset; or
- (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Modaraba has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Modaraba's continuing involvement in the asset. In that case, the Modaraba also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained. The Modaraba derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

5.4.3 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

5.5 Diminishing musharaka financing and ijarah rental receivables

These are stated net of provision and suspense income. Provision is recognized in accordance with the Prudential Regulation for Modarabas. Bad debts are written-off when identified.

5.6 Deposits, advances, prepayments and other receivables

These are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

5.7 Cash and cash equivalents

These are carried in the balance sheet at cost.

5.8 Certificate capital and earning per certificate

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

Ordinary certificates are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new certificates or options are shown in equity as a deduction, net of tax, from the proceeds.

5.9 Retirement benefits

The Modaraba operates an approved funded contributory provident fund scheme for all its employees who are eligible under the scheme. Equal monthly contributions at the rate of 10 percent of basic salary are made by both Modaraba and its employees.

5.10 Accrued and other payables

Liabilities for accrued and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services.

5.11 Contingent liabilities

Contingencies are disclosed when Modaraba has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of recourse embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

5.12 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as provision is the best estimate of consideration required to settle the present obligation at end of reporting date, taking into account the risk and uncertainties surrounding the obligation.

5.13 Revenue recognition

- Profit on Diminishing Musharakah is recognised as and when profits become due on a systematic basis over the term of Diminishing Musharakah period.
- Rental income from is recognized on a straight line basis over the term of the lease.
- Dividend income is recognized when the right to receive the payment is established.
- Gains or losses arising on sale of investments are taken to income in the period in which they arise.
- Return on investment and deposits with banks is recognized on an accrual basis.

5.14 Taxation

Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise due to assessment framed / finalized during the year.

Deferred

Deferred tax is recognized using the statement of financial position method for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts appearing in these unconsolidated financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

5.15 Profit distribution and other appropriations of profit

Profit distribution and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

5.16 Segment reporting

Segment reporting is based on the operating (business) segments of the Modaraba. An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenue and incur expenses. An operating segment's operating results are reviewed regularly by the Board Committee of the Modaraba to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

FIRST UDL MODARABA
NOTES TO THE FINANCIAL STATEMENTS
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6 FIXED ASSETS - tangible

31 March 2023

31 March 2023	COST		ACCUMULATED DEPRECIATION			BOOK VALUE	DEPRECIATION	
	As at 01 July 2022	Additions	(Deletions) / (Transfer)	As at 31 March 2023	As at 01 July 2022	Charge for the period	As at 31 March 2023	Rate per annum %

FIXED ASSETS - tangible

30 June 2022

30 June 2022	COST		ACCUMULATED DEPRECIATION			BOOK VALUE	DEPRECIATION	
	As at 01 July 2021	Additions (Deletions) / (Transfer)	As at 30 June 2021	As at 01 July 2021	Charge for the year	(Disposal) / (Adjustments)	As at 30 June 2022	Rate per annum %
				Rupees				
Assets own use								
Furniture and fittings	20,012,236	-	18,628,739	9,435,723	505,738	(483,086)	9,458,375	5
Books	83,000	-	83,000	71,264	2,359	-	73,623	20
Vehicles	23,524,072	7,757,000	28,392,072	14,325,390	1,955,973	(2,771,555)	13,509,808	20
Computer equipment	6,880,970	114,000	6,199,920	5,272,356	288,552	(479,383)	5,081,525	20
Office equipment and appliances	10,292,035	387,500	4,890,776	8,246,755	327,303	(4,915,433)	3,658,625	20
	60,792,313	8,258,500	58,194,507	37,351,488	3,079,925	(8,649,457)	31,781,956	
							26,412,551	
Assets leased out under Ijarah								
Vehicles	8,003,400	-	-	6,221,733	390,813	(6,612,546)	-	25-33
Total	68,795,713	8,258,500	58,194,507	43,573,221	3,470,738	(15,262,003)	31,781,956	
							26,412,551	

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7 INTANGIBLE ASSETS

31 March 2023	COST	ACCUMULATED AMORTIZATION		Book value	Amortization
	As at 01 July 2022	As at 01 July 2022	Charge for the period	As at 31 March 2023	Rate per annum %
		Rupees			
Computer Software	6,440,625	4,608,127	691,095	5,299,222	20
Total	6,440,625	4,608,127	691,095	5,299,222	
				1,141,403	

30 June 2022	COST	ACCUMULATED AMORTIZATION		Book value	Amortization
	As at 01 July 2021	As at 01 July 2021	Charge for the year	As at 30 June 2022	Rate per annum %
		Rupees			
Computer Software	6,440,625	3,620,001	988,126	4,608,127	20
Total	6,440,625	3,620,001	988,126	4,608,127	
				1,832,498	

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			31 March 2023	30 June 2022	
8	LONG TERM INVESTMENTS	Note	----- Rupees -----		
	At FVTOCI	8.1	<u>88,583,543</u>	<u>105,826,135</u>	
8.1	At FVOCI				
		31 March 2023	30 June 2022	31 March 2023	30 June 2022
		Number of Shares / Certificates (face value Rs 10/-)		----- Rupees -----	
	Pharma & Bio Tech				
	The Searle Company Limited	447,451	357,961	23,034,777	39,024,908
	AGP Limited	20,000	20,000	1,084,000	1,752,400
	IBL HealthCare Limited	20,368	18,502	692,512	961,919
	Food and Personal Care Products				
	Gillette Pakistan Limited	183,385	183,385	21,648,599	23,119,347
	Al Shaheer Corporation	121,666	97,333	1,160,694	879,890
	At-Tahur Ltd (PREMA)	21,615	19,650	328,548	374,726
	Cement				
	Power Cement Limited	404,826	404,826	1,752,897	2,153,674
	Fauji Cement	281,250	250,000	3,363,750	3,542,500
	Oil & Gas				
	Sui Northern Gas Pipelines Limited	4,713	4,713	184,231	161,232
	Sui Southern Gas Pipelines Limited	6,000	6,000	57,780	54,360
	Modaraba				
	BRR Guardain Mdoaraba	1,982	1,982	24,755	20,791
	Engineering				
	International Steels Limited	100,000	-	4,241,000	-
	Real Estate Investment				
	Dolmen City REIT	105,500	105,500	1,437,965	1,426,360
	Chemicals				
	United Distributors (Pakistan) Limited	396,419	396,419	11,936,176	12,685,408
	Sitara Peroxide Limited	34,500	34,500	474,720	491,970
	Textile Composite				
	International Knitwear Limited	832,153	832,153	10,385,269	8,321,530
	United Brands Limited	219,570	219,570	2,525,055	3,809,540
	Rupali Polyster Limited	100,000	100,000	1,930,000	3,800,000
	Nishat Mills Limited	25,000	25,000	1,315,500	1,847,750
	Power Generation & distribution				
	K-Electric Limited	374,500	374,500	775,215	1,138,480
	Fixed Line Telecommunication				
	Worldcall Telecom Limited	195,000	195,000	230,100	259,350
		<u>3,895,898</u>	<u>3,646,994</u>	<u>88,583,543</u>	<u>105,826,135</u>

FIRST UDL MODARABA
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FOR THE PERIOD ENDED 31 MARCH 2023

			31 March 2023	30 June 2022
			----- Rupees -----	
9	DIMINISHING MUSHARAKAH FINANCING	Note		
	Secured			
	Diminishing Musharakah Financing	9.1	102,724,020	138,818,085
	Provision for ECL	9.2	(1,523,350)	(1,365,469)
			101,200,670	137,452,616
	Less: Current portion		(45,562,208)	(44,251,358)
		9.3	55,638,462	93,201,258
9.1	This represents Musharakah Finance for a term of 2 to 5 years. The profit rates on the financing ranges from 14% to 23% (June 2022: 13% and 22%) per annum. All Diminishing Musharakah arrangements are secured against title documents, personal guarantees and promissory notes.			
			31 March 2023	30 June 2022
9.2	Provision for ECL	Note	----- Rupees -----	
	Opening balance		1,365,469	354,270
	Charge for the period/ year		157,881	1,011,199
	Closing		1,523,350	1,365,469
9.3	Classification			
	Considered good		54,115,112	91,835,789
	Other assets specifically mentioned		1,523,350	1,365,469
			55,638,462	93,201,258
10	LONG TERM DEPOSITS			
	Related party	10.1	735,000	735,000
	Others		649,350	649,350
			1,384,350	1,384,350
10.1	Represents security deposits paid by the Modaraba on behalf of the Management Company for head office rental property.			
			31 March 2023	30 June 2022
11	INVESTMENTS	Note	----- Rupees -----	
	At amortised cost			
	Term deposit receipts	11.1	50,000,000	232,000,000
	At FVTPL			
	HBL Islamic Money Market Fund - HBL AMC		180,000,000	-
	Listed securities	11.2	14,529,741	15,693,994
			244,529,741	247,693,994
11.1	Represent investments in term deposit receipts (TDR) with Islamic bank with expected profit of 17.5% (June 2022: 11.2% to 12.5%) per annum.			

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11.2 Listed securities

	31 March 2023	30 June 2022	31 March 2023	30 June 2022
	Number of Shares / Certificates (Face value Rs.10/-)		Rupees	
Oil & Gas Exploration / Marketing				
Oil and Gas Development Company Limited	28,000	28,000	2,334,080	2,202,760
Pakistan State Oil Limited	10,000	10,000	1,178,900	1,718,400
Engineering				
Huffaz Seamless Pipe Industries Limited	23,500	23,500	232,885	235,000
Pharma & Bio Tech				
Abbott Laboratories (Pakistan) Limited	100	100	41,326	65,464
Food and Personal Care Products				
Gillette Pakistan Limited	91,000	91,000	10,742,550	11,472,370
	<u>152,600</u>	<u>152,600</u>	<u>14,529,741</u>	<u>15,693,994</u>

12 CASH AND BANK BALANCES

Note

	31 March 2023	30 June 2022
	Rupees	
Cash in hand	650	650
Cash at bank		
- Current accounts	19,305,225	17,937,993
- Profit bearing accounts	30,929,648	19,288,368
	<u>50,235,523</u>	<u>37,227,011</u>

12.1

12.1 These carry profit ranging between 3% to 7.78% (June 2022: 3% to 6%) per annum.

13 CERTIFICATE CAPITAL

31 March 2023	30 June 2022		31 March 2023	30 June 2022
Number of Certificates			Rupees	
		Authorized certificate capital		
<u>50,000,000</u>	<u>50,000,000</u>	Modaraba certificates of Rupees 10 each	<u>500,000,000</u>	<u>500,000,000</u>
		Issued, subscribed and paid-up capital		
17,668,885	17,668,885	Modaraba certificates of Rupees 10 each fully paid-up in cash	176,688,850	176,688,850
17,451,663	17,451,663	Modaraba certificates issued as fully paid-up bonus certificates	174,516,630	174,516,630
<u>35,120,548</u>	<u>35,120,548</u>		<u>351,205,480</u>	<u>351,205,480</u>

13.1 As at 31 March 2023, the Management Company held 6,573,781 (June 2022: 6,573,781) certificates of Rs. 10 each.

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	31 March 2023	30 June 2022
	----- Rupees -----	
14 DEFICIT ON REVALUATION OF INVESTMENTS		
Market value of investments	88,583,543	105,826,135
Less: Cost of investments	(134,281,609)	(129,527,985)
	<u>(45,698,067)</u>	<u>(23,701,850)</u>
Opening balance	(23,701,850)	46,824,198
Surplus transferred to accumulated profit	-	(6,631,110)
Deficit on revaluation during the period/ year	<u>(21,996,217)</u>	<u>(63,894,938)</u>
	<u>(21,996,217)</u>	<u>(70,526,048)</u>
Closing balance	<u>(45,698,067)</u>	<u>(23,701,850)</u>

- 14.1** Surplus on revaluation of investments is presented under a separate head below equity as 'surplus on revaluation of investments' in accordance with the requirements of Circular No. SC/M/PRDD/PRs/2017-259 dated 11 December 2017.

	31 March 2023	30 June 2022
	----- Rupees -----	
15 ACCRUED AND OTHER LIABILITIES		
	Note	
Charity payable		237,937
Provident fund	15.1	161,108
Management Company's remuneration payable	15.2	293,799
Sales tax on the Management Company's remuneration payable	15.2	7,466,914
Sindh Worker's Welfare Fund	15.3	2,975,974
Security deposit for property		6,000,000
Others		435,055
		<u>17,570,787</u>
		<u>26,989,295</u>

- 15.1** All investments out of the funds of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules for this purpose.

- 15.2** The Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the year ended 30 June 2022 has been recognized at 10% of profit for the year.

The Sindh Revenue Board (SRB) imposed Sindh Sales Tax (SST) on the Management Company's remuneration with effect from 01 November 2011. However, the Company has approached the High Court of Sindh (the Court) and Appellate Tribunal of SRB, challenging the levy of SST on management fee and a stay was granted by the Court. As a matter of abundant caution the Management is accruing SST on management Company's remuneration and will discharge the liability on direction of the court

- 15.3** Certain Modarabas received a notice wherein the SRB has advised the Modaraba to pay off all its liabilities falling due under the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act). As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after 31 December 2013. As the Management Company has a reason to believe that till the time there is any mechanism available for apportionment of total income relevant to the province of Sindh, no SWWF liability to SRB can be paid out. However, the management has recognized the provision in respect of SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015) considering it as prudent.

	31 March 2023	30 June 2022
	----- Rupees -----	
16 UNCLAIMED PROFIT DISTRIBUTIONS		
Opening balance	28,299,521	24,966,072
Add: Dividend payable	31,608,493	73,753,155
Less: Dividend paid	<u>(30,275,108)</u>	<u>(70,419,706)</u>
Closing balance	<u>29,632,906</u>	<u>28,299,521</u>

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17 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at the period end.

			For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
18 OPERATING EXPENSES	Note		----- Rupees -----	
Salaries and other staff benefits	18.1		17,570,324	20,965,272
Travelling and conveyance			3,591,033	2,467,250
Vehicles running and maintenance			720,181	1,238,107
Utilities and communication			1,272,427	1,311,715
Printing and stationery			1,494,867	1,134,352
Rent, rates and taxes			3,759,345	446,054
Repair and maintenance			1,639,258	1,061,858
Legal and professional charges			3,806,525	1,290,075
Share transaction charges			9,136	16,000
Insurance			454,068	87,667
Entertainment			383,922	349,831
Conservancy Charges			72,720	109,080
Provision for ECL	9.2		157,881	1,011,199
Consultancy fee			187,497	249,996
Fee and subscription			1,788,511	1,076,968
Auditors' remuneration	18.2		918,000	1,049,900
Advertisement			120,680	163,140
Depreciation - Owned assets	6		3,354,746	3,079,925
Amortization	7		691,095	988,126
Other expenses			444,529	598,273
			<u>42,436,746</u>	<u>38,694,789</u>

18.1 Remuneration of officers and employees

	31 March 2023			30 June 2022		
	Officers	Employees	Total	Officers	Employees	Total
	----- Rupees -----					
Salaries and allowances	9,378,214	6,791,121	16,169,335	11,553,646	7,702,430	19,256,076
Provident fund	387,256	292,141	679,397	466,466	310,978	777,444
Medical expenses	411,307	310,285	721,592	559,051	372,701	931,752
	<u>10,176,778</u>	<u>7,393,546</u>	<u>17,570,324</u>	<u>12,579,163</u>	<u>8,386,109</u>	<u>20,965,272</u>
Number of persons	<u>6</u>	<u>15</u>	<u>21</u>	<u>6</u>	<u>15</u>	<u>21</u>

Certain executives and officers are also provided with free use of vehicles maintained by the Modaraba and fuel allowance.

		For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
18.2 Auditors' remuneration		----- Rupees -----	
Audit fee		-	300,000
Half yearly review		55,000	50,000
Other services		660,000	600,000
Out of pocket expenses		203,000	99,900
		<u>918,000</u>	<u>1,049,900</u>

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		For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
		----- Rupees -----	
19	TAXATION		
	Current tax	<u>3,324,511</u>	<u>5,165,675</u>
19.1	The provision for current income tax is based on Minimum Tax @ 1.25% of turnover under section 113 of the Income Tax Ordinance, 2001 ('the Ordinance'). Accordingly reconciliation of tax expense with the accounting profit is not presented.		
19.2	The Modaraba has not recognized net deferred tax asset amounting to Rs. 18.33 million as at 31 March 2023 on net deductible temporary differences aggregating to Rs. 63.89 million as at 31 March 2023 as timing of availability of sufficient taxable profits cannot be determined due to applicability of alternative corporate tax and minimum tax under section 113C and 113 respectively.		
		For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
		----- Rupees -----	
20	(LOSS) / EARNING PER CERTIFICATE		
	(Loss) / Profit after taxation	<u>(770,633)</u>	<u>75,923,624</u>
	Weighted average number of ordinary certificates outstanding during the period/year	<u>35,120,548</u>	<u>35,120,548</u>
	(Loss) / Earning per certificate (Rupees)	<u>(0.02)</u>	<u>2.16</u>
20.1	There is no dilutive potential shares as at the period end.		
21	TRANSACTION WITH RELATED PARTIES		
	The related parties comprise of the Management Company, associates, directors, key management personnel and staff retirement funds of the Modaraba. Transactions with related parties are disclosed in relevant notes.		
22	CAPITAL MANAGEMENT		
	The objective of the Modaraba when managing capital i.e. its certificate holder's equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for certificate holders and benefits to other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses. The Modaraba primarily invests in Musharaka, term deposit receipts and diversified portfolio of listed securities. Such investments are subject to varying degrees of risk, which emanate from various factors. As at 31 March 2023 and 2022, the Modaraba had surplus reserves to meet its requirements.		
23	FINANCIAL INSTRUMENTS		
23.1	Financial risk management		
	The Modaraba's objective in managing risks is the creation and protection of certificate holder's value. Risk is inherent in the Modaraba activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. As at the balance sheet date, the Modaraba is exposed to credit risk, liquidity risk and market risk.		
(i)	Credit risk		
	Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The maximum exposure to credit risk before any credit enhancements at 31 March 2023 is the carrying amount of the financial assets as set out below:		

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	31 March 2023	30 June 2022
	----- Rupees -----	
Diminishing Musharakah Financing	102,326,353	138,258,886
Investments	333,113,284	353,520,129
Deposits	1,384,350	1,384,350
Advances	3,990,000	4,481,355
Other receivables	1,931,158	4,933,935
Bank balances	50,234,873	37,226,361
	<u>492,980,019</u>	<u>539,805,016</u>

Credit risk ratings

The Modaraba maintains balances with banks and term deposit receipts having reasonably high long term credit rating which are summarized as follows:

				31 March 2023	30 June 2022
				----- Rupees -----	
Banks	Short term	Long term	Agency		
Habib Bank	A1+	AAA	JCR	202,601,734	131,874,457
Bank Islami Pakistan	A1+	A+	PACRA	4,693	4,693
Dubai Islamic Bank	A1+	AA-	JCR	91,905	904
Albaraka Islamic Bank	A1	A	PACRA	21,607,818	72,479,862
Faysal Bank	A1+	AA	PACRA	1,050,379	365,621
Askari Bank	A1+	AA	PACRA	54,808,805	64,461,162
				<u>280,165,333</u>	<u>269,186,699</u>

Concentration of credit risk

Concentration is the relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic, political or other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Modaraba's concentration of credit risk by industrial distribution are as follows:

	31 March 2023		30 June 2022	
Diminishing Musharakah assets	Rupees	%	Rupees	%
Modaraba	3,092,231	2.00%	3,443,619	1.86%
Cargo, Trading & distribution	14,143,077	9.13%	27,526,335	14.85%
Individual	66,618,079	43.02%	79,702,252	43.01%
Others	71,002,756	45.85%	74,640,984	40.28%
	<u>154,856,142</u>	<u>100.00%</u>	<u>185,313,190</u>	<u>100.00%</u>

(ii) Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In the case of Modaraba, the liquidity level of Modaraba remained on satisfactory level during the year and Modaraba did not face any difficulty or problem for generation of liquidity.

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The financial instruments maturity profile is given below:

	31 March 2023	30 June 2022
	----- Rupees -----	
Financial liabilities		
Accrued and other liabilities	17,570,787	26,989,294
Unclaimed profit distributions	29,632,906	28,299,521
	<u>47,203,693</u>	<u>55,288,815</u>

(iii) Market risk

Price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market segments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba is exposed to unfavorable changes in fair values of investments as a result of changes in prices of securities. As at 31 March 2023, the fair value of equity exposed to price risk was as follows:

	31 March 2023		30 June 2022	
	Average Cost	Fair Value	Average Cost	Fair Value
	----- Rupees -----			
Equity investments	<u>113,449,645</u>	<u>103,113,284</u>	<u>139,355,133</u>	<u>121,520,129</u>

The Modaraba's policy is to manage price risk through diversified and selection of securities and other financial instruments within specified limits set by Investment Committee. The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by stock exchange at which is set as per the trading trend and volumes in the security.

Profit risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows. The Modaraba has lease financing portfolio. The majority of lease financing portfolio is linked with KIBOR rate as a benchmark. The Modaraba reviews KIBOR on lease financing portfolio on quarterly/six monthly basis. As at 31 March 2023, the profit of the Modaraba's variable value financial instruments were as follows:

	31 March 2023	30 June 2022
	----- Rupees -----	
Assets		
Diminishing Musharakah Financing	101,200,670	137,452,616
Bank deposits	30,929,648	19,288,368
Investments	<u>230,000,000</u>	<u>232,000,000</u>
	<u>362,130,318</u>	<u>388,740,984</u>

An increase of 100 basis points in profit rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in profit rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Asset / liability class	(Increase / Decrease)	Changes in profit / (loss)	
	(+/-)	31 March 2023	30 June 2022
(Having variable profit rates)		----- Rupees -----	
Assets			
Diminishing Musharakah Financing	100 basis points	1,012,007	1,374,526
Bank deposits	100 basis points	309,296	192,884
Investments	100 basis points	<u>2,300,000</u>	<u>2,320,000</u>

Above sensitivities are calculated on the assumption that all factors remain constant except profit rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

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23.2 Operational Risk

Operational Risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external; factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

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); and

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

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.

	31 March 2023			
	Carrying amount / Cost	Level 1	Level 2	Level 3
Financial assets at amortized cost				
Diminishing Musharakah Financing	101,200,670	-	-	-
Diminishing Musharakah Financing rent receivable	1,125,684	-	-	-
Long term deposits	1,384,350	-	-	-
Investment in term deposit receipts	180,000,000	-	-	-
Ijarah rental receivables	-	-	-	-
Advances	5,323,200	-	-	-
Prepayments, deposits and other	1,931,158	-	-	-
Cash and bank balances	50,235,523	-	-	-
Financial assets at FVTPL				
Investments	14,529,741	14,529,741	-	-
Financial assets at FVOCI				
Long term investments	88,583,543	88,583,543	-	-
Financial liabilities at amortized cost				
Accrued and other liabilities	17,570,787	-	-	-
Unclaimed profit distributions	29,632,906	-	-	-

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30 June 2022				
	Carrying amount / Cost	Level 1	Level 2	Level 3
	Rupees			
Financial assets at amortized cost				
Diminishing Musharakah financing	137,452,616	-	-	-
Diminishing Musharakah financing installments receivable	806,270	-	-	-
Long term advances and deposits	1,384,350	-	-	-
Investment in term deposits	232,000,000	-	-	-
Ijarah rental receivables	-	-	-	-
Advances	4,584,455	-	-	-
Prepayments, deposits and other	26,524,007	-	-	-
Cash and bank balances	37,227,011	-	-	-
Financial assets at FVTPL				
Investments	15,693,994	15,693,994	-	-
Financial assets at FVOCI				
Long term investments	105,826,135	105,826,135	-	-
Financial liabilities at amortized cost				
Accrued and other liabilities	26,989,295	-	-	-
Unclaimed profit distributions	28,299,521	-	-	-
YIELD / PROFIT RATE RISK EXPOSURE				
The information about Modaraba's exposure to yield rate risk, based on contractual refinancing or maturity dates whichever is earlier, is as follows:				
	Yield / Profit bearing maturing		Non yield / Profit bearing maturing	
31 March 2023	Within one year	After one year	Within one year	After one year
	Rupees		Rupees	
Financial assets				
Diminishing Musharakah Financing	45,562,208	55,638,462	-	-
Diminishing Musharakah Financing rent receivable	-	-	1,125,684	-
Long term investments	-	-	-	88,583,543
Long term deposits	-	-	1,384,350	1,384,350
Investments	244,529,741	-	-	-
Advances	-	-	5,323,200	5,323,200
Prepayments, deposits and other	-	-	5,898,318	5,898,318
Cash and bank balances	30,929,648	-	19,305,875	19,305,875
(A)	321,021,597	55,638,462	33,037,427	88,583,543
Financial liabilities				
Accrued and other liabilities	-	-	17,570,787	17,570,787
Unclaimed profit distributions	-	-	29,632,906	29,632,906
(B)	-	-	47,203,693	47,203,693
On-balance sheet gap	321,021,597	55,638,462	(14,166,266)	88,583,543
(A-B)				73,291,593
				451,077,336

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30 June 2022	Yield / Profit bearing maturing			Non yield / Profit bearing maturing			Total
	Within one year	After one year	Sub total	Within one year	After one year	Sub total	
	Rupees						
Financial assets							
Diminishing Musharakah Financing	44,251,358	93,201,258	137,452,616	-	-	-	137,452,616
Diminishing Musharakah Financial installments receivable	-	-	-	-	-	-	-
Long term investments	-	-	-	806,270	-	806,270	806,270
Long term deposits	-	-	-	-	105,826,135	105,826,135	105,826,135
Investments	-	-	-	1,384,350	-	1,384,350	1,384,350
Advances	232,000,000	-	232,000,000	15,693,994	-	15,693,994	247,693,994
Prepayments, deposits and other	-	-	-	4,584,455	-	4,584,455	4,584,455
Cash and bank balances	19,288,368	-	19,288,368	29,281,161	-	29,281,161	29,281,161
(A)	295,539,726	93,201,258	388,740,984	17,938,643	-	17,938,643	37,227,011
				69,688,873	105,826,135	175,515,008	564,255,992
Financial liabilities							
Long term security deposits	-	-	-	-	-	-	-
Accrued and other liabilities	-	-	-	26,989,295	-	26,989,295	26,989,295
Unclaimed profit distributions	-	-	-	28,299,521	-	28,299,521	28,299,521
(B)	-	-	-	55,288,816	-	55,288,816	55,288,816
(A-B)	295,539,726	93,201,258	388,740,984	14,400,057	105,826,135	120,226,192	508,967,176
On-balance sheet gap							

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve.

Profit rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market profit rates.

FIRST UDL MODARABA
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26 SEGMENT INFORMATION

	31 March 2023			
	Diminishing Musharakah Financing	Investments	Others	Total
	Rupees			
Segment Results				
Segment Income	16,180,835	19,938,795	8,286,155	44,405,785
Other Income	-	-	2,490,679	2,490,679
Total Income	<u>16,180,835</u>	<u>19,938,795</u>	<u>10,776,834</u>	<u>46,896,464</u>
Unrealized loss on re-measurement of investments at FVTPL	-	(1,164,253)	-	(1,164,253)
Operating expenses	(157,881)	-	(357,475)	(515,356)
Unallocated operating expenses	-	-	(45,987,488)	(45,987,488)
Profit / (loss) for the year	<u>16,022,954</u>	<u>18,774,542</u>	<u>(35,568,129)</u>	<u>(770,633)</u>
Other information				
Capital expenditure	-	-	6,247,954	6,247,954
Depreciation and amortization	-	-	3,354,747	3,354,747
Assets and liabilities				
Segment assets	102,326,353	333,113,284	-	435,439,637
Unallocated assets	-	-	110,095,756	110,095,756
Total assets	<u>102,326,353</u>	<u>333,113,284</u>	<u>110,095,756</u>	<u>545,535,394</u>
Segment liabilities	-	-	-	-
Unallocated liabilities	-	-	46,885,577	46,885,577
Total liabilities	<u>-</u>	<u>-</u>	<u>46,885,577</u>	<u>46,885,577</u>
	30 June 2022			
	Diminishing Musharakah financing	Investments	Others	Total
	Rupees			
Segment Results				
Segment Income	20,316,717	7,246,375	2,177,826	29,740,918
Other Income	-	-	112,084,835	112,084,835
Total Income	<u>20,316,717</u>	<u>7,246,375</u>	<u>114,262,661</u>	<u>141,825,753</u>
Unrealized loss on re-measurement of investments at FVTPL	-	(9,827,148)	-	(9,827,148)
Operating expenses	(1,011,199)	-	(390,813)	(1,402,012)
Unallocated operating expenses	-	-	(54,672,969)	(54,672,969)
Profit / (loss) for the year	<u>19,305,518</u>	<u>(2,580,773)</u>	<u>59,198,879</u>	<u>75,923,624</u>
Other information				
Capital expenditure	-	-	8,258,500	8,258,500
Depreciation and amortization	-	-	390,813	390,813
Assets and liabilities				
Segment assets	138,258,886	143,110,200	-	281,369,086
Unallocated assets	-	-	326,626,778	326,626,778
Total assets	<u>138,258,886</u>	<u>143,110,200</u>	<u>326,626,778</u>	<u>607,995,864</u>
Segment liabilities	-	-	6,000,000	6,000,000
Unallocated liabilities	-	-	64,783,639	64,783,639
Total liabilities	<u>-</u>	<u>-</u>	<u>70,783,639</u>	<u>70,783,639</u>

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	For the period from 01 July 2022 to 31 March 2023	For the year ended 30 June 2022
27 NUMBER OF EMPLOYEES		
Total employees as at the period / year end	<u>21</u>	<u>21</u>
Average employees during the period / year	<u>21</u>	<u>21</u>

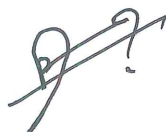
28 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements during the current period.

29 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 15 JUN 2023 by the Board of Directors of the Management Company.

For UDL Modaraba Management (Private) Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director