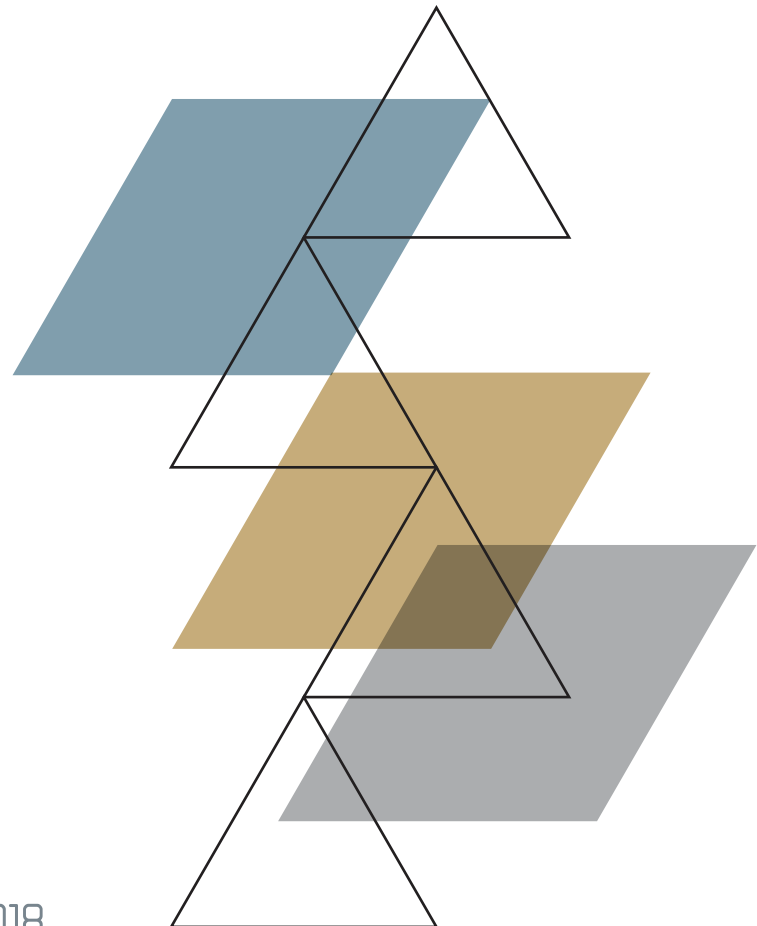
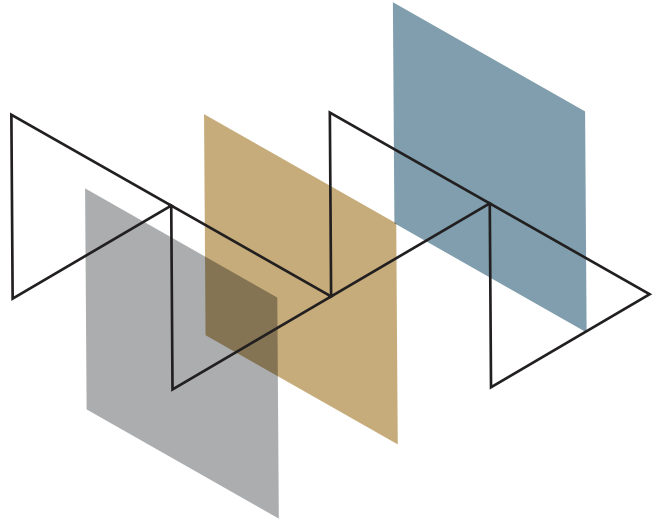


Creating Structure  
and Precision in  
Financial Planning for  
Economic Prosperity



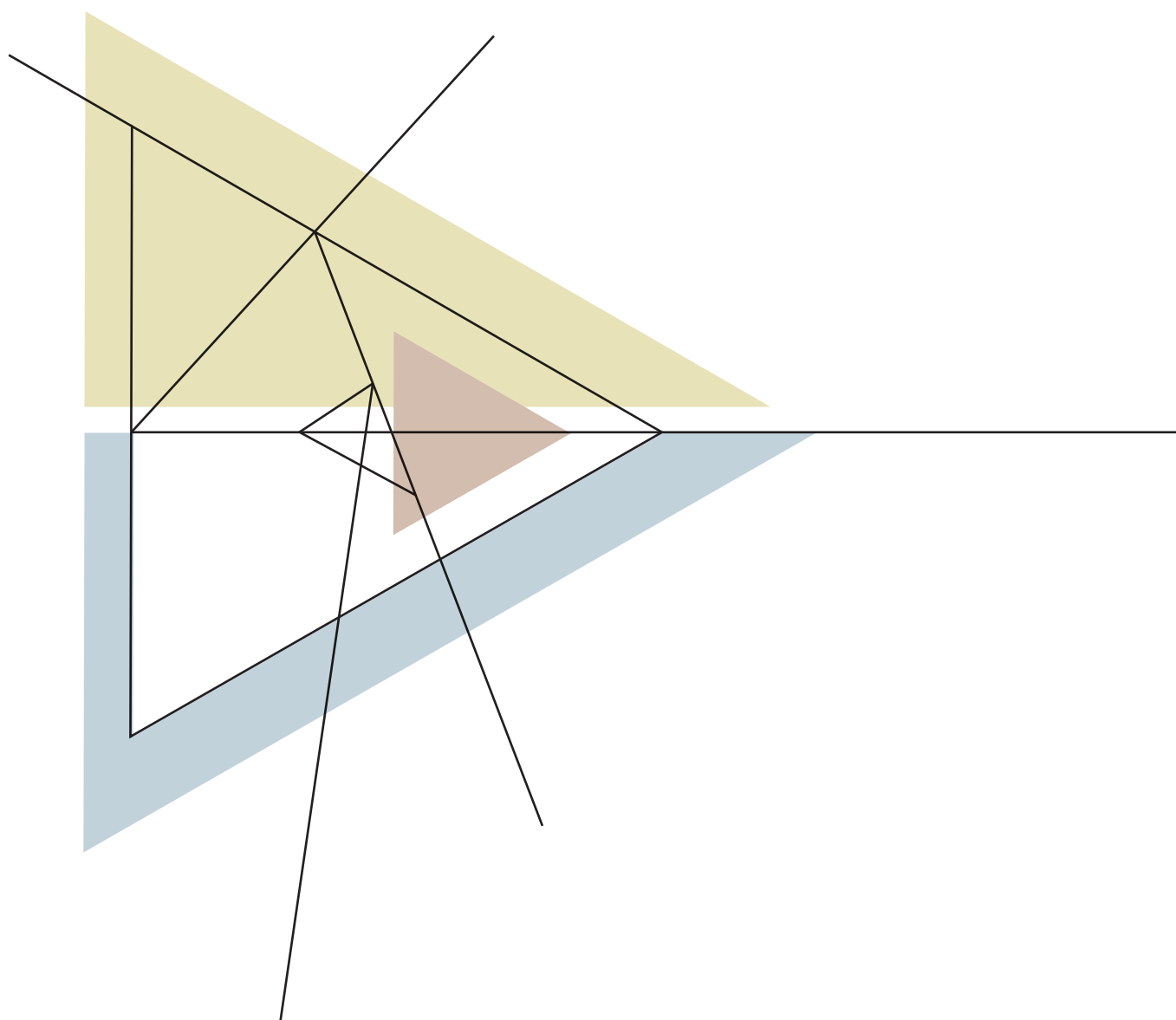


Annual Report 2018



**AWWAL  
MODARABA**

L a n d s





c a p | e

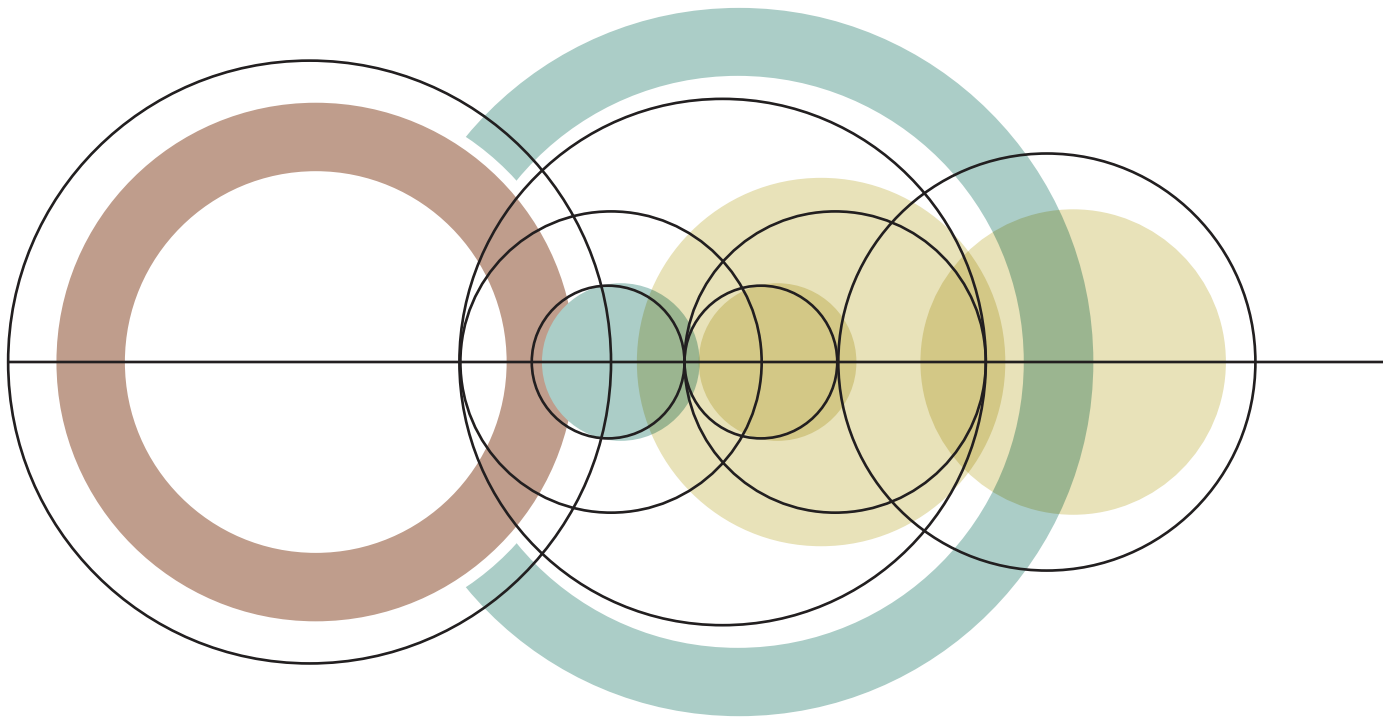
# of Opportunities

Mid to low tier private sector credit has been crowded out from the banking sector by the alternative low risk investment opportunities present in government debt. Specialized institutions catering for project finance like NDFC and PIDC are no longer there while the DFIs are unable to fulfill the mandate due to the risk averse stance of the banking sector of which they form a part.

**Awwal Modaraba** sees as its target market all those mid and mid-low tier clients that are not catered for by the banking sector and that have a viable growth story / competent sponsors.

**Awwal's expertise range from turnaround of distressed assets, funding of growth companies, and small-medium ticket project finance. The market is untapped with strong profit potential as there are hardly any institutions operating in this segment.**

Refina



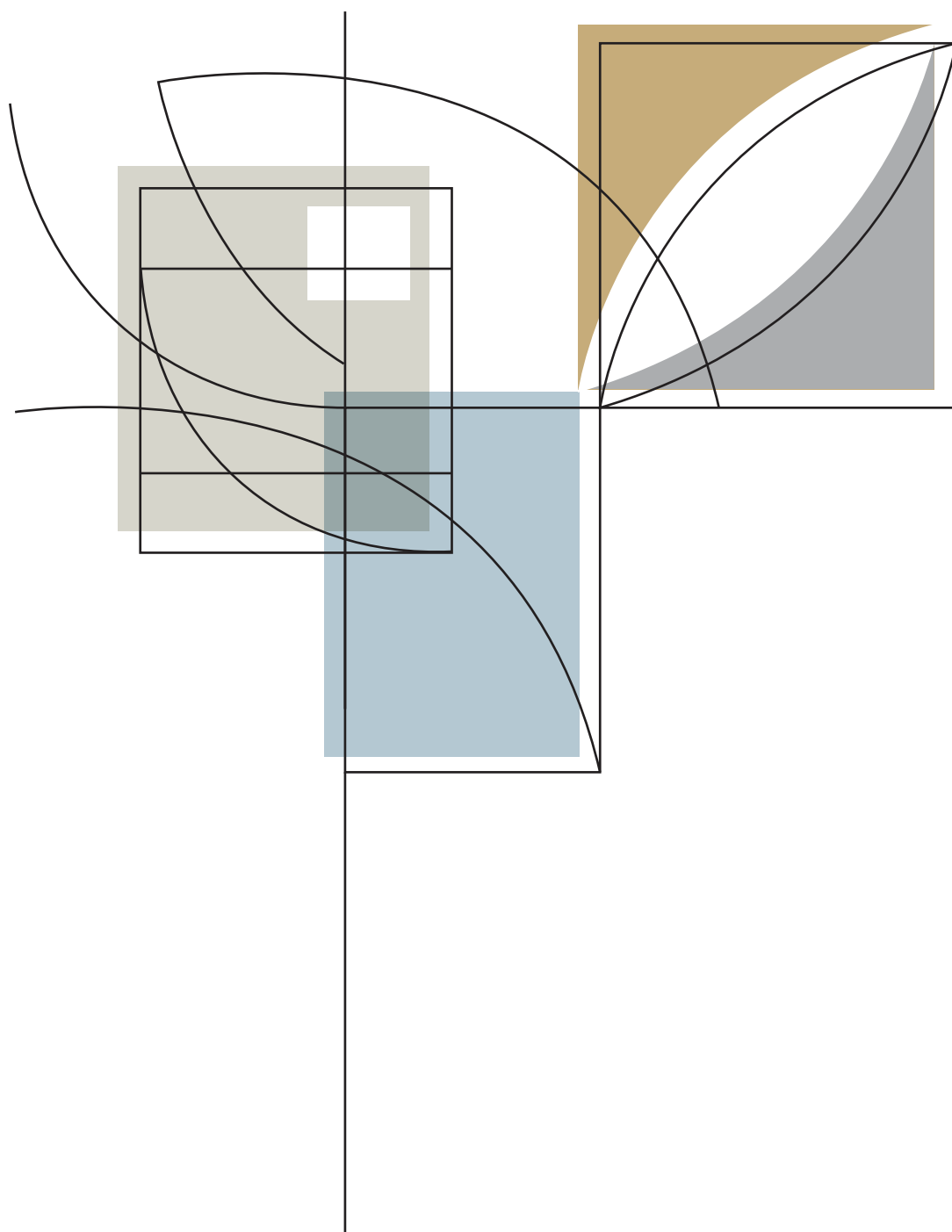
n c i n g

# Businesses

**Awwal's** team has vast expertise in turnaround of distressed assets. Since these transactions are inherently high risk, we structure a complete package for the target company including payoff of defaulted loans, providing long-term and short-term working capital loans as required, strengthening of corporate governance including hiring of competent management, robust information systems and stronger audit and control systems.

**The business plan of the company and internal and external weaknesses and threats are comprehensively identified and addressed to the extent possible and necessary to facilitate the turnaround.** The tenor and terms of our financing is structured to match the expected cashflow stream from the business and mitigate risk to the modaraba.

S t r u c

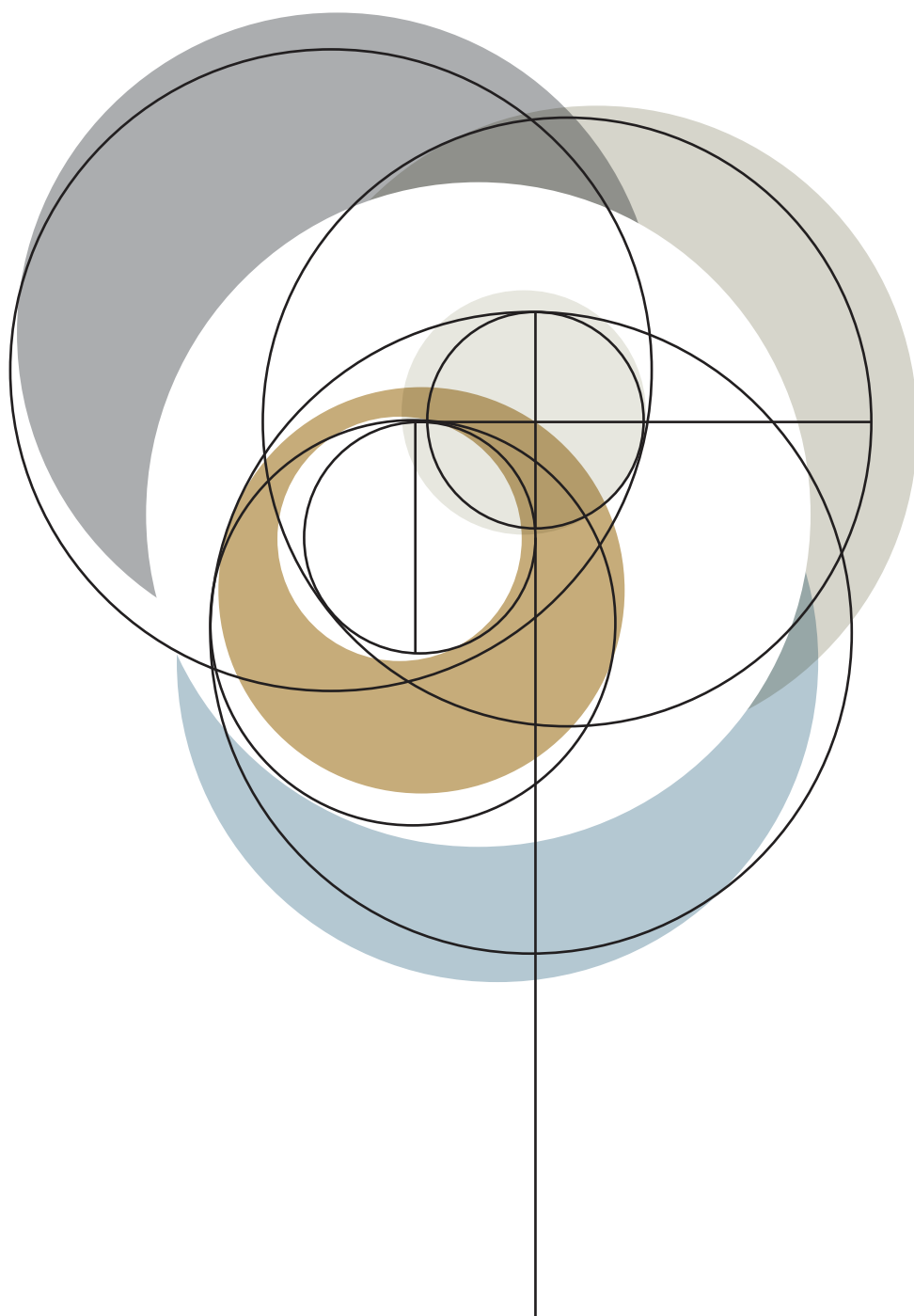


# structured for Growth

We at **Awwal** support our clients in pursuing growth opportunities within their own sector or in diversification in other lines of businesses.

**Our clients benefit from our know-how of different sectors, potential acquisition targets and expertise in making business plans and financial models with their involvement.** Our financing is structured to match the expected cashflow stream from the business to ensure the project's success.

M u l t i p



l y i n g

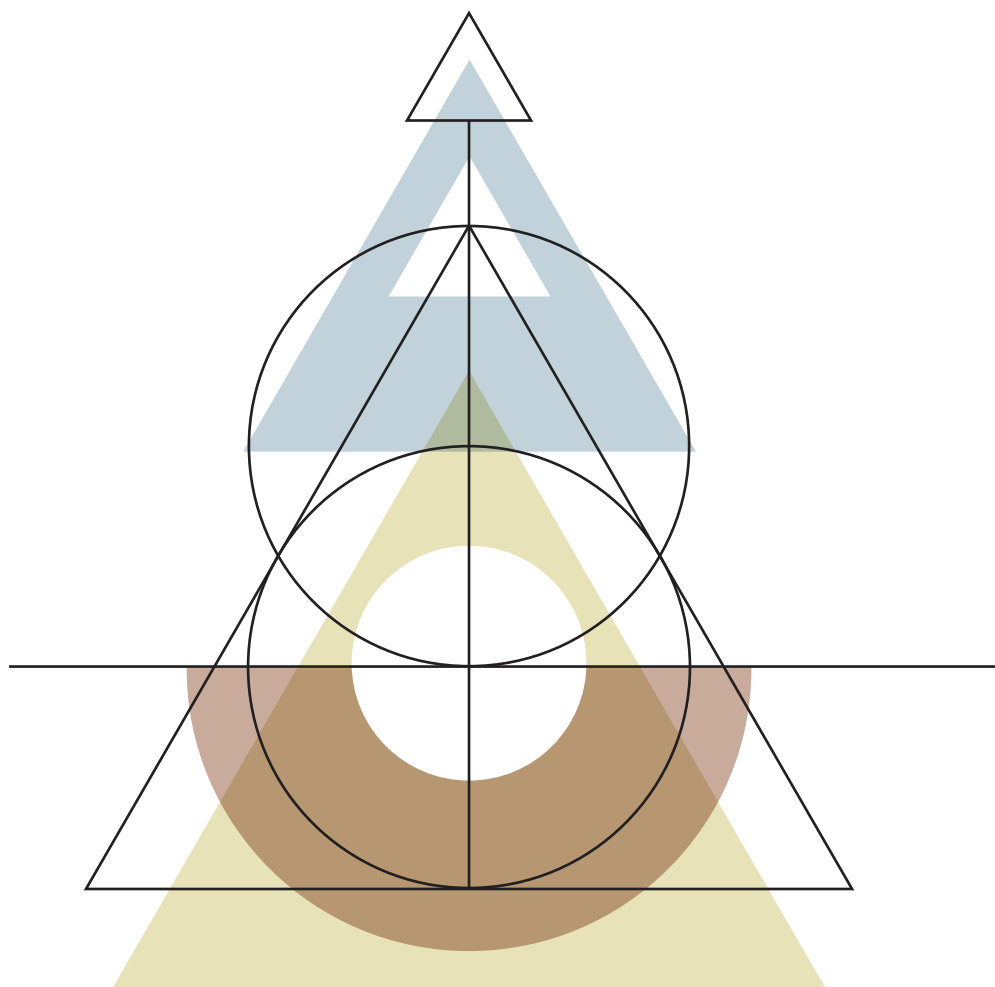
## Resources

The turnaround stories brought about by our team at **Awwal** are small but impactful. **Bailout of a manufacturing unit saves hundreds of jobs and preserves economic activity in an otherwise backward region.**

The setup of a bio-fuel unit lead to employment, generates power as well as leads to utilization of an otherwise low value by-product. Start-up of a closed cement unit saves a national asset, brings to use an abandoned quarry, and generates employment at a time when the country is looking at huge infrastructure projects.

**Resources saved are resources created!**

Streng

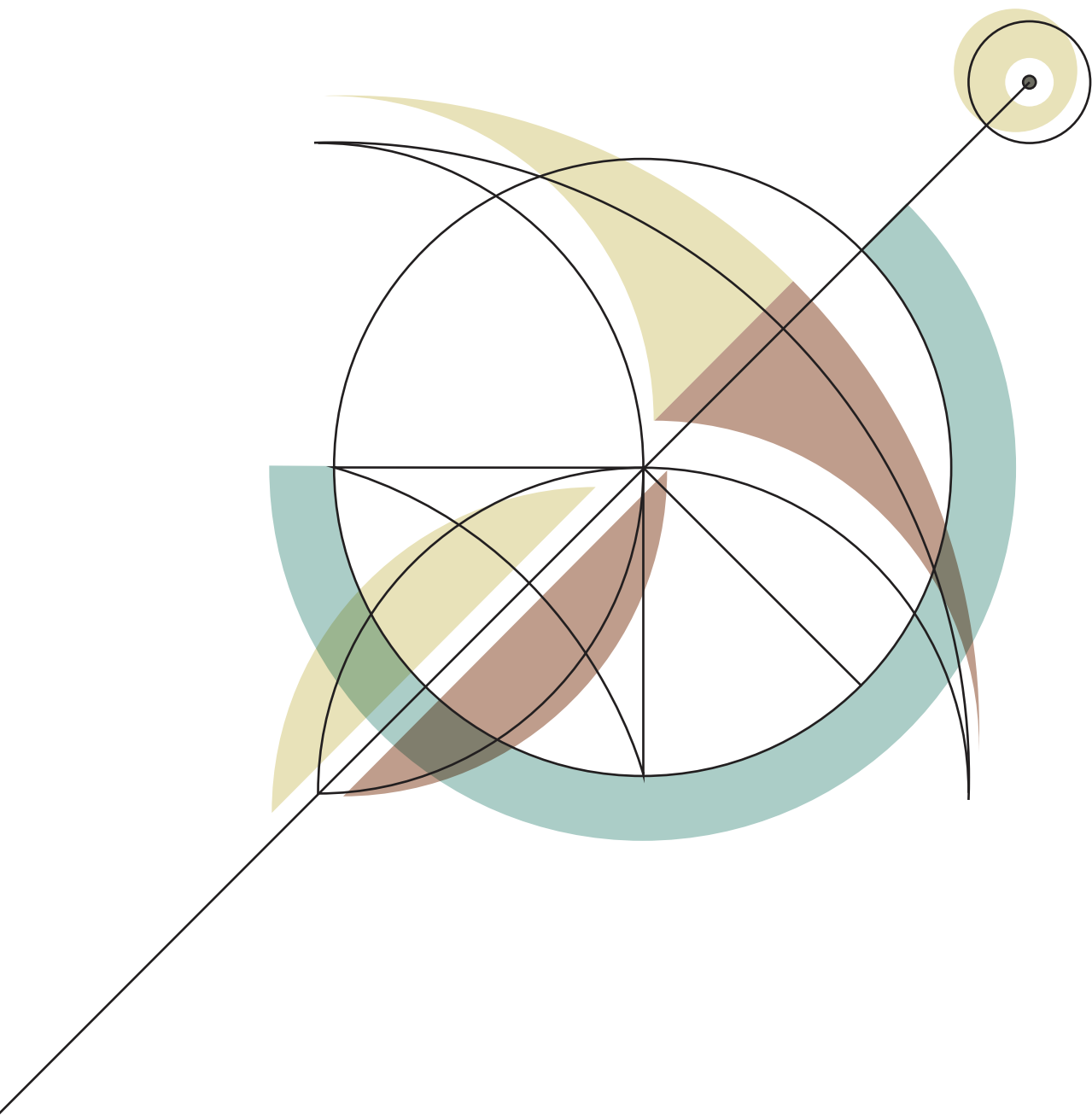




# th ening Performance

**Awwal's** team includes highly competent and experienced professionals including FCAs, MBAs, CFA charterholders, ACCA, CIMA etc. **We take pride in our team which is highly committed and demonstrates high integrity at all levels in dealing fairly with all stakeholders and striving for the institution's success and progress in a judicial manner for achieving strong and sustainable performance.**

T a r g e



t i n g

## Success

**At Awwal Modaraba, we believe that our client's success in its business is our success as a business concern.**

We target a limited client base and our focus is to become a partner in their journey towards turnaround, growth, diversification etc. and strengthen the base of our economy. We develop long term relationships with our clients as close coordination facilitates greater understanding of their business concerns, enabling us to provide adequate solutions to address current & future needs.

Ultimately, this leads to risk mitigation for the modaraba while earning strong profits from our niche market.

A large, light brown, stylized letter 'V' graphic that serves as a background element for the title.

# Vision

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

# Mission

**AMML** aims to be at the  
vanguard of innovation in  
modaraba management services,  
offering the best solutions to our  
customers, value to our  
shareholders and modaraba  
investors, complemented with a  
challenging, equal opportunity  
environment to our employees.



# Content

Corporate Information	18
Product Profile	20
Code of Conduct	24
Policy for Charity	26
Corporate Social Responsibility (CSR) Policy	27
Directors' Profile	28
Chairman's Review	32
Directors' Report – English	34
Directors' Report – Urdu	42
Pattern of holding of Certificates by the Certificate-holders	43
Key Financial Data	44
Shariah Advisor's Report	45
Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017	46
Review Report on Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017	48
Auditors' Report to the Certificate Holders	50
Balance Sheet	52
Profit and Loss Account and Other Comprehensive Income	53
Statement of Cash Flows	54
Statement of Changes in Equity	55
Notes to the Financial Statements	56
Notice of Annual Review Meeting	83
Dividend Mandate Form	85

# Corporate Information

## Board of Directors

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

## Audit Committee

Mr. Shahid Ghaffar	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Jaleel Shaikh	Member
Mr. Ahmed Ateeq	Member

## Human Resource and Remuneration Committee

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

## Company Secretary

Ms. Rahaila Aleem

## Chief Financial Officer

Syed Askary Haider Rizvi

## Bankers

Habib Bank Limited  
Soneri Bank Limited  
National Bank of Pakistan



## Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

## Registered Office

6th Floor, Horizon Vista  
Plot No. Commercial 10  
Block No. 4, Scheme No. 5  
Clifton, Karachi, Pakistan.  
Tel : (+92-21) 38771685  
Fax : (+92-21) 35374275  
Web: [www.awwal.com.pk](http://www.awwal.com.pk)

## Legal Advisor

LMA Ebrahim Hosain

## Shari'ah Advisor

Mufti Muhammad Hassaan Kaleem

## Share Registrar

THK Associates (Pvt) Ltd.  
1st Floor, 40-C, Block-6  
P.E.C.H.S.  
Karachi -75400.  
Tel: (+92-21) 111-000-322  
Fax: (+92-21) 34168271

# Product Profile

The team of Awwal Modaraba has earned a sound reputation in a niche market over the past few years where we offer advisory services and structured solutions to our clients where other conventional sources and structures do not fulfill their needs. This includes turnaround of distressed assets, mergers and acquisitions, catering to needs of MEs with low access to banking sector etc. We provide a complete package to our clients including financial advisory, structured financing solutions which addresses their particular challenges, corporate governance measures to improve transparency in reporting, improve finance and audit function, board seat for oversight etc.

## Amanah Mall

“We initially approached Awwal Modaraba in October 2016 for Financing of Air Conditioning system (HVAC), Lifts and Elevators on Musharika Finance basis to complete finishing works for Amanah Mall (based in Lahore) which was delaying the commercial launch of the mall. We received prompt response from Awwal and the Mall is now open providing range of facilities from Cash & Carry to Play Land for the public. Now we are also providing many facilities in the Mall ourselves like gymnasium and Kids rides rather than doing it through third parties.



Following the successful commercial launch of the mall, we decided to set up the gymnasium ourselves in which Awwal supported us again. Gymnasium is expected to become operational by January 2019.”

(M. Umar Ejaz, Manager Finance)



## Sufi Steel

“Our warmest wishes to Awwal Modaraba for successfully completing second year of operations. We are grateful for their support in providing working capital to Sufi Steel to further fuel its furnaces. From the production of 37.5 TPD during FY17, we achieved six month average of 95 TPD during 2HFY18. This could not have been possible without the support of Awwal Modaraba team which understood our business model and provided a financing solution to meet our requirements. The experience was extremely seamless and their team was very competent and cooperative.”  
(Abubakr Siddique Azeem, Chief Executive Officer)



## Lion Steel

“It is our pleasure to acknowledge and thank Awwal Modaraba for preparing our feasibility, which helped us in arranging the much needed working capital for our company. Valuable patron like you will always be motivating and helpful to companies like ours in reaching their full potential. This support has put us well on our way to becoming the thriving business we once were. We wish Awwal much success in the future in supporting companies such as ours. As we aid national power channelization system through the supply of our hardware, we are helping keep Pakistan’s future bright with your help.”  
(Atif Mehmood, Chief Executive Officer)

## Awwal Modaraba – Recipient of “Best Islamic Finance Innovation Award”

Awwal Modaraba was also the proud recipient of “Best Islamic Finance Innovation Award” at the 6<sup>th</sup> Global Forum on Islamic Finance held in March 2018 in Lahore. This Forum was organized by the Center of Islamic Finance, Comsats Institute of Information Technology and leading Islamic Financial Institutions took part in it. Awwal Modaraba received the award in recognition of the transaction structure it devised for one of its clients in the preceding year for meeting its business needs.







## Popular Cement

“On behalf of Popular Group of Industries, I would like to congratulate Awwal Modaraba for completing their second successful year. We highly appreciate the support provided by Awwal Modaraba in the acquisition of our Cement Plant which we expect to shortly come on line.”

(Mr. Malik Imamuddin Shouqeen, Chairman)

## Disaster Recovery Plan (DRP)

DRP is the procedure which is used to recuperate programming, information or application in any adverse circumstances caused because of human mistake or through any catastrophic events. DR design is coordinated with BCP. Key individuals are identified and trained about the particular activities they should take in the event of calamity.

At Awwal Modaraba, our DR design is versatile and routinely refreshed with the reinforcement. Our significant division does the deride practice at assigned DR location to ensure Business Continuity Tests/Simulation drills are led in an auspicious and compelling way.

BCP/DR is designed at Awwal Modaraba to suit its business and operational needs. We have made DR arrangements with M/s. CubeXS Weatherly (Pvt) Ltd and keeping up DR site with level 4 Data Center and Disaster Recovery Site. Awwal Modaraba likewise has BCP course of action at an offsite location for temporary resumption of operations if there should be an occurrence of calamity at the office site.

The management each year reviews BCP and DR design with a specific end goal to secure the business capacities, resources and representatives. System design vis-à-vis requirements and staff know-how is refreshed to keep up-to-date with any new requirements and developments.



## Business Continuity Plan (BCP)

Business Continuity Planning is best depicted as the procedures and methodology that are done by an organization to guarantee that critical business capacities are accessible and keep on operating if there is any operational calamity or power outages. BCP also empowers us to re-compose any separated operational administrations in minimum possible time in the given circumstances.

# Code of Conduct

---

## 1 INTEGRITY

---

- Employees shall perform their work honestly with diligence and responsibility;
- Employees shall not knowingly be a party to any illegal activity or engage in any acts that are discreditable to the Company/Modaraba;
- Employees shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the Interests of the Company/Modaraba;
- Employees shall not accept any gift or consideration that may impair or be presumed to impair their professional judgment;
- Employees shall exercise maximum caution in making sure that information given to customers is free of errors, making it as truthful and honest as can be.

## 2 OBJECTIVITY

---

- Employees shall ensure that all operational activities and decision making processes focus on achievements of the Company's/Modaraba's objectives and are in line with the mission statement of the Company/Modaraba;
- Employees shall disclose all material facts known to him if not disclosed, may distort the reporting of business proposal under review.

## 3 CONFIDENTIAL AND PROPRIETARY INFORMATION

---

- Employees shall protect against the disclosure of sensitive and confidential information about customers and employees unless disclosure is authorized and within law;
- Employees shall safeguard against the disclosure of sensitive and confidential information about their fellow employee and the Company/Modaraba as a whole unless authorized to do so;
- Employees shall not disclose to a customer or any other quarter that a suspicious transaction is being or has been reported to any authority, unless disclosure is required by law.

## 4 IMPROPER INFLUENCE

---

- Employees are strictly prohibited from giving, soliciting or accepting business courtesies or gift intended to influence business decision;
- Employees shall make all business decisions on the merit of the transaction and in compliance with any legal and regulatory requirements.

## 5

## UNFAIR BUSINESS PRACTICES

- Employees shall refrain from unfair and deceptive business practices e.g. unauthorized and counterproductive use of the Company's/Modaraba's resources, the misuse of proprietary information or the misrepresentation and concealment of material facts.

## 6

## INSIDER TRADING

- Employees are prohibited from disclosing "Inside Information" to others or use for their own benefits;
- Employees shall abide by the "insider trading" laws that prohibit from buying and selling Stock with advance knowledge of important Company/Modaraba information that is unavailable to the general public. Such information may include proposed mergers or acquisitions, new equity or debt offering.

## 7

## RECORDING AND REPORTING OF THE COMPANY

- Employees shall ensure that all business related information / transaction are recorded and reported accurately, honestly and in a timely manner. Accuracy of all Company/Modaraba records extends to financial statement, financing documents, regulatory bodies and other government agencies;
- Employees shall ensure that no funds or accounts should be established for a purpose that is not fully reflected in the books and records of Company/Modaraba whether pertaining to receipts or disbursements.

## 8

## COMPLIANCE WITH LAWS, RULES AND REGULATIONS

- Employees shall comply with all applicable laws, rules and regulations.

## 9

## PROTECTION AND PROPER USE OF COMPANY/MODARABA ASSETS

- Employees shall ensure that all the Company's/Modaraba's assets are used for authorized and legitimate business purposes;
- Employees shall protect the Company's/Modaraba's assets e.g. computer equipment and software (Intellectual property etc.) and ensure that those assets are efficiently and properly used in respect of all Company/Modaraba related activities.

# Policy for Charity

Awwal Modaraba generates its income by doing transactions in a sharia compliant modes after its screening by the Sharia Advisor. However, Awwal Modaraba may receive income which will not be compliant to Sharia and will be transferred to charity account.

The Modaraba will maintain separate account for charity amounts and all amounts of charity shall be transferred to the charity bank account as soon as the charity is ascertained and approved by the Sharia Advisor.

Charity shall be paid to any charitable organization on the recommendation of the Board of Directors and after the approval of the Sharia Advisor.

The charitable organization to which charity is paid shall not be in any way related to the Sharia Advisor, Awwal Modaraba, its Management Company or their employees and directors.

The amount in charity accounts shall be disbursed in a maximum period of one year.

Charity cannot be paid to individuals.

Charity amount cannot be used for marketing or CSR activities neither the charity disbursement should be highlighted in any way. The Guidelines issued by Registrar Modaraba for charity from time to time will be followed in this regard.



# Corporate Social Responsibility (CSR) Policy

## **Aims to be a responsible corporate citizen of the country**

CSR covers the entire process by which an organization approaches, defines and develops its relationships with stakeholders for sustainable community and social development of the country. Awwal Modaraba began its operations in February 2016. Since its inception the management has been striving to serve for creating shared value and contributing to social and environmental good.

Internal capacity building and trainings should be conducted for the employees to develop their understanding along with necessary Sharia knowledge. The management is looking forward to engage with all of its stakeholders to work towards a prosperous economy and nation at large.

## **Focus Areas**

- Environmental development
- Education at grass root level
- Healthcare for the needy
- Disaster relief
- Creating awareness for civic responsibilities

## Guiding principles

Our focus of activities and initiatives will be in line with the Modaraba's vision, mission and business activities.

Will participate in grass root level programs to create awareness about clean environment and its impact on general behaviour and health.

Promote and support the institutions providing education to the less fortunate.

Support the institutions providing healthcare facilities to the needy patients.

Perform relief activities in case of disaster.

We encourage our employees to initiate and take part in community service projects.

## **Reporting**

Awwal Modaraba will publish its focus areas and CSR activities through:

- Placement on its website.
- CSR activities during the financial year will be outlined in the Modaraba's financial statements of the respective year.

However, CSR activities will mainly be disclosed on the Modaraba's website.

# Directors' Profile

## Mr. Khalid Aziz Mirza

Chairman and Independent Director

Mr. Khalid Aziz Mirza is a Masters of Commerce (M.Com) from University of Punjab, Lahore, Pakistan and has about 52 years of work experience. Mr. Mirza has served Investment Corporation of Pakistan (ICP) in various positions for 8 years and has also served Credit & Finance Corporation London in various positions for 6 years. Subsequently, for about two decades, he remained on the professional executive staff of the International Finance Corporation (IFC) (Member, World Bank Group). Besides this, he has also served as founding Chairman, Securities and Exchange Commission of Pakistan (three years); Sector Manager for Financial Sector Development, East Asia & Pacific Region, The World Bank, Washington DC, USA (about four years); Chairman and Chief Executive Monopoly Control Authority (one year); founding Chairman and Chief Executive Competition Commission of Pakistan (three years); and Member, Competition Appellate Tribunal (about eight months).

Mr. Mirza joined the Lahore University of Management Sciences (LUMS) in 2010 and is at present Professor of Practice. Mr. Mirza is also serving as an Independent Director and Chairman of the Board of Orix Leasing Pakistan Limited and an Independent Director on the Boards of SILK Bank Limited, Medgulf Insurance, Bahrain as well as Murree Brewery Company Limited. Significant among his regular consultancy assignments are Finance Consultant, WAPDA; Advisor, Investment Climate Reforms Unit, Government of Punjab; Evaluator, Investment Evaluation Unit, The World Bank Group; and Advisor to the Board of the Damen Support Programme, Lahore, an NGO dedicated to women empowerment through provision of microfinance.



## Mr. Shahid Ghaffar

Independent Director

Mr. Shahid Ghaffar is currently serving as Independent Director on Board of Archroma Pakistan Limited, Habib Insurance Company Limited, HBL Asset Management Limited and Jubilee Life Insurance Company Limited besides Awwal Modaraba Management Limited. He has worked as Managing Director, National Investment Trust Limited (NITL) (2014-2017). He possesses vast experience of working at top positions in the financial sector. Earlier he has worked as Head of Investor Relations and Corporate Representation as well as member of Management Forum at Habib Bank Limited (HBL). Prior to that he had also served as Chief Executive Officer of HBL Asset Management Limited for over six years (2005-2012) and was instrumental in the establishment and growth of the company. Mr. Ghaffar has held key positions in the areas of asset management, capital market regulation and governance.



## Ms. Ayesha Aziz

Director

Ms. Ayesha Aziz is an MBA from the Institute of Business Administration and a qualified Chartered Financial Analyst (CFA). She is a director on the Board of Awwal Modaraba Management Limited and Chairs the Board of Primus Leasing Limited. In the past, she has served on various Boards and Committees including Sindh Enterprise Development Fund, Overseas Investors Chamber of Commerce, Pakistan Mercantile Exchange and Punjab Board of Investment and Trade.

Ms. Aziz has rich and diverse experience in investment banking including Project Finance, Asset Management, Corporate Finance Advisory and Private Equity. She was associated with the ANZ Banking Group for ten years where she worked in various areas including Treasury, Portfolio Management, Planning and Financial Engineering. Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a microfinance bank and an asset management company, where she acted as a member on the board and CEO, respectively. Ms. Aziz has been associated with Pak Brunei Investment Company since inception and has helped to position it as a leading Investment Bank in terms of scope and scale of operations as well as quality of assets. She has also overseen establishment of subsidiaries in Asset Management, Modaraba Management and Leasing over this period.

At Securities and Exchange Commission of Pakistan (SECP) he served as Executive Director/Commissioner from 2000 to 2005 and played a vital role towards the implementation of wide ranging reforms in the Capital Market and capacity building of Securities Market Division of Securities and Exchange Commission of Pakistan (SECP). While working as Managing Director/CEO Karachi Stock Exchange, during his two years' tenure (1998-2000) he introduced effective risk management measures and was also instrumental in the automation of trading, enhancing capacity building and professionalism at the Stock Exchange.

During the period 1977-1998, Mr. Shahid Ghaffar had served National Investment Trust Limited (NITL) (one of the biggest open-ended funds in the country) in different capacities in

the Asset Management Division and at various stages was responsible for managing equity market portfolio, debt/fixed income portfolio and trading desk. He was also involved in the appraisal and monitoring of projects. In 1996, Mr. Ghaffar was entrusted responsibility of Asset Management Division. He actively participated in the reconstruction of NIT during the crisis period i.e. 1996-1998.

Mr. Ghaffar holds Master Degree in Business Administration from Gomal University D.I.Khan, Khyber Pakhtunkhwa, Pakistan. He has attended several courses on Securities Regulations and Securities Markets Development and portfolio management including the prestigious course conducted by Securities and Exchange Commission, in Washington, DC. (United States).

## Mr. Ahmed Ateeq

Director

Mr. Ahmed Ateeq re-joined Pak Brunei Investment Company after successfully divesting a majority stake in Primus Investment Management Limited (PIML), previously a wholly owned subsidiary of Pak Brunei Investment Company.

Prior to that he was deputed as the Chief Executive Officer at PIML since it was established in 2011. Under his leadership, PIML was able to build a solid business and achieved substantial growth through increased fund offerings and expansion in assets under management. In a short span, PIML also attracted some prestigious accolades including Top-100 Fastest Growing Company award from All World Network, an affiliate of Massachusetts Institute of Technology "MIT".

Mr. Ateeq brings with him wide-ranging experience in Treasury, Capital Markets and Investment Banking. He has previously held management positions at Pak Oman Investment Company Limited, Pak Oman Asset Management Company Limited, Jahangir Siddiqui & Company Limited and ABN-AMRO Bank.

Mr. Ateeq's areas of expertise include both debt and capital markets where he has a rich experience of developing distribution networks, transaction structuring and market making services.

Mr. Ateeq has also been honored with CEO Excellence Award for his management skills by British Asian Culture Business Milestones and selected as Top-100 Business leaders of Pakistan at the CEO Summit.

Mr. Ateeq holds an MBA, Post Graduate Diploma in Public Accounting and have also done advance studies in Corporate Governance and Strategic Management "Excellence in Leadership" from Harvard Kennedy School of Public Policy and Government.





## Mr. Karim Hatim

Chief Executive Officer

Mr. Karim formerly served as Group Head Advisory & Strategic Investment Group of Pak Brunei. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan with twenty years of post-qualification experience of working in Non-Banking Finance Companies and Development Finance Institutions in various management cadres including Chief Operating Officer and Group Head. Areas of specialization include development and implementation of business strategies, turnaround of companies as well as investment banking divisions of development finance companies with emphasis on revival of sick units and financial advisory, recovery and restructuring of infected portfolios, corporate finance, treasury, capital, market operations, finance and credit appraisals.



## Mr. Abdul Jaleel Shaikh

Director

Mr. Jaleel Shaikh is serving as Group Head at Pak Brunei Investment Company and also holds nominee directorship in Nimir Industrial Chemicals Limited and Primus Leasing Limited. Mr. Shaikh brings with him around forty years of diversified experience in Project Management & Civil Engineering, Corporate Finance, Credit Administration, Human Resource Management and General Administration. Mr. Shaikh worked as an engineer for ten years in Saudi Arabia before joining Saudi Pak Industrial & Agricultural Investment Company in Islamabad. He remained with Saudi Pak for twenty years and was a key member of the senior management team involved in all strategic business decisions, before joining Pak Brunei. He represented Saudi Pak on the boards of various manufacturing and service sector companies. Amongst other, these included Saudi Pak Commercial Bank, Saudi Pak Insurance Company, Fecto Cement Co. Ltd. and Japan Power Generation Co. Ltd.

# Chairman's Review



I am pleased to present the financial results of Awwal Modaraba for the year ended 30 June 2018 to our esteemed certificate holders.



The year 2018 saw many growing challenges on the economic and political front during the financial year with weakening of Pak Rupee, rising inflation, interest rates and volatile capital market. The operations of the Modaraba remained largely unaffected during FY2018 and posted 19% increase in after tax profits which stood at Rs. 183.734 million as compared to last year Rs. 154.398 million. The Modaraba achieved earnings per certificate of Rs. 1.84 (2017: Rs. 1.54). The management, in consultation with the Board, decided not to leverage the portfolio in the medium term due to the prevailing economic uncertainties. We expect to face greater challenge in the next financial year as companies across all sectors face higher cost of operations amid the prevailing political uncertainty.

The Board of Directors is a mix of varied backgrounds and rich experiences in the fields of business, finance, banking and regulatory side. The Board provides strategic direction and oversight to the management and is available for guidance wherever required. The Board approves the annual budget and ensures that a competent and energetic team is in position to achieve the goals which includes mitigation along with business growth. The management operates within a risk management policy framework approved by the Board.

The Board is assisted by its different Committees. The Audit Committee reviews the financial statements and ensures that the accounts fairly represent the financial position of the Modaraba. It also ensures effectiveness of internal controls. The Human Resource and Remuneration Committee overviews HR policy framework and recommends selection and compensation of senior management team. One of the important roles of the Committee is succession planning. As required under the Code of Corporate Governance, the Board also evaluates its own performance through a mechanism developed by it.

On behalf of the Board, I take this opportunity to express my gratitude and appreciation towards SECP and Registrar Modaraba for their continuous guidance and support. Also, I would like to avail this opportunity to thank all our customers and investors for placing their trust in the Modaraba.

  
**Khalid Aziz Mirza**  
Chairman

Dated: 30 August 2018

# Directors' Report

The Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba (Modaraba), is pleased to present the Directors' Report together with Audited Financial Statements of Awwal Modaraba for the year ended 30 June 2018.

Awwal Modaraba is primarily engaged in providing Working Capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investment / instrument to clients which include distressed assets with high potential of turnaround, project finance, infrastructure and high growth companies.

## Economy Woes FY2018

FY2018 was a challenging year for the economy amid political uncertainties ahead of elections and growing economic pressures with weakening of Rupee, rising inflation and interest rates and volatile capital market. International credit rating agency, Moody's, downgraded Pakistan's outlook from 'Stable' to 'Negative' in June 2018 while re-affirming B3 rating.

The view of the agency succinctly sums up the outlook on Pakistan economy. According to the agency, the outlook was changed to negative due to heightened external vulnerability risk with foreign exchange reserves fallen to low levels and, with absence of significant capital inflows, will not be replenished over the next 12-18 months. Low reserve



adequacy threatens continued access to external financing at moderate costs, in-turn potentially raising government liquidity risks. The decision to affirm the B3 rating reflects Pakistan's robust growth potential, supported by ongoing improvements in energy supply and physical infrastructure, which are likely to raise economic competitiveness over time. These credit strengths balance Pakistan's fragile external payments position and very weak government debt affordability owing to low revenue generation capacity.

Overall, the banking / financial sector has witnessed pressure on lending spreads with increased competition for the same relatively stronger credits. This has occurred due to increased liquidity in the system countered by growing credit concerns. On the other side, business activity has suffered a decline with the increased cost of doing business, credit accessibility issues for mid-tier and below clients and political uncertainty. The good news is the continuous efforts of the government to boost power supply for industrial growth and build infrastructure also supported by the China-Pakistan Economic Corridor (CPEC) related projects.

## Operating Results

	30 June 2018 (Rupees '000')	30 June 2017 (Rupees '000')
<b>Balance Sheet</b>		
Certificate capital	1,000,000	1,000,000
Total equity	1,221,374	1,160,141
Investment in Musharika Finance	478,814	396,249
Investment in Diminshing Musharika Finance	300,000	286,974
<b>Profit &amp; Loss</b>		
Revenue	263,315	208,215
Operating expenses	51,947	30,595
Profit before Management fee	211,368	177,620
Net profit for the year	183,734	154,398
<b>Appropriations</b>		
Profit distribution @ 14.8% (2017: 12.25%)	148,000	122,500
Transfer to Statutory reserve for the year	36,747	30,880
Unappropriated profit carried forward	148,060	123,573
Earnings per certificate	1.84	1.54

During FY2018, Awwal Modaraba registered net profits (before tax) of PKR 183.73m from PKR 154.4m in the previous year which was largely driven by growth in advisory income. Total revenues showed growth of 26% over the previous year to PKR 263m on a fund size of PKR 1,000 Million which stood utilized upto 85% by the end of the year. During the year, the Modaraba disbursed fresh funding of PKR 364.9m to five clients under Shariah compliant funding modes.

## Profit Distribution

The Board in its meeting held on 30 August 2018 has approved cash dividend of Rs. 1.48 (14.80%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2018.

To comply with Prudential Regulations for Modarabas, the Board of Directors has transferred Rs. 36.747 million to statutory reserve. As per the Prudential Regulations for Modarabas, the Modaraba is required to transfer not less than 20% and not more than 50% of the Modaraba's after tax profit to statutory reserve till such time that the reserve equals 100% of the paid-up capital. Subsequently, a sum not less than 5% of the after tax profit is to be transferred to such reserve.

## Pursuing Sound & Stable Growth

Awwal Modaraba's focus remained on its core market i.e. small ticket size clients with turnaround and / or growth stories, a niche in which the team has developed strong expertise. Due to the higher risk involved in dealing with weak credits, we have developed a thorough due diligence process which covers analysis of viability of the business model, probe into past issues, evaluation of sponsors support, commitment and expertise to the project, future outlook and assessment of downside risk, assessment of governance and system issues which can impact our credit etc. Each transaction is structured with meticulous care which targets to meet the client's need as well as provide maximum safeguard to Awwal Modaraba. Project advisory goes hand in hand and in most cases, we conduct advisory of our potential and existing clients which increases our understanding of their business as well as strengthens the business relationship.

## Future Outlook

The management has decided not to leverage the portfolio in the medium term due to the prevailing economic uncertainties. Our focus is on redeployment and generation of advisory income and manage the risk profile of the portfolio. We expect mark-up income to rise in FY2019 in line with the economy. However, we understand that this calls for greater scrutiny and monitoring of potential and existing clients as they face the pains of rising cost of business.

We continue to operate on a lean structure to keep costs under control. We have outsourced key back office functions like credit administration, risk management, audit and compliance, and information technology to the group company, Pak Brunei Investment Company, to take advantage of their fully developed systems under the ambit of State Bank of Pakistan, while keeping our cost structure down. The core business team is being build up to ensure business growth in a judicious manner ensuring Shariah compliance at each step of the way.

## Governance & Shariah Compliance

The Board of Directors is committed to ensure compliance with various requirements of the stock exchange and Securities and Exchange Commission of Pakistan (SECP). The Modaraba is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017, relevant for the year ended 30 June 2018.

The Shariah Advisor is involved from the outset to ensure that the prospective clients' business and proposed transaction structure is in line with Shariah principles. Strong emphasis is placed on good governance and implementation of all policies in spirit. The Board of Directors comprise independent directors to ensure external oversight.

## Corporate and Financial Reporting Framework

The Board of Directors is pleased to report that:

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on 30 June 2018 except for those disclosed in the financial statements.
- During the year under review, four (4) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	No. of Meetings attended
Mr. Khalid Aziz Mirza	4
Ms. Ayesha Aziz	4
Mr. Abdul Jaleel Shaikh	4
Mr. Ahmed Ateeq	4
Mr. Abdul Hafeez	4
Mr. Karim Hatim (CEO)	4

The Board appointed Mr. Shahid Ghaffar to fill the casual vacancy created due to resignation of Mr. Abdul Hafeez with effect from 07 May 2018. Subsequent to appointment, Mr. Shahid Ghaffar was also appointed as member and chairman of Audit Committee.

The Board has formed an Audit Committee in compliance with the requirements of the Code of Corporate Governance. The Committee comprises of four members. The head of the Audit Committee is an Independent Director. The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors.

- During the year under review, four (4) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Member	No. of Meetings attended
Mr. Khalid Aziz Mirza	4
Mr. Abdul Jaleel Shaikh	4
Mr. Ahmed Ateeq	4
Mr. Abdul Hafeez	4

- One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation for the yearly staff compensation amounts.

HR Committee members	
Mr. Khalid Aziz Mirza	Chairman
Ms. Ayesha Aziz	Member
Mr. Karim Hatim	Member

- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The value of investments of provident fund as at 30 June 2018 are Rs. 4,036,486 and is also planning to set up gratuity fund. The Modaraba recorded Rs. 2,737,266 for the gratuity for the year.

## The Board of Directors

The total number of directors are 6 including CEO as per the following:

- a. Male: 5  
b. Female: 1

The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
Other Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Ahmed Ateeq
Chief Executive Officer	Mr. Karim Hatim

There are two changes in the Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba during the preceding year. Mr. Ayyaz Ahmad has resigned from the Board of Directors of Awwal Modaraba Management Limited and his resignation has been accepted by the Board with effect from 10 August 2017. Further, Mr. Khalid Aziz Mirza has been appointed as Director in place of Mr. Ayyaz Ahmad with effect from 10 August 2017 as approved by Registrar Modaraba. Thereafter, Mr. Abdul Hafeez has resigned from the Board of Directors of Awwal Modaraba

Management Limited and his resignation has been accepted by the Board with effect from 07 May 2018. Further, Mr. Shahid Ghaffar has been appointed as Director (Independent director) in place of Mr. Abdul Hafeez with effect from 07 May 2018 with the approval of Registrar Modaraba.

## Director's Remuneration

The remuneration of a Director for attending meetings of the Board or any Committee of the Board is determined under the Director's Compensation Policy adopted by Awwal Modaraba Management Limited. Under the said policy, an independent director is entitled to receive the prescribed fee as determined by the Board of Directors only for attending the Board Meeting. Further, the nominee directors / Chief Executive Officer / any other director in whole time remunerated service with the Company are not entitled to any payment for attending meetings of the Board or any Committee of the Board. However, all the directors are entitled to be paid all traveling, hotel and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of Directors or General Meeting of the company in connection with the business of the Company.

## Auditors

On the recommendation of the Audit Committee, the Board has approved appointment of the present auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants, being eligible for

appointment and upon their consent to act as auditors, have been appointed auditors of the Modaraba for financial year ending 30 June 2019, subject to the approval of Registrar of Modaraba Companies and Modarabas.

## Shari'ah Advisor's Report

The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Muhammad Hassaan Kaleem as and when required to ensure full compliance to Shari'ah Audit mechanism developed in consultation with Registrar Modaraba. The internal audit department has also been trained to handle the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shari'ah Advisor Report issued for the affairs of the Modaraba for the year ended 30 June 2018 is attached in the Annual Financial Statements.

## Acknowledgments

The Board of Directors would like to acknowledge and appreciate SECP and Registrar Modaraba for their continuous guidance and support. Also, would like to avail this opportunity to thank its customers and investors for placing their trust in the Modaraba.

On behalf of the Board



**Karim Hatim**  
Chief Executive Officer

Date: 30 August 2018



**Abdul Jaleel Shaikh**  
Director

جاتی ہے۔ اس پالیسی کے تحت، ایک انڈیپنڈنٹ ڈائریکٹر صرف بورڈ آف ڈائریکٹرز کی طرف سے مقرر کردہ فیس کے مطابق فیس وصول کرنے کا حق رکھتا ہے۔ مزید برآں، نامزد ڈائریکٹر/چیف ایگزیکٹو آفیسر/یا کوئی بھی دیگر ڈائریکٹر کمپنی کے لیے مشاہراتی سروس کے دوران بورڈ کے یا بورڈ کی کمیٹی کے اجلاس میں شرکت کرنے کے لیے کسی بھی قسم کی ادائیگی کا مستحق نہیں ہوگا۔ تاہم تمام ڈائریکٹرز کمپنی کے بزنس کے سلسلے میں بورڈ کے یا بورڈ کی کمیٹی کے اجلاس یا جنرل میٹنگ میں شرکت کرنے یا واپسی کے لیے ہونے والے تمام سفری، رہائش اور دیگر اخراجات وصول کرنے کے حقدار ہوں گے۔

### آڈیٹرز

آڈٹ کمیٹی کی سفارش پر، بورڈ نے موجودہ آڈیٹرز میسرز KPMG تاخیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دی جو کہ تقرری کے لیے اہلیت رکھتے ہیں اور اس کے متنبی بھی ہیں۔ ان کا تقرر 30 جون 2019 تک کے مالیاتی سال کے لیے مضاربہ کے آڈیٹرز کے طور پر کیا گیا ہے جو کہ رجسٹرڈ اور مضاربہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہے۔

### شرعیہ ایڈوائیز رپورٹ

مضاربہ مستقل طور پر شرعی مشیر مفتی محمد حسان کلیم کی زیر ہدایت کام کر رہا ہے اور حسب ضرورت اس بات کو یقینی بنا رہا ہے کہ تمام مالیاتی معاملات شرعیہ آڈٹ میکنزم کے تحت انجام دیئے جائیں جو کہ رجسٹرڈ مضاربہ کی ہدایات کے مطابق ہوں۔ انٹرنل آڈٹ ڈپارٹمنٹ کو یہ تربیت بھی دی گئی ہے کہ وہ شرعی اصول اور پالیسیز کے مطابق روزمرہ کے مضاربہ کے معاملات کو سرانجام دیں۔ شرعیہ آڈٹ رپورٹ جو کہ مالیاتی سال 30 جون 2018 کی مدت کے لیے مضاربہ کے معاملات کے لیے جاری کی گئی ہے سالانہ مالیاتی رپورٹ میں شامل ہے۔

### اظہار تشکر

بورڈ SECP اور رجسٹرڈ مضاربہ کی مسلسل رہنمائی اور تعاون کا معترف ہے اور اسے سراہتا ہے۔ اس کے ساتھ اس موقع کا فائدہ اٹھاتے ہوئے اپنے صارفین اور سرمایہ کاروں کے اعتماد کا تہہ دل سے مشکور ہے۔

بورڈ کی جانب سے

عبداللہ شخ  
ڈائریکٹر

کریم حاتم  
چیف ایگزیکٹو آفیسر

موری: 30 اگست 2018

- سرٹیفیکیٹ ہولڈنگ کا خلاصہ اس سالانہ مالیاتی رپورٹ میں شامل ہے۔
- ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ان کے فریق ثانی اور نابالغ اولاد نے زیر جائزہ مالی سال کے دوران مضاربہ کے سرٹیفیکیٹ میں کوئی لین دین نہیں کی۔
- 30 جون 2018 تک پروڈیٹ فنڈ میں سرمائے کی قدر 4,036,486 پاکستانی روپے رہی جبکہ گریجویٹ فنڈ کے قیام کی بھی منصوبہ بندی زیر غور ہے۔ زیر جائزہ سال میں مضاربہ کی گریجویٹ کی مد میں 2,737,266 پاکستانی روپے ریکارڈ کیے گئے۔

### بورڈ آف ڈائریکٹر

مندرجہ ذیل کے مطابق ڈائریکٹرز کی تعداد چھ (6) ہیں جن میں سی ای او شامل ہیں:

مرد 5  
عورت 1

بورڈ کی تشکیل مندرجہ ذیل ہے:

نام	کمپنی
محترم خالد عزیز مرزا محترم شاہد غفار	انڈیپنڈنٹ ڈائریکٹر
محترمہ عائشہ عزیز محترم عبداللہ شخ محترم احمد متیق	دیگر نابالغ ایگزیکٹو ڈائریکٹر
محترم کریم حاتم	چیف ایگزیکٹو آفیسر

اول مضاربہ بینچمنٹ لمیٹڈ، اول مضاربہ کی بینچمنٹ کمپنی میں زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز میں دو تبدیلیاں رونما ہوئیں۔ محترم ایاز احمد نے اول مضاربہ بینچمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز سے استعفیٰ دیا اور ان کا استعفیٰ 10 اگست 2017 سے بورڈ آف ڈائریکٹرز کی طرف سے قبول کیا گیا۔ مزید برآں، محترم خالد عزیز مرزا کو محترم ایاز احمد کی جگہ 10 اگست 2017 سے رجسٹرڈ مضاربہ کی منظوری سے ڈائریکٹر مقرر کیا گیا۔ اس کے بعد محترم عبداللہ شخ نے اول مضاربہ بینچمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز سے استعفیٰ دیا اور ان کا استعفیٰ 07 مئی 2018 سے بورڈ آف ڈائریکٹرز کی طرف سے قبول کیا گیا۔ مزید برآں، محترم شاہد غفار کو محترم عبداللہ شخ کی جگہ 07 مئی 2018 سے رجسٹرڈ مضاربہ کی منظوری سے ڈائریکٹر (انڈیپنڈنٹ ڈائریکٹر) مقرر کیا گیا۔

### ڈائریکٹر کا مشاہرہ

ڈائریکٹر کی بورڈ کے کسی بھی اجلاس میں شرکت یا بورڈ کی کمیٹی میں شرکت اول مضاربہ بینچمنٹ لمیٹڈ کی متعین کردہ ڈائریکٹرز رٹلانی پالیسی کے تحت مقرر کی



- زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے۔ ان میں ہر ڈائریکٹر کی حاضری کچھ اس طرح رہی:

ڈائریکٹر کا نام	ڈائریکٹر کی اجلاس میں شرکت کی تعداد
محترم خالد عزیز مرزا	4
محترمہ عائشہ عزیز	4
محترم عبدالجلیل شیخ	4
محترم احمد متیق	4
محترم عبدالحفیظ	4
محترم کریم حاتم (سی ای او)	4

محترم عبدالحفیظ کے اپنے عہدے سے استعفیٰ دینے کی وجہ سے خالی ہونے والی آسامی کو پر کرنے کے لیے بورڈ نے 07 مئی 2018 سے محترم شاہد غفار کا تقرر کیا۔ تقرری کے بعد محترم شاہد غفار کو آڈٹ کمیٹی کے ممبر اور چیئر مین کے طور پر بھی مقرر کیا گیا۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق ایک آڈٹ کمیٹی قائم کی ہے۔ جس میں چار (4) اراکین شامل ہیں۔ آڈٹ کمیٹی کا سربراہ ایک انڈیپنڈنٹ ڈائریکٹر ہے۔ کمیٹی باقاعدگی سے مالیاتی گوشواروں کا جائزہ لیتی ہے۔ اندرونی کنٹرول کے نظام کی موزونیت اور اثر پذیری کو یقینی بنانے کے لیے مالی حکمت عملی اور افعال کا جائزہ لیتی ہے۔ کمیٹی نے انٹرنل آڈٹ پارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیا۔ آڈٹ کمیٹی بیرونی آڈٹ منتظمین کی تقرری کے لیے بھی بورڈ آف ڈائریکٹرز کو سفارش کرنے کی مجاز ہے۔

زیر جائزہ سال کے دوران آڈٹ کمیٹی کے چار (4) اجلاس منعقد کیے گئے۔ ہر ممبر کی طرف سے اجلاس میں کی گئی شرکت کی تعداد مندرجہ ذیل ہے:

ممبر کا نام	ممبر کی اجلاس میں شرکت کی تعداد
محترم خالد عزیز مرزا	4
محترمہ عبدالجلیل شیخ	4
محترم احمد متیق	4
محترم عبدالحفیظ	4

- عملے کی سالانہ سفارش کردہ معاوضہ کی رقم کا جائزہ لینے اور اسے حتمی شکل دینے کے لیے ایچ آر اور ریزرویشن کمیٹی (HR & RC) کی ایک میٹنگ منعقد ہوئی۔

ایچ آر کمیٹی کے ممبر	محترم خالد عزیز مرزا
چیئر مین	محترمہ عائشہ عزیز
ممبر	محترم کریم حاتم
ممبر	

پاکستان (SBP) کے زیر نگرانی ان کے مکمل طور پر جدید اور ترقی یافتہ سسٹمز سے فائدہ اٹھایا جائے اور اپنی لاگتوں کو پست رکھا جاسکے۔ کاروبار کو ہر مرحلے پر شرعی اصولوں سے ہم آہنگی رکھتے ہوئے دانشمندانہ انداز میں کاروباری ترقی کو یقینی بنانے کے لیے بنیادی کاروباری ٹیم تخلیق کی جا رہی ہے۔

### عملداری اور شرعی اصولوں کی تعمیل

بورڈ آف ڈائریکٹرز، اسٹاک ایکسچینج اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے مختلف درکار لوازمات کی تعمیل کو یقینی بنانے کے لیے کوشاں ہے۔ مضاربہ، 30 جون 2018 کو اختتام پذیر سال کے حوالے سے، سہڈ کمپنی کوڈ آف کارپوریٹ گورننس (COCG) ریگولیشنز 2017 کے درکار لوازمات کی تعمیل پر کاربند ہے۔

مضاربہ کے شرعی مشیر، آغاز سے ہی کاروبار کے ہر مرحلے پر شامل ہوتے ہیں تاکہ اس بات کو یقینی بنایا جاسکے کہ مکمل کلائنٹس کا کاروبار اور لین دین کا تجویز کردہ اسٹریکچر شرعی اصولوں کے عین مطابق ہو۔ عمدہ کاروباری طرز عمل اور تمام پالیسیوں کے نفاذ پر کڑی توجہ مرکوز کی جاتی ہے۔ خارجی عمومی جائزے کو یقینی بنانے کے لیے بورڈ آف ڈائریکٹرز میں انڈیپنڈنٹ ڈائریکٹرز شامل ہیں۔

### کاروباری اور مالیاتی رپورٹنگ کا دائرہ عمل

بورڈ آف ڈائریکٹرز یہ اطلاع دیتے ہوئے مسرت محسوس کرتے ہیں کہ:

- مضاربہ کی منجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، سرگرمیوں کے نتائج، فلوڈ اور ایکٹیوٹی میں تبدیلیوں کی درست تصویر کشی کرتے ہیں۔
- مضاربہ کے کھاتے درست طور پر برقرار رکھے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی موزوں پالیسیاں باقاعدگی کے ساتھ استعمال کی گئی ہیں اور اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلہ سازی پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں، پاکستان میں مضاربہ پر لاگو ہونے والے، مالیاتی رپورٹنگ کے بین الاقوامی معیارات پر عمل درآمد کیا گیا ہے۔
- داخلی کنٹرول کا سسٹم مستحکم ساخت کا حامل ہے اور اس کا مؤثر نفاذ اور نگرانی کی گئی ہے۔

- آئندہ بھی ایک کامیاب کاروبار کے طور پر جاری رہنے کے لیے مضاربہ کی اہلیت میں کوئی نمایاں شبہ نہیں ہے۔
- لسٹنگ ضوابط کا میں وضاحت کردہ، کاروباری طرز عمل کی بہترین تعمیل سے کوئی ظاہری انحراف موجود نہیں۔
- ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں کوئی بھی ادائیگیاں ایسی نہیں جو 30 جون 2018 کو واجب الادا ہوں، سوائے ان کے جنہیں مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔

## کاروباری عملداری کے نتائج

30 جون 2017 (روپے '000)	30 جون 2018 (روپے '000)	بیلنس شیٹ
1,000,000	1,000,000	سرٹیفیکیٹ کپیہول
1,160,141	1,221,374	مجموعی ایکویٹی
396,249	478,814	مشارکت فنانس میں سرمایہ کاری
286,974	300,000	تحتیفی مشارکت فنانس میں سرمایہ کاری
		نفع اور نقصان کا اسٹیٹمنٹ
208,215	263,315	آمدنی
30,595	51,947	عمل کاری کے اخراجات
177,620	211,368	منجمنٹ فیس سے قبل منافع
154,398	183,734	حتمی منافع برائے سال
		تخصیصات
122,500	148,000	منافع کی تقسیم بحساب 14.8% (2017: 12.25%)
30,880	36,747	ایڈجسٹری ریزرو میں منتقلی برائے سال
123,573	148,060	غیر مختص منافع، اگلی بیعاد میں منتقل شدہ
1.54	1.84	آمدنی فی سرٹیفیکیٹ

نے ایک جامع محتاط طریقہ کار وضع کیا ہے جو کاروباری نمونے کی فعالیت کے تجزیے کا احاطہ کرتا ہے، سابقہ معاملات کی تحقیق کرتا ہے، معاویہ کی مدد، کاوشوں اور مہارتوں کا تجزیہ کرتا ہے، مستقبل کا منظر نامہ پیش کرتا ہے اور نقصان کے خطرات کا تجزیہ، عملداری اور سسٹم کے اُن معاملات کا تجزیہ پیش کرتا ہے جو ہمارے کریڈٹ پر اثر انداز ہو سکتے ہیں۔ ہر مالی لین دین کو انتہائی محتاط انداز میں منظم کیا جاتا ہے جس کا مقصد کلائنٹ کی ضرورت کی تکمیل کرنا اور اس کے ساتھ ساتھ اول مضاربہ کو زیادہ سے زیادہ تحفظ فراہم کرنا ہے۔ پروجیکٹ پر مشاورتی ٹیم اس حوالے سے مکمل طور پر ہم آہنگی کو برقرار رکھتی ہے اور بیشتر صورتوں میں، ہم اپنے ممکنہ اور موجودہ کلائنٹس کے لیے مشاورت انجام دیتے ہیں جس سے ہمیں ان کے کاروبار کو زیادہ بہتر طور پر سمجھنے اور باہمی کاروباری تعلقات کو مضبوط بنانے میں مدد ملتی ہے۔

### مستقبل کا منظر نامہ

منجمنٹ نے موجودہ معاشی غیر یقینی صورتحال کے باعث وسطی میعاد میں پورٹ فولیو کے لیے قرضوں سے اجتناب کا فیصلہ کیا ہے۔ ہماری توجہ مشاورتی آمدنی کے دوبارہ تعین اور حصول پر اور پورٹ فولیو کی رسک پروفائل کے انتظام و انصرام پر رہے گی۔ ہمیں توقع ہے کہ مارک اپ کی آمدنی مالی سال 2019 میں معیشت میں بہتری کے حساب سے بڑھے گی۔ تاہم، ہم یہ بات سمجھتے ہیں کہ اس مقصد کے حصول کے لیے اپنے ممکنہ اور موجودہ کلائنٹس کی زیادہ جانچ پڑتال اور نگرانی کی ضرورت ہے کیونکہ وہ بڑھتی ہوئی کاروباری لاگت کے خطرات سے دوچار ہوتے ہیں۔

ہم لاگتوں کو قابو میں رکھنے کے لیے خفیف اسٹریکچر پر عملداری جاری رکھے ہوئے ہیں۔ ہم نے، گروپ کمپنی، پاک برونائی انویسٹمنٹ کمپنی سے اہم انتظامی شعبے کے افعال جیسے کہ انتظامیہ، رسک منجمنٹ، آڈٹ، کمپلائنس، اور انفارمیشن ٹیکنالوجی کے لیے خدمات حاصل کیں تاکہ اسٹیٹ بینک آف

مالی سال 2018 کے دوران، اول مضاربہ نے گزشتہ سال کے 154.4 ملین روپے کے مقابلے میں 183.73 ملین روپے کا حتمی منافع (قبل از ٹیکس) حاصل کیا، جس میں زیادہ حصہ مشاورتی آمدنی میں اضافے کا تھا۔ مجموعی آمدنی، 1,000 ملین روپے کے فنڈ سائز پر گزشتہ سال کے مقابلے میں 26% بڑھ کر 263 ملین روپے ہو گئی، جس میں سے 85% تک حصہ سال کے اختتام تک استعمال کیا گیا۔ سال کے دوران مضاربہ نے 364.9 ملین روپے کی نئی فنڈنگ میں سے پانچ کلائنٹس کو شرعی فنڈنگ کے طریق کار کے تحت ادائیگیاں کیں۔

### منافع کی تقسیم

بورڈ نے 30 اگست 2018 کو منعقدہ اجلاس میں 10 روپے والے سرٹیفیکیٹ پر 1.48 روپے (14.80%) فی سرٹیفیکیٹ کے حساب سے نقد منافع منقسمہ کی منظوری دے دی ہے، جو 30 جون 2018 کو ختم شدہ سال کے لیے زکوٰۃ اور ٹیکس کی کٹوتیوں (جہاں لاگو ہوئیں) سے مشروط ہے۔

مضاربہ کے پروڈنشل ریگولیشنز کی تعمیل کے لیے بورڈ آف ڈائریکٹرز نے قانونی آمدنی کی مد میں 36.747 ملین روپے منتقل کیے ہیں۔ مضاربہ کے پروڈنشل ریگولیشنز کے تحت لازم ہے کہ منافع بعد از ٹیکس کم از کم 20% اور زیادہ سے زیادہ 50% تک ایڈجسٹری ریزرو میں منتقل کرے تاوقتیکہ ایڈجسٹری ریزرو سرٹیفیکیٹ کپیہول کے 100% کے مساوی نہ ہو جائے۔ بعد ازاں منافع بعد از ٹیکس کا 5% منتقل کیا جائے گا۔

### مضبوط و مستحکم نمو کی جستجو

اول مضاربہ کی توجہ اپنی بنیادی مارکیٹ پر مرکوز رہی، یعنی ایسے مختصر ٹرم سائز کے کلائنٹس، جن کے کاروبار میں منافع بخش ہونے کی صلاحیت ہو، ایک قابل اعتبار مقام جس کے تحت ٹیم نے شائد ارمہارت کا معیار حاصل کیا۔ کمزور کریڈٹس کے ساتھ معاملات میں زیادہ خطرات شامل ہونے کی وجہ سے، ہم

# ڈائریکٹرز رپورٹ

اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو اول مضاربہ (مضاربہ) کی مینجمنٹ کمپنی ہے، اول مضاربہ کے آڈٹ شدہ مالی گوشوارے برائے اختتام سال 30 جون، 2018 کے ہمراہ ڈائریکٹرز رپورٹ پیش کرتے ہوئے انتہائی مسرت محسوس کرتے ہیں۔

سرمایہ کاری تک رسائی، خطرات سے دو چار رہی اور یوں حکومتی سیال پذیری کے خطرات میں بھی اضافہ ہوا۔ B3 ریٹنگ کی تصدیق کے فیصلے سے پاکستان کی تیز رفتار ترقی کی عکاسی ہوتی ہے، جس میں توانائی کی فراہمی اور مادی انفراسٹرکچر میں جاری بہتری کا خاصا عمل دخل ہے، جس کی بدولت وقت کے ساتھ ساتھ اقتصادی مسابقت بڑھنے کا امکان ہے۔ کریڈٹ میں اس استحکام کے ذریعے کم آمدنی پیدا کرنے کی صلاحیت کے باعث پاکستان کی بیرونی ادائیگیوں کی خراب صورتحال اور حکومتی قرضے کے حصول کی انتہائی خفیف اہلیت میں توازن پیدا ہوا۔

مجموعی طور پر بینکاری/ مالیاتی شعبے میں، ایک جیسے نسبتاً زیادہ مستحکم کریڈٹس کے لیے زیادہ مسابقت کے ساتھ اسپریڈز کی فراہمی پر دباؤ دیکھنے میں آیا۔ سسٹم میں سیال پذیری کے اضافے اور بڑھتے ہوئے کریڈٹ خدشات کی وجہ سے ایسا ممکن ہوا۔ جبکہ دوسری جانب، کاروباری امور کو چلانے میں بڑھتے ہوئے اخراجات، درمیانے اور نچلے درجے کے کلائنٹس کے لیے کریڈٹ تک رسائی کے مسائل اور غیر یقینی سیاسی صورتحال کے باعث کاروباری سرگرمی متاثر ہوئی۔ اچھی خبر یہ ہے کہ حکومت، صنعتی ترقی کے لیے بجلی کی فراہمی میں اضافے کے لیے مسلسل کوشاں ہے اور اس نے چین پاکستان اقتصادی راہداری (CPEC) سے متعلق منصوبوں کی مدد سے انفراسٹرکچر بھی بنایا ہے۔

اول مضاربہ، بنیادی طور پر کلائنٹس کو عملی سرمایہ، میعاد قرضہ، اجارہ، مشارکہ، مراہجہ اور دیگر شرعی اصولوں پر مبنی سرمایہ کاری/ انشرومنٹ فراہم کرتا ہے جس میں خستہ حال اثاثہ جات کی بہتر انداز میں بحالی، پراجیکٹ فنانس، انفراسٹرکچر اور تیزی سے ترقی کرتی ہوئی کمپنیاں شامل ہیں۔

## مالی سال 2018 میں معاشی پریشانیاں

مالی سال 2018 معیشت کے لیے ایک کڑا امتحان ثابت ہوا۔ جس میں انتخابات سے قبل غیر یقینی سیاسی صورتحال اور بڑھتے ہوئے معاشی دباؤ کی وجہ سے کمزور ہوتا روپیہ، افراط زر اور شرح سود کے نزخوں میں اضافہ، اور انتہائی غیر مستحکم سرمایہ کاری مارکیٹ جیسے مسائل کا سامنا رہا۔ بین الاقوامی کریڈٹ ریٹنگ ایجنسی، موڈیز نے جون 2018 میں پاکستان کی ریٹنگ میں تنزلی کرتے ہوئے اسے 'مستحکم' سے 'منفی' کر دیا، جبکہ B3 ریٹنگ کا اعادہ کیا۔

ایجنسی کا نظریہ، پاکستانی معیشت کا بہتر طریقے سے جائزہ پیش کرتا ہے۔ ایجنسی کے مطابق بڑے پیمانے پر درپیش بیرونی خطرات، زرمبادلہ کے ذخائر میں کمی اور سرمائے کی نمایاں آمد کی عدم موجودگی کی وجہ سے منظر نامہ منفی میں تبدیل ہو گیا جو کہ آئندہ 12 سے 18 ماہ تک دوبارہ اسی درجے پر نہیں لایا جاسکے گا۔ زرمبادلہ کے ذخائر میں کمی کی وجہ سے مناسب نرخوں پر بیرونی



## Pattern of holding of Certificates by the Certificate-holders

As at 30 June 2018

No. of Certificate holders	Certificate holding		Total Certificates held
	From	To	
34	1	100	236
184	101	500	91,692
12	501	1000	11,132
17	1001	5000	45,374
3	5001	10000	21,500
1	10001	15000	11,000
2	15001	20000	38,500
1	9995001	10000000	10,000,000
1	89780001	89785000	89,780,566
255			100,000,000

Category No.	Categories of Certificate Holders	Number of Certificates Held	Category Wise No. of Certificate Holders	Category Wise Certificates Held	Percentage %
1	INDIVIDUALS		248	216,934	0.2169%
2	DIRECTORS THEIR SPOUSE AND MINOR CHILDREN		3	1,500	0.0015%
	Mr. Tahir Aziz	500			
	Ms. Seema Jaleel Shaikh	500			
	Ms. Hina Ahmed	500			
3	RELATED PARTIES		1	500	0.0005%
	Ms. Rubina Rubab	500			
4	ASSOCIATED COMPANIES		2	99,780,566	99.7806%
	Awwal Modaraba Management Limited	10,000,000			
	Pak Brunei Investment Company Limited	89,780,566			
5	FOREIGN INVESTORS		1	500	0.0005%
	TOTAL		255	100,000,000	100.0000%

## Key Financial Data

(Rupees)

	2018	2017	2016
Total Assets	1,283,093,217	1,202,708,828	1,043,051,075
Musharika Finance	478,813,819	396,248,948	83,657,848
Diminishing Musharika Finance	300,000,000	286,974,209	–
Current Assets	769,076,799	625,018,763	974,281,202
Current Liabilities	61,718,764	42,568,091	14,608,204
Paid-Up Capital	1,000,000,000	1,000,000,000	1,000,000,000
Statutory Reserve	73,314,890	36,568,147	5,688,574
Certificate Holders' Equity	1,221,374,453	1,160,140,737	1,028,442,871
Gross Revenue	263,314,904	208,214,563	61,923,689
Net Profit	183,733,716	154,397,866	28,442,871
<b>Profitability Ratios</b>			
Net Profit Margin (%)	69.78%	74.15%	45.93%
Return on Equity (%)	15.04%	13.31%	2.77%
Return on Assets (%)	14.78%	13.75%	2.73%
<b>Liquidity Ratios</b>			
Current ratio (x)	12	15	67
<b>Market ratio</b>			
Market Value Per Certificate (Rupees)	11.50	10.51	10.25
EPS	1.84	1.54	0.28
Price Earnings ratio (x)	6.25	6.82	36.61
Dividend Yield ratio (%)	12.87%	11.66%	2.21%
Dividend Payout ratio (%)	80.43%	79.55%	81.07%
Cash Dividend (%)	14.8%	12.25%	2.27%
Cash Dividend per Certificate (Rupees)	1.480	1.225	0.227
Book Value per Certificate (Rupees)	12.21	11.60	10.28
Dividend (Rupees)	148,000,000	122,500,000	22,700,000

## Shariah Advisor's Report

I have conducted the Shariah review of Awwal Modaraba managed by Awwal Modaraba Management Limited, Modaraba Management Company for the financial year ended June 30, 2018 in accordance with the requirements of the **Shariah Compliance and Shariah Audit Mechanism** for Modarabas and report that, in my opinion:

- i. Awwal Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles.
- ii. No major developments took place during the period.
- iii. The agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by Awwal Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
- v. Profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conform to the basis and principles of Shariah.
- vi. No earnings that have been realized from the sources or by means prohibited by Shariah. Accordingly, no amount was credited to charity account.

### Recommendation

I recommend that regular shariah training programs should be introduced for staff to strengthen their knowledge base and to keep abreast of prevailing issues and developments.

### Conclusion

In my opinion and to the best of my knowledge and information provided by Awwal Modaraba management with relevant explanation, I am of the view that during the period overall business operations of the Modaraba are Shariah Compliant.



**Mufti Muhammad Hassaan Kaleem**  
Shariah Advisor  
Awwal Modaraba

Dated: 30 August 2018

Email: [hassaan.kaleem@gmail.com](mailto:hassaan.kaleem@gmail.com)  
+92 21 35368790

# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Year ended 30 June 2018

This statement is being presented to comply with Listed Companies (Code of Corporate Governance) Regulations, 2017. Regardless of the fact that Awwal Modaraba Management Limited, the Management Company of Awwal Modaraba ('the Modaraba'), is an unlisted public limited company, the Board of Directors of the Management Company are pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba). Awwal Modaraba Management Limited ('the Management Company') has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 6 as per the following:

- a. Male: 5
- b. Female: 1

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza (Chairman) Mr. Shahid Ghaffar
Other Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Ahmed Ateeq
Executive Directors	Mr. Karim Hatim (Chief Executive Officer)

- 3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
- 4. The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board of Directors of the Management Company / certificate holders of the Modaraba, (wherever applicable), as empowered by the relevant provisions of the Act and these Regulations.
- 7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
- 8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. Mr. Abdul Jaleel Shaikh, non-executive director has completed his Directors' Training program arranged by Rausing Executive Development Centre, Lahore University of Management Sciences. His attendance was sponsored by Pak Brunei Investment Company Limited, holding company of the Management Company and the managers of the Modaraba.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and outsourcing of Internal Audit function, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Shahid Ghaffar (Chairman) Mr. Khalid Aziz Mirza Mr. Abdul Jaleel Shaikh Mr. Ahmed Ateeq
HR and Remuneration Committee	Mr. Khalid Aziz Mirza (Chairman) Ms. Ayesha Aziz Mr. Karim Hatim

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committees were as per following:
 

Audit Committee	Quarterly
HR and Remuneration Committee	Annually
15. The Board has outsourced the internal audit function to the internal audit department of the parent company (Pak Brunei Investment Company Limited) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Management Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with the repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.
19. We confirm that all other requirements of the Regulations have been complied with.

  
**Khalid Aziz Mirza**  
 Chairman

Dated: 30 August 2018



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Certificate holders of Awwal Modaraba  
Review Report on Statement of Compliance contained in Listed Companies  
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Awwal Modaraba Management Limited, the Modaraba Management Company of **Awwal Modaraba** (the Modaraba) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba Management Company's corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.



KPMG Taseer Hadi & Co.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended 30 June 2018.

A handwritten signature in black ink, appearing to read 'Taseer Hadi', written over a horizontal line.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

**Date: 30 August 2018**

**Karachi**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### **Auditors' Report to the Certificate Holders**

We have audited the annexed balance sheet of **Awwal Modaraba** as at 30 June 2018 and the related profit and loss account and other comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's (Awwal Modaraba Management Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of Awwal Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;




KPMG Taseer Hadi & Co.

- ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and other comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2018 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Date: 30 August 2018**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**

# Balance Sheet

As at 30 June 2018

	Notes	2018	2017
(Rupees)			
<b>ASSETS</b>			
<b>Current assets</b>			
Bank balances	5	298,945,833	252,808,456
Accruals, prepayments, advances and other receivables	6	27,437,338	14,114,954
Current portion of receivable against advisory fee	7	71,717,084	50,350,918
Current portion of Investment against repurchase agreement	8	17,999,991	31,999,984
Current portion of Musharika Finance	9	345,040,495	133,320,267
Current portion of Diminishing Musharika Finance	10	—	16,666,670
Current portion of long term loans	11	1,567,430	1,450,622
Receivable from related parties		—	19,792,349
Short term investment		—	100,000,000
Taxation recoverable		6,368,628	4,514,543
<b>Total current assets</b>		<b>769,076,799</b>	<b>625,018,763</b>
<b>Non - current assets</b>			
Receivable against advisory fee	7	24,443,848	20,695,477
Investment against repurchase agreement	8	48,878,899	17,999,991
Long term portion of Musharika Finance	9	133,773,324	262,928,681
Long term portion of Diminishing Musharika Finance	10	300,000,000	270,307,539
Long term loans	11	4,015,254	2,176,790
Long term deposit		75,000	75,000
Intangible asset	12	258,600	398,832
Operating fixed assets	13	2,571,493	3,107,755
<b>Total non - current assets</b>		<b>514,016,418</b>	<b>577,690,065</b>
<b>TOTAL ASSETS</b>		<b>1,283,093,217</b>	<b>1,202,708,828</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accrued expenses	14	35,024,301	18,758,432
Payable to Modaraba Management Company	15	26,652,246	23,805,428
Unclaimed profit distribution		42,217	4,231
<b>Total liabilities</b>		<b>61,718,764</b>	<b>42,568,091</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>			
100,000,000 Modaraba Certificates of Rs. 10 each	16	1,000,000,000	1,000,000,000
<b>Issued, subscribed, and paid-up certificate capital</b>			
100,000,000 Modaraba Certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Statutory reserve	17	73,314,890	36,568,147
Unappropriated profit		148,059,563	123,572,590
<b>Total Equity</b>		<b>1,221,374,453</b>	<b>1,160,140,737</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,283,093,217</b>	<b>1,202,708,828</b>
Contingencies and Commitments	18		

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Awwal Modaraba Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Director

# Profit and Loss Account and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018	2017
(Rupees)			
<b>Income</b>			
Advisory fee		164,009,252	128,766,352
Income from Investment against repurchase agreement		9,893,383	5,172,413
Income from Musharika Finance		40,827,532	28,986,795
Income from Diminishing Musharika Finance		28,656,440	10,641,789
Income from deposits with banks		16,451,541	27,373,597
Income from sukuk certificates		3,476,656	7,273,617
Profit on sale of fixed asset		100	–
		263,314,904	208,214,563
<b>Expenses</b>			
Administrative and operating expenses	19	(51,921,310)	(30,575,784)
Financial charges		(25,631)	(18,888)
		211,367,963	177,619,891
Management Company's remuneration		(21,136,796)	(17,761,989)
Provision for services sales tax on Management Company's remuneration	20	(2,747,783)	(2,309,059)
		(23,884,579)	(20,071,048)
Provision for Workers' Welfare Fund	14.1	(3,749,668)	(3,150,977)
<b>Profit for the year before taxation</b>		183,733,716	154,397,866
Taxation	21	–	–
<b>Profit for the year after taxation</b>		183,733,716	154,397,866
(Rupees)			
There are no items of other comprehensive income to report and hence profit for the year as well as for comparative year equals to total comprehensive income.			
Earnings per certificate - basic and diluted	22	1.84	1.54

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Awwal Modaraba Management Limited  
(Management Company)

  
Chief Financial Officer

  
Chief Executive Officer

  
Director

  
Director

# Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018	2017
(Rupees)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year before taxation		183,733,716	154,397,866
<b>Adjustments for non-cash items</b>			
Depreciation on operating fixed assets	13	1,135,717	448,724
Amortisation on intangible asset	12	140,232	21,899
Income from sukuk certificates		(3,476,656)	(7,273,617)
Profit on sale of fixed asset	13.1	(100)	–
		181,532,909	147,594,872
<b>Changes in assets</b>			
Accruals, prepayments, advances and other receivables		(14,196,193)	9,936,397
Receivable against advisory fee		(25,114,537)	(71,046,395)
Investment against repurchase agreement		(16,878,915)	(49,999,975)
Disbursement of Musharika Finance		(216,030,013)	(352,784,920)
Repayment of Musharika Finance		133,465,142	40,193,820
Disbursement of Diminishing Musharika Finance		(100,317,461)	(299,682,539)
Repayment / Settlement of Diminishing Musharika Finance		87,291,670	12,708,330
Long term loans		(1,955,272)	(3,627,412)
Receivable from related parties		19,792,349	(19,792,349)
		(133,943,230)	(734,095,043)
<b>Changes in liabilities</b>			
Accrued expenses		16,265,869	16,564,768
Payable to Modaraba Management Company		2,846,818	11,390,888
Unclaimed profit distribution		37,986	4,231
		19,150,673	27,959,887
Taxes withheld		(1,854,085)	(1,912,219)
<b>Net cash from / (used in) operating activities</b>		64,886,267	(560,452,503)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Income from sukuk certificates received		4,350,465	6,399,808
Capital expenditure		(599,455)	(3,963,668)
Proceeds from disposal of fixed asset		100	–
Short term investment - sukuk certificates		100,000,000	(100,000,000)
<b>Net cash from / (used in) investing activities</b>		103,751,110	(97,563,860)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Profit paid to certificate holders		(122,500,000)	(22,700,000)
<b>Net cash used in financing activities</b>		(122,500,000)	(22,700,000)
<b>Net increase / (decrease) in cash and cash equivalents</b>		46,137,377	(680,716,363)
Cash and cash equivalents at beginning of the year		252,808,456	933,524,819
Cash and cash equivalents at end of the year		298,945,833	252,808,456

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Awwal Modaraba Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Director

# Statement of Changes in Equity

For the year ended 30 June 2018

	Reserves			
	Paid up certificate capital	Statutory reserve	Unappropriated profit	Total
(Rupees)				
Balance as at 01 July 2016	1,000,000,000	5,688,574	22,754,297	1,028,442,871
Total comprehensive income for the year				
- Profit for the year ended 30 June 2017	—	—	154,397,866	154,397,866
Transfer to statutory reserve	—	30,879,573	(30,879,573)	—
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended				
30 June 2016 @ Re. 0.227 per certificate	—	—	(22,700,000)	(22,700,000)
Balance as at 30 June 2017	1,000,000,000	36,568,147	123,572,590	1,160,140,737
Balance as at 01 July 2017	1,000,000,000	36,568,147	123,572,590	1,160,140,737
Total comprehensive income for the year				
- Profit for the year ended 30 June 2018	—	—	183,733,716	183,733,716
Transfer to statutory reserve	—	36,746,743	(36,746,743)	—
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended				
30 June 2017 @ Rs. 1.225 per certificate	—	—	(122,500,000)	(122,500,000)
Balance as at 30 June 2018	1,000,000,000	73,314,890	148,059,563	1,221,374,453

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Awwal Modaraba Management Limited  
(Management Company)

  
Chief Financial Officer

  
Chief Executive Officer

  
Director

  
Director

# Notes to the Financial Statements

For the year ended 30 June 2018

## 1 LEGAL STATUS AND OPERATIONS

Awwal Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. The Modaraba is managed by the Awwal Modaraba Management Limited (Management Company), a company wholly owned by Pak Brunei Investment Company Limited (Holding Company). After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from 10 February 2016. The registered office is situated at 6th Floor, Horizon Vista, Plot Commercial No. 10, Block No. 4, Scheme No. 5, Clifton, Karachi.

Awwal Modaraba is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing Working Capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investment / instrument to clients which include distressed assets with high potential of turnaround, project finance, infrastructure and high growth companies. The Modaraba is listed on Pakistan Stock Exchange Limited (PSX).

## 2 BASIS OF PREPARATION

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

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 Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as stated otherwise in these financial statements.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise indicated.

## 2.4 Significant accounting estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are included in the following notes:

- i) Classification of financial instruments (note 4.2.1 - 4.2.1.7).
- ii) Provision for impairment (note 4.2.2).
- iii) Provision for taxation (note 4.3 and 21).
- iv) Residual values, useful lives and depreciation methods of operating fixed assets (note 4.4).
- v) Residual values, useful lives and amortisation methods of intangible assets (note 4.5).

## 3

### ACCOUNTING STANDARDS INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

#### 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

During the year certain amendments to the approved accounting standards and new interpretations became effective. However, these do not have any significant or material impact on the Modaraba's financial reporting and therefore have not been detailed in these financial statements.

#### 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective :

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Modaraba:

- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Modaraba is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Modaraba is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of



Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting any impact of the standard on Modaraba's financial reporting.

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Modaraba's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Modaraba's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Modaraba's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Modaraba's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have material impact on Modaraba's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans



for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Modaraba's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments are not likely to have an impact on Modaraba's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above improvements to standards are not likely to have material / significant impact on Modaraba's financial statements.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, set out below, are consistently applied for all periods presented in these financial statements.

### 4.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of deposits held with banks.

### 4.2 Financial instruments

Financial assets and financial liabilities are recognised when the Modaraba becomes a party to the contractual provisions of the instrument and are measured initially at fair value.

#### 4.2.1 Investments

All investments are initially recognised at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

Management determines appropriate classification of investment in accordance with the requirements of approved accounting standards as applicable in Pakistan. The Modaraba classifies its investments in the following categories:

#### 4.2.1.1 At fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the Modaraba manages such investments and makes purchase and sale decisions based on their fair values in accordance with Modaraba's investment strategies. Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified at fair value through profit or loss - held for trading. Financial assets at fair value through profit or loss are measured at fair values with any resulting gains or losses recognised in the profit and loss account. The fair value of such investments, representing listed equity securities are determined on the basis of prevailing market prices at the Pakistan Stock Exchange Limited or redemption / repurchase prices, whichever is applicable, in case of other securities. In case of unquoted investment, where active market does not exist, fair value is determined using valuation techniques.

#### 4.2.1.2 Held to maturity

Held to maturity are non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective profit rate method.

#### 4.2.1.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. At each balance sheet date, these investments are re-measured at fair value and the resulting gains or losses are recognised directly in other comprehensive income until the investment is disposed off or impaired at which time these are transferred to the profit and loss account.

#### 4.2.1.4 Loans and Receivables

The Modaraba's receivables comprise of Receivable against advisory fee, Musharika Finance, Diminishing Musharika Finance, deposits, other receivables and cash and cash equivalents with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective profit rate method.

#### 4.2.1.5 Investment against repurchase/resale agreements

Transactions of purchase under resale (reverse-repo) of securities, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the balance sheet. Amounts paid under these agreements are recognised as investment against repurchase agreement. The difference between purchase and resale price is treated as income from investment against repurchase transactions and accrued over the life of the agreement.

#### 4.2.1.6 Financial Liabilities

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs and subsequently stated at amortised cost using effective profit rate method.

#### 4.2.1.7 Derecognition

Financial assets are derecognised when the contractual right to the cash flow from the financial assets expires or it transfers the right to receive the contractual cash flows in a transaction in which

substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Modaraba is recognized as a separate asset or liability. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

#### 4.2.2 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred (i.e. default, delinquency or bankruptcy by a debtor, adverse changes in the payment status of borrower, disappearance of an active market for a security, restructuring of debtor balance on unfavorable terms etc.) and that the loss event has a negative effect on the estimated future cash flows of that asset. Additionally, management considers the requirement of applicable Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP).

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised, is transferred from other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss account. In case of investment carried at cost, if the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss.

The carrying amount of the Modaraba's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 4.2.3 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Modaraba or the counterparties.

### 4.3 Taxation

#### Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the

year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.

The Modaraba intends to avail the tax exemption by distributing at least 90% of its profits to the certificate holders.

#### **Deferred**

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

However, the Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to avail the tax exemption in future years by distributing at least 90% of its profits to its certificate holders.

### **4.4 Operating fixed assets**

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably. All other repair and maintenance expenses are charged to the profit and loss account as and when incurred.

Depreciation on all fixed assets is charged to profit or loss account on a straight-line basis in accordance with the rates specified in respective of the financial statements and after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date the asset is available for use till the date of disposal.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the profit and loss account in the period in which they arise.

### **4.5 Intangible assets**

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged using the straight line method over the asset's estimated useful life at the rate stated therein, after taking into account the residual value, if any. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each balance sheet date. Amortisation on additions is charged from the date the assets are available for use up to the date the assets are disposed off in accordance with rate specified in respective note of the financial statements. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

#### **4.6 Provisions**

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past obligating 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 amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

#### **4.7 Revenue recognition**

- Advisory fees are recognized as revenue when the related services are performed.
- Profit on Sukuk Certificates is recognised using effective profit rate method.
- Profit on Musharika arrangements and Investment against repurchase agreement is recognised under the effective profit rate method based on the amount outstanding.
- Profit / return on deposits is recognised on accrual basis using the effective profit rate method.
- Income from Shari'ah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.
- Miscellaneous income is recognised on receipt basis.
- Capital gain / loss on sale of equity investments is recognised in the profit and loss account on the date of transaction.

#### **4.8 Staff Retirement Benefit**

##### **4.8.1 Staff provident fund**

The Modaraba provides provident fund benefits to its eligible employees. Equal monthly contributions are made, both by the Modaraba and the employees, at the rate of 10% of basic salary and same is charged to profit and loss account when they become due.

##### **4.8.2 Staff gratuity**

Modaraba has a policy to provide gratuity benefit to its employees. Gratuity is calculated based on one month's basic salary drawn for each year of service with the Modaraba. Only eligible executives are entitled to gratuity benefit.

#### **4.9 Leave fare assistance**

Modaraba has policy of paying one gross salary to each employee annually as leave fare assistance which is charged to profit and loss account when it becomes due.

#### **4.10 Proposed profit distribution to certificate holders and transfers between reserves**

Dividends declared and transfers between reserves are recorded in the period in which the distribution and transfers are approved.

#### **4.11 Earnings per certificate**

Basic earnings per certificate is calculated by dividing the profit after taxation for the period by the weighted average number of certificates outstanding during the period. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any dilutive potential ordinary certificates.



#### 4.12 Segment reporting

As per IFRS 8: 'Operating Segments', segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer 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.

#### 4.13 Expenses

All expenses are recognised in the profit and loss account on an accrual basis.

### 5 BANK BALANCES

	Notes	2018	2017
(Rupees)			
Balances with banks			
- in current accounts		42,638	4,283
- in deposit accounts	5.1	298,903,195	252,804,173
		298,945,833	252,808,456

5.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 3.9% to 6.25% (2017: 5.15% to 5.7%) per annum.

### 6 ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	Notes	2018	2017
(Rupees)			
Accrued profit on Investment against repurchase agreement		5,078,507	5,172,412
Accrued profit on Musharika Finance		3,210,483	2,078,507
Accrued profit on Diminishing Musharika Finance		12,962,794	4,673,942
Accrued profit on Sukuk certificates		—	873,809
Accrued profit on deposit accounts		1,366,617	871,996
Receivable from employees	6.1	80,321	28,191
Other advance		—	50,000
Prepayments	6.2	471,452	366,097
Other receivables	6.3	4,267,164	—
		27,437,338	14,114,954

6.1 This represents expenses incurred by the Modaraba on behalf of its employees which will be adjusted against their respective salaries.

6.2 This includes Rs.11,164 pertaining to an account maintained with the State Bank of Pakistan for the collection of ECIB Charges.

**6.3** This comprises of sums receivable from existing and potential customers on account of expenses incurred and paid for by the Modaraba on their behalf and other dues.

**6.4** The above balances also include amounts receivable from related parties which have been disclosed in note 27.2 to the financial statements.

## 7 RECEIVABLE AGAINST ADVISORY FEE

	Notes	2018	2017
(Rupees)			
Receivable against advisory fee	7.1	<b>96,160,932</b>	71,046,395
Less: current portion of fee		<b>(71,717,084)</b>	(50,350,918)
		<b>24,443,848</b>	20,695,477

**7.1** This represents advisory fee receivable from customers in connection with advisory services rendered by the Modaraba.

## 8 INVESTMENT AGAINST REPURCHASE AGREEMENT

	Notes	2018	2017
(Rupees)			
Investment against repurchase agreement - secured	8.1 & 8.2	<b>66,878,890</b>	49,999,975
Less: current portion of investment		<b>(17,999,991)</b>	(31,999,984)
		<b>48,878,899</b>	17,999,991

**8.1** On 28 December 2016, the Modaraba has entered into an agreement with the financee company for purchase and sale of 301,750 shares of financee's subsidiary company. As per the arrangement the underlying shares will be offered to the financee company at pre agreed prices on various offer dates. The shares repurchased by the financee company will come under pledge with the Modaraba with each divestment transaction on the respective offer dates and will remain under pledge until complete divestment of all shares. This is a limited time investment.

**8.2** On 16 January 2018, the Modaraba has entered into an agreement with a shareholder of a company (investee company) for the purchase of 2,051,150 shares of the investee company. Concurrently, the Modaraba has entered into a separate agreement with another shareholder of the investee company for the selling of underlying shares within a period of eighteen months from the date of purchase at an agreed price. The underlying shares have been transferred in the name of the Modaraba. The prospective purchaser has provided two post dated cheques for the amounts of agreed price.

## 9 MUSHARIKA FINANCE

	Notes	2018	2017
(Rupees)			
Musharika finance - secured	9.1	<b>478,813,819</b>	396,248,948
Less: current portion of Musharika Finance		<b>(345,040,495)</b>	(133,320,267)
		<b>133,773,324</b>	262,928,681

## 9.1

The Modaraba has provided Musharika Finance facilities to several customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 74.4% to 99% (2017: 74% to 97.4%) and 1% to 25.6% (2017: 2.6% to 26%) respectively. The customers have either transferred the titles of the assets in the name of the Modaraba or the assets are held in trust by Agent, being related party of the Modaraba, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of Modaraba to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 512.86 million (2017: Rs. 512.86 million) in aggregate. The Modaraba has also obtained various securities against these facilities including personal guarantees of sponsors / directors of customers, post dated cheques issued by customers, hypothecation of assets amounting in aggregate to Rs. 533.67 million (2017: Rs. 267 million). Further, in case of one customer, the Modaraba along with related party of the Modaraba holds 42 million (2017: 42 million) ordinary shares of a scheduled bank as pledge and lien on debt collection account against respective exposure.

These facilities have various maturity dates up to 15 November 2021. These facilities carry profit ranging from 3 months KIBOR plus 1.5% to 6 months KIBOR plus 5%.

## 9.2

Contractual rentals receivable on Musharika Finance facilities:

	2018				2017			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
(Rupees)								
Musharika Finance facilities:								
- Principal repayments	345,040,495	133,773,324	-	478,813,819	133,320,267	262,928,681	-	396,248,948
- Profit	38,940,867	12,435,366	-	51,376,233	33,115,418	30,203,509	-	63,318,927
	383,981,362	146,208,690	-	530,190,052	166,435,685	293,132,190	-	459,567,875

The above represents rentals receivable by the Modaraba in future periods in respect of Musharika Finance facilities given under long term arrangements.

## 10

### DIMINISHING MUSHARIKA FINANCE

	Notes	2018	2017
		(Rupees)	
Diminishing Musharika Finance - secured	10.2 & 10.3	300,000,000	286,974,209
less: current portion of Diminishing Musharika Finance		-	(16,666,670)
		300,000,000	270,307,539
Opening balance		286,974,209	-
Facilities extended during the year		100,317,458	299,682,542
Less:			
Repayments during the year		(6,874,996)	(12,708,333)
Settlements during the year	10.5	(80,416,671)	-
		(87,291,667)	(12,708,333)
Closing balance		300,000,000	286,974,209

## 10.1



**10.2** This includes Rs. 200 million outstanding against Diminishing Musharika Finance facility forwarded by the Modaraba to its corporate customer for the purpose of balance sheet re-profiling. This facility is secured against various collaterals which mainly include mortgage over personal properties of sponsors having worth Rs. 153.36 million with forced sales value of Rs. 132.46 million. Further, the facility is also secured with pari passu hypothecation and mortgage charges over present and future fixed and current assets of the customer having a value of Rs. 119.05 million, pledge over sponsor shares, personal guarantees, sponsor support and lien over collection account.

**10.3** During the year, the Modaraba has provided Diminishing Musharika Finance facility to its corporate customer for the purpose of financing the construction of housing project. The facility is secured against various collaterals which mainly include transfer of personal properties of sponsors and/or their associates having value of Rs. 100 million with forced sales value of Rs. 87.11 million. Further this facility is secured with first pari passu hypothecation charge over the present and future fixed assets, including plant and machinery and land and building, present and future current assets of the customer up to an amount of Rs. 33.33 million, present and future fixed assets, including plant and machinery and land and building, and present and future current assets of the housing project up to an amount of Rs. 16.67 million, lien on debt collection accounts of the customer and personal guarantees of the Sponsors.

The above facilities have maturity dates up to 20 April 2024 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%.

**10.4** Contractual rentals receivable on Diminishing Musharika Finance facilities:

	2018				2017			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
(Rupees)								
Diminishing Musharika Finance facilities								
- Principal repayments	-	260,000,000	40,000,000	300,000,000	16,666,670	230,371,032	39,936,507	286,974,209
- Profit	31,926,849	78,916,754	3,465,469	114,309,072	6,851,382	115,596,941	3,349,530	125,797,853
	31,926,849	338,916,754	43,465,469	414,309,072	23,518,052	345,967,973	43,286,037	412,772,062

This represents rentals receivable by the Modaraba in future periods in respect of Diminishing Musharika Finance facilities given under long term arrangements.

**10.5** On 17 November 2017, a conventional bank offered the Modaraba to acquire the entire outstanding facility, including principal and profit accrued thereon, (till the date of transfer) provided to one of its customer. The offer was accepted by the Modaraba and on 20 December 2017 the Modaraba has transferred the facility (outstanding principal: Rs. 80,416,671, accrued markup thereon : Rs. 838,493 and advisory fee: Rs. 6,245,913) to the conventional bank.

## 11 LONG TERM LOANS - considered good, unsecured

	Notes	2018	2017
(Rupees)			
Due from employees	11.1	5,582,684	3,627,412
Less: receivable within one year		(1,567,430)	(1,450,622)
		4,015,254	2,176,790

**11.1** Loans to executives are provided by the Modaraba for the purchase of motor vehicles and other purposes in accordance with the terms of their employment. These loans are interest free and have tenor of 5 years.

**11.2** Maximum balance due from employees during the year was Rs. 3.49 million (2017: 3.76 million).

	2018	2017
(Rupees)		
<b>Cost</b>		
Balance as at 01 July	420,731	–
Additions	–	420,731
Disposal	–	–
<b>Balance as at 30 June</b>	<b>420,731</b>	<b>420,731</b>
<b>Amortisation</b>		
Balance as at 01 July	21,899	–
Charge for the year	140,232	21,899
Disposal	–	–
<b>Balance as at 30 June</b>	<b>162,131</b>	<b>21,899</b>
<b>Net book value as at 30 June</b>	<b>258,600</b>	<b>398,832</b>
<b>Annual rate of amortisation</b>	<b>33.33%</b>	<b>33.33%</b>

- 12.1 This represents Oracle Database Standard Edition 2 licenses to meet software application requirements of the Modaraba.

	Furniture and fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
(Rupees)				
<b>Cost</b>				
Balance as at 01 July 2016	–	15,000	–	15,000
Additions	47,400	1,881,797	1,613,740	3,542,937
Disposal	–	–	–	–
Balance as at 30 June 2017	47,400	1,896,797	1,613,740	3,557,937
<b>Balance as at 01 July 2017</b>	<b>47,400</b>	<b>1,896,797</b>	<b>1,613,740</b>	<b>3,557,937</b>
<b>Additions</b>	<b>26,325</b>	<b>573,130</b>	<b>–</b>	<b>599,455</b>
<b>Disposal</b>	<b>–</b>	<b>(15,000)</b>	<b>–</b>	<b>(15,000)</b>
<b>Balance as at 30 June 2018</b>	<b>73,725</b>	<b>2,454,927</b>	<b>1,613,740</b>	<b>4,142,392</b>
<b>Accumulated depreciation</b>				
Balance as at 01 July 2016	–	1,458	–	1,458
Charge for the year	2,760	242,015	203,949	448,724
Disposal	–	–	–	–
Balance as at 30 June 2017	2,760	243,473	203,949	450,182
<b>Balance as at 01 July 2017</b>	<b>2,760</b>	<b>243,473</b>	<b>203,949</b>	<b>450,182</b>
<b>Charge for the year</b>	<b>11,123</b>	<b>761,510</b>	<b>363,084</b>	<b>1,135,717</b>
<b>Disposal</b>	<b>–</b>	<b>(15,000)</b>	<b>–</b>	<b>(15,000)</b>
<b>Balance as at 30 June 2018</b>	<b>13,883</b>	<b>989,983</b>	<b>567,033</b>	<b>1,570,899</b>
Net book value as at 30 June 2017	44,640	1,653,324	1,409,791	3,107,755
<b>Net book value as at 30 June 2018</b>	<b>59,842</b>	<b>1,464,944</b>	<b>1,046,707</b>	<b>2,571,493</b>
<b>Annual rates of depreciation</b>	<b>20%</b>	<b>33% - 50%</b>	<b>25%</b>	

- 13.1** During the year a communication device with nil carrying value was sold to an executive of the Modaraba for Rs.100 resulting in gain on its disposal.

## **14** ACCRUED EXPENSES

	Notes	2018	2017
(Rupees)			
Audit remuneration payable		<b>329,751</b>	226,600
Payable to Tax Advisor		—	27,000
Payable to Shari'ah Advisor		—	100,000
Leave fare allowance and staff medical accrual		<b>4,831,881</b>	2,279,299
Sindh sales tax payable		<b>13,788,488</b>	8,541,927
Provision for Workers' Welfare Fund	14.1	<b>7,481,112</b>	3,731,444
Advances from Customers	14.2	<b>3,416,334</b>	2,224,488
Others	14.3	<b>5,176,735</b>	1,627,674
		<b>35,024,301</b>	18,758,432

- 14.1** The Sindh Workers' Welfare Fund Act, 2014 ('the Act') became effective from 21 May 2015 and is applicable on the Modaraba due to which Modaraba is liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or taxable income as provided in its income tax return. However, the Modaraba has filed a petition challenging the vires of Section 5 of the Act in the Sindh High Court ('the Court'). Similar petitions have been filed by other Modarabas and obtained an interim injunction from the Court. During the year, an interim injunction has been granted by the Court and the matter is tagged with other similar petitions filed with the Court. However, as matter of abundant caution, full provision in respect of Workers' Welfare Fund has been made in these financial statements.

- 14.2** This represents advances from customers against the advisory services to be rendered by the Modaraba.

- 14.3** This includes staff retirement benefit payable amounting to Rs. 3.13 million (2017: Rs. 1.41 million).

## **15** PAYABLE TO MODARABA MANAGEMENT COMPANY

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

Management records accrual in respect of remuneration of the Management Company out of the net annual profit of the Modaraba on the basis of annual audited accounts provided that 90% of the profit available for appropriation is also distributed to the certificate holders of the Modaraba after setting aside out of the profit of the Modaraba such sums as it thinks proper as reserve in accordance with the regulatory framework applicable for Modaraba.

2018	2017		2018	2017
Number of certificates			(Rupees)	
Authorised certificate capital				
100,000,000	100,000,000	Modaraba certificates of Rs. 10 each	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up certificate capital				
100,000,000	100,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	1,000,000,000	1,000,000,000

16.1

As at 30 June 2018, Awwal Modaraba Management Limited (the Management Company) and Pak Brunei Investment Company Limited held 10,000,000 (2017: 10,000,000) and 89,780,566 (2017: 89,803,566) certificates of Rs. 10 each respectively.

Statutory reserves represent profits set aside by the Modaraba to comply with the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid-up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year, the Modaraba has transferred an amount of Rs. 36.75 million (2017: Rs. 30.88 million) which represents 20% (2017: 20%) of the profit after taxation for the year.

18.1

Details of contingencies regarding Services Sales Tax on Management Company's remuneration and Provision for Sindh Workers' Welfare Fund are disclosed in notes 14.1 and 20 respectively.

18.2

On 24 January 2017, the Modaraba had entered into a Musharika Finance Agreement with a customer for Rs. 30 million out of which Rs. 18.20 million has already been disbursed as disclosed in note 9 of these financial statements. Further, Diminishing Musharika Finance Facility sanctioned by the Modaraba which is not drawn by the customer as on 30 June 2018 amounts to Rs. Nil (2017: Rs. 0.32 million).

	Notes	2018	2017
(Rupees)			
Salaries and other staff benefits	19.1	33,897,299	19,953,239
Amortisation on intangible asset	12	140,232	21,899
Depreciation on operating fixed assets	13	1,135,717	448,724
Fees and subscriptions		1,334,184	898,619
Advertising, travelling and entertainment expenses		1,517,632	550,946
Telecommunication		333,852	151,565
Postage		28,609	13,362
Repair and maintenance		140,947	179,749
Printing and stationery		1,498,507	219,526
Auditor's remuneration	19.2	454,050	309,100
Legal and professional charges		2,150,693	1,571,905
Insurance		100,389	48,983
Shared service expense	19.3	8,391,693	5,930,433
Other expenses		797,506	277,734
		51,921,310	30,575,784

**19.1** Salaries and other benefits include Rs. 2.74 million (2017: Rs. 1.03 million) in respect of staff retirement benefits.

**19.2 Auditor's Remuneration**

	2018	2017
(Rupees)		
Statutory audit fee	192,500	175,000
Half yearly review fee	55,000	50,000
Fee for review of compliance with the Code of Corporate Governance	25,000	25,000
Fee for other certifications	125,000	20,000
Sindh Sales Tax	31,800	17,600
Out of pocket expenses	24,750	21,500
	454,050	309,100

**19.3** This represents shared service cost of the Modaraba charged by a related party (Holding Company) under a service level agreement.

## 20 PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

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

## 21 TAXATION

As per Clause 100 of Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that they distribute not less than ninety percent profit to certificate holders out of current year's total profit after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ended 30 June 2018. Accordingly, no provision in respect of current and deferred taxation has been made in these financial statements.

## 22 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

	2018	2017
	(Rupees)	
<b>Basic</b>		
Profit for the year after taxation	183,733,716	154,397,866
	(Number)	
Weighted average number of certificates outstanding during the year	100,000,000	100,000,000
	(Rupees)	
Earnings per certificate	1.84	1.54

### Diluted

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

	Executives (Key management personnel)	2018 Other employees	Total
(Rupees)			
Basic salary	7,708,053	3,723,344	11,431,397
Allowances	3,468,615	1,675,520	5,144,135
Bonus	5,779,096	1,718,596	7,497,692
Provident fund	770,802	192,336	963,138
Gratuity fund	2,567,418	169,848	2,737,266
Contribution to Employees' Old Age Benefit	23,400	59,972	83,372
Other benefits	3,749,895	1,211,240	4,961,135
	24,067,279	8,750,856	32,818,135
(Number)			
Number of employees as at 30 June 2018	3	9	12

	Executives (Key management personnel)	2017 Other employees	Total
(Rupees)			
Basic salary	1,656,246	5,444,299	7,100,545
Allowances	745,308	2,449,951	3,195,259
Bonus	1,079,769	4,027,599	5,107,368
Provident fund	165,624	345,333	510,957
Gratuity fund	139,323	383,548	522,871
Contribution to Employees' Old Age Benefit	7,800	52,650	60,450
Other benefits	1,125,018	2,330,771	3,455,789
	4,919,088	15,034,151	19,953,239
(Number)			
Number of employees as at 30 June 2017	1	9	10

The Modaraba's activities expose it to a variety of financial risks:

- Market risk
- Credit risk
- Liquidity risk

The Modaraba's overall risk management programme seeks to maximise the returns derived to the level of risks to which the Modaraba is exposed and seeks to minimize potential adverse effects on the Modaraba's financial performance. Risk is inherent in the Modaraba's activities but it is managed through process of on-going identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors of the Management Company have overall responsibility for the establishment and oversight of Modaraba's risk framework including developing and monitoring the Modaraba risk management policies.

## 24.1 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

### *Profit rate risk*

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market profit rates. Majority of profit bearing financial instruments are reset within three to six months to prevailing KIBOR thereby limiting exposure in this respect.

As at 30 June 2018, the Musharika and Diminishing Musharika Facilities are exposed to profit rate risk as detailed in Note 9 and 10 to these financial statements.

### *Sensitivity analysis for variable and fixed rate instruments*

In case of 100 basis points increase / decrease in profit rates on the last repricing date of variable rate instruments and fixed rate instruments with all other variables held constant, the net profit of the Modaraba will be higher / lower by Rs. 797,026 (2017: Rs. 956,676) and Rs.274,752 (2017: Rs nil). The composition of the Modaraba's portfolio of financial instruments and profit rates are expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2018 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at 30 June 2018, the Modaraba does not hold any instruments which exposed it to price risk.

## 24.2 Credit Risk

Credit risk is the risk of financial loss to the Modaraba if the counterparty to a financial instrument fails to meet its contractual obligations. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Modaraba Rules and Regulations. The carrying amount of respective financial assets represents the maximum credit exposure at the reporting date.



	2018	2017
	(Rupees)	
Bank balances	298,945,833	252,808,456
Accruals and other receivables	26,885,565	13,670,666
Receivable against advisory fee	96,160,932	71,046,395
Investment against repurchase agreement	66,878,890	49,999,975
Musharika Finance	478,813,819	396,248,948
Diminishing Musharika Finance	300,000,000	286,974,209
Receivable from related parties	–	19,792,349
Short term investment	–	100,000,000
Long term deposit	75,000	75,000
	<b>1,267,760,039</b>	<b>1,190,615,998</b>

#### *Bank balances*

The Modaraba maintains balances with commercial banks having reasonably high long term credit ratings which are summarized as follows:

	2018	2017
	(Rupees)	
A+	–	399,256
AAA	130,162,016	173,691,721
AA-	168,783,817	78,717,479
	<b>298,945,833</b>	<b>252,808,456</b>

#### *Advisory fee*

Advisory fee is to be recovered in cash and management is not expecting any material loss there against as the counterparties are referred by the Holding Company and the customers will be availing financing facilities either from the Holding Company or the Modaraba based on credit evaluation performed for which advisory fee is charged.

#### *Musharika Finance, Diminishing Musharika Finance and Investment against repurchase agreement*

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP). The Modaraba aims to manage its credit risk exposure through diversification of its Musharika arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses. Credit risk is further mitigated through proper due diligence, appropriate transaction structuring and adequate collateralization of the exposure. In addition, the risk is mitigated through adequate insurance coverage of the assets under charge of the Modaraba. The respective collateral details against the Modaraba's exposure is detailed in notes of respective investments.

Investment against repurchase agreement is secured against the shares held as collateral. The shares purchased will come under pledge with the Modaraba until complete divestment of all shares.

#### *Long term deposit*

This represents security deposit maintained with the Central Depository Company of Pakistan Limited. Such deposit is refundable upon termination of services and management does not expect significant credit risk to arise there against.

### *Past due but not impaired*

Certain receivables against diminishing musharika and musharika finance facility were past due as at 30 June 2018 but the related amounts were recovered subsequently. The Modaraba provides financing facilities to financially distress companies, hence, delays in recovering the due amounts is anticipated and is an inherent risk in the ordinary course of its business. However, management closely monitors the investment portfolio to identify indicators for impairment.

The Modaraba considers impairing its portfolio based on the provisioning requirements of the Prudential Regulations for Modarabas issued by the SECP which includes subjective evaluation of the portfolio of the Modaraba on an on-going basis. The Modaraba also performs subjective evaluation of performing and non-performing portfolios based on past experience, repayment pattern and consideration of financial positions of counter parties and has the option to downgrade the category of classification determined on the basis of Prudential Regulations. Further, management considers applicable Prudential Regulations, for the purpose of ascertaining the forced sales value and the haircut that needs to be applied thereagainst.

### *Concentration of credit risk*

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. Concentration of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

The Modaraba manages credit risks and its concentration through diversification of activities to avoid undue concentration of risk with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for geographical and industrial sectors.

Details of the Modaraba's concentration of credit risk of financial instruments by industrial distributions are as follows:

Sectors	2018		2017	
	(Rupees)	%	(Rupees)	%
Cable and Electrical Goods	233,599,648	18.49%	344,450,065	29.39%
Banks	298,945,833	23.66%	253,680,452	21.65%
Real Estate and Developers	127,987,761	10.13%	—	0.00%
Food and Allied	194,444,708	15.39%	300,849,149	25.67%
Engineering	88,344,948	7.00%	214,066,944	18.27%
Pharmaceutical	18,908,317	1.50%	55,172,388	4.71%
Cement	201,125,425	15.92%	—	0.00%
Security Services	14,816,630	1.17%	2,529,651	0.22%
Others	85,202,789	6.74%	1,099,309	0.09%
	1,263,376,059	100.00%	1,171,847,958	100.00%

## **24.3 Liquidity risk**

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities:

	2018				
	Carrying amount	Contractual cash flows	Upto 1 month	Over 1 month to 3 months	Over 3 months to 1 year
(Rupees)					
<b>Financial liabilities</b>					
Accrued expenses	13,754,701	(13,754,701)	147,079	3,266,526	10,341,096
Payable to Modaraba Management Company	26,652,246	(26,652,246)	—	26,652,246	—
	40,406,947	(40,406,947)	147,079	29,918,772	10,341,096

	2017				
	Carrying amount	Contractual cash flows	Upto 1 month	Over 1 month to 3 months	Over 3 months to 1 year
(Rupees)					
<b>Financial liabilities</b>					
Accrued expenses	6,485,061	(6,485,061)	675,809	253,600	5,555,652
Payable to Modaraba Management Company	23,805,428	(23,805,428)	—	23,805,428	—
	30,290,489	(30,290,489)	675,809	24,059,028	5,555,652

The table above shows the undiscounted cash flows of the Modaraba's financial liabilities on the basis of their earliest possible contractual maturity or settlement.

#### 24.4 Financial instruments by category

	2018		
	Loans and receivables	Held to maturity	Other financial liabilities
(Rupees)			
<b>Assets</b>			
Bank balances	298,945,833	—	—
Accruals and other receivables	26,885,565	—	—
Receivable against Advisory Fee	96,160,932	—	—
Investment against repurchase agreement	66,878,890	—	—
Musharika Finance Facility	478,813,819	—	—
Diminishing Musharika Finance Facility	300,000,000	—	—
Long term loans	5,582,684	—	—
Receivable from related parties	—	—	—
Short term investment	—	—	—
Long term deposit	75,000	—	—
	1,273,342,723	—	—
<b>Liabilities</b>			
Accrued expenses	—	—	13,754,701
Payable to Modaraba Management Company	—	—	26,652,246
	—	—	40,406,947

	Loans and receivables	2017 Held to maturity	Other financial liabilities
	(Rupees)		
<b>Assets</b>			
Bank balances	252,808,456	—	—
Accruals and other receivables	13,670,666	—	—
Receivable against Advisory Fee	71,046,395	—	—
Investment against repurchase agreement	49,999,975	—	—
Musharika Finance Facility	396,248,948	—	—
Diminishing Musharika Finance Facility	286,974,209	—	—
Long term loans	3,627,412	—	—
Receivable from related parties	19,792,349	—	—
Short term investment	—	100,000,000	—
Long term deposit	75,000	—	—
	1,094,243,410	100,000,000	—
<b>Liabilities</b>			
Accrued expenses	—	—	6,485,061
Payable to Modaraba Management Company	—	—	23,805,428
	—	—	30,290,489

## 25 CAPITAL MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and benefits of other stake holders and to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit paid to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

## 26 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.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**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).

If the inputs used to measure the fair value of financial asset fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Modaraba determine fair values using valuation techniques unless the fair value cannot be reliably measured.

For assets that are recognised in the financial statements at fair value on a recurring basis, the Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The table below shows the carrying amounts and fair values of a financial asset and financial liability including their fair value hierarchy for financial instruments measured at fair value. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

	2018					
	Carrying amount / cost			Fair value		
	Held-to-maturity	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)					
<b>Financial assets not measured at fair value</b>						
Bank balances	–	298,945,833	–	–	–	–
Accruals and other receivables	–	26,885,565	–	–	–	–
Receivable against advisory fee	–	96,160,932	–	–	–	–
Investment against repurchase agreement	–	66,878,890	–	–	–	–
Musharika Finance	–	478,813,819	–	–	–	–
Diminishing Musharika Finance	–	300,000,000	–	–	–	–
Long term loans	–	5,582,684	–	–	–	–
Receivable from related parties	–	–	–	–	–	–
Short term investment	–	–	–	–	–	–
Long term deposit	–	75,000	–	–	–	–
<b>Financial liabilities not measured at fair value</b>						
Accrued expenses	–	–	13,754,701	–	–	–
Payable to Modaraba Management Company	–	–	26,652,246	–	–	–

	2017					
	Carrying amount / cost			Fair value		
	Held-to-maturity	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)					
<b>Financial assets not measured at fair value</b>						
Bank balances	—	252,808,456	—	—	—	—
Accruals and other receivables	—	13,670,666	—	—	—	—
Receivable against advisory fee	—	71,046,395	—	—	—	—
Investment against repurchase agreement	—	49,999,975	—	—	—	—
Musharika Finance	—	396,248,948	—	—	—	—
Diminishing Musharika Finance	—	286,974,209	—	—	—	—
Long term loans	—	3,627,412	—	—	—	—
Receivable from related parties	—	19,792,349	—	—	—	—
Short term investment	100,000,000	—	—	—	—	—
Long term deposit	—	75,000	—	—	—	—
<b>Financial liabilities not measured at fair value</b>						
Accrued expenses	—	—	6,485,061	—	—	—
Payable to Modaraba Management Company	—	—	23,805,428	—	—	—

For financial assets and financial liabilities not measured at fair value, management consider that their carrying amounts approximate fair value because of their short term nature and credit quality of counterparties. For Investment against repurchase agreement, Musharika Finance and Diminishing Musharika Finance, management considers that their carrying amount approximate fair value as the transaction is entered in to at negotiated rate considering market prevailing rates and also assessing credit standings of counterparties.

## 27 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, other associated companies, staff retirement funds, Directors and Key Management Personnel. Transactions with related parties are carried out at agreed rates.

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

Transactions and balances with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

## 27.1

## Details of the transactions with related parties

	2018	2017
	(Rupees)	
<b>Atlas Cables*</b>		
Advisory fee income	–	50,000,000
<i>Diminishing Musharika Finance</i>		
Financing provided during the year	317,460	199,682,540
Profit accrued during the year	22,455,325	4,343,717
<b>Pak Brunei Investment Company Limited - Holding company of the Management company</b>		
Advisory fee income	7,250,000	42,500,000
Shared service expense	8,391,693	5,930,433
Other expenses	95,987	541,857
<b>Awwal Modaraba Management Limited - Management Company</b>		
Management Company's remuneration	23,884,579	20,071,048
<b>Amounts outstanding as at year end</b>		
Pak Brunei Investment Company Limited - Holding company of the Management company		
Receivable balance in respect of advisory services - net	–	1,024,309
<b>Awwal Modaraba Management Limited - Management Company</b>		
Receivable balance against payments made on behalf of the Management Company	–	18,768,040
Payable balance against Management Company's remuneration - net	26,652,246	23,805,428
<b>Atlas Cables*</b>		
Receivable balance in respect of advisory services / others	21,099,800	39,550,000
Receivable balance in respect of Diminishing Musharika Finance - Principal	200,000,000	199,682,540
Receivable balance in respect of Diminishing Musharika Finance - Profit Accrued	12,499,853	4,343,717
<b>Staff retirement benefits funds</b>		
Contribution payable to staff provident fund	–	1,021,914
Contribution payable to staff gratuity fund	3,126,427	389,161

\* Pursuant to the Diminishing Musharika Finance facility provided to Atlas Cables (Private) Limited, the Modaraba has nominated its Director on the Board of the aforementioned company.

## 28 CORRESPONDING FIGURES

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

## 29 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company has approved dividend at the rate of Rs. 1.48 per certificate for the year ended 30 June 2018, resulting in a total distribution of profit amounting to Rs. 148 million, in its meeting held on 30 August 2018 which is more than 90% of the net profit for the year ended 30 June 2018, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending 30 June 2019.

## 30 DATE OF AUTHORISATION

These financial statements were authorised for issue on 30 August 2018 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited  
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director



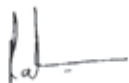
Director



# Notice of Annual Review Meeting

Notice is hereby given that the 3rd Annual Review Meeting of certificate-holders of Awwal Modaraba will be held on Friday, 12 October 2018 at 03:00 p.m. at the Registered Office of Awwal Modaraba Management Limited situated at Horizon Vista, Commercial 10, Block No. 4, Scheme No. 5, Clifton, Karachi, to review the performance of the Modaraba for the year ended 30 June 2018.

On behalf of the Board



Rahaila Aleem  
Company Secretary  
Awwal Modaraba Management Limited  
Managers of Awwal Modaraba  
19 September 2018  
Karachi

## Notes:

1. The certificate transfer books shall remain closed from Friday, 28 September 2018 to Friday, 12 October 2018 (both days inclusive). Transfers received in order at the office of the Registrar of Awwal Modaraba i.e. M/s THK Associates (Private) Limited, before the close of business hours on Thursday, 27 September 2018 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
2. The Certificate holders are advised to notify change in their address, if any, to the Share Registrars, M/s THK Associates (Private) Limited, at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.
3. **For attending the Meeting:**
  - i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
  - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (I)/ 2014, the Annual Report for the year ended 30 June 2018 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.
5. **Deduction of withholding tax on the amount of Dividend**

Section 150 of the Income Tax Ordinance, 2001 has prescribed following rates for deduction of withholding tax on the amount of dividend paid by the companies.

  - (a) **Rate of tax deduction for the filer(s) of income tax returns: 15%**
  - (b) **Rate of tax deduction for the non-filer(s) of income tax returns: 20%**

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the certificate holders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the start of closure period (referred above), otherwise tax on their cash dividend will be deducted @ 20% instead of 15%. For any query / problem / information, the Certificate holders may contact the Share Registrar at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.

The corporate certificate holders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical certificate holders should send a copy of their NTN certificate to the Company or its Share Registrar. The certificate holders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

Certificate holders seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be. Certificate holders desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat.

#### 6. Withholding tax on dividend in case of Joint Account Holders

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

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

The required information must reach our Share Registrar before close of business on Thursday, 27 September 2018; otherwise it will be assumed that the certificates are equally held by Principal certificate holder and Joint-holder(s).

- As per the directives issued by the Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O.787(1)2014 dated 08 September 2014, companies are allowed the circulation of Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at Awwal Modaraba website) and return it to our Share Registrar at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.

#### 8. Payment of Dividend through electronic mode (mandatory)

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. Therefore, all the certificate holders of Awwal Modaraba are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on Company's website. Certificate holders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant / CDC Investor Account Service. In the absence of bank account details or in case of incomplete details, the Company will be constrained to withhold the payment of cash dividend of those shareholders who have not provided the same. For more information, you may contact our share registrar at THK Associates (Private) Limited: 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.

#### 9. Unclaimed Dividends and physical Modaraba Certificates

Certificate holders, who by any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar THK Associates (Private) Limited, to collect / enquire about their unclaimed dividend or pending Modaraba certificates, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedures, all dividends unclaimed for a period of three years, from the date due and payable, shall be deposited to the credit of the Federal Government and in case of shares/certificates, shall be delivered to the Securities & Exchange Commission of Pakistan.

# Dividend Mandate Form

---

Date:

I hereby wish to communicate my desire to receive my dividends directly in my bank account as detailed below:

1. Name of shareholder/certificate holder: \_\_\_\_\_
2. Folio number: \_\_\_\_\_
3. Postal Address: \_\_\_\_\_
4. Contact number: \_\_\_\_\_
5. Name of Bank: \_\_\_\_\_
6. Bank Branch & full mailing address: \_\_\_\_\_
7. Title of Bank Account: \_\_\_\_\_
8. Bank Account No. (complete with code): \_\_\_\_\_
9. IBAN Number (complete with code): \_\_\_\_\_
10. CNIC No. (attach copy) : \_\_\_\_\_
11. NTN (in case of corporate entity, attach copy): \_\_\_\_\_

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company informed in case of any changes in the said particulars in future.

## INDIVIDUAL CERTIFICATE HOLDER(S)

_____	CNIC No. _____
Signature	(copy attached)

## CORPORATE ENTITY

_____	NTN No. _____
Authorized Signatory(ies)	(copy attached)








*(In case Certificates held in CDC, then please inform concerned Participant / CDC Investor Account Services).*










**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



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

 [jamapunji.pk](http://jamapunji.pk)

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

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



