

The cover features a red header bar at the top and a red vertical bar on the right side. A large olive green shape, resembling a quarter-circle, is positioned in the bottom-left corner. The company name is centered in the upper half, and the report title is placed within the olive green shape.

AWWAL **MODARABA**

ANNUAL REPORT
JUNE 2017

Annual Report

**AWWAL MODARABA
JUNE 2017**

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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

Mr. Khalid Aziz Mirza
Ms. Ayesha Aziz
Mr. Abdul Jaleel Shaikh
Mr. Abdul Hafeez
Mr. Ahmed Ateeq
Mr. Karim Hatim

Chairman

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

Company Secretary

Ms. Rahaila Aleem

Audit Committee

Mr. Abdul Jaleel Shaikh
Mr. Khalid Aziz Mirza
Mr. Abdul Hafeez
Mr. Ahmed Ateeq

Chairman
Member
Member
Member

Bankers

Habib Bank Limited
Soneri Bank Limited
Dubai Islamic Bank Pakistan Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

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 AM for the year ended 30 June 2017.

Economic Activity

Pakistan's economy is estimated to have grown at a rate of 5.28 percent in 2016-17 as compared to a rate of 4.50 percent in the prior year. While all sectors performed positively, the contribution of the industrial sector remained sub-par. The growth rate of 5.28 percent is on the back of growth of 5.02 percent from industry, 5.98 percent from services sector and 3.46 percent from agriculture sector.

The accommodative monetary policy stance, increase in development spending, substantial growth in private sector credit, increased activities in the power sector and overall pro-growth policies were all instrumental in achieving this impressive growth performance.

The balance of payments has been a continuing cause of concern as Pakistan's exports have been facing headwinds for the past two years mostly due to weak global demand and lower commodity prices. However, the rise in overall import payments was mainly driven by higher purchases of fuel and capital equipment. This is understandable, given that Pakistan is transitioning from a low growth to higher growth economy, and is therefore faced with supply-side bottlenecks in energy and infrastructure signaling higher imports. Therefore, prospects for future growth in the industrial sector are bright.

The country's outlook looks promising on the back of agricultural recovery, rebound in industrial activities and inflow of investment under China Pakistan Economic Corridor (CPEC). The CPEC will strengthen human ties across both sides of the border. Along the CPEC route, new industrial zones should open opportunities for investment. Moreover, Joint ventures between Pakistani and Chinese corporations should promote healthy business environment.

We hope that a multiplier effect from CPEC and other economic and infrastructure based initiatives will further boost the economy with trickle-down effect.

Operating Results and Business Review

	30 June 2017 (Rupees '000')	30 June 2016 (Rupees '000')
Balance Sheet		
Certificate capital	1,000,000	1,000,000
Total equity	1,160,141	1,028,443
Investment in Musharika Finance	683,223	83,658
Profit & Loss		
Revenue	208,214	61,924
Operating expenses	30,595	5,707
Preliminary expenses	-	23,459
Profit before Management Fee	177,620	32,758
Net profit for the year	154,398	28,443

	30 June 2017 (Rupees '000')	30 June 2016 (Rupees '000')
Appropriations		
Net profit for the year	154,398	28,443
Profit distribution @ 12.25% (2016: @2.27%)	122,500	22,700
Statutory reserve	30,879	5,689
Unappropriated profit carried forward	1,072	54
Earnings per certificate	1.54	0.28

The Modaraba completed its first full year of operations on 30 June 2017. Modaraba overall posted a healthy profit before tax of Rs. 154.39 million in FY2017. With successful conclusion of transactions, total revenues amounted to Rs. 208.21 million in FY2017 of which advisory fee comprised Rs. 128.77 million. Income from portfolio invested through Islamic modes of financing registered at Rs. 52.07 million as funds were gradually deployed. We expect it to be substantially higher next year with total outstanding portfolio amounting to Rs. 833.22 million as on 30 June 2017. Operating expenses were contained to less than 15% of revenues while management company's remuneration amounted to Rs. 17.76 million.

We remained focused on our strategy to provide advisory services and financial support to start-ups, growth and financially distressed companies through Shariah compliant modes. All transactions are duly considered and vetted by our esteemed Shari'ah Advisor to ensure that Shari'ah principles are enforced in their full essence and spirit. Key policies, including Credit policy, are also reviewed and approved by the Shari'ah Advisor.

Profit Distribution

The Board in its meeting held on 18 August 2017 has approved cash dividend of Rs. 1.225 (12.25%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2017.

To comply with Prudential Regulations for Modarabas, the Board of Directors has transferred Rs. 30.88 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.

Future Strategy

We have a healthy and diverse pipeline of projects for the current year focusing on our core objective of investing in distressed companies with good turnaround potential and infrastructure financing. We are also looking at pure advisory transactions to contribute directly to the bottom-line.

Compliance with Corporate Governance

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 Code of Corporate Governance as set out in the listing regulations of Pakistan Stock Exchange Limited, relevant for the year ended 30 June 2017.

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 2017 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
Ms. Ayesha Aziz	1
Mr. Abdul Jaleel Shaikh	4
Mr. Ayyaz Ahmad	4
Mr. Ahmed Ateeq	4
Mr. Abdul Hafeez	4
Mr. Karim Hatim (CEO)	4

Leave of absence was granted to the director 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. Subsequent to the year ended 30 June 2017, the Board of Directors appointed non-executive director as head of the Audit Committee and increased the number of Audit Committee members to four.
- 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. Ayyaz Ahmad	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.
- 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 year under review.
- Modaraba's provident fund is in registration process and is also planning to set up gratuity fund. The Modaraba recorded Rs. 510,957 for provident fund and Rs. 522,871 for the gratuity for the year.

The Board of Directors

There have been no change in the Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba during the preceding year. Subsequently 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 subject to approval of Registrar Modaraba.

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 2018, 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 2017 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: 18 August 2017

- ☆ سال کے دوران ہیومن ریسورس مینجمنٹ کمیٹی کی ایک میٹنگ کا انعقاد ہوا جس میں عملہ کے معاوضے کی سفارشات کو حتمی شکل دی گئی۔
- ☆ سرٹیفیکیٹ ہولڈنگ کا خلاصہ اس سالانہ مالیاتی رپورٹ میں شامل ہے۔
- ☆ مضاربہ کے سرٹیفیکیٹس میں بورڈ آف ڈائریکٹرز، ای او، 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 ڈکریٹریٹ ہولڈنگ کے پیٹرن میں کیا گیا ہے۔
- ☆ مضاربہ کا پراویڈینٹ فنڈ رجسٹریشن کے عمل میں ہے اسکے علاوہ گریجویٹ فنڈ کے قیام کا ارادہ ہے۔ مضاربہ نے پراویڈینٹ فنڈ کی مد میں 0.510 ملین روپے اور گریجویٹ فنڈ کی مد میں 0.522 ملین روپے مختص کئے ہیں۔

بورڈ آف ڈائریکٹرز:

اول مضاربہ کی انتظامی کمپنی اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز میں گزشتہ سال کے دوران کوئی تبدیلی واقع نہیں ہوئی۔ بعد ازاں جناب ایاز احمد صاحب نے اول مضاربہ مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز سے استعفیٰ دے دیا جو کہ ۱۰ اگست ۲۰۱۷ء سے نافذ العمل ہوگا۔ جناب خالد عزیز مرزا صاحب کو جناب ایاز احمد صاحب کی جگہ ۱۰ اگست ۲۰۱۷ء کو بطور ڈائریکٹر تعینات کیا گیا جن کی تعیناتی رجسٹر ارمضاربہ کی اجازت سے مشروط ہے۔

آڈیٹرز:

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز KPMG تاخیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹ کی تقرری کی منظوری دی جو کہ تقرری کیلئے اہلیت رکھتے ہیں اور اس کے متمنی بھی ہیں۔ ان کا تقرر 30 جون 2018ء تک کے مالیاتی سال کے لئے مضاربہ کے آڈیٹرز کے طور پر کیا گیا ہے جو کہ رجسٹر ارمضاربہ کمپنی اور 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 رجسٹر ارمضاربہ 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 2017ء کی مدت کے لئے مضاربہ کے معاملات کے لئے 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 ہوئی مالی مضاربہ کمپنی پر اعتماد کیا۔

بورڈ کی جانب سے

(منہا)
کریم حاتم
چیف ایگزیکٹو

مورخہ 18 اگست 2017ء

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 ایکویٹی 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، ڈیوٹیز اور دیگر چارجز کے اکاؤنٹ پر کوئی ادائیگی واجب الادا نہیں ہے جو کہ مالیاتی سال 30 جون 2017ء سے متعلق ہے ماسوائے اس کے کہ جو مالیاتی حسابات میں درج ہے۔
- ☆ زیر جائزہ مدت کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد ہوئیں۔

شرکت کرنے والے ڈائریکٹرز کی لسٹ درج ذیل ہے:

میٹنگز میں شرکت کرنے کی تعداد

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ڈائریکٹرز کا نام

محترمہ عائشہ عزیز

عبدالجلیل شیخ

ایاز احمد

احمد عتیق

عبدالحمید

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 تقرری کی سفارش بھی آڈٹ کمیٹی کی ذمہ داری ہے۔ بعد از اختتام سال 30 جون 2017ء بورڈ آف ڈائریکٹرز نے نان ایگزیکٹو ڈائریکٹر کو آڈٹ کمیٹی کا ہیڈ تعینات کیا اور آڈٹ کمیٹی کے ممبران کی تعداد بڑھا کر چار کر دی۔

☆ زیر نظر مدت کے دوران آڈٹ کمیٹی کی چار میٹنگز منعقد ہوئیں۔

میٹنگز میں شرکت کرنے والوں کی تعداد

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ایاز احمد

احمد عتیق

عبدالحمید

شرکت کرنے والے ممبران درج ذیل تھے:

30 جون 2016ء
(پاکستانی روپے '000)

30 جون 2017ء
(پاکستانی روپے '000)

منافع کا تصرف

28,443	154,398	تصرف کے لئے دستیاب منافع
22,700	122,500	منافع کی تقسیم بحساب 12.25% (2016: بحساب 2.27%)
5,689	30,879	منتقلی اسٹیچوٹری ریزرو
54	1,072	غیر تصرف شدہ منافع
0.28	1.54	آمدنی فی سرٹیفکیٹ

اول مضاربہ نے اپنے پہلے مکمل کاروباری سال کا اختتام ۳۰ جون ۲۰۱۷ء کو کیا۔ مضاربہ نے مالی سال ۲۰۱۷ء میں 154.39 ملین روپے کا صحت مند منافع قبل از ٹیکس حاصل کیا۔ مالی سال ۲۰۱۷ء کے کاروباری لین دین کے کامیاب اختتام پر کل آمدنی 208.21 ملین روپے رہی جس میں مشاورتی معاوضہ 128.77 ملین روپے رہا۔ اسلامی ذرائع کے تحت کی جانے والی مجموعی سرمایہ کاری کی آمدن 52.07 ملین روپے رہی جبکہ سرمائے کو بتدریج استعمال میں لایا گیا۔ ہم اگلے سال اس میں خاطر خواہ اضافہ کی توقع کرتے ہیں۔ ۳۰ جون ۲۰۱۷ء کا واجب الادا سرمایہ 833.22 ملین روپے رہا۔ کاروباری اخراجات کو آمدنی کے ۱۵ فیصد تک محدود رکھا گیا جبکہ انتظامی کمپنی کا معاوضہ 17.76 ملین روپے رہا۔ ہم نو وارد کمپنیوں، ان کی ترقی اور معاشی طور پر بد حال کمپنیوں کو شرعی طرز پر مشاورتی خدمات اور سرمایہ فراہم کرنے کی حکمت عملی پر کاربند رہے۔ ہمارے شرعی مشیر اس بات کو یقینی بناتے ہیں کہ تمام کاروباری معاملات بنیادی شرعی قوانین اور روح کے مطابق ہیں۔ مضاربہ کی اہم پالیسیاں بشمول کریڈٹ پالیسی شرعی مشیر سے جائزہ اور تصدیق شدہ ہیں۔

منافع کی تقسیم:

بورڈ آف ڈائریکٹرز نے ۱۸ اگست ۲۰۱۷ء کو منعقدہ اجلاس میں ۳۰ جون ۲۰۱۷ء کو ختم ہونے والی مالی سال کے لئے 10/- روپے کے سرٹیفکیٹ پر کیش ڈیویڈنڈ 1.225 روپے (12.25%) بعد از ٹیکس اور زکوٰۃ جہاں اطلاق ہو منظور کیا ہے۔

مضاربہ کے متعلقہ قوانین پر عمل کرتے ہوئے بورڈ آف ڈائریکٹرز نے مبلغ 30.88 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 سرٹیفکیٹ کی پیمائش کے 100% کے مساوی نہ ہو جائے۔ بعد ازاں منافع بعد از ٹیکس کا 5% منتقل کیا جائے گا۔

مستقبل کی حکمت عملی:

موجودہ سال میں ہمارے پاس متعدد منافع بخش اور متنوع منصوبے زیر غور ہیں جو کہ ہمارے بنیادی مقاصد یعنی مالیاتی مشکلات کا شکار کمپنیاں جو کہ بہتری کی صلاحیت کی حامل ہیں کو تعمیری سرمایہ کاری کی فراہمی۔ ہماری نظر خالص مشاورتی معاملات پر بھی ہے جو کہ براہ راست منافع میں خاطر خواہ اضافہ کر سکیں۔

نظم و ضبط پر عمل کرنا:

بورڈ آف ڈائریکٹرز اسٹاک ایکسچینج اور SECP کی جانب سے جاری کردہ مختلف ہدایات پر کاربند ہیں۔ مضاربہ اختتامی سال 30 جون 2017ء پاکستان اسٹاک ایکسچینج لمیٹڈ کے لسٹنگ ریگولیشن میں موجود کوڈ آف کارپوریٹ گورننس پر بھی کاربند ہے۔

ڈائریکٹرز رپورٹ

برائے اختتام سال ۲۰۱۷ء جون ۲۰۱۷ء

اول مضاربہ بینجمنٹ لمیٹڈ، اول مضاربہ کی منتظم کمپنی کے ڈائریکٹران اول مضاربہ کے آڈٹ شدہ حسابات برائے اختتام سال ۲۰۱۷ء کو پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

معاشی سرگرمی:

پاکستان کی معیشت میں ترقی کے تناسب کا تخمینہ برائے سال ۲۰۱۶ء-۲۰۱۷ء سال گزشتہ کے ۵۰-۴۰ فیصد کے مقابلہ میں ۲۸-۵۰ فیصد لگایا گیا ہے۔ گوکہ تمام شعبوں میں کارکردگی مثبت رہی تاہم صنعتی شعبے کی کارکردگی توقع سے کم رہی۔ ۲۸-۵۰ فیصد کی ترقی کا تناسب صنعت کے شعبے میں ۰۲-۵۰ فیصد، خدمات کے شعبے میں ۹۸-۵۰ فیصد اور ذراعت کے شعبے میں ۴۶-۳۰ فیصد اضافہ کا حاصل ہے۔

مالیاتی لائحہ عمل کا پلکار موٹف، ترقیاتی اخراجات میں اضافہ، نجی شعبے کو قرضے کی فراہمی میں قابل قدر اضافہ، توانائی کے شعبے کی سرگرمیوں میں اضافہ اور مجموعی طور پر ترقی کی موافقت پر مبنی لائحہ عمل نے اس قابل قدر ترقی کے حصول میں کلیدی کردار ادا کیا ہے۔

پاکستانی برآمدات کی توازن ادائیگی مسلسل تشویش کا باعث ہے جس کی وجہ سے گزشتہ دو برسوں سے مجموعی طور پر عالمی طلب میں کمی اور اجناس کے گرتے ہوئے نرخ ہیں۔ جبکہ درآمدی اشیاء کی ادائیگی میں اضافے کا سبب ایندھن اور پائیدار آلات کی خرید میں اضافہ ہے۔ یہ بات قابل فہم ہے کہ پاکستان کم ترقی کے تناسب کی معیشت سے اعلیٰ ترقی کے حامل معاشی دور میں داخل ہو رہا ہے اور بنیادی ڈھانچے کی رسد میں کمزوری اس کی راہ میں مزاحم ہیں جو کہ ان شعبوں میں استحکام کے لئے مزید برآمدات کا متقاضی ہیں۔ لہذا مستقبل میں صنعتی شعبے میں ترقی کے امکانات روشن ہیں۔

ذریعہ شعبے کی بحالی، صنعتی شعبے کی سرگرمیوں میں اضافہ اور چائنہ پاکستان اقتصادی راہداری (CPEC) کے تحت سرمائے کی فراہمی ملک کے روشن مستقبل کی نوید ہے۔ CPEC سرحد کے دونوں جانب رہنے والے انسانوں کے درمیان رابطوں کو مضبوط کرے گا۔ CPEC کی راہ میں نئے صنعتی علاقوں کا قیام سرمایہ کاری کے فروغ کا باعث بنے گا۔ اسکے علاوہ پاکستانی اور چائیز اداروں کے درمیان باہمی شراکت صحتمند اور سازگار تجارتی ماحول کے فروغ کا باعث ہوگا۔

ہم امید کرتے ہیں کہ CPEC، دوسرے معاشی اور بنیادی ڈھانچے کی بہتری کے اقدامات معاشی ترقی کے فروغ اور ہمہ گیر اثرات کا باعث ہوں گے۔

کاروباری نتیجہ و جائزہ درج ذیل ہے:

30 جون 2016ء	30 جون 2017ء	
(پاکستانی روپے '000)	(پاکستانی روپے '000)	
1,000,000	1,000,000	بیلنس شیٹ
1,028,443	1,160,141	مضاربہ سرٹیفکیٹ
83,658	683,223	کل ایکویٹی
		مشارکہ میں سرمایہ کاری
		نفع و نقصان کا اسٹیٹمنٹ
61,924	208,214	آمدنی
5,707	30,595	اخراجات
23,459	-	پر پلیمزری اخراجات
32,758	177,620	انتظامی فیس سے قبل منافع
28,443	154,398	خالص منافع

Pattern of holding of Certificates by the Certificate-holders

As at 30 June 2017

No. of Certificate holders	Certificate holding		Total Certificates held
	From	To	
35	1	100	329
220	101	500	109,370
13	501	1000	13,000
11	1001	5000	28,235
3	5001	10000	25,000
1	20001	25000	20,500
1	9995001	10000000	10,000,000
1	89800001	89805000	89,803,566
285			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		275	182,934	0.1829%
2	OTHER CORPORATE ENTITIES		1	10,000	0.0100%
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	99,803,566	99.8036%
	Awwal Modaraba Management Limited	10,000,000			
	Pak Brunei Investment Company Limited	89,803,566			
6	FOREIGN INVESTORS		1	500	0.0005%
	TOTAL		285	100,000,000	100.0000%

Statement of Compliance with the Code of Corporate Governance

Year ended 30 June 2017

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in clause 5.19.24 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

*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 subject to approval of Registrar Modaraba.

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. No casual vacancies occurred on the Board of Directors during the year ended 30 June 2017.
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 her 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 2017, there are 4 directors out of 6 (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. Subsequent to the year ended 30 June 2017, the Board of Directors appointed non-executive director as head of the Audit Committee and increased the number of Audit Committee members to four.
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 board has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is a non-executive director.
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. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. 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: 18 August 2017



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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 Modaraba Company) of Awwal Modaraba for the year ended 30 June 2017 to comply with the requirements of Listing Regulation No. 5.19.24 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 Modaraba Company. 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 Modaraba Company's personnel and review of various documents prepared by the Modaraba Company to comply with the Code.

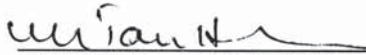
As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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 Modaraba 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 year ended 30 June 2017.

Date: 18 August 2017

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

Muhammad Hassaan Kaleem

Lecturer, Jamia Darul Uloom, Karachi
Shariah Advisor for Financial Matters

Dated: 15th Aug, 2017

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, 2017 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

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Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of **Awwal Modaraba** as at 30 June 2017 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 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 the accounting policies consistently applied;
 - 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, cash flow statement and statement of



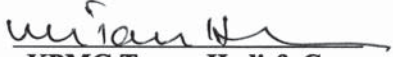
KPMG Taseer Hadi & Co.

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 2017 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: 18 August 2017

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at 30 June 2017

	Notes	30 June 2017	30 June 2016
(Rupees)			
ASSETS			
Current assets			
Bank balances	4	252,808,456	933,524,819
Accruals, prepayments, advances and other receivables	5	14,114,954	23,177,542
Current portion of receivable against advisory fee	6	50,350,918	-
Current portion of Investment against repurchase agreement	7	31,999,984	-
Current portion of Musharika Finance	8	133,320,267	14,976,517
Current portion of Diminishing Musharika Finance	9	16,666,670	-
Current portion of long term loans	10	1,450,622	-
Receivable from related party	11	1,024,309	-
Short term investment	12	100,000,000	-
Taxation recoverable		4,514,543	2,602,324
Total current assets		606,250,723	974,281,202
Non - current assets			
Receivable against advisory fee	6	20,695,477	-
Investment against repurchase agreement	7	17,999,991	-
Long term portion of Musharika Finance	8	262,928,681	68,681,331
Long term portion of Diminishing Musharika Finance	9	270,307,539	-
Long term loans	10	2,176,790	-
Long term deposit		75,000	75,000
Intangible asset	13	398,832	-
Operating fixed assets	14	3,107,755	13,542
Total non-current assets		577,690,065	68,769,873
TOTAL ASSETS		1,183,940,788	1,043,051,075
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses	15	18,758,432	2,193,664
Payable to related parties	16	5,037,388	12,414,540
Unclaimed profit distribution		4,231	-
Total liabilities		23,800,051	14,608,204
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each	17	1,000,000,000	1,000,000,000
Issued, subscribed, and paid-up certificate capital			
100,000,000 certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Statutory reserve	18	36,568,147	5,688,574
Unappropriated profit		123,572,590	22,754,297
		1,160,140,737	1,028,442,871
TOTAL LIABILITIES AND EQUITY		1,183,940,788	1,043,051,075

COMMITMENTS

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

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2017

		30 June 2017	For the period from 10 February 2016 to 30 June 2016
	Notes		(Rupees)
Income			
Advisory fee		128,766,352	23,442,982
Income from Investment against repurchase agreement		5,172,413	-
Income from Musharika Finance		28,986,795	25,395
Income from Diminishing Musharika Finance		10,641,789	-
Income from deposits with banks		27,373,597	38,455,312
Income from Sukuk certificates		7,273,617	-
		208,214,563	61,923,689
Expenses			
Administrative and operating expenses	20	(30,575,784)	(5,703,695)
Preliminary expenses		-	(23,459,243)
Financial charges		(18,888)	(3,033)
		177,619,891	32,757,718
Management Company's remuneration		(17,761,989)	(3,275,772)
Provision for services sales tax on Management Company's remuneration	21	(2,309,059)	(458,608)
Provision for Workers' Welfare Fund	15.1	(3,150,977)	(580,467)
		(23,222,025)	(4,314,847)
Profit for the year / period before taxation		154,397,866	28,442,871
Taxation	22	-	-
Profit for the year / period after taxation		154,397,866	28,442,871

There are no items of other comprehensive income to report and hence profit for the year / period equals to total comprehensive income.

----- (Rupee/es) -----

Earnings per certificate - basic and diluted	23	1.54	0.28
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The annexed notes from 1 to 30 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 year ended 30 June 2017

30 June
2017

For the period
from 10 February
2016 to 30 June
2016

(Rupees)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year / period before taxation

154,397,866

28,442,871

Adjustments for non-cash items

Depreciation on operating fixed assets

448,724

1,458

Amortisation on intangible asset

21,899

-

154,868,489

28,444,329

(Increase) / decrease in assets

Accruals, prepayments, advances and other receivables

9,062,588

(23,177,542)

Receivable against advisory fee

(71,046,395)

-

Investment against repurchase agreement

(49,999,975)

-

Musharika Finance

(312,591,100)

(83,657,848)

Diminishing Musharika Finance

(286,974,209)

-

Long term loans

(3,627,412)

-

Receivable from related party

(1,024,309)

-

Short term investment

(100,000,000)

-

Long term deposit

-

(75,000)

(816,200,812)

(106,910,390)

Increase / (decrease) in liabilities

Accrued expenses

16,564,768

2,193,664

Payable to related parties

(7,377,152)

12,414,540

Unclaimed profit distribution

4,231

-

9,191,847

14,608,204

Taxes paid

(1,912,219)

(2,602,324)

Net cash used in operating activities

(654,052,695)

(66,460,181)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure

(3,963,668)

(15,000)

Net cash used in investing activities

(3,963,668)

(15,000)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of certificate capital

-

1,000,000,000

Profit paid to certificate holders

(22,700,000)

-

Net cash (used in) / from financing activities

(22,700,000)

1,000,000,000

Net (decrease) / increase in cash and cash equivalents

(680,716,363)

933,524,819

Cash and cash equivalents at beginning of the year / period

933,524,819

-

Cash and cash equivalents at end of the year / period

252,808,456

933,524,819

The annexed notes from 1 to 30 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 year ended 30 June 2017

	Paid up certificate capital	Reserves Statutory reserve	Unappropriated profit	Total
	----- (Rupees) -----			
Balance as at 10 February 2016	-	-	-	-
Transaction with Certificate Holders of the Modaraba - Contribution				
Issue of certificate capital	1,000,000,000	-	-	1,000,000,000
Total comprehensive income for the period - Profit for the period from 10 February 2016 to 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
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 period 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

The annexed notes from 1 to 30 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 year ended 30 June 2017

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, 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 registered office is situated at 6th Floor, Horizon Vista, Plot No. Commercial 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 Limited.

2. BASIS OF PREPARATION

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 (IASB) as are notified under the repealed Companies Ordinance, 1984, Islamic Financial Accounting Standard (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, Prudential Regulations for Modarabas 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), Prudential Regulations for Modarabas 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), Prudential Regulations for Modarabas or the directives issued by the SECP shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Modaraba's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

Notes to the Financial Statements

For the year ended 30 June 2017

2.4 Significant accounting estimates and judgements

In preparing these financial statements management has made judgement, 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. Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are described in the following:

- i) Classification of financial instruments (note 3.2.1 - 3.2.1.7).
- ii) Provision for impairment (note 3.2.2)
- iii) Provision for taxation (note 3.3 and 22).
- iv) Residual values, useful lives and depreciation methods of operating fixed assets (notes 3.4)
- v) Residual values, useful lives and amortisation methods of intangible assets (notes 3.5)

2.5 Standards, Interpretations and Amendments which became effective during the year

During the year, amendments to certain standards became effective which were not relevant to the Modaraba's accounting policies.

2.6 Standards, Interpretations and Amendments 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 2017:

- 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 further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. 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

Notes to the Financial Statements

For the year ended 30 June 2017

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.
- 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.
- 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.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'.
 - 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

Notes to the Financial Statements

For the year ended 30 June 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 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.

3.2.1 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:

3.2.1.1 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 and loss if Modaraba manages such investments and make 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 investment, representing listed equity securities are determined on the basis of prevailing market prices at the Pakistan Stock Exchange Limited or

Notes to the Financial Statements

For the year ended 30 June 2017

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.

3.2.1.2 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 interest method.

3.2.1.3 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.

3.2.1.4 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 are classified as 'Loans and Receivables'. 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.

3.2.1.5 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.

3.2.1.6 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.

3.2.1.7 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

Notes to the Financial Statements

For the year ended 30 June 2017

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.

3.2.2 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 consider the requirement of applicable Prudential Regulation for Modaraba 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.

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

Notes to the Financial Statements

For the year ended 30 June 2017

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.

3.3 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.

3.4 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 repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

Notes to the Financial Statements

For the year ended 30 June 2017

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.

3.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged using the straight line method over assets estimated useful life at the rates stated therein, after taking into account 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 asset is available for use up to the date the asset is 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.

3.6 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.

3.7 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.

Notes to the Financial Statements

For the year ended 30 June 2017

- Capital gain / loss on sale of equity investments is recognised in the profit and loss account on the date of transaction.

3.8 Staff Retirement Benefit

3.8.1 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.

3.8.2 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.

3.9 Leave fair assistance

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

3.10 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.

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.

3.13 Expenses

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

Notes to the Financial Statements

For the year ended 30 June 2017

4. BANK BALANCES

	Notes	30 June 2017	30 June 2016
		(Rupees)	
<i>Balances with banks</i>			
- in current accounts		4,283	-
- in deposit accounts	4.1	252,804,173	933,524,819
		<u>252,808,456</u>	<u>933,524,819</u>

- 4.1** These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 5.4% (2016: 5.5%) per annum.

5. ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

Accrued profit on Investment against repurchase agreement		5,172,412	-
Accrued profit on Musharika Finance		2,078,507	25,395
Accrued profit on Diminishing Musharika Finance		4,673,942	-
Accrued profit on Sukuk certificates		873,809	-
Accrued profit on deposit accounts		871,996	4,431,700
Advance against salaries	5.1	28,191	-
Other advance		50,000	-
Prepayments		366,097	220,985
Other receivables	5.2	-	18,499,462
		<u>14,114,954</u>	<u>23,177,542</u>

- 5.1** This represent expenses incurred by the Modaraba on behalf of respective employees which will be adjusted against their respective salaries.

- 5.2** The amount of Rs. 18.4 million included in 'other receivable' has been reclassified as receivable from related party as the relevant amount has been received by such related party on behalf of the Modaraba in current year.

6. RECEIVABLE AGAINST ADVISORY FEE

This represents advisory fee receivable from customers in connection with Diminishing Musharika Finance facilities provided by the Modaraba.

It includes receivable against advisory fee amounting to Rs. 31.5 million which has been securitised by transfer of 1.673 million shares of the underlying financee company to the Modaraba. As per the agreement, such shares will be offered to the Sponsor against the due instalment of advisory fee in 24 quarterly instalments. During the year, Modaraba has offered 390,148 shares to the Sponsors for an amount of Rs. 9.58 million.

The remaining balance of advisory fee amounting to Rs. 39.55 million is secured against lien on debt collection account of the customer.

Notes to the Financial Statements

For the year ended 30 June 2017

7. INVESTMENT AGAINST REPURCHASE AGREEMENT

	Notes	30 June 2017	30 June 2016
		(Rupees)	
Investment against repurchase agreement - secured	7.1	49,999,975	-
less: current portion of investment		(31,999,984)	-
		<u>17,999,991</u>	<u>-</u>

- 7.1** On 28 December 2016, the Modaraba has entered into an agreement with the holding company (finanee) for purchase and sale of 301,750 shares of finanee's subsidiary company. As per the arrangement the underlying shares will be offered to the finanee company at pre agreed prices on various offer dates. The shares repurchased by the finanee 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. MUSHARIKA FINANCE

Musharika finance - secured	8.1	396,248,948	83,657,848
less: current portion of Musharika Finance		(133,320,267)	(14,976,517)
		<u>262,928,681</u>	<u>68,681,331</u>

- 8.1** The Modaraba has provided Musharika Finance facilities to various customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 74% to 97.4% and 2.6% to 26% respectively. The customers have transferred the titles of the assets in the name of the Modaraba according to the terms of the agreement, the combined forced sales value of which amounts to 512.86 million. Apart from this, the Modaraba has obtained various securities against these facilities including personal guarantees of Sponsors / directors of customers, post dated cheques issued by customers, hypothecation of fixed assets, movables and receivables amounting in aggregate to Rs. 267 million. Further, in case of one customer, the Modaraba along with related party of the Modaraba holds 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 + 6% to 6 months KIBOR + 5%.

8.2 Contractual rentals receivable on Musharika Finance facilities:

	2017				2016			
	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)							
<i>Musharika Finance facilities:</i>								
- Principal repayments	133,320,267	262,928,681	-	396,248,948	14,976,517	68,681,331	-	83,657,848
- Profit	33,115,418	30,203,509	-	63,318,927	8,928,597	8,219,728	-	17,148,325
	<u>166,435,685</u>	<u>293,132,190</u>	<u>-</u>	<u>459,567,875</u>	<u>23,905,114</u>	<u>76,901,059</u>	<u>-</u>	<u>100,806,173</u>

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

Notes to the Financial Statements

For the year ended 30 June 2017

9. DIMINISHING MUSHARIKA FINANCE

	Notes	30 June 2017	30 June 2016
		(Rupees)	
Diminishing Musharika Finance - secured	9.1	286,974,209	-
less: current portion of Diminishing Musharika Finance		(16,666,670)	-
		<u>270,307,539</u>	<u>-</u>

- 9.1** During the year, Modaraba has provided Diminishing Musharika Finance facilities to its corporate customers for the purpose of balance sheet re-profiling. The facilities are secured against various collaterals which mainly include pari passu hypothecation charge over present and future fixed assets including plant and machinery and land and building with 25% margin, pari passu mortgage charges over present and future fixed assets up to an amount of Rs. 119.05 million, ranking charge of Rs. 50 million over current assets, pledge over Sponsor's shares, mortgage over personal properties of Sponsors having forced sales value of Rs. 72.23 million, lien on debt collection accounts of the customers and personal guarantees of the Sponsors, post dated cheques issued by the customers, and pledge of various equity securities of listed companies having aggregate market value of Rs. 18.7 million at reporting date.

These 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%.

9.2 Contractual rentals receivable on Diminishing Musharika Finance facilities:

	2017		
	Due within one year	Due after one year but within five years	Due after five years
	(Rupees)		
<i>Diminishing Musharika Finance facilities</i>			
- Principal repayments	16,666,670	230,371,032	39,936,507
- Profit	6,851,382	115,596,941	3,349,530
	<u>23,518,052</u>	<u>345,967,973</u>	<u>43,286,037</u>
			<u>412,772,062</u>

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

10. LONG TERM LOANS - considered good, unsecured

	Notes	30 June 2017	30 June 2016
		(Rupees)	
Due from executives	10.1	3,627,412	-
Less: receivable within one year		(1,450,622)	-
		<u>2,176,790</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 30 June 2017

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

10.2 Maximum balance due from employees during the year was Rs. 3.76 million (2016: Nil).

11. RECEIVABLE FROM RELATED PARTY

This represent receivable from Pak Brunei Investment Company Limited, a related party, against advisory services provided to the customers of related party.

12. SHORT TERM INVESTMENT	<i>Notes</i>	30 June 2017	30 June 2016
		(Rupees)	
Held-to-maturity investment:			
Investment in Sukuk certificates	12.1	100,000,000	-

12.1 This represents 100 privately placed sukuk certificates of Rs. 1,000,000 each issued by investee company (issuer) through Al-Baraka Bank (Pakistan) Limited, acting as investment agent of the issuer and have a maturity date of 15 months from the date of issue i.e. 25 November 2017. The profit on the sukuk will be paid quarterly at the rate of 3 months KIBOR plus 2.5%. The amount of principal will be paid at maturity of the issue. The fair value of underlying investment as at reporting date is Rs. 100,610,000. The fair value has been determined using rate notified by the Mutual Funds Association of Pakistan.

13. INTANGIBLE ASSET

Cost

Balance as at 01 July	-	-
Additions	420,731	-
Disposal	-	-
Balance as at 30 June	420,731	-

Amortisation

Balance as at 01 July	-	-
Charge for the year	21,899	-
Disposal	-	-
Balance as at 30 June	21,899	-

Net book value as at 30 June	398,832	-
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Annual rate of amortisation	33.33%
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13.1 This represents purchase of Oracle Database Standard Edition 2 licenses to meet software application requirements of the Modaraba.

Notes to the Financial Statements

For the year ended 30 June 2017

14. OPERATING FIXED ASSETS

	Furniture and Fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
	(Rupees)			
Cost				
Balance as at 10 February 2016	-	-	-	-
Additions	-	15,000	-	15,000
Disposal	-	-	-	-
Balance as at 30 June 2016	-	15,000	-	15,000
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
Accumulated depreciation				
Balance as at 10 February 2016	-	-	-	-
Charge for the period	-	1,458	-	1,458
Disposal	-	-	-	-
Balance as at 30 June 2016	-	1,458	-	1,458
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
Net book value as at 30 June 2016	-	13,542	-	13,542
Net book value as at 30 June 2017	44,640	1,653,324	1,409,791	3,107,755
Annual Rates of depreciation	20%	33% - 50%	25%	

15. ACCRUED EXPENSES

	Notes	30 June 2017	30 June 2016
		(Rupees)	
Audit remuneration payable		226,600	190,200
Payable to Tax Advisor		27,000	-
Payable to Shari'ah Advisor		100,000	100,000
Leave fare allowance and staff medical accrual		2,279,299	616,580
Sindh sales tax payable		8,541,927	706,417
Provision for Workers' Welfare Fund	15.1	3,731,444	580,467
Others	15.2	3,852,162	-
		18,758,432	2,193,664

Notes to the Financial Statements

For the year ended 30 June 2017

15.1 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. Therefore, management, in consultation with its legal advisor, is confident that similar interim injunction will be secured by the Modaraba. However, as matter of abundant caution, full provision in respect of Workers' Welfare Fund has been made in these financial statements.

15.2 This includes staff retirement benefit payable amounting to Rs. 1.41 million (2016: Nil).

16. PAYABLE TO RELATED PARTIES

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.

The 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.

17. CERTIFICATE CAPITAL

Authorised certificate capital

2017	2016		2017	2016
Number of certificates			(Rupees)	
<u>100,000,000</u>	<u>100,000,000</u>	Modaraba certificates of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up certificate capital				
<u>100,000,000</u>	<u>100,000,000</u>	Modaraba certificates of Rs. 10 each fully paid in cash	<u>1,000,000,000</u>	<u>1,000,000,000</u>

17.1 As at 30 June 2017, Awwal Modaraba Management Limited (the Management Company) and Pak Brunei Investment Company Limited held 10,000,000 (2016: 10,000,000) and 89,803,566 (2016: 89,697,566) certificates of Rs. 10 each respectively.

18. STATUTORY RESERVE

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

Notes to the Financial Statements

For the year ended 30 June 2017

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. 30.88 million (2016: Rs. 5.69 million) which represents 20% (2016: 20%) of the profit after taxation for the year.

19. COMMITMENTS

On 24 January 2017, the Modaraba had entered into a Musharika Finance Agreement with a customer for Rs. 30 million out of which Rs. 2.78 million has already been disbursed as disclosed in note 8 of these financial statements. Further, Diminishing Musharika Finance Facility sanctioned by the Modaraba which is not drawn by the customer as on 30 June 2017 amounts to Rs. 0.32 million (2016: Rs. 100 million).

20. ADMINISTRATIVE AND OPERATING EXPENSES

	Notes	30 June 2017	For the period from 10 February 2016 to 30 June 2016
(Rupees)			
Salaries and other staff benefits	20.1	19,953,239	3,940,427
Amortisation on intangible asset	13	21,899	-
Depreciation on operating fixed assets	14	448,724	1,458
Fees and subscriptions		898,619	559,750
Advertising, travelling and entertainment expenses		550,946	235,164
Telecommunication		151,565	26,353
Postage		13,362	4,295
Repair and maintenance		179,749	9,780
Printing and Stationary		219,526	39,880
Auditor's remuneration	20.2	309,100	190,200
Legal and professional charges		1,571,905	695,363
Insurance		48,983	-
Shared service expense	20.3	5,930,433	-
Other expenses		277,734	1,025
		30,575,784	5,703,695

20.1 Salaries and other benefits include Rs. 1.03 million (2016: Rs. 0.28 million) in respect of staff retirement benefits.

Notes to the Financial Statements

For the year ended 30 June 2017

**30 June
2017** For the period
from 10 February
2016 to 30 June
2016

20.2 Auditor's Remuneration

	(Rupees)	
Statutory audit fee	175,000	125,000
Half yearly review fee	50,000	-
Fee for review of compliance with the Code of Corporate Governance	25,000	25,000
Fee for other certifications	20,000	20,000
Sindh Sales Tax	17,600	10,200
Out of pocket expenses	21,500	10,000
	<u>309,100</u>	<u>190,200</u>

20.3 This represents shared service cost of the Modaraba charged by Pak Brunei Investment Company Limited (a related party) under a service level agreement.

21. PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax on the Modaraba Management Company's remuneration w.e.f 01 November 2011. However, certain other Modaraba Management Companies have approached Sindh Revenue Board regarding applicability of tax on management's remuneration which is currently pending for adjudication. In view of pendency of such matter with SRB, the Modaraba has not paid / discharged modaraba management company's remuneration and applicable tax. However, the Modaraba as a matter of abundant caution created a provision against sales tax in these financial statements.

22. 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 2017. Accordingly, no provision in respect of current and deferred taxation has been made in these financial statements.

23. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

	(Rupees)	
Basic		
Profit for the year / period after taxation	<u>154,397,866</u>	<u>28,442,871</u>
	(Number)	
Weighted average number of certificates outstanding during the year / period	<u>100,000,000</u>	<u>100,000,000</u>
	(Rupee/es)	
Earnings per certificate	<u>1.54</u>	<u>0.28</u>

Notes to the Financial Statements

For the year ended 30 June 2017

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.

24. REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2017		
	Executives (Key management personnel)	Other employees	Total
	----- (Rupees) -----		
Basic salary	1,656,246	5,444,299	7,100,545
Allowances	745,308	2,449,951	3,195,259
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	2,204,787	6,358,370	8,563,157
	<u>4,919,088</u>	<u>15,034,151</u>	<u>19,953,239</u>
	----- (Number) -----		
Number of employees as at 30 June 2017	<u>1</u>	<u>9</u>	<u>10</u>
	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
	<u>1,180,874</u>	<u>2,759,553</u>	<u>3,940,427</u>
	----- (Number) -----		
Number of employees as at 30 June 2016	<u>1</u>	<u>5</u>	<u>6</u>

Notes to the Financial Statements

For the year ended 30 June 2017

25. 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 including developing and monitoring the Modaraba risk management policies.

25.1 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Modaraba is exposed to currency risk, profit rate risk and 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 2017, the Musharika Facilities are exposed to profit rate risk as detailed in Note 8 and 9 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 with all other variables held constant, the net profit of the Modaraba will be higher / lower by Rs. 956,676 (2016: 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 2017 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 2017 accounted for at fair value by the Modaraba which exposed it to profit rate risk.

Notes to the Financial Statements

For the year ended 30 June 2017

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 2017, the Modaraba does not hold any instruments which exposed it to price risk.

25.2 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.

	30 June 2017	30 June 2016
	(Rupees)	
Bank balances	252,808,456	933,524,819
Accruals and other receivables	13,670,666	22,956,557
Receivable against advisory fee	71,046,395	-
Investment against repurchase agreement	49,999,975	-
Musharika Finance	396,248,948	83,657,848
Diminishing Musharika Finance	286,974,209	-
Receivable from related party	1,024,309	-
Short term investment	100,000,000	-
Long term deposit	75,000	75,000
	<u>1,171,847,958</u>	<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+	399,256	392,447
AAA	173,691,721	765,281,559
AA-	78,713,196	167,850,813
	<u>252,804,173</u>	<u>933,524,819</u>

Advisory fee

Advisory fee is to be recovered in cash and against tender of shares of the financee Company pledged with Modaraba as collateral.

Notes to the Financial Statements

For the year ended 30 June 2017

Short Term Investment

This represent investment in Sukuk certificates. At reporting date, the rating of underlying security is A+ as mentioned in the Mutual Funds Association of Pakistan valuation sheet and the exposure is performing security.

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 polices 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 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 respective notes of financial assets.

Investment against repurchase agreement is secured against the shares held as collateral. The shares purchased will come under pledge with the Modaraba with each divestment transaction on the respective offer dates, and these shares being incrementally pledged will remain under pledge 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 thereagainst.

Past due and impaired assets

No financial assets carried at amortized cost were past due or impaired either as at 30 June 2017 or 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 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:

Notes to the Financial Statements

For the year ended 30 June 2017

Sectors	30 June 2017		30 June 2016	
	(Rupees)	%	(Rupees)	%
Cable & Electrical Goods	344,450,065	29.39%	-	0%
Banks	253,680,452	21.65%	937,956,519	90%
Food and Allied	300,849,149	25.67%	-	0%
Engineering	214,066,944	18.27%	83,683,243	8%
Pharmaceutical	55,172,388	4.71%	-	0%
Security Services	2,529,651	0.22%	-	0%
Others	1,099,309	0.09%	18,574,462	2%
	<u>1,171,847,958</u>	<u>100.00%</u>	<u>1,040,214,224</u>	<u>100%</u>

25.3 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:

	30 June 2017				
	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	6,485,061	(6,485,061)	675,809	253,600	5,555,652
Payable to related parties	5,037,388	(5,037,388)	-	5,037,388	-
	<u>11,522,449</u>	<u>(11,522,449)</u>	<u>675,809</u>	<u>5,290,988</u>	<u>5,555,652</u>

	30 June 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>

Notes to the Financial Statements

For the year ended 30 June 2017

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.

25.4 Financial instruments by category

30 June 2017				
	Loans and receivables	Held to maturity	Other financial assets	Other financial liabilities
	(Rupees)			
Assets				
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 party	1,024,309	-	-	-
Short term investment	-	100,000,000	-	-
Long term deposit	75,000	-	-	-
	<u>1,075,475,370</u>	<u>100,000,000</u>	<u>-</u>	<u>-</u>
Liabilities	-	-	-	-
Accrued expenses	-	-	-	6,485,061
Payable to related parties	-	-	-	5,037,388
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,522,449</u>
30 June 2016				
	Loans and receivables	Held to maturity	Other financial assets	Other financial liabilities
	(Rupees)			
Assets				
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>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities	-	-	-	-
Accrued expenses	-	-	-	906,780
Payable to related parties	-	-	-	12,414,540
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,321,320</u>

Notes to the Financial Statements

For the year ended 30 June 2017

26 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.

27. 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.

Notes to the Financial Statements

For the year ended 30 June 2017

	30 June 2017					
	Carrying amount / cost			Fair value		
	Held-to-maturity	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3
	----- (Rupees) -----					
Financial assets not measured at fair value						
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 party	-	1,024,309	-	-	-	-
Short term investment	100,000,000	-	-	-	-	-
Long term deposit	-	75,000	-	-	-	-

Financial liabilities not measured at fair value						
Accrued expenses	-	-	6,485,061	-	-	-
Payable to related parties	-	-	5,037,388	-	-	-

30 June 2016					
Carrying amount / cost			Fair value		
Held-to-maturity	Loan and receivables	Other financial liabilities	Level 1	Level 2	Level 3
----- (Rupees) -----					

Financial assets not measured at fair value						
Bank balances	-	933,524,819	-	-	-	-
Accruals and other receivables	-	22,956,557	-	-	-	-
Musharika Finance	-	83,657,848	-	-	-	-
Long term deposit	-	75,000	-	-	-	-

Financial liabilities not measured at fair value					
Accrued expenses	-	-	906,780	-	-
Payable to related parties	-	-	12,414,540	-	-

Notes to the Financial Statements

For the year ended 30 June 2017

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 including investment in Sukuk Certificate, 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.

28. 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.

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

28.1 Details of the transactions with related parties	30 June 2017	30 June 2016
	(Rupees)	
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Advisory fee income	42,500,000	8,442,982
Shared service expense	5,930,433	-
Other expenses	541,857	296,281
Pre-operational expenses paid on behalf of the Modaraba	-	20,194,849
Reimbursement of salaries and other benefits	-	3,618,662
Awwal Modaraba Management Limited		
- Management Company		
Management Company's remuneration	20,071,048	3,734,380
Pre-operational expenses paid on behalf of the Modaraba	-	500,000
28.2 Amounts outstanding as at year end		
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Receivable balance in respect of advisory services - net	1,024,309	15,000,000
Payable balance against expenses paid on behalf of the Modaraba	-	8,332,104
Awwal Modaraba Management Limited		
- Management Company		
Payable balance against Management Company's remuneration - net	5,037,388	4,082,436
Staff retirement benefits funds		
Contribution payable to staff provident fund	1,021,914	-
Contribution payable to staff gratuity fund	389,161	-

Notes to the Financial Statements

For the year ended 30 June 2017

29. 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.

30. DATE OF AUTHORISATION

These financial statements were authorised for issue on 18 August 2017 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director

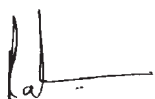


Director

Notice of Annual Review Meeting

Notice is hereby given that the 2nd Annual Review Meeting of certificate-holders of Awwal Modarabawill be held on Tuesday, 17 October 2017 at 03:00 p.m. at the Registered Office of Awwal Modaraba Management Limited situated at Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5 Clifton, Karachi, to review the performance of the Modaraba for the year ended 30 June 2017.

On behalf of the Board



Rahaila Aleem
Company Secretary
Awwal Modaraba Management Limited
Managers of Awwal Modaraba
25 September 2017
Karachi

Notes:

1. The certificate transfer books shall remain closed from Saturday, 07 October 2017 to Tuesday, 17 October 2017 (both days inclusive). Transfers received in order at the office of the Registrar of Awwal Modaraba i.e. M/sTHK Associates (Pvt.) Ltd., before the close of business hours on Friday, 06 October 2017 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 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 2017 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, 2014 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. Further, the Government of Pakistan through Finance Act, 2017 has revised the withholding tax rates for tax year 2017-2018 as under:

 - (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 closed 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. Dividend Mandate

As per Section 242 of the Companies Act, 2017 (the "Act"), the payment of cash dividend through electronic mode has now become mandatory. However, as per Circular No. 18/2017 dated 01 August 2017, the Securities and Exchange Commission of Pakistan has granted one time relaxation till 31 October 2017 to comply with the said requirement. 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. 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.

7. 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	
		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, 06 October 2017; 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.

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)

Signature

CNIC No. _____
(copy attached)

CORPORATE ENTITY

Authorized Signatory(ies)

NTN No. _____
(copy attached)

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



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