



AWWAL MODARABA

**ANNUAL REPORT
June 2016**



Annual Report

AWWAL MODARABA
June 2016

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Vision & Mission Statements

VISION STATEMENT

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 STATEMENT

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.

Corporate Information

Board of Directors

Ms. Ayesha Aziz
Mr. Abdul Jaleel Shaikh
Mr. Ayyaz Ahmad
Mr. Abdul Hafeez
Mr. Ahmed Ateeq
Mr. Karim Hatim

Chairperson

Non-Executive Director
Non-Executive Director
Independent Director
Non-Executive Director
Non-Executive Director
Chief Executive

Company Secretary

Ms. Rahaila Aleem

Audit Committee

Mr. Ayyaz Ahmad
Mr. Abdul Hafeez
Mr. Ahmed Ateeq

Chairman
Member
Member

Bankers

Habib Bank Limited
Soneri Bank Limited
Dubai Islamic Bank Pakistan Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Liaquat Merchant Associates

Shari'ah Advisor

Mufti Muhammad Hassaan Kaleem

Share Registrar

THK Associates (Pvt) Ltd.
2nd Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi.
Tel : (+92-21) 111-000-322

Registered Office

6th Floor, Horizon Vista
Plot Commercial No. 10
Block No. 4, Scheme No. 5
Clifton
Karachi
Tel: (+92-21) 35361215-19
Web: www.awwal.com.pk

DIRECTORS' REPORT

For the period ended 30 June 2016

The Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, is pleased to present the Directors' Report together with Audited Financial Statements of Awwal Modaraba for the period ended 30 June 2016.

Economic Activity

Continuing the growth trend, Pakistan witnessed yet another year of economic growth. The improvement in the economic activity accelerated in FY2016, mainly attributable to both internal and external factors. The real GDP growth rate reached an eight year high to 4.7 percent whereas Foreign Exchange reserves held by State Bank of Pakistan (SBP) stood at USD 18.1 billion (end June 2016). Main contributors towards improved economic environment in the country included low average CPI inflation, increased revenue collection of the government which helped in keeping fiscal deficit close to the target levels as well as helped to increase development spending, declining international oil prices which reduced the import bill thus improving current account deficit, gradual increase in workers' remittances from overseas and stable foreign exchange market.

Keeping in view the overall macroeconomic indicators, SBP eased monetary policy by reducing the policy rate by 75 basis points to 5.75% during FY2016. During FY2016, the private sector credit significantly increased by Rs. 461 billion compared to an increase of Rs. 224 billion in FY2015. During the year, the local businesses have also benefitted from considerable financial cost savings. The reason for financial cost savings for local businesses coupled with significant increase in private sector credit is mainly attributable to existing lending rates coupled with liquidity.

The positive macroeconomic indicators of the country are likely to boost Modaraba's business activity.

Operating Results and Business Review

	30 June 2016 (PKR '000')
Balance Sheet	
Certificate capital	1,000,000
Total equity	1,028,443
Investment in musharika finance	83,658
Profit & Loss	
Revenue	61,924
Operating expenses	5,707
Preliminary expenses	23,459
Profit before management fee	32,758
Net profit	28,443

30 June 2016

(PKR '000')

Appropriations

Net profit for the period	28,443
Profit distribution @ 2.27%	22,700
Statutory reserve	5,689
Unappropriated profit carried forward	54
Earnings per certificate	0.284

Awwal Modaraba commenced business operations on 10 February 2016 hence the review of Modaraba's financial performance is for the period from 10 February 2016 to 30 June 2016. By the grace of Almighty Allah, in just under five months of commencing its operations, Awwal Modaraba earned gross revenue of Rs. 61.92 million and posted an after tax profit of Rs. 28.44 million after adjustment of expenses of around Rs. 29.17 million which included preliminary expenses of Rs. 23.46 million and other expenses of Rs. 5.7 million.

In-line with the business objectives of the Modaraba, the management is actively pursuing potential customers to offer various shari'ah compliant Islamic financing products with special emphasis on supporting start-up, growth and financially distressed companies engaged in shari'ah compliant business. During the period under review, the Modaraba has successfully initiated due-diligence process for various financing transactions for its prospective customers. The total quantum of such transactions, which are in pipeline and are under consideration, reached approximately Rs. 600 million by end June 2016.

To comply with the Islamic concepts, key policies of the Modaraba including Credit policy and Risk policy framework are vetted by the Shari'ah Advisor Mufti Muhammad Hassaan Kaleem. Similarly, all transaction structures are vetted by the Shari'ah Advisor.

In the light of the positive macroeconomic indicators of the country and Modaraba's aforementioned pipeline transactions, the management is anticipating good financial performance of Awwal Modaraba in the financial year 2017.

Profit Distribution

The Board in its meeting held on 26 August 2016 has approved cash dividend of Rs. 0.227 (2.27%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the period ended 30 June 2016.

To comply with Prudential Regulations for Modarabas, the Board of Directors has transferred Rs. 5.689 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.

Compliance with Corporate Governance

The Board of Directors is committed to ensure compliance with various requirements of the stock exchange and SECP. The Modaraba is in compliance with the requirements of the Code of Corporate Governance as set out in the listing regulations of Pakistan Stock Exchange Limited, relevant for the period ended 30 June 2016.

Corporate and Financial Reporting Framework

The Board of Directors 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 June 30, 2016 except for those disclosed in the financial statements.
- During the period under review, two (2) meetings of the Board of Directors were held.

Attendance by each director was as follows:

Name of Director	No. of Meetings attended
Ms. Ayesha Aziz	2
Mr. Abdul Jaleel Shaikh	1
Mr. Ayyaz Ahmad	1
Mr. Ahmed Ateeq	2
Mr. Abdul Hafeez	2
Mr. Karim Hatim (CEO)	2
Leave of absence was granted to the directors who could not attend the meeting.	

- The Board has formed an Audit Committee in compliance with the requirements of the Code of Corporate Governance. The Committee comprises of three 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 period under review, two (2) meetings of the Audit Committee were held.

Attendance by each member was as follows:

Name of Member	No. of Meetings attended
Mr. Abdul Jaleel Shaikh	2
Mr. Ahmed Ateeq	2
Mr. Abdul Hafeez	2

- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO/ Company Secretary and their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the period under review.

The Board of Directors

The Board had appointed Mr. Ayyaz Ahmed to fill the casual vacancy created due to resignation of Saiyid Najam Rizvi.

Mr. Ayyaz Ahmed simultaneously had been appointed member and chairman of Audit Committee replacing Mr. Abdul Jaleel Shaikh.

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 2017, subject to the approval of Registrar of Modaraba Companies and Modarabas.

Shari'ah Audit 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 Modarabas. 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 Audit Report issued for the affairs of the Modaraba for the period ended 30 June 2016 is attached in the Annual Financial Statements.

Acknowledgments

The Board of Directors acknowledges and would like to thank all the regulatory authorities for their support in establishing Awwal Modaraba. The Board would also like to thank all the certificate-holders and sponsors for placing their confidence in our newly established Modaraba.

On behalf of the Board



Karim Hatim

Chief Executive

Date: 26 August 2016

☆ زیر نظر مدت کے دوران آڈٹ کمیٹی کی دو میننگز منعقد ہوئیں۔

میننگز میں شرکت کرنے والوں کی تعداد

2

2

2

شرکت کرنے والے ممبران درج ذیل تھے:

محترم عبدالجلیل شیخ

محترم احمد عتیق

محترم عبدالحفیظ

☆ سرٹیفیکیٹ ہولڈنگ کا خلاصہ اس سالانہ مالیاتی رپورٹ میں شامل ہے۔

☆ مضاربہ کے سرٹیفیکیٹس میں بورڈ آف ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کی بیگمات اور چھوٹے بچوں کی طرف سے کوئی سودا نہیں کیا گیا سوائے اس کے کہ جن کا ذکر سرٹیفیکیٹ ہولڈنگ کے پیٹرن میں کیا گیا ہے۔

بورڈ آف ڈائریکٹرز:

سید نجم رضوی کے استعفیٰ کی وجہ سے جگہ خالی ہوئی جو کہ محترم ایاز احمد کی بورڈ کی جانب سے تقرری کی وجہ سے پُر ہو گئی۔
بعد ازاں محترم ایاز احمد کا تقرر محترم عبدالجلیل شیخ کی جگہ بحیثیت ممبر اور چیئر مین آڈٹ کمیٹی کیا گیا۔

آڈیٹرز:

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز KPMG تاثر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹ کی تقرری کی منظوری دی جو کہ تقرری کیلئے اہلیت رکھتے ہیں اور اس کے متنبی بھی ہیں۔ ان کا تقرر 30 جون 2017ء تک کے مالیاتی سال کے لئے مضاربہ کے آڈیٹرز کے طور پر کیا گیا ہے جو کہ رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

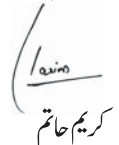
شرعیہ آڈٹ رپورٹ:

مضاربہ مستقل طور پر شرعی مشیر مفتی محمد حسان کلیم کی زیر ہدایت کام کر رہی ہے اور حسب ضرورت اس بات کو یقینی بنارہی ہے کہ تمام مالیاتی معاملات شرعیہ آڈٹ میکنزم کے تحت انجام دیئے جائیں جو کہ رجسٹرڈ مضاربہ کی ہدایات کے مطابق ہو۔ 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 2016ء کی مدت کے لئے مضاربہ کے معاملات کے بارے میں جاری کی گئی ہے سالانہ مالیاتی رپورٹ میں شامل ہے۔

اظہار تشکر:

بورڈ آف ڈائریکٹرز مضاربہ کے قیام کے عمل میں تمام ریگولیٹری اتھارٹیز کے تعاون کو سراہتے ہوئے ان کا شکریہ ادا کرتا ہے۔ اس کے علاوہ سرٹیفیکیٹ ہولڈرز اور اسپانسرز کے بھی بے حد شکر گزار ہیں جنہوں نے اس نئی قائم ہونیوالی مضاربہ کمپنی پر اعتماد کیا۔

بورڈ کی جانب سے


کریم حاتم

چیف ایگزیکٹو

مورخہ 26 اگست 2016ء

نظم وضبط کی تعمیل:

بورڈ آف ڈائریکٹرز اسٹاک ایکسچینج اور SECP کی جانب سے جاری کردہ مختلف ہدایات پر کاربند ہیں۔ مضاربہ اختتامی سال 30 جون 2016ء پاکستان اسٹاک ایکسچینج لمیٹڈ کے لسٹنگ ریگولیشن میں موجود کوڈ آف کارپوریٹ گورننس پر بھی کاربند ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک:

بورڈ آف ڈائریکٹرز درج ذیل رپورٹ پیش کرتے ہیں:

- ☆ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے کمپنی کے حالات، اس کے آپریشنز کے نتائج، کیش فلو اور ایکٹیوٹی میں تبدیلی کی شفاف عکاسی کرتے ہیں۔
- ☆ کمپنی کے کھاتے مناسب طریقہ سے رکھے جا رہے ہیں۔
- ☆ مناسب اکاؤنٹنگ پالیسیوں کے تسلسل کو مالیاتی گوشوارے کی تیاری میں لاگو کیا گیا ہے۔ اکاؤنٹنگ کے اندازے ماہرانہ اور محتاط فیصلوں پر مبنی ہوتے ہیں۔
- ☆ مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS)، جو کہ پاکستان میں نافذ العمل ہیں، ان کی پیروی کی گئی ہے۔
- ☆ انٹرنل کنٹرول کے نظام مضبوط ہیں اور اس کی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- ☆ آنے والے سالوں میں مضاربہ کی کاروباری تسلسل پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- ☆ نظم و نسق کے حوالے سے مضاربہ میں کارپوریٹ گورننس کو مکمل طور پر نافذ کیا ہے جو کہ لسٹنگ ریگولیشن میں درج ہے اور اس سے کوئی انحراف نہیں کیا گیا ہے۔
- ☆ ٹیکسز، ڈیویڈنڈ اور دیگر چارجز کے اکاؤنٹ پر کوئی ادائیگی واجب الادا نہیں ہے جو کہ مالیاتی سال 30 جون 2016ء سے متعلق ہے اسوائے اس کے کہ جو مالیاتی حسابات میں درج ہے۔
- ☆ زیر جائزہ مدت کے دوران بورڈ آف ڈائریکٹرز کی دو میٹنگز منعقد ہوئیں۔

شرکت کرنے والے ڈائریکٹرز کی لسٹ درج ذیل ہے:

میٹنگز میں شرکت کرنے کی تعداد

- 2
- 1
- 1
- 2
- 2
- 2

ڈائریکٹرز کا نام

محترمہ عائشہ عزیز

محترم عبدالجلیل شیخ

محترم ایاز احمد

محترم احمد عتیق

محترم عبدالحفیظ

محترم کریم حاتم (چیف ایگزیکٹو آفیسر)

ڈائریکٹرز کی غیر حاضری کو چھٹی تصور کیا گیا۔

- ☆ بورڈ نے کوڈ آف کارپوریٹ گورننس پر عمل کرتے ہوئے ایک آڈٹ کمیٹی تشکیل دی ہے، یہ کمیٹی تین ممبران پر مشتمل ہے۔ آڈٹ کمیٹی کا ہیڈ ایک انڈیپنڈنٹ ڈائریکٹر ہے۔ یہ کمیٹی میعاد مالیاتی حسابات پر غور کرتی ہے اور مالیاتی پالیسیز اور پریکٹس کا معائنہ کرتی ہے اور اس بات کو یقینی بناتی ہے کہ داخلی کنٹرول کا سسٹم مضبوط اور موثر ہے۔ یہ کمیٹی انٹرنل آڈٹ ڈپارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس کا جائزہ بھی لیتی ہے۔ ایکسٹرنل آڈیٹرز کی تفری کی سفارش بھی آڈٹ کمیٹی کی ذمہ داری ہے۔

30 جون 2016ء
(پاکستانی روپے '000)

28,443	منافع کا تصرف تصرف کے لئے دستیاب منافع
22,700	منافع کی تقسیم بحساب 2.27%
5,689	منتقلی اسٹیچوٹری ریزرو
54	غیر تصرف شدہ منافع
0.284	آمدنی فی سٹیفکیٹ

اول مضاربہ نے اپنا کاروبار 10 فروری 2016ء کو شروع کیا۔ لہذا مضاربہ کی مالیاتی کارکردگی کا جائزہ 10 فروری 2016ء سے 30 جون 2016ء پیش کیا جا رہا ہے۔ الحمد للہ کاروبار شروع کرنے کے صرف پانچ ماہ کے دوران اول مضاربہ نے 61.92 ملین روپے آمدنی حاصل کی جبکہ اخراجات تقریباً 29.17 ملین روپے رہے اور منافع قبل از ٹیکس مبلغ 23.46 ملین روپے رہا جس میں پریلیمنری اخراجات 23.46 ملین روپے اور دیگر اخراجات 5.7 ملین روپے شامل ہیں۔

کاروباری مقاصد کے مطابق مضاربہ انتظامیہ نے موثر طور پر مختلف ممکنہ کسٹمز کو شرعیہ پر منحصر مالیاتی مصنوعات کی پیشکش شروع کی۔ خصوصی طور پر نئی، ترقی پذیر اور مالیاتی مشکلات کا شکار کمپنیاں جو کہ شرعی طریقہ کار کے مطابق کاروبار کرتی ہیں۔ زیر جائزہ مدت کے دوران مضاربہ نے کامیابی سے مختلف کسٹمز کی ضروریات کا جائزہ لیا اور جون 2016ء تک تقریباً مختلف کسٹمز کے 600 ملین روپے کی مالیاتی ضروریات زیر غور ہیں۔

اسلامی اصولوں کی پاسداری کیلئے مضاربہ کی اہم پالیسیاں بشمول کریڈٹ پالیسی اور رسک پالیسی فریم ورک کو شرعی مشیر مفتی محمد حسان کلیم نے ریویو کیا ہوا ہے، اس کے علاوہ مضاربہ کی تمام مالی مصنوعات شرعی مشیر کی مشاورت سے انجام پا رہی ہیں۔

مذکورہ بالا ملک کی مثبت میکرو اکنامک انڈیکسٹرز اور مضاربہ کی مذکورہ بالا کاروباری سرگرمیوں کی روشنی میں انتظامیہ مالیاتی سال 2017ء میں اول مضاربہ کی بہتر کارکردگی کی متنبی ہے۔

منافع کی تقسیم:

بورڈ آف ڈائریکٹرز نے 26 اگست 2016ء کو منعقدہ میٹنگ میں 30 جون 2016ء کو ختم ہونے والے سال کیلئے 10 روپے کے سٹیفکیٹ پر کیش ڈویڈنڈ 0.227 روپے (2.27%) بعد از کوٹن ٹیکس اور زکوٰۃ جہاں اطلاق ہو منظور کیا ہے۔

مضاربہ کے متعلقہ قوانین پر عمل کرتے ہوئے بورڈ آف ڈائریکٹرز نے مبلغ 5.689 ملین روپے اسٹیچوٹری ریزرو میں منتقل کئے ہیں۔ مضاربہ کے قوانین کے تحت لازم ہے کہ منافع بعد از ٹیکس کم از کم 20% اور زیادہ سے زیادہ 50% تک اسٹیچوٹری ریزرو میں منتقل کرے تا وقتیکہ اسٹیچوٹری ریزرو سٹیفکیٹ کیپٹل کے 100% کے مساوی نہ ہو جائے۔ بعد ازاں منافع بعد از ٹیکس کا 5% منتقل کیا جائے گا۔

ڈائریکٹرز رپورٹ
برائے اختتام مدت 30 جون 2016ء

اول مضاربہ کی انتظامی کمپنی اول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز آڈٹ شدہ مالیاتی حسابات اول مضاربہ برائے 30 جون 2016ء بمعہ ڈائریکٹرز رپورٹ پیش کرتے ہیں۔

اقتصادی سرگرمی:

گزشتہ سالوں کی کامیابیوں کو برقرار رکھتے ہوئے یہ سال بھی پاکستان کے لئے اقتصادی کامیابی کا سال رہا۔ اقتصادی سرگرمیوں میں مزید تیزی مالیاتی سال 2016ء میں آئی جو اندرونی / داخلی اور بیرونی / خارجی عوامل کی وجہ سے ہوئی۔ GDP میں اضافے کی شرح 4.7 فیصد تک جا پہنچی جو پچھلے آٹھ سالوں میں سب سے زیادہ رہی، جبکہ اسٹیٹ بینک آف پاکستان کے مطابق جون کے آخر تک پاکستان کے زرمبادلہ کے ذخائر 18.1 بلین امریکی ڈالر تک جا پہنچے۔ ملک کے بہتر اقتصادی ماحول کی بنیادی وجہ کم CPI افراط زر کی شرح، گورنمنٹ کے محصولات میں اضافہ، جس کی وجہ سے ملکی مالی خسارہ ہدف کے قریب رہا جس سے ترقیاتی اخراجات کے اضافے میں مدد حاصل ہوئی، تیل کی عالمی قیمتوں میں کمی کا رجحان جس کی وجہ سے درآمدی بل میں کمی، کرنٹ اکاؤنٹ خسارہ میں بہتری، بیرون ملک ورکرز کی ترسیلات زر میں اضافہ اور مستحکم زرمبادلہ مارکیٹ وجوہات میں شامل ہیں۔

مذکورہ بالا تمام میکرو اکنامکس انڈیکسز اسٹیٹ بینک آف پاکستان کی مالیاتی پالیسی 2016ء کے پالیسی ریٹ میں 75 پیسز پوائنٹس کی کمی کی بنیاد بنے جس کے بعد پالیسی ریٹ 5.75% پر پہنچ گیا۔ اسی طرح مالیاتی سال 2016ء کے دوران پرائیویٹ سیکٹر کریڈٹ میں بھی 461 بلین روپے کا اضافہ ہوا جس کا موازنہ مالیاتی سال 2015ء میں 224 بلین روپے کے اضافہ سے کیا جاسکتا ہے۔ اس سال کے دوران مقامی کاروبار کے حوالے سے بھی کافی مالیاتی بچت سامنے آئی اور مالیاتی طور پر مقامی کاروبار کے لئے اخراجات میں کمی بھی اس میں شامل ہے۔ ستنے قرضے اور زر کی فراوانی کی بناء پر پرائیویٹ سیکٹر کریڈٹ میں مثبت اضافہ ہوا۔ ملک کی مثبت میکرو اکنامک انڈیکسز مضاربہ کی کاروباری سرگرمیوں کو تقویت دے سکتے ہیں۔

کاروباری نتیجہ و جائزہ درج ذیل ہے:

30 جون 2016ء

(پاکستانی روپے '000)

1,000,000	بیلنس شیٹ
1,028,443	مضاربہ سرٹیفیکیٹ
83,658	کل ایکویٹی
	مشارکہ میں سرمایہ کاری
	نفع و نقصان کا اسٹیٹمنٹ
61,924	آمدنی
5,707	اخراجات
23,459	پریلیمنری اخراجات
32,758	انتظامی فیس سے قبل منافع
28,443	خالص منافع

Pattern of holding of Certificates by the Certificate-holders

As at 30 June 2016

No. of Certificate holders	Certificate holding		Total Certificates held
	From	To	
8	1	100	136
311	101	500	154,255
20	501	1000	20,000
16	1001	5000	43,043
1	5001	10000	5,500
1	15001	20000	18,500
1	25001	30000	27,500
1	30001	35000	33,500
1	9995001	10000000	10,000,000
1	89695001	89700000	89,697,566
361			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		351	297,934	0.2979%
2	OTHER CORPORATE ENTITIES		1	1,000	0.0010%
3	DIRECTORS THEIR SPOUSE AND MINOR CHILDREN		4	2,000	0.0020%
	Mr. Tahir Aziz	500			
	Ms. Seema Jaleel Shaikh	500			
	Ms. Aisha Abdul Hafeez	500			
	Ms. Hina Ahmed	500			
4	RELATED PARTIES		2	1,000	0.0010%
	Mr. Sultan Abid	500			
	Ms. Rubina Rubab	500			
5	ASSOCIATED COMPANIES		2	99,697,566	99.6976%
	Awwal Modaraba Management Limited	10,000,000			
	Pak Brunei Investment Compay Limited	89,697,566			
6	FOREIGN INVESTORS		1	500	0.0005%
	TOTAL		361	100,000,000	100.0000%

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in clause 5.19.23 of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Regardless of the fact that Awwal Modaraba Management Limited, the Management Company of Awwal 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).

The Modaraba management company (hereafter referred to as the Company) has applied the principles contained in the Code in the following manner:

1. The company encourages representation of Independent non-executive directors and directors representing minority interest on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Ayyaz Ahmad
Executive Directors	Mr. Karim Hatim (CEO)
Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Abdul Hafeez Mr. Ahmed Ateeq

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. A casual vacancy had occurred on the Board of Directors on 26th February 2016 which was filled up by the directors within ninety days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairperson and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. As of 30 June 2016, there are 4 directors out of six (including the CEO), who have met the training requirements under the CCG directive and 2 directors (including the CEO) are qualified under the exemption criteria.
10. The board has approved appointment of CFO, Company Secretary and outsourcing of Internal Audit function, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three Members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Human Resource function has been outsourced to the parent company, Pak Brunei Investment Company Limited and therefore the HR and Remuneration Committee of the parent company looks over the approval and implementation of Human resource policies of the Modaraba.
18. 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 Modaraba.
19. 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, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/ price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.

On behalf of the Board



Karim Hatim
Chief Executive

Dated: 26 August 2016



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Chartered Accountants
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Review Report to the Certificate holders on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Awwal Modaraba Management Limited, the Management Company of Awwal Modaraba for the period from 10 February 2016 to 30 June 2016 to comply with the requirements of Listing Regulation No. 5.19.23 of the Rule Book of Pakistan Stock Exchange Limited where the Modaraba is listed.

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

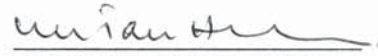
As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control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

The Code requires the 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the period from 10 February 2016 to 30 June 2016.

Date: 26 August 2016

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

Shari'ah Advisor's Report

I have conducted the Shari'ah review of Awwal Modaraba managed by Awwal Modaraba Management Limited, Modaraba Management Company for the financial year ended 30 June 2016 in accordance with the requirements of the **Shari'ah Compliance and Shari'ah Audit Mechanism** for Modarabas and report that in my opinion:

- i. Awwal Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles.
- ii. No major developments took place during the period.
- iii. The agreements entered into by the Modaraba are Shari'ah 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 Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.
- v. The Modaraba does not have any deposit raising product at the moment, therefore no profit sharing ratios, profits and charging of losses relating to any deposit raising product apply.
- vi. No earnings that have been realized from the sources or by means prohibited by Shari'ah. Accordingly, no amount was credited to charity account.

Recommendation

I recommend that regular Shari'ah 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 Shari'ah Compliant.

-Sd-

Mufti Muhammad Hassaan Kaleem

Shari'ah Advisor

Awwal Modaraba

Dated: 18 August 2016



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Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of **Awwal Modaraba** as at 30 June 2016 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the period from 10 February 2016 to 30 June 2016 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 management 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 the accounting policies stated therein;
 - ii) the expenditure incurred during the period was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects, terms and conditions of the Modaraba.



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- 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, cash flow statement 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 2016 and of the profit, its cash flows and changes in equity for the period from 10 February 2016 to 30 June 2016; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 26 August 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at 30 June 2016

ASSETS

Current assets

	Note	30 June 2016 (Rupees)
Bank balances	4	933,524,819
Accruals, prepayments and other receivables	5	23,177,542
Current portion of Musharika Finance	6	14,976,517
Taxation recoverable		2,602,324
Total current assets		974,281,202

Non-current assets

Long term portion of Musharika Finance	6	68,681,331
Long term deposit	7	75,000
Operating fixed assets	8	13,542
Total non-current assets		68,769,873

Total assets

1,043,051,075

LIABILITIES AND EQUITY

Current liabilities

Accrued expenses	9	2,193,664
Payable to related parties	10	12,414,540
Total liabilities		14,608,204

CERTIFICATE HOLDERS' EQUITY

Certificate Capital

Authorised certificate capital		
100,000,000 Modaraba Certificates of Rs.10 each	11	1,000,000,000

Issued, subscribed and paid-up certificate capital

100,000,000 certificates of Rs. 10 each	11	1,000,000,000
Statutory reserve	12	5,688,574
Unappropriated profit		22,754,297
		1,028,442,871

TOTAL LIABILITIES AND EQUITY

1,043,051,075

Contingencies and commitments	13
-------------------------------	----

The annexed notes 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

Profit and Loss account

For the period from 10 February 2016 to 30 June 2016

	Note	For the period from 10 February 2016 to 30 June 2016 (Rupees)
Advisory fee	14	23,442,982
Income on Musharika Finance		25,395
Income on bank deposit	15	38,455,312
		<u>61,923,689</u>
Financial charges		(3,033)
Administrative and operating expenses	16	(5,703,695)
Preliminary expenses		(23,459,243)
		<u>(29,165,971)</u>
		<u>32,757,718</u>
Management company's remuneration	17	(3,275,772)
Provision for service sales tax on management company's remuneration		(458,608)
Provision for workers' welfare fund	18	(580,467)
Profit for the period before taxation		<u>28,442,871</u>
Taxation	19	-
Profit for the period after taxation		<u>28,442,871</u>
Earnings per certificate - basic and diluted	20	<u>0.284</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

Cash Flow Statement

For the period from 10 February 2016 to 30 June 2016

	Note	For the period from 10 February 2016 to 30 June 2016 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period after taxation		28,442,871
<i>Adjustments for non-cash and other items:</i>		
Depreciation on operating fixed assets	16	1,458
		<u>28,444,329</u>
Increase in assets		
Accruals, prepayments and other receivables		(23,177,542)
Musharika Finance		(83,657,848)
Long term deposit		(75,000)
		<u>(106,910,390)</u>
Increase in liabilities		
Accrued expenses		2,193,664
Payable to related parties		12,414,540
		<u>14,608,204</u>
Taxes paid		(2,602,324)
Net cash used in operating activities		<u>(66,460,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure		(15,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of certificate capital		1,000,000,000
Cash and cash equivalents at the end of the period		<u><u>933,524,819</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

Statement of Changes in Equity

For the period from 10 February 2016 to 30 June 2016

	Paid up certificate capital	Statutory Reserve	Unappropriated profit	Total
	----- (Rupees) -----			
Issue of certificate capital	1,000,000,000	-	-	1,000,000,000
<i>Total comprehensive income for the period</i>				
Net profit for the period ended 30 June 2016	-	-	28,442,871	28,442,871
Transfer to statutory reserve	-	5,688,574	(5,688,574)	-
Balance as at 30 June 2016	1,000,000,000	5,688,574	22,754,297	1,028,442,871

The annexed notes 1 to 28 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

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 and is managed by Awwal Modaraba Management Limited, a company wholly owned by Pak Brunei Investment Company Limited. After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from 10 February 2016. The address of its registered office is 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 credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange.

2 BASIS OF PREPERATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) or the directives issued by the SECP shall prevail.

This is the first set of financial statements of the Modaraba prepared from 10 February 2016 to 30 June 2016, therefore comparative figures have not been presented.

2.2 Accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates could be significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) estimates of residual values, useful lives and depreciation methods of operating fixed assets (notes 3.6 and 8).
- ii) provision for doubtful Musharika finance, advances and other receivables (note 3.3).
- iii) provision for taxation (note 3.5 and 19).

2.3 Accounting convention

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

2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Modaraba's functional and presentation currency.

2.5 New and amended standards and interpretation that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate, can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Modaraba's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Modaraba's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January, 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Modaraba's financial statements.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Modaraba's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Modaraba's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Modaraba's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment 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 recognised for new and outstanding awards. The amendments are not likely to have an impact on Modaraba's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January, 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Modaraba's financial statements.

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below. At present, the Modaraba has no item to be reported in comprehensive income, hence no such statement is prepared and total comprehensive income equals reported profit for the period.

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in balance sheet at cost. Cash and cash equivalent includes bank balances with banks in deposit accounts.

3.2 Financial Instruments

3.2.1 Financial Assets

Classification

The management determines the appropriate classification of the financial assets of the Modaraba in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase of financial assets and reevaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired.

Initial recognition and measurement

Financial assets are recognised at the time the Modaraba becomes a party to the contractual obligations of the instruments. These are initially recognised at fair value plus transaction costs.

Subsequent measurement

Subsequent to initial recognition, financial assets are carried at amortised cost using the effective interest method.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

3.2.2 Financial Liabilities

Financial liabilities are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument and include creditors, accrued and other liabilities. These are initially recognised at fair values and subsequently stated at amortised cost.

Derecognition

Financial assets are derecognised at the time when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss arising on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

3.2.3 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.

3.3 Advances and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written-off when identified.

The Modaraba's receivables comprise of musharika finance, deposits, prepayments and other receivables.

3.4 Impairment of non-financial assets

The carrying amounts of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit and loss account.

3.5 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.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

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.

3.6 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 repairs 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 note 8 to these 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.

3.7 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

3.8 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.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

3.9 Revenue recognition

- Profit on Musharika arrangements is recognised under the effective mark-up rate method based on the amount outstanding.
- Mark-up / 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.
- Other income is recognised on an accrual basis.

3.10 Proposed profit distribution to certificate holders and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.11 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.

3.12 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 BANK BALANCES

30 June 2016

(Rupees)

Balances with banks - savings accounts	4.1	<u><u>933,524,819</u></u>
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- 4.1** These balances are held with Islamic Banks / Islamic Banking windows of commercial banks only. The deposit accounts carry profit at an average rate of 5.50% per annum.

5 ACCRUALS, PREPAYMENTS AND OTHER RECEIVABLES

Accrued profit on Musharika Finance	6.1	25,395
Accrued profit on deposit accounts	4.1	4,431,700
Prepayments		220,985
Other receivables	5.1	<u><u>18,499,462</u></u>
		<u><u>23,177,542</u></u>

- 5.1** This includes advisory fees receivable from a customer and Pak Brunei Investment Company Limited (a related party) amounting to Rs. 3.4 million and Rs. 15 million respectively. These balances do not carry profit.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

30 June 2016

(Rupees)

6 MUSHARIKA FINANCE

Receivables - secured	83,657,848
Less: Current portion of Musharika Finance	<u>(14,976,517)</u>
	<u><u>68,681,331</u></u>

- 6.1** On 17 June 2016, the Modaraba entered into an agreement with a customer to provide Musharika Finance facility of Rs. 98.42 million. The purpose of the Musharika Finance is to enable the customer to purchase assets for constructions purposes. The agreed share in the purchase of the assets between the Modaraba and the customer is 85% and 15% respectively. The customer has transferred the titles of the assets in the name of the Modaraba and has also provided additional assets as security, the combined forced sales value of which amounts to Rs. 140.87 million.

The tenure of the agreement is 3 years during which the customer agrees to repay in 30 installments commencing from 31 January 2017. The rentals are subject to profit at the rate of prevailing six-months KIBOR plus 5%.

7 LONG TERM DEPOSIT

This represents amount deposited with the Central Depository Company of Pakistan Limited. The deposit does not carry any profit.

8 OPERATING FIXED ASSETS

Equipments - addition

Cost	15,000
Depreciation charge for the period	<u>(1,458)</u>
	<u><u>13,542</u></u>

As at 30 June 2016

Cost	15,000
Accumulated depreciation	<u>(1,458)</u>
Written down value as at 30 June 2016	<u><u>13,542</u></u>

(Percentage)

Depreciation rate (per annum)	<u><u>50%</u></u>
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Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

30 June 2016
(Rupees)

9 ACCRUED EXPENSES

Audit remuneration payable	190,200
Payable to Shari'ah Advisor	100,000
Leave fare allowance and staff medical accrual	616,580
Sindh sales tax payable	706,417
Provision for workers' welfare fund	580,467
	<u>2,193,664</u>

10 PAYABLE TO RELATED PARTIES

Payable to Pak Brunei Investment Company Limited	10.1	8,332,104
Payable to Management Company - net	10.2	4,082,436
		<u>12,414,540</u>

10.1 This represents preliminary and other expenses paid on behalf of the Modaraba by Pak Brunei Investment Company Limited. This balance does not carry any profit.

10.2 This represents Management Company's remuneration along with Sindh sales tax thereon and other expenses paid by the Management Company on behalf of the Modaraba. This balance does not carry any profit.

11 CERTIFICATE CAPITAL

Authorised certificate capital

30 June 2016

**Number of
certificates**

<u>100,000,000</u> Modaraba certificates of Rs. 10 each	<u>1,000,000,000</u>
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Issued, subscribed and paid-up certificate capital

<u>100,000,000</u> Modaraba certificates of Rs. 10 each fully paid in cash	<u>1,000,000,000</u>
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11.1 As at 30 June 2016, Awwal Modaraba Management Limited (the Management Company) and Pak Brunei Investment Company Limited held 10,000,000 and 89,697,566 certificates of Rs. 10 each respectively.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

12 STATUTORY RESERVE

Statutory reserves represent profits set aside by the Modaraba to comply with the Prudential Regulations for Modarabas issued by the SECP. 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 5.69 million which represents 20% of the profit after taxation for the period.

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 Contractual rentals receivable on Musharika Facility.

	2016			
	Due within one year	Due after one year but within five years	Due after five years	Total
	----- (Rupees) -----			
<i>Musharika finance facility:</i>				
- Principal repayments	14,976,517	68,681,331	-	83,657,848
- Profit	8,928,597	8,219,728	-	17,148,325
	23,905,114	76,901,059	-	100,806,173

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

Commitments

13.2 As at 30 June 2016, the Modaraba is in the process of finalization of Diminishing Musharika Facility of Rs. 100 million and a Syndicated Islamic Shari'ah based Shirkatul-ul-Milk Sukuk Facility of Rs. 100 million.

14 ADVISORY FEE

This includes an amount of Rs. 15 million pertaining to advisory services fee receivable from Pak Brunei Investment Company Limited.

15 INCOME ON BANK DEPOSIT

This includes pre-operating profit of Rs. 16,176,797. These saving accounts are placed with Islamic Banks / Islamic Banking windows of commercial banks and carry profit at average rate of 5.50% per annum.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

30 June 2016

(Rupees)

16 ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and other staff benefits	16.1	3,940,427
Depreciation on operating fixed assets	8	1,458
Fees and subscriptions		559,750
Repairs and maintenance		9,780
Advertising, travelling and entertainment expenses		235,164
Telecommunication		26,353
Postage		4,295
Printing and stationery		39,880
Auditor's remuneration	16.2	190,200
Legal and professional charges		695,363
Other expenses		1,025
		<u>5,703,695</u>

16.1 Salaries and other staff benefits include Rs. 0.28 million in respect of staff retirement benefits.

16.2 Auditors' remuneration

Statutory audit fee	125,000
Fee for review of compliance with the code of corporate governance	25,000
Fee for other certification	20,000
Sindh Sales tax	10,200
Out of pocket expenses	10,000
	<u>190,200</u>

17 MANAGEMENT COMPANY'S REMUNERATION

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the period ended 30 June 2016 has been allocated at 10% of the profit for the period before charging such remuneration.

18 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) due to which the Modaraba became liable to pay contribution to the Workers' Welfare Fund (WWF) at the rate of 2% on the higher of the profit before taxation as per the financial statements or the return of income.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

19 TAXATION

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 27, no provision for taxation has been made in these financial statements during the current period.

20 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

30 June 2016

(Rupees)

Basic

Profit for the period after taxation	28,442,871
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(Number)

Weighted average number of certificates outstanding during the period	100,000,000
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(Rupee)

Earnings per certificate	0.284
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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.

REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

21

2016

	Executives (Key management personnel)	Other employees	Total
	----- (Rupees) -----		
Basic salary	602,110	1,632,873	2,234,983
Allowances	270,949	734,793	1,005,742
Provident fund	60,211	94,841	155,052
Gratuity fund	50,776	76,859	127,635
Contribution to Employees' Old Age Benefit	3,048	11,331	14,379
Other benefits	193,780	208,856	402,636
	1,180,874	2,759,553	3,940,427
	----- (Number) -----		
Number of employees as at 30 June 2016	1	5	6

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

22 FINANCIAL RISK MANAGEMENT

The Modaraba has exposures to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors of the Management Company have overall responsibility for the establishment and oversight of Modaraba risk framework. The Board of management Company is also responsible for developing and monitoring the modaraba risk management policies.

22.1 Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates will effect the Modaraba's income or the value of its holdings of financial instruments.

Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk.

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. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

As at 30 June 2016, the Musharika Facility is exposed to interest rate risk as detailed in Note 6 to these financial statements.

Sensitivity analysis for variable rate instruments

In case of 100 basis points increase / decrease in profit rates on the last repricing date of variable rate instruments (other than savings deposits) with all other variables held constant, the net profit of the Modaraba will be higher / lower by Rs. 2,292.

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, 2016 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

There are no fixed rate financial instruments at 30 June 2016.

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 on 30 June 2016 the Modaraba does not hold any instruments which exposed it to price risk.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

22.2 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. 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 financial assets represents the maximum credit exposure at the reporting date.

30 June 2016
(Rupees)

Bank balances	933,524,819
Accruals and other receivables	22,956,557
Musharika Finance	83,657,848
Long term deposit	75,000
	<u>1,040,214,224</u>

Bank balances

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

A+	392,447
AAA	765,281,559
AA-	167,850,813
	<u>933,524,819</u>

Accruals and other receivables

This includes profit accruals on bank deposit, Musharika finance and receivables from customers and a related party. Accruals on bank deposits are maintained with banks having high credit ratings by respectable credit rating agencies. The profit accrued on Musharika Finance is secured against collateral. Advisory fees is to be deducted from future agreed disbursements of financial facilities to the customer.

Musharika Finance

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 (PRs) for Modarabas issued by the 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 financial support. In addition, the risk is mitigated through adequate insurance coverage of the assets under charge of the Modaraba, implementation of appropriate administrative controls that include outsourcing of internal audit function, appointment of rated external auditors, periodical monitoring of Key Performance indicators.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

The outstanding amount of Modaraba's disbursed Musharika finance is secured as the title to the Musharika assets is in the name of the Modaraba having aggregate Forced Sales Value (FSV) of Rs. 88.58 million. Moreover, additional security has been obtained amounting to Rs. 58.1 million having Forced Sales Value of Rs. 52.29 million. The Modaraba is entitled to sell these assets in case of default by the customer.

Long term deposit

This represents security deposit maintained with the Central Depository Company of Pakistan Limited.

Past due and impaired assets

No financial assets carried at amortized cost were past due or impaired either as at 30 June 2016.

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 Modarabas total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

The Modaraba's most significant investment is made with Islamic banks having high long term credit ratings by reputed credit rating agencies.

22.3 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:

	2016				
	Carrying amount	Contractual cash flows	Upto 1 month	Over 1 month to 3 months	Over 3 months to 1 year
	----- (Rupees) -----				
Financial liabilities					
Accrued expenses	1,613,197	(1,613,197)	1,338,470	150,000	124,727
Payable to related parties	12,414,540	(12,414,540)	-	12,414,540	-
	<u>14,027,737</u>	<u>(14,027,737)</u>	<u>1,338,470</u>	<u>12,564,540</u>	<u>124,727</u>

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.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

22.4 Financial instruments by category

	As at 30 June 2016		
	Loans and receivables	Held to maturity	Total
	(Rupees)		
Assets			
Bank balances	933,524,819	-	933,524,819
Accruals and other receivables	22,956,557	-	22,956,557
Musharika Finance	83,657,848	-	83,657,848
Long term deposit	75,000	-	75,000
	1,040,214,224	-	1,040,214,224

	As at 30 June 2016		
	At fair value through profit or loss	Other financial liabilities	Total
	(Rupees)		
Liabilities			
Accrued expenses	-	906,780	906,780
Payable to related parties	-	12,414,540	12,414,540
	-	13,321,320	13,321,320

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The Modaraba does not hold any investments as at 30 June 2016.

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

24 CAPITAL RISK 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.

25 SEGMENT INFORMATION

As per IFRS 8, "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis. The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

26 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 other than those which have been specifically disclosed elsewhere in the financial statements and remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

Notes to the Financial Statements

For the period from 10 February 2016 to 30 June 2016

26.1 Details of the transactions with related parties / connected persons:

30 June 2016

(Rupees)

Pak Brunei Investment Company Limited

- Holding company of the Management Company

Pre-operational expenses paid on behalf of the Modaraba	20,194,849
Reimbursement of salaries and other benefits	3,618,662
Other expenses	296,281
Advisory fee receivable	15,000,000

Awwal Modaraba Management Limited

- Management Company

Pre-operational expenses paid on behalf of the Modaraba	500,000
Management Company's remuneration	3,734,380

Key management personnel

Salaries and other benefits	1,180,874
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26.2 Amounts outstanding as at year end

Pak Brunei Investment Company Limited

- Holding company of the Management Company

Receivable balance in respect of advisory services	15,000,000
Payable balance against expenses paid on behalf of the Modaraba	8,332,104

Awwal Modaraba Management Limited

- Management Company	4,082,436
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27 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on 26 August 2016 approved a cash distribution of Rs. 0.227 per certificate. The financial statements of the Modaraba for the period ended 30 June 2016 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending 30 June 2017.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 26 August 2016 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director

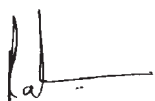


Director

Notice of Annual Review Meeting

Notice is hereby given that the First Annual Review Meeting of certificate-holders of Awwal Modaraba (AM) will be held on Monday, 17 October 2016 at 03:00 p.m. at the Registered office of Awwal Modaraba Management Limited situated at Horizon Vista, Plot Commercial No. 10, Block No. 4, Scheme No 5, Clifton, Karachi, to review the performance of the Modaraba for the year ended 30 June 2016 covering the period from 10 February 2016 to 30 June 2016.

On behalf of the Board



Rahaila Aleem

Company Secretary
Awwal Modaraba Management Limited
Managers of Awwal Modaraba
24 September 2016
Karachi.

Notes:

1. The certificate transfer books shall remain closed from Saturday, 08 October 2016 to Monday, 17 October 2016 (both days inclusive). Transfers received in order at the office of the Registrar of Awwal Modaraba M/s THK Associates (Pvt.) Ltd., before the close of business hours on Friday, 07 October 2016 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 (Pvt.) Ltd, at their address mentioned below.
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 2016 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**

The Government of Pakistan through Finance Act, 2016 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The withholding tax rates for tax year 2016-2017 are as under:

 - (a) Rate of tax deduction for the filer(s) of income tax returns: 12.5%
 - (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 @ 12.5% 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 closed period (referred above) otherwise tax on their cash dividend will be deducted @20% instead @12.5%.

For any query/problem/information, the Certificate holders may contact the Share Registrar at below mentioned address.

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 Modaraba 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 / CDS	Total Certificates	Principal Certificate holder		Joint Certificate holder	
		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 the close of business on Friday, 07 October 2016; otherwise it will be assumed that the certificates are equally held by Principal certificate holder and Joint-holder(s).

7 **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 the address mentioned below.**

CERTIFICATE HOLDERS AWARENESS ON CNIC REQUIREMENT/ BANK MANDATE

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, all Certificate Holders are therefore requested to submit a copy of valid CNIC (only Physical Certificate holders), if not already provided to Awwal Modaraba or to our share registrar, at below mentioned address.

In case of non-receipt of the copy of valid CNIC, AWWAL MODARABA would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore may be constrained under Section 251 (2) (a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders for the year ended 30 June 2016 announced by the Board of Directors in their meeting held on 26 August 2016.

Furthermore, the Modaraba encourages its certificate holders to provide dividend mandate of their respective Banks. The benefits associated with this are instant credit of dividends, no chances of dividend warrants getting lost in the post, undelivered or delivered to wrong address, etc. For more information, you may contact our share registrar at:








THK ASSOCIATES (PVT) LIMITED
2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.
Telephone No. 111-000-322, Fax No. 021-35655595.










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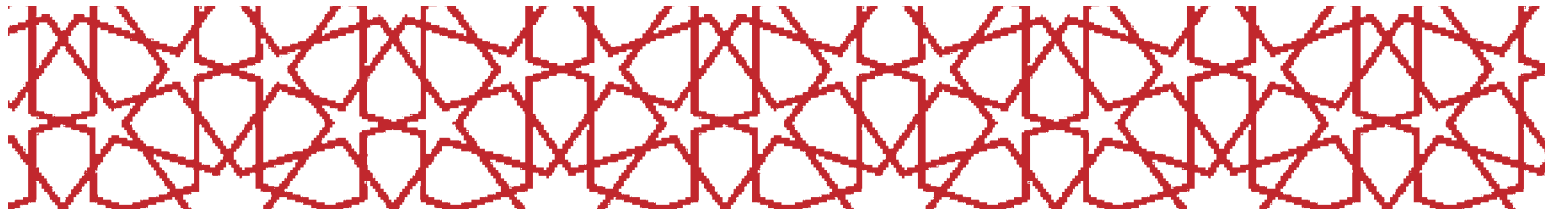


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