

Mechanics of Growth



Annual Report
2020



Vision

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

Mission

Awwal Modaraba Management Limited (AMML) aims to be at the vanguard of innovation in modaraba management services, offering the best solutions to our customers, value to our certificate holders and modaraba investors, complemented with a challenging, equal opportunity to our employees.



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Corporate Information

Board of Directors

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

Audit Committee

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

Human Resource and Remuneration Committee

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

Company Secretary

Ms. Iqra Sajjad

Chief Financial Officer

Syed Askary Haider Rizvi

Bankers

Habib Bank Limited
Soneri Bank Limited
National Bank of Pakistan
Dubai Islamic Bank Pakistan Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Registered Office

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

Legal Advisor

LMA Ebrahim Hosain

Shariah 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



Code of Conduct

1. Integrity

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

2. Objectivity

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

3. Confidential and Proprietary Information

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

4. Improper Influence

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

5. Unfair Business Practices

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

6. Insider Trading

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

7. Recording and Reporting of the Company

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

8. Compliance with Laws, Rules and Regulations

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

9. Protection and Proper use of Company's/Modaraba's Assets

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

Chairman's Review

I am pleased to present my review as Chairman of the Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba.

Country's economy was showing some early signs of stabilization before the outbreak of COVID-19. However, the pandemic significantly affected business activity. Manufacturing and retail sectors took a massive hit; growth of credit to private sector fell from 17% year-on-year in March 2019 to 6% in March 2020 and KSE-100 index plummeted from around 43,000 points at the start of the year to 27,000 points in March 2020.

In response to the crisis, the Government of Pakistan took swift action to halt local spread of the virus, while introducing an economic stimulus packages to support activity in worst affected segments and allocating resources to tackle the health emergency. The State Bank of Pakistan (SBP) similarly responded with measures including lowering Policy Rate, giving relief to borrowers on loan repayments in view of liquidity constraints, introducing subsidized refinance facilities for specific sectors / purposes to provide growth stimulus and control unemployment. Pakistan also received cumulative financial assistance of \$3.3 billion from bilateral and multilateral sources, out of which roughly \$2.6 billion has been disbursed. Moreover, Paris Club also deferred Pakistan's outstanding liabilities worth \$1.8 billion for up to one year. These measures helped the country bolster its foreign exchange reserves, stabilizing the exchange rate.



The Modaraba has been able to maintain its performance in FY2020 in terms of profitability and maintaining asset quality in challenging times. As expected, fee income from advisory has declined on a year-to-year basis given the economic slowdown followed by lockdown situation in the latter part of the year. On the other hand, some pressure is expected next year from the lower level of markup rates. While we expect economic activity to gradually recover, we are cognizant of the need for judicious underwriting of new exposures and continue to focus on preservation of capital given the vulnerable economic situation.

As per the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, the income of Modaraba is exempt from tax provided it distributes 90% of its profit. The Modaraba has availed this tax exemption in the past and intends to continue to avail it. In light of this fact, despite being eligible for Income Tax exemption certificate, the request has been turned down by tax authorities. Consequently, we are suffering from deduction of tax on our income and carry taxation recoverable balance of PKR 7.5 million in our books till FY2019. Challenging the refusal of grant of exemption certificate, we have filed a petition in Sindh High Court. The case is tagged with other similar petitions and the decision is pending.

The Board of Directors of the management company comprises of six members, including two Independent Non-Executive Directors and one female Director. The Board performs its statutory duties and fulfils its responsibilities by ensuring that the Modaraba has a capable leadership and an effective executive Management team. The Board, on quarterly basis, undertakes an overall review of business risks to ensure that Management maintains a sound system of risk identification, risk management and related systemic internal controls to safeguard assets, resources, reputation and interest of the Modaraba and its certificate holders.

On behalf of the Board, I take this opportunity to thank all our customers, investors, regulators and other stakeholders for placing their trust in the Modaraba.



Khalid Aziz Mirza
Chairman

Dated: 24 September 2020

Directors' Report

The Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, is pleased to present the Directors' Report together with Audited Financial Statements of Awwal Modaraba for the year ended 30 June 2020.

The country faced multiple challenges during FY2020. During the first half of the fiscal year, inflation remained on a higher side despite a tight monetary policy. This, coupled with a depreciating currency and subdued performance of manufacturing sector, kept economic growth in check. On the other hand, second half of the year was marked by the COVID-19 outbreak, which quickly eroded the small gains achieved through government's stabilization policies and severely impacted the business environment.

State Bank of Pakistan (SBP) took several timely measures to support liquidity and credit conditions and safeguard financial stability. These include easing of Policy Rate from 13.25% p.a. in July 2019 to 7% p.a., one year deferment for loan repayments to affected industries, targeted subsidized refinance lines through banks to support industries in revival, avoid default and support salary payments to employees to control rising unemployment as cashflows of businesses contracted. The Securities and Exchange Commission of Pakistan (SECP) followed with a similar package to provide relief to borrowers facing difficulties caused by the country-wide shutdown.

Our government and regulators are making efforts to contain the impact of COVID-19 and revive the economy via various measures including easing of monetary policy, industry packages, subsidized financing lines, and health support / aid for the masses. Pakistan has also received support from multilateral agencies and friendly countries for balance of payment support, institutional development as well as for containment of pandemic. At the same time, Pakistan remains committed to the reforms related to fiscal consolidation strategy, energy sector, governance, and containing AML/CFT deficiencies.

During this period, our focus has been to preserve capital, liquidity and proactively monitoring the investment portfolio of the Modaraba. We are maintaining close contact with our clients to assess the impact on their business operations and have provided deferment for principal repayments where required.

Operating Results

	30 June 2020 (Rupees '000')	30 June 2019 (Rupees '000')
Balance Sheet		
Certificate capital	1,000,000	1,000,000
Total equity	1,199,498	1,184,757
Investment in Musharika Finance	802,706	669,985
Profit & Loss		
Revenue	176,325	185,381
Operating expenses	58,240	57,246
Profit before Management Fee	118,085	128,135
Net profit for the year	102,646	111,383
Appropriations		
Profit distribution @ 8% (2019: @ 8.9%)	80,000	89,000
Statutory reserve	20,529	22,277
Unappropriated profit carried forward	83,377	89,166
Earnings per certificate	1.03	1.11

Financial Snapshot

The aggregate loan portfolio increased to PKR 802.70 Million from PKR 669.99 Million at the previous year-end with ongoing maturities and deployment of funds. Total revenues amounted to PKR 176.32 Million in FY2020 from PKR 185.38 Million in the previous year due to reduced fee income from advisory mandates arising from cautionary approach towards new business. We expect further impact from reduced markup rates in the next year. Operating costs were kept under strict control. Net Profits amounted to PKR 102.65 Million (FY2019: PKR 111.38 Million). Since the Modaraba pays off more than 90% of its profit after setting aside regulatory reserves as required under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, there is no tax incidence.

Profit Distribution

The Board in its meeting held on 24 September 2020 has approved cash dividend of Re. 0.80 (8%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2020.

To comply with Prudential Regulations for Modarabas, the Board of Directors has transferred PKR 20.53 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.

FY2021 is a challenging year for the economy as many businesses and sectors will continue to struggle for survival and growth. For the Modaraba, there will be pressure on revenues due to reduction in markup income with declining interest rates. Our focus will be to support businesses for revival and growth once there is some clarity and as the economy begins to recover.

Governance & Shariah Compliance

The Board of Directors is committed to ensure compliance with various requirements of the Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan (SECP). The Modaraba is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019, relevant for the year ended 30 June 2020.

Shariah Advisor is involved from the outset to ensure that prospective clients' business and proposed transaction structure are in line with Shariah principles. Strong emphasis is placed on good governance and implementation of all policies in letter and spirit.

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 2020 except for those disclosed in the financial statements.
- During the year under review, five (5) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	No. of Meetings Attended
Mr. Khalid Aziz Mirza	5
Mr. Shahid Ghaffar	5
Ms. Ayesha Aziz	5
Mr. Abdul Jaleel Shaikh	5
Mr. Ahmed Ateeq	4
Mr. Karim Hatim (CEO)	5

Leave of absence was granted to the director who could not attend the meeting.

The Chairman of the Board is an independent director and the Board has also formed an Audit Committee in compliance with the requirements of the Code of Corporate Governance whose Chairman is also an independent director. The Committee comprises of four members. 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 the appointment of external auditors to the Board of Directors.

- During the year under review, five (5) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Member	No. of Meetings Attended
Mr. Shahid Ghaffar	5
Mr. Khalid Aziz Mirza	5
Mr. Abdul Jaleel Shaikh	5
Mr. Ahmed Ateeq	4

Leave of absence was granted to the member who could not attend the meeting.

- One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation for the yearly staff compensation.
- The pattern of holding of certificates by the certificate holders is included in this annual report.
- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The value of investments of the Provident Fund as at 30 June 2020 is Rs. 14,167,018. The Modaraba recorded Rs. 7,280,767 for the gratuity up to 30 June 2020.

The Board of Directors

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

- Male: 5
- Female: 1

The composition of Board is as follows:

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

Director's Remuneration

The remuneration of a Director for attending meetings of the Board or any Committee of the Board is determined under the Director's Compensation Policy adopted by Awwal Modaraba Management Limited. Under the said policy, an



Karim Hatim
Chief Executive Officer

Date: 24 September 2020

independent director is entitled to receive the prescribed fee as determined by the Board of Directors only for attending the Board Meeting. Further, the nominee directors / Chief Executive Officer / any other director in whole time remunerated service with the Company is not entitled to any payment for attending meetings of the Board. However, all the directors are entitled to be paid traveling, hotel and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of Directors or General Meeting of the company in connection with the business of the Company.

Auditors

The Board, on the recommendation of Board's Audit Committee has appointed M/s. BDO Ebrahim & Co., Chartered Accountants as external auditors for the year ending 30 June 2021 in place of retiring auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants. However, their appointment will be subject to the approval of Registrar of Modaraba Companies and Modarabas.

Shariah Advisor's Report

The Modaraba continues to seek guidance from its Shariah Advisor, Mufti Muhammad Hassaan Kaleem as and when required to ensure full compliance to Shariah 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 Shariah policies and principles. The Shariah Advisor Report issued for the affairs of the Modaraba for the year ended 30 June 2020 is included in this Annual Report.

Acknowledgments

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

On behalf of the Board



Abdul Jaleel Shaikh
Director

ایگزیکٹو آفیسر/یا کوئی بھی دیگر ڈائریکٹر کمپنی کے لیے اپنی پوری مشاہرتی سروس کے دوران بورڈ کے اجلاس میں شرکت کے لیے کسی بھی قسم کی ادائیگی کا مستحق نہیں ہوگا۔ تاہم تمام ڈائریکٹرز کمپنی کے کاروبار کے سلسلے میں ڈائریکٹرز یا ڈائریکٹرز کی کمیٹی کے کسی بھی اجلاس یا کمیٹی کے اجلاس میں شرکت کے لیے جانے یا واپسی کے لیے ہونے والے تمام سفری، رہائشی اور دیگر اخراجات وصول کرنے کے حقدار ہوں گے۔

آڈیٹرز

بورڈ نے بورڈ کی آڈٹ کمیٹی کی سفارش پر ریٹائر ہونے والے آڈیٹرز میسرز KPMG تاہمیر ہاڈ اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی جگہ 30 جون 2021 کو اختتام پذیر ہونے والے سال کے لیے بطور ایکسٹرنل آڈیٹرز میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تقرری کر لی ہے۔ تاہم ان کی تقرری رجسٹر ارمضار بہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہے۔

شرعی مشیر کی رپورٹ

مضاربہ مستقل طور پر شرعی مشیر مفتی محمد حسان کلیم کی زیر ہدایت کام کر رہا ہے اور حسب ضرورت اس بات کو یقینی بنا رہا ہے کہ تمام مالیاتی معاملات شرعیہ آڈٹ میکنزم کے تحت انجام دیے جائیں جو کہ رجسٹر ارمضاربہ کی ہدایات کے مطابق مرتب شدہ ہو۔ انٹرنل آڈٹ ڈپارٹمنٹ کو یہ تربیت بھی دی گئی ہے کہ وہ شرعی اصولوں اور پالیسیوں کے مطابق روزمرہ کے مضاربہ کے معاملات کو سرانجام دیں۔ شرعی مشیر کی رپورٹ جو کہ مالیاتی سال 30 جون 2020 کی مدت کے لیے مضاربہ کے معاملات کے لیے جاری کی گئی ہے سالانہ مالیاتی گوشواروں میں شامل ہے۔

اظہار تشکر

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

بورڈ کی جانب سے



عبدالجلیل شیخ
ڈائریکٹر

- عملے کی سالانہ سفارش کردہ معاوضہ کی رقم کا جائزہ لینے اور اسے حتمی شکل دینے کے لیے ہیومن ریسورس اور مشاہرہ کمیٹی (HR&RC) کی ایک میٹنگ منعقد ہوئی۔
- سرٹیفکیٹ ہولڈنگ کا خلاصہ اس سالانہ مالیاتی رپورٹ میں شامل ہے۔
- ڈائریکٹرز سی ای او، سی ایف او، کمیٹی سیکرٹری، ان کے شریک حیات اور نابالغ بچوں نے زیر جائزہ سال کے دوران مضاربہ کے سرٹیفکیٹس میں کوئی ٹرانزیکشن نہیں کی۔
- 30 جون 2020 کو پروویڈنٹ فنڈ میں سرمایہ کاریوں کی مالیت 14,167,018 روپے رہی۔ 30 جون 2020 کو مضاربہ نے گریجویٹ کی مد میں 7,280,767 روپے ریکارڈ کیے۔

بورڈ آف ڈائریکٹرز

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

الف۔ مرد: 5
ب۔ خواتین: 1

بورڈ کی تشکیلی ساخت مندرجہ ذیل ہے:

کمپنی	نام
خود مختار ڈائریکٹرز	محترم خالد عزیز مرزا محترم شاہ غفار
دیگرانہ ایگزیکٹو ڈائریکٹرز	محترمہ عائشہ عزیز محترمہ مہرہ بلال شیخ محترمہ احمقہ
چیف ایگزیکٹو آفیسر	محترم کریم حاتم

ڈائریکٹر کا مشاہرہ

ڈائریکٹر کی بورڈ کے کسی بھی اجلاس میں شرکت یا بورڈ کی کمیٹی میں شرکت اول مضاربہ منجمنٹ لمیٹڈ کی متعین کردہ ڈائریکٹرز کی زمرہ میں پالیسی کے تحت مقرر کی جاتی ہے۔ اس پالیسی کے تحت، ایک خود مختار ڈائریکٹر بورڈ کی میٹنگ میں شرکت کے لیے صرف بورڈ آف ڈائریکٹرز کی طرف سے متعین کردہ فیس وصول کرنے کا حق رکھتا ہے۔ مزید برآں، نامزد ڈائریکٹر/چیف



کریم حاتم
چیف ایگزیکٹو آفیسر

مورخہ: 24 ستمبر 2020

مضاربہ آرڈیننس کے تحت مطلوبہ انتظامی مالی ذخائر مختص کرنے کے بعد اپنے منافع کا 90 فیصد سے زائد حصہ ادا کر دیتا ہے، چنانچہ کوئی ٹیکس لاگو نہیں ہوا۔

منافع کی تقسیم

بورڈ نے 24 ستمبر 2020 کو منعقدہ اجلاس میں 10 روپے والے سرٹیفکیٹ پر 0.8 روپے (8 فیصد) فی سرٹیفکیٹ کے حساب سے کیش ڈیویڈنڈ کی منظوری دے دی ہے، جو 30 جون 2020 کو ختم شدہ سال کے لیے حباب اطلاق زکوٰۃ اور ٹیکس کی کٹوتیوں سے مشروط ہے۔

مضاربہ کے پروڈنشل ریگولیشنز کی تعمیل کے لیے بورڈ آف ڈائریکٹرز نے اسٹیچوڈری ریزرو کی مد میں 20.53 ملین روپے منتقل کیے ہیں۔ مضاربہ کے پروڈنشل ریگولیشنز کے تحت اس کے لیے لازم ہے کہ مضاربہ کا منافع بعد از ٹیکس کم از کم 20 فیصد اور زیادہ سے زیادہ 50 فیصد تک اسٹیچوڈری ریزرو میں منتقل کرے تا وقتیکہ اسٹیچوڈری ریزرو سرٹیفکیٹ کیپٹل کے 100 فیصد کے مساوی نہ ہو جائے۔ بعد ازاں منافع بعد از ٹیکس کم از کم 5 فیصد اس ریزرو میں منتقل کیا جائے گا۔

مالی سال 2021 معیشت کے لیے ایک مشکل سال ہے کیونکہ بہت سے کاروباری ادارے اور شعبے اپنی بقا اور ترقی کی جدوجہد جاری رکھیں گے۔ مضاربہ کے لیے شرح منافع میں ہونے والی تخفیف کے ساتھ ماک اپ آمدنی میں کمی کے باعث ریونیوز پر دباؤ رہے گا۔ صورتحال واضح ہونے اور معیشت کی بحالی کا آغاز ہوتے ہی ہماری توجہ بقا اور ترقی کی جدوجہد کرنے والے کاروباری اداروں کی مدد پر مرکوز ہوگی۔

عملداری اور شرعی اصولوں کی تعمیل

بورڈ آف ڈائریکٹرز، اسٹاک ایکسچینج اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے مختلف درکاروں کی تعمیل کو یقینی بنانے کے لیے کوشاں ہے۔ مضاربہ، 30 جون 2020 کو اختتام پذیر سال کے حوالے سے، اسٹیکہولڈرز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے درکاروں کی تعمیل پر کاربند ہے۔

شرعی شیعہ آغاز سے ہی کاروبار کے ہر مرحلے پر شامل ہوتے ہیں تاکہ اس بات کو یقینی بنایا جاسکے کہ مکمل کاؤنٹس کا کاروبار اور لین دین کا تجویز کردہ اسٹریکچر شرعی اصولوں کے عین مطابق ہو۔ عمدہ کاروباری طریقہ عمل اور تمام پالیسیوں کے نفاذ پر لفظاً و تشریحاً کڑی توجہ مرکوز کی جاتی ہے۔

کاروباری اور مالیاتی رپورٹنگ کا دائرہ عمل

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

- مضاربہ کی بینجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کی درست تصویر کشی کرتے ہیں۔
- مضاربہ کے کھاتے درست طور پر برقرار رکھے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی موزوں پالیسیاں باقاعدگی کے ساتھ استعمال کی گئی ہیں اور اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلہ سازی پر مبنی ہیں۔

• مالیاتی گوشواروں کی تیاری میں، پاکستان میں مضاربہ پر لاگو ہونے والے، مالیاتی رپورٹنگ کے بین الاقوامی معیارات پر عمل درآمد کیا گیا ہے۔

• داخلی کنٹرول کا سسٹم مستحکم ساخت کا حامل ہے اور اس کا موثر نفاذ اور نگرانی کی گئی ہے۔

• آئندہ بھی ایک کامیاب کاروبار کے طور پر جاری رہنے کے لیے مضاربہ کی اہلیت میں کوئی نمایاں تبدیلی نہیں ہے۔

• لسٹنگ ضوابط کار میں وضاحت کردہ، کاروباری طریقہ عمل کی بہترین تعمیل سے کوئی ظاہری انحراف موجود نہیں۔

• ٹیکسوں، ڈیویڈنڈوں، محصولات اور چارجز کی مد میں کوئی بھی ادا نگییاں ایسی نہیں جو 30 جون 2020 کو واجب الادا ہوں، سوائے ان کے جنہیں مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔

• زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد ہوئے۔ ان میں ہر ڈائریکٹر کی حاضری کچھ اس طرح رہی:

ڈائریکٹر کا نام	ڈائریکٹرز کی اجلاس میں شرکت کی تعداد
محترم خالد عزیز مرزا	5
محترم شاہد غفار	5
محترمہ عائشہ عزیز	5
محترمہ عبدالجلیل شیخ	5
محترم احمد شفیق	4
محترم کریم حاتم (سی ای او)	5

میٹنگ میں شرکت نہ کر سکنے والے ڈائریکٹر کی غیر حاضری کی درخواست منظور کر لی گئی تھی۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق ایک آڈٹ کمیٹی قائم کی ہے۔ اس کمیٹی میں چار اراکین شامل ہیں۔ آڈٹ کمیٹی کا سربراہ ایک خود مختار ڈائریکٹر ہوتا ہے۔ کمیٹی میعاد مالیاتی گوشواروں کا جائزہ لیتی ہے اور اندرونی کنٹرول کے نظام کی موزونیت اور اثر پذیری کو یقینی بنانے کے لیے مالی حکمت عملی اور افعال کا جائزہ لیتی ہے۔ کمیٹی انٹرنل آڈٹ ڈپارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ آڈٹ کمیٹی بیرونی آڈیٹرز کی تقرری کے لیے بورڈ آف ڈائریکٹرز کو سفارش کرنے کی بھی ذمہ دار ہے۔

زیر جائزہ سال کے دوران آڈٹ کمیٹی کے پانچ (5) اجلاس منعقد کیے گئے۔ ہر ممبر کی طرف سے اجلاس میں کی گئی شرکت کی تعداد مندرجہ ذیل ہے:

ممبر کا نام	ممبر کی اجلاس میں شرکت کی تعداد
محترمہ شاہد غفار	5
محترم خالد عزیز مرزا	5
محترمہ عبدالجلیل شیخ	5
محترم احمد شفیق	4

میٹنگ میں شرکت نہ کر سکنے والے ڈائریکٹر کی غیر حاضری کی درخواست منظور کر لی گئی تھی۔

ڈائریکٹرز رپورٹ

اول مضاربہ بینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو اول مضاربہ (مضاربہ) کی بینجمنٹ کمپنی ہے، اول مضاربہ کے آڈٹ شدہ مالی گوشوارے برائے اختتام سال 30 جون، 2020 کے ہمراہ ڈائریکٹرز رپورٹ پیش کرتے ہوئے انتہائی مسرت محسوس کرتے ہیں۔

مرتب ہونے والے اثرات کے تجزیے کے لیے ان سے مستقل رابطے میں ہیں اور حسب ضرورت انہیں بنیادی رقوم کی واپس ادائیگی کے لیے مہلت دے چکے ہیں۔

کاروباری عملی نتائج

2019 جون 30 (روپوں میں)	2020 جون 30 (روپوں میں)	
		بیلنس شیٹ
1,000,000	1,000,000	سرٹیفکیٹ سرمایہ
1,184,757	1,199,498	جموئی اکائی
669,985	802,706	مشاکر فنانس میں سرمایہ کاری
		نفع نقصان
185,381	176,325	آمدنی
57,246	58,240	عملی اخراجات
128,135	118,085	بینجمنٹ فیس سے قبل منافع
111,383	102,646	خالص منافع برائے سال
		تخصیصات
89,000	80,000	منافع کی تقسیم بحساب 8 فیصد (2019 بحساب 8.9 فیصد)
22,277	20,529	آنچھو ٹری ریزرو
89,166	83,377	اگلی بیجا میں منتقل شدہ غیر مختص شدہ منافع
1.11	1.03	نی سرٹیفکیٹ آمدنی

مالیاتی جائزہ

قرضے کا مجموعی پورٹ فولیو جاری میچورٹیز اور سرمائے کی فراہمی کے ساتھ گزشتہ سال کے اختتام پر 669.99 ملین روپے کے مقابلے میں بڑھ کر 802.70 ملین روپے ہو گیا۔ مجموعی آمدنیاں مالی سال 2020 میں 176.32 ملین روپے رہیں جو کہ گزشتہ سال 185.38 ملین روپے تھیں جس کا سبب نئے کاروبار کے لیے محتاط طریقے کے باعث ہونے والی پہلے سے کم مشاورتی فیس کی آمدنی تھی۔ ہم اگلے سال میں تخفیف شدہ منافع سے مزید ایسے اثرات کی توقع رکھتے ہیں۔ عملی اخراجات کو انتہائی قابو میں رکھا گیا۔ خالص منافع جات 102.65 ملین روپے (مالی سال 2019: 111.38 ملین روپے)۔ چونکہ مضاربہ،

مالی سال 2020 کے دوران ملک نے کئی مسائل کا سامنا کیا۔ مالی سال کی پہلی ششماہی میں، سخت زری پالیسی کے باوجود افراط زر کی شرح بلند رہی۔ اس کے ساتھ ساتھ، روپے کی گرتی ہوئی ساکھ اور مینوفیکچرنگ کی شعبے کی مدھم کارکردگی نے معاشی ترقی پر قدرتی لگا رکھی۔ دوسری جانب، سال کی دوسری ششماہی COVID-19 کی وبا کی نذر ہو گئی جو یک دم حکومت کی استحکامی پالیسیوں کے ذریعے حاصل کردہ چھوٹے چھوٹے منافعوں کو بہا کر لے گئی اور کاروباری فضا پر انتہائی منفی اثرات مرتب کیے۔

اسٹیٹ بینک آف پاکستان (SBP) نے نقدیت اور کریڈٹ کی صورتحال کو مستحکم رکھنے کے لیے کئی بروقت اقدامات کیے اور مالیاتی استحکام کو تحفظ بخشا۔ ان اقدامات میں شامل ہیں، جولائی 2019 میں 13.25 فیصد سالانہ پالیسی کی شرح کو کم کر کے 7 فیصد سالانہ پر لانا، متاثرہ صنعتوں کو قرضوں کی واپسی کے لیے مزید ایک سال کی مہلت دینا، صنعتوں کو دوبارہ اپنے قدموں پر کھڑا کرنے کے لیے بینکوں کے لیے سبسڈی کی حامل مکرر سرمایہ کاری لائسنز کو ہدف بنانا اور بڑھتی ہوئی بے روزگاری کو روکنے کے لیے کاروباری اداروں کے معاہداتی کیش فلوز کے طور پر ملازمین کو تنخواہوں کی ادائیگی میں مدد دینا شامل ہیں۔ SECP نے بھی پورا ملک بند ہونے کے باعث مشکلات کا سامنا کرنے والے قرض خواہوں کو ریلیف مہیا کرنے کے لیے ایسے ہی پیکیج کا اعلان کیا۔

ہماری حکومت اور منتظمین مختلف نوعیت کے اقدامات جیسے کہ زری پالیسی میں رعایت، صنعتی پیکیجیز، سبسڈی کی حامل مکرر سرمایہ کاری لائسنز، اور عوام کی صحت کے حوالے سے مدد و تعاون کے ذریعے ان منفی اثرات کی روک تھام اور معیشت کی بحالی کے لیے مشترکہ طور پر کوششیں کر رہے ہیں۔ پاکستان کو ادائیگیوں کا توازن بہتر بنانے، ادارہ جاتی فروغ و ترقی اور اس کے ساتھ ساتھ عالمی وبا کی روک تھام کے لیے کثیر شعبہ جاتی ایجنسیوں اور برادر ممالک کی جانب سے بھی تعاون حاصل ہوا ہے۔ اس کے ساتھ ساتھ، پاکستان مالی استحکام کی پالیسی، توانائی کے شعبے، حکومتی عملداری، اور AML/CFT کے خساروں کی روک تھام سے متعلقہ اصلاحات کے لیے بھی کوشاں ہے۔

اس عرصے کے دوران، مضاربہ کی غیر قرضہ جاتی بیلنس شیٹ کی بدولت ہماری توجہ کا مرکز سرمائے، نقدیت اور منافع پذیری کا تحفظ ہے۔ ہم اپنے کلائنٹس کی کاروباری سرگرمیوں پر

Pattern of Holding of Certificates by the Certificate Holders

As At 30 June 2020

No. of Certificate holders	Certificate holding		Total Certificates held
	From	To	
76	1	100	433
181	101	500	89,903
10	501	1000	9,132
18	1001	5000	57,466
3	5001	10000	24,500
2	15001	20000	38,000
1	9995001	10000000	10,000,000
1	89780001	89785000	89,780,566
292			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		282	204,948	0.204948%
2	Directors their Spouse and Minor Children		3	1,500	0.001500%
	Mr. Tahir Aziz	500			
	Ms. Seema Jaleel Shaikh	500			
	Ms. Hina Ahmed	500			
3	Related Parties		1	500	0.000500%
	Ms. Rubina Rubab	500			
4	Associated Companies		2	99,780,566	99.780566%
	Awwal Modaraba Management Limited	10,000,000			
	Pak Brunei Investment Compay Limited	89,780,566			
5	Foreign Investors		4	12,486	0.012486%
	Total		292	100,000,000	100.000000%

Key Financial Data

	2020	2019	2018	2017	2016
Total Assets	1,243,691,234	1,234,332,197	1,283,093,217	1,202,708,828	1,043,051,075
Musharika Finance	502,706,092	369,985,326	478,813,819	396,248,948	83,657,848
Diminishing Musharika Finance	300,000,000	300,000,000	300,000,000	286,974,209	–
Current Assets	912,919,957	807,975,226	769,076,799	625,018,763	974,281,202
Current Liabilities	36,912,343	49,574,689	61,718,764	42,568,091	14,608,204
Paid-Up Capital	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Statutory Reserve	116,120,771	95,591,501	73,314,890	36,568,147	5,688,574
Certificate Holders' Equity	1,199,498,124	1,184,757,508	1,221,374,453	1,160,140,737	1,028,442,871
Gross Revenue	176,324,742	185,381,248	263,314,904	208,214,563	61,923,689
Net Profit	102,646,351	111,383,055	183,733,716	154,397,866	28,442,871
Profitability Ratios					
Net Profit Margin (%)	58.21%	60.08%	69.78%	74.15%	45.93%
Return on Equity (%)	8.56%	9.40%	15.04%	13.31%	2.77%
Return on Assets (%)	8.28%	8.85%	14.78%	13.75%	2.73%
Liquidity Ratio					
Current ratio (x)	25	16	12	15	67
Market ratios					
Market Value Per Certificate (Rs)	10.80	11.10	11.50	10.51	10.25
EPS	1.03	1.11	1.84	1.54	0.28
Price Earnings ratio (x)	10.49	10.00	6.25	6.82	36.61
Dividend Yield ratio (%)	7.41%	8.02%	12.87%	11.66%	2.21%
Dividend Payout ratio (%)	77.67%	80.18%	80.43%	79.55%	81.07%
Cash Dividend (%)	8.00%	8.90%	14.8%	12.25%	2.27%
Cash Dividend per Certificate (Rs)	0.80	0.89	1.48	1.23	0.227
Book Value per Certificate (Rs)	11.99	11.85	12.21	11.60	10.28
Dividend (Rs)	80,000,000	89,000,000	148,000,000	122,500,000	22,700,000

Shariah Advisor's Report

I have conducted the shariah review of Awwal Modaraba managed by Awwal Modaraba Management Limited, Modaraba Management Company for the financial year ended June 30, 2020 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 development 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 confirm 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 strengthened their knowledge base and to keep abreast of prevailing issues and developments.

Conclusion

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



Mufti Muhammad Hassaan Kaleem
Shariah Advisor
Awwal Modaraba

Dated: 21 September 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Year ending 30 June 2020

This statement is being presented to comply with Listed Companies (Code of Corporate Governance) Regulations, 2019. Regardless of the fact that Awwal Modaraba Management Limited ('AMML' or 'the company'), the Management Company of Awwal Modaraba, is an unlisted public limited company, the Board of Directors of the Management Company is pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

AMML has complied with the requirements of the Regulations in the following manner:

- The total number of directors are six (6) as per the following:
 - Male: 05
 - Female: 01
- The composition of Board is as follows:

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

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- 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.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Board meets the criteria of requirement of Directors' Training program.
- The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

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

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

S. No.	Name of the Committee	Frequency of the meetings held during the year
1.	Audit Committee	Quarterly
2.	HR and Remuneration Committee	Yearly

15. The Board has outsourced the internal audit function to the internal audit department of the parent company (Pak Brunei Investment Company Limited) who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Khalid Aziz Mirza
Chairman

Dated: 24 September 2020



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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Independent Auditor's Review Report

To the certificate holders of Awwal Modaraba

**Review Report on the Statement of Compliance contained in Listed Companies
(Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by the Board of Directors of Awwal Modaraba Management Limited, the Modaraba Management Company of Awwal Modaraba ("the Modaraba") for the year ended 30 June 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.



KPMG Taseer Hadi & Co.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended 30 June 2020.

KPMG Taseer - 1

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

**Karachi
Date: 1 October 2020**



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

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of **Awwal Modaraba** as at 30 June 2020 and the related statement of profit and loss account and other comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's (Awwal Modaraba Management Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the accounting and reporting 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 statement of profit and loss account and other comprehensive income together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for the changes as stated in note 4.1 to the financial statements with which we concur;



KPMG Taseer Hadi & Co.

- ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of profit and loss account and other comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with accounting and reporting 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 2020 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: 1 October 2020

Karachi

KPMG Taseer - 1

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

Balance Sheet

As at 30 June 2020

	Notes	2020	2019
(Rupees)			
ASSETS			
Current assets			
Bank balances	5	259,908,801	164,135,475
Modaraba term deposit		–	200,000,000
Accruals, prepayments, advances and other receivables	6	71,083,747	45,294,829
Current portion of receivable against advisory fee	7	34,904,238	49,150,553
Current portion of Investment against repurchase agreement	8	48,878,899	48,878,899
Current portion of Musharika Finance	9	452,380,207	276,993,084
Current portion of Diminishing Musharika Finance	10	33,333,334	13,888,890
Current portion of long term loans	11	1,914,848	2,089,758
Taxation recoverable		10,515,883	7,543,738
Total current assets		912,919,957	807,975,226
Non - current assets			
Receivable against advisory fee	7	6,793,225	34,707,466
Investment against repurchase agreement	8	–	–
Long term portion of Musharika Finance	9	50,325,885	92,992,242
Long term portion of Diminishing Musharika Finance	10	266,666,666	286,111,110
Long term loans	11	2,644,879	4,446,284
Long term deposit		75,000	75,000
Intangible asset	12	3,806,159	6,561,192
Operating fixed assets	13	459,463	1,463,677
Total non-current assets		330,771,277	426,356,971
TOTAL ASSETS		1,243,691,234	1,234,332,197
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses	14	14,901,776	28,327,156
Payable to related parties	16	21,851,692	21,103,338
Unclaimed profit distribution		158,875	144,195
		36,912,343	49,574,689
Non-current liabilities			
Defined benefit obligation	15	7,280,767	–
Total liabilities		44,193,110	49,574,689
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 Modaraba Certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Statutory reserve	18	116,120,771	95,591,501
Unappropriated profit		83,377,353	89,166,007
Total Equity		1,199,498,124	1,184,757,508
TOTAL LIABILITIES AND EQUITY		1,243,691,234	1,234,332,197
Contingencies and Commitments	20		

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Director

Statement of Profit and Loss Account For the year ended 30 June 2020

	Notes	2020	2019
(Rupees)			
Income			
Advisory fee		24,000,000	62,775,000
Income from Investment against repurchase agreement		9,746,857	10,254,856
Income from Musharika Finance		62,016,524	52,306,445
Income from Diminishing Musharika Finance		52,957,023	38,492,267
Income from deposits with banks		12,612,557	21,355,420
Income from Modaraba Term Deposit		14,991,781	197,260
		176,324,742	185,381,248
Expenses			
Administrative and operating expenses	21	(58,138,407)	(57,153,767)
Financial charges		(101,584)	(91,992)
		118,084,751	128,135,489
Management Company's remuneration		(11,808,475)	(12,813,549)
Provision for services sales tax on Management Company's remuneration	22	(1,535,102)	(1,665,761)
		(13,343,577)	(14,479,310)
Provision for Workers' Welfare Fund	14.1	(2,094,823)	(2,273,124)
Profit for the year before taxation		102,646,351	111,383,055
Taxation	23	–	–
Profit for the year after taxation		102,646,351	111,383,055
(Rupees)			
Earnings per certificate - basic and diluted	24	1.03	1.11

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020	2019
		(Rupees)	
Profit for the year		102,646,351	111,383,055
Other comprehensive income for the year:			
<i>Items that will not be reclassified to profit and loss</i>			
Gain / (loss) on remeasurement of defined benefit obligation	15.6	1,094,265	–
Total comprehensive income for the year		103,740,616	111,383,055

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

Statement of Cash Flows

For the year ended 30 June 2020

Notes	2020	2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	102,646,351	111,383,055
Adjustments for		
Depreciation on operating fixed assets	13 1,004,214	1,231,318
Amortisation on intangible asset	12 2,755,033	1,607,408
Provision for deferred liabilities - gratuity	15.5 1,798,436	-
Impact of adoption of IAS 19	4.1 1,869,134	-
	110,073,168	114,221,781
Changes in assets		
Accruals, prepayments, advances and other receivables	(25,788,918)	(17,857,491)
Modaraba Term Deposit	200,000,000	(200,000,000)
Receivable against advisory fee	42,160,556	12,302,913
Investment against repurchase agreement	-	17,999,991
Disbursement of Musharika Finance	(400,000,000)	(235,000,000)
Proceeds from repayment / settlement of Musharika Finance	267,279,234	343,828,493
Disbursement of Diminishing Musharika Finance	(135,000,000)	-
Proceeds from repayment / settlement of Diminishing Musharika Finance	135,000,000	-
Long term loans	1,976,315	(953,358)
	85,627,187	(79,679,452)
Changes in liabilities		
Accrued expenses	(8,717,918)	(6,697,144)
Payable to related parties	748,354	(5,548,908)
Unclaimed profit distribution	14,680	101,978
	(7,954,884)	(12,144,074)
Taxes withheld	(2,972,145)	(1,175,110)
Net cash from operating activities	184,773,326	21,223,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	-	(8,033,503)
Net cash (used in) / from investing activities	-	(8,033,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(89,000,000)	(148,000,000)
Net cash used in financing activities	(89,000,000)	(148,000,000)
Net increase / (decrease) in cash and cash equivalents	95,773,326	(134,810,358)
Cash and cash equivalents at beginning of the year	164,135,475	298,945,833
Cash and cash equivalents at end of the year	259,908,801	164,135,475

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

Statement of Changes in Equity

For the year ended 30 June 2020

Note	Issued, subscribed, and paid up certificate capital	Reserves		Total	
		Statutory reserve	Unappropriated profit		
(Rupees)					
	Balance as at 01 July 2018	1,000,000,000	73,314,890	148,059,563	1,221,374,453
	Total comprehensive income for the year				
	- Profit for the year ended 30 June 2019	-	-	111,383,055	111,383,055
	- Other comprehensive income for the year	-	-	-	-
		-	-	111,383,055	111,383,055
	Transfer to statutory reserve	-	22,276,611	(22,276,611)	-
Transactions with Certificate Holders of the Modaraba - Distribution					
	- Profit distribution for the year ended 30 June 2018 @ Rs. 1.480 per certificate	-	-	(148,000,000)	(148,000,000)
	Balance as at 30 June 2019	1,000,000,000	95,591,501	89,166,007	1,184,757,508
	Balance as at 01 July 2019	1,000,000,000	95,591,501	89,166,007	1,184,757,508
	Total comprehensive income for the year				
	- Profit for the year ended 30 June 2020	-	-	102,646,351	102,646,351
	- Other comprehensive income for the year	-	-	1,094,265	1,094,265
		-	-	103,740,616	103,740,616
	Transfer to statutory reserve	-	20,529,270	(20,529,270)	-
Transactions with Certificate Holders of the Modaraba - Distribution					
	- Profit distribution for the year ended 30 June 2019 @ Rs. 0.890 per certificate	-	-	(89,000,000)	(89,000,000)
	Balance as at 30 June 2020	1,000,000,000	116,120,771	83,377,353	1,199,498,124

The annexed notes from 1 to 32 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

Notes to the Financial Statements

For the year ended 30 June 2020

1 LEGAL STATUS AND OPERATIONS

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

Awwal Modaraba is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing Working Capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investment / instrument to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange Limited (PSX).

1.2 A novel strain of coronavirus (COVID -19) was classified as a pandemic by the world health organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various businesses. However, currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. Therefore, during the year a total of two customers have availed deferment relief enabled by SECP with principal outstanding aggregated to Rs. 140.09 million. The full potential effect of the economic stress of specific customer is difficult to predict given the uncertain economic environment. Furthermore, the management has also made assessment of future profitability projection and as per the projections the company continues to earn adequate profits.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

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

- i) Classification of financial instruments (note 4.4).
- ii) Provision for impairment (note 4.10)
- iii) Provision for taxation (note 4.5 and 23).
- iv) Residual values, useful lives and depreciation methods of operating fixed assets (notes 4.2)
- v) Residual values, useful lives and amortisation methods of intangible assets (notes 4.3)
- vi) Defined benefit obligation (15.1)

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 '*Business Combinations*' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It

does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Modaraba.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The Modaraba shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented unless otherwise stated.

4.1 IAS 19 'Defined Benefit Obligation'

As at 30 June 2020, the Modaraba applied IAS 19 for the determination of its 'Defined Benefit Obligation'. IAS 19 replaced the previous management policy of one month's basic salary drawn for each year of service with the classification and measurement of defined benefit obligation as per IAS 19. The impact of changes in accounting policy resulting from adoption of IAS 19 has been included in current year financial statements since the impact of IAS 19 is not material to Modaraba's financial statements. However, the respective IAS 19 disclosures are reported in note 15.1 to the financial statements.

4.2 Operating fixed assets

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

Depreciation on all fixed assets is charged to profit and loss account on a straight-line basis in accordance with the rates specified in note of the financial statements and after taking into account

residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date the asset is available for use till the date of disposal.

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

4.3 Intangible assets

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

4.4 Financial instruments

4.4.1 Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

Debt Investments at FVOCI These assets are subsequently measured at fair value. Interest / markup income calculated using the effective profit method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss account.

Equity Investments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit and loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit and loss account.

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in the statement of profit and loss account.

Financial assets measured at amortised cost These assets are subsequently measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment losses. Profit / markup income, and impairment are recognised in the statement of profit and loss account.

4.4.2 Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans

and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes receivable against advisory fee, diminishing musharika finance, musharika finance, modarabah term deposits, investment in repurchase agreement, long term loans, accruals, prepayments, advances and other receivables and cash and cash equivalent. The Modaraba derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.4.2.1 **Loans and Receivables**

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

4.4.2.2 **Investment against repurchase agreements**

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

4.4.2.3 **Cash and cash equivalents**

For the purpose of presentation in statement of cash flows, cash and cash equivalents includes cash in hand, balances with banks and investments with original maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value and short term borrowings availed by the Modaraba, which are repayable on demand and form an integral part of the Modaraba's cash management.

4.4.2.4 **Financial liabilities**

Financial liabilities are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Modaraba derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

4.4.2.5 **Accrued expenses and other payables**

Accrued expense and other payables are recognised at amortised costs.

4.4.2.6 **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Modaraba has a legally enforceable right to offset and the Modaraba intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the accounting and reporting standards as applicable in Pakistan.

4.5 **Taxation**

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income

of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.

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

Deferred

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

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

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

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

4.6 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past obligating events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

4.7 Contingent liabilities

A contingent liability is disclosed when the Modaraba has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Modaraba; or the Modaraba has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.8 Revenue recognition

- Advisory fees are recognized as revenue when the related services are performed.
- 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.
- Capital gain / loss on sale of equity investments is recognised in the profit and loss account on the date of transaction.

4.9 Staff Retirement Benefit

4.9.1 Staff provident fund

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

4.9.2 Staff gratuity

As at 30 June 2020, the Modaraba has converted its non funded gratuity scheme to funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Modaraba's obligation under the scheme is determined through actuarial valuations carried out under "Projected Unit Credit Method". Gratuity is based on last drawn basic salary. Actuarial valuations are conducted annually and the latest valuation was conducted at the balance sheet date. Service costs are recognised in profit or loss account in the period in which they occur. Net interest on net defined benefit liability is also recognised in profit and loss account. Effect of remeasurement comprising actuarial gain / (loss) is recognised in other comprehensive income. Amount recognised in the balance sheet represents the present value of defined benefit obligation.

4.10 Impairment

4.10.1 Financial assets

The Modaraba recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost, except in the case of calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modaraba prevails.

The Modaraba measures loss allowances at an amount equal to lifetime ECLs, except for bank balances which are measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

4.10.2 Non-financial assets

The carrying amounts 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 indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss account.

4.11 Proposed profit distribution to certificate holders and transfers between reserves

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

4.12 Earnings per certificate

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

4.13 Segment reporting

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

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

4.14 Expenses

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

5 BANK BALANCES

	Notes	2020	2019
		(Rupees)	
<i>Balances with banks</i>			
- in current accounts		159,289	144,606
- in deposit accounts	5.1	259,749,512	163,990,869
		259,908,801	164,135,475

5.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 4.1% to 12.25% (2019: 4.1% to 11%) per annum.

6 ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	Notes	2020	2019
		(Rupees)	
Accrued profit on Investment against repurchase agreement		9,336,101	11,414,712
Accrued profit on Musharika Finance		4,532,553	4,503,270
Accrued profit on Diminishing Musharika Finance		52,245,097	22,736,783
Accrued profit on Modaraba Term deposit		-	197,260
Accrued profit on deposit accounts		1,036,074	2,633,102
Receivable from employees	6.1	108,044	100,380
Other advance		69,678	69,678
Prepayments	6.2	490,715	457,754
Other receivables	6.3	3,265,485	3,181,890
		71,083,747	45,294,829

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

6.2 This includes Rs.13,364 pertaining to an account maintained with the State Bank of Pakistan for the collection of ECIB Charges.

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

7 RECEIVABLE AGAINST ADVISORY FEE

	Notes	2020	2019
(Rupees)			
Receivable against advisory fee	7.1	41,697,463	83,858,019
less: current portion of fee		(34,904,238)	(49,150,553)
		6,793,225	34,707,466

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

8 INVESTMENT AGAINST REPURCHASE AGREEMENT

	Notes	2020	2019
(Rupees)			
Investment against repurchase agreement - secured	8.1	48,878,899	48,878,899
less: current portion of investment		(48,878,899)	(48,878,899)
		-	-

8.1 On 16 January 2018, the Modaraba has entered into an agreement with a shareholder of a company (investee company) for the purchase of 2,051,150 shares of the investee company. Concurrently, the Modaraba has entered into a separate agreement with another shareholder of the investee company for the selling of underlying shares after a period of eighteen months from the date of purchase at an agreed price. The underlying shares have been transferred in the name of the Modaraba. Subsequent to the year end, the tenor of facility was further extended for nine months.

9 MUSHARIKA FINANCE

	Notes	2020	2019
(Rupees)			
Musharika finance - secured	9.1	502,706,092	369,985,326
less: current portion of Musharika Finance		(452,380,207)	(276,993,084)
		50,325,885	92,992,242

9.1 The Modaraba has provided Musharika Finance facilities to several customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 74.4% to 99% (2019: 74.4% to 99%) and 1% to 25.6% (2019: 1% to 25.6%) respectively. The customers have either transferred the titles of the assets in the name of the Modaraba or the assets are held in trust by Agent, being related party of the Modaraba, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of Modaraba to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 512.86 million (2019: Rs. 512.86 million) in aggregate. The Modaraba has also obtained various securities against these facilities including personal guarantees of sponsors / directors of customers, post dated cheques issued by customers, hypothecation of assets amounting in aggregate to Rs. 533.67 million (2019: Rs.533.67 million). Further, in case of one customer, the Modaraba along with related party of the Modaraba holds 42 million (2019: 42 million) ordinary shares of a scheduled bank as pledge and lien on debt collection account against respective exposure.

9.1.1 These facilities have various maturity dates up to 12 February 2023. These facilities carry profit ranging from 3 months KIBOR plus 1.5% to 6 months KIBOR plus 5%.

9.2 Contractual rentals receivable on Musharika Finance facilities:

	2020			Total	2019			Total
	Due within one year	Due after one year but within five years	Due after five years		Due within one year	Due after one year but within five years	Due after five years	
(Rupees)								
Musharika Finance facilities:								
- Principal repayments	452,380,207	50,325,885	-	502,706,092	276,993,084	92,992,242	-	369,985,326
- Profit	31,085,468	3,626,926	-	34,712,394	50,389,302	10,592,689	-	60,981,991
	483,465,675	53,952,811	-	537,418,486	327,382,386	103,584,931	-	430,967,317

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

10 DIMINISHING MUSHARIKA FINANCE

	Notes	2020	2019
(Rupees)			
Diminishing Musharika Finance - secured	10.2 and 10.3	300,000,000	300,000,000
less: current portion of Diminishing Musharika Finance		(33,333,334)	(13,888,890)
		266,666,666	286,111,110
10.1 Opening balance		300,000,000	300,000,000
Facilities extended during the year		135,000,000	-
Less:			
Repayments during the year		(135,000,000)	-
Settlements during the year		-	-
		(135,000,000)	-
Closing balance		300,000,000	300,000,000

10.2 This includes Rs. 200 million outstanding against Diminishing Musharika Finance facility forwarded by the Modaraba to its corporate customer for the purpose of balance sheet re-profiling. This facility is secured against various collaterals which include mortgage over personal properties of sponsors having worth of Rs. 132.72 million with forced sales value of Rs. 141.34 million. Further, the facility is also secured with first pari passu hypothecation and mortgage charges over present and future fixed and current assets of the customer having a value of Rs. 119.05 million, pledge over sponsor shares, personal guarantees of sponsors, sponsor support and lien over collection account.

10.3 The Modaraba has provided Diminishing Musharika Finance facility to its corporate customer for the purpose of financing the construction of housing project. The facility is secured against various collaterals which mainly include transfer of personal properties of sponsors and/or their associates having value of Rs. 110.63 million with forced sales value of Rs 101 million. Further this facility is secured with first pari passu hypothecation charge over the present and future fixed assets, including plant and machinery and land and building, present and future current assets of the customer up to an amount of Rs. 33.33 million, present and future fixed assets, including plant and machinery and land and building, and present and future current assets of the housing project up to an amount of Rs. 16.67 million, lien on debt collection accounts of the customer and personal guarantees of the Sponsors.

10.3.1 The above facilities have maturity dates up to 20 April 2026 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%.

10.4 Contractual rentals receivable on Diminishing Musharika Finance facilities:

	2020				2019			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)							
Diminishing Musharika Finance facilities								
- Principal repayments	33,333,334	233,333,336	33,333,330	300,000,000	13,888,890	219,444,443	66,666,667	300,000,000
- Profit	40,416,210	164,684,581	22,368,916	227,469,707	13,350,967	156,062,553	57,981,164	227,394,684
	73,749,544	398,017,917	55,702,246	527,469,707	27,239,857	375,506,996	124,647,831	527,394,684

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

11 LONG TERM LOANS - considered good, unsecured

	Notes	2020	2019
		(Rupees)	
Due from employees	11.1	4,559,727	6,536,042
Less: receivable within one year		(1,914,848)	(2,089,758)
		2,644,879	4,446,284

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

11.2 Maximum balance due from employees during the year was Rs. 6.64 million (2019: 5.12 million).

12 INTANGIBLE ASSET

	Notes	2020	2019
		(Rupees)	
Cost			
Balance as at 01 July		8,330,731	420,731
Additions		–	7,910,000
Disposal		–	–
Balance as at 30 June		8,330,731	8,330,731
Amortisation			
Balance as at 01 July		1,769,539	162,131
Charge for the year		2,755,033	1,607,408
Disposal		–	–
Balance as at 30 June		4,524,572	1,769,539
Net book value as at 30 June		3,806,159	6,561,192
Annual rate of amortisation		33.33%	33.33%

	Furniture and Fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
(Rupees)				
Cost				
Balance as at 01 July 2018	73,725	2,454,927	1,613,740	4,142,392
Additions	–	123,503	–	123,503
Disposal	–	–	–	–
Balance as at 30 June 2019	73,725	2,578,430	1,613,740	4,265,895
Balance as at 1 July 2019	73,725	2,578,430	1,613,740	4,265,895
Additions	–	–	–	–
Disposal	–	–	–	–
Balance as at 30 June 2020	73,725	2,578,430	1,613,740	4,265,895
Accumulated depreciation				
Balance as at 01 July 2018	13,883	989,983	567,033	1,570,899
Charge for the year	14,748	853,487	363,084	1,231,319
Disposal	–	–	–	–
Balance as at 30 June 2019	28,631	1,843,470	930,117	2,802,218
Balance as at 01 July 2019	28,631	1,843,470	930,117	2,802,218
Charge for the year	14,748	626,382	363,084	1,004,214
Disposal	–	–	–	–
Balance as at 30 June 2020	43,379	2,469,852	1,293,201	3,806,432
Net book value as at 30 June 2019	45,094	734,960	683,623	1,463,677
Net book value as at 30 June 2020	30,346	108,578	320,539	459,463
Annual Rates of depreciation	20%	33% - 50%	25%	

	Notes	2020	2019
(Rupees)			
Audit remuneration payable		387,828	359,640
Bonus, leave fare allowance and other staff accrual		4,264,806	4,415,926
Sindh sales tax payable		679	5,982,573
Provision for Workers' Welfare Fund	14.1	7,002,641	9,754,236
Advances from Customers	14.2	3,169,207	2,943,121
Others	14.3	76,615	4,871,660
		14,901,776	28,327,156

14.1

The Sindh Workers' Welfare Fund Act, 2014 ('the Act') became effective from 21 May 2015 and is applicable on the Modaraba due to which Modaraba is liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or taxable income as provided in its income tax return. However, the Modaraba has filed a petition challenging the vires of Section 5 of the Act in the Sindh High Court ('the Court'). Similar petitions have been filed by other Modarabas and obtained an interim injunction from the Court. An interim injunction has been granted by the Court and the matter is tagged with other similar petitions filed with the Court. In compliance of the order dated 16 March 2020, passed by the Honourable High Court of Sindh in SWWF petitions including our petition bearing number CP.D.3867/2017; Awwal Modaraba has deposited in Sindh Workers' Welfare Fund (SWWF) amounting to Rs. 4.85 million in Sindh Workers' Welfare Fund (G-06313) for the years ending 2016 - 2019.

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

14.3 This includes staff retirement benefit payable amounting to Rs. Nil (2019: Rs. 4.71 million).

15 DEFERRED LIABILITY

	Notes	2020	2019
		(Rupees)	
Present value of defined benefit obligation	15.2	7,280,767	–

15.1 Defined benefit plan - gratuity

15.1.1 Salient Features

The Modaraba operates a funded scheme to provide gratuity to the permanent employees on retirement. The actuarial valuation of this scheme was carried out as at 30 June 2020 using the Projected Unit Credit Method by an independent actuary. Principal actuarial assumptions used in the actuarial valuation of the scheme carried out as at 30 June 2020 are given in note 15.1.2. Gratuity is payable to the employees in case of death, retirement or resignation, excluding dismissal due to disciplinary issues. Normal retirement age is 60 years. As at 30 June 2020, 4 employees were covered under the scheme.

Previously, the Modaraba accrues one month basic salary drawn for each year of services. Under the service rules, eligible employees are entitled to gratuity after five years of service and the amount depending on the number of years of service completed by them and at different entitlement rates (at basic salaries).

15.1.2 The Gratuity scheme exposes the Modaraba to the following risks:

Mortality risks

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro economic factors), the benefit amount increases as salary increases.

Withdrawal risks

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Valuation results

Actuarial valuation is carried out once every year. The first valuation was carried out as at 30 June 2020. The information provided in notes 15.2 to 15.9 has been obtained from the latest actuarial valuation report. The following significant assumptions have been used for valuation of this scheme:

	2020	2019
Valuation discount rate %	8.5	–
Salary increase rate %	7.5	–
Rate of employee turnover	moderate	

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

15.2 Amount recognised in the balance sheet

	2020	2019
	(Rupees)	
Present value of defined benefit obligation	7,280,767	–

15.3 Movement in amount payable to the defined benefit plan

	2020	2019
	(Rupees)	
Opening balance	6,576,596	–
Charge for the year	1,798,436	–
Benefits paid during the year	–	–
Remeasurement gain on obligation recognised in other comprehensive income	(1,094,265)	–
Closing balance	7,280,767	–

15.4 Movement in the present value of defined benefit obligation is as follows:

	2020	2019
	(Rupees)	
Present value of defined benefit obligation - opening	6,576,596	–
Current service cost	861,271	–
Mark-up cost	937,165	–
Benefit paid during the year	–	–
Remeasurement loss on obligation recognised in other comprehensive income		
Actuarial (gains)/losses from changes in financial assumptions	(45,110)	–
Experience adjustments	(1,049,155)	–
Present value of defined benefit obligation - closing	7,280,767	–

15.5 Amount charged to the profit and loss account

The following amounts have been charged to the profit and loss account in the current year in respect of this scheme:

	2020	2019
	(Rupees)	
Current service cost	861,271	–
Interest expense	937,165	–
	1,798,436	–

15.6 Remeasurements recognised in other comprehensive income during the year

	2020	2019
	(Rupees)	
Remeasurement (gain)/loss on obligation recognised in other comprehensive income	(1,094,265)	–

15.7 The defined benefit obligations are based in Pakistan

The sensitivities of the defined benefit obligation to changes in the weighted principal assumptions are as under:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees)		
Discount rate	1%	6,585,320	8,092,648
Salary increase rate	1%	8,236,276	6,443,823

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

15.8 The weighted average duration of the defined benefit obligation is 9.5 years.

15.9 Based on actuarial advice, charge for the year ending 30 June 2021 amounts to Rs. 1.467 million.

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.

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.

CERTIFICATE CAPITAL

2020	2019		2020	2019
Number of certificates			(Rupees)	
Authorised certificate capital				
100,000,000	100,000,000	Modaraba certificates of Rs. 10 each	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up certificate capital				
100,000,000	100,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	1,000,000,000	1,000,000,000

- 17.1 As at 30 June 2020, Awwal Modaraba Management Limited (the Management Company) and Pak Brunei Investment Company Limited held 10,000,000 (2019: 10,000,000) and 89,780,566 (2019: 89,780,566) certificates of Rs. 10 each respectively.

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 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. 20.53 million (2019: Rs. 22.28 million) which represents 20% (2019: 20%) of the profit after taxation for the year.

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Issued, subscribed and paid-up Certificate capital	Statutory reserve	Unappropriated profit	Total
(Rupees)				
Balance as at 01 July 2019	1,000,000,000	95,591,501	89,166,007	1,184,757,508
Changes from financing cash flows				
Dividend paid	–	–	(89,000,000)	(89,000,000)
Total changes from financing cash flows	–	–	(89,000,000)	(89,000,000)
Liability - related				
Transfer to Unappropriated profit	–	20,529,270	–	20,529,270
Transfer to Statutory reserve	–	–	(20,529,270)	(20,529,270)
Profit for the year	–	–	102,646,351	102,646,351
Other comprehensive income	–	–	1,094,265	1,094,265
	–	20,529,270	83,211,346	103,740,616
Balance as at 30 June 2020	1,000,000,000	116,120,771	83,377,353	1,199,498,124

20 CONTINGENCIES AND COMMITMENTS

- 20.1 Details of contingencies regarding Services Sales Tax on Management Company's remuneration and Provision for Sindh Workers' Welfare Fund are disclosed in notes 22 and 14.1 respectively. There are no other contingencies as at 30 June 2020.

21 ADMINISTRATIVE AND OPERATING EXPENSES

	Notes	2020	2019
(Rupees)			
Salaries and other staff benefits	21.1	36,332,773	36,203,053
Amortisation on intangible asset	12	2,755,033	1,607,408
Depreciation on operating fixed assets	13	1,004,214	1,231,319
Fees and subscriptions		2,097,476	1,791,491
Advertising, travelling and entertainment expenses		1,140,555	1,197,533
Telecommunication		357,350	293,248
Postage		56,763	50,756
Repair and maintenance		170,618	185,174
Printing and Stationary		478,875	747,537
Auditor's remuneration	21.2	548,905	431,069
Legal and professional charges		1,864,061	1,686,753
Insurance		105,589	106,572
Shared service expense	21.3	9,512,436	9,512,436
Other expenses	21.4	1,713,759	2,109,418
		58,138,407	57,153,767

- 21.1 This includes contribution of Rs. 1.304 million (2019: Rs. 1.283 million) to the staff provident fund and charge in respect of funded gratuity scheme amounting to Rs. 1.409 million (2019: Rs. 0.940 million).

21.2 Auditor's Remuneration

	2020	2019
(Rupees)		
Statutory audit fee	231,000	210,000
Half yearly review fee	64,000	58,000
Fee for review of compliance with the Code of Corporate Governance	30,000	27,000
Fee for other certifications	148,980	75,000
Sindh Sales Tax	33,848	31,280
Out of pocket expenses	41,077	29,789
	548,905	431,069

- 21.3 This includes shared service cost of the Modaraba charged by a related party (Holding Company) under a service level agreement.

- 21.4 Other expenses includes contractual staff salaries Rs. 0.97 million (2019: Rs. 0.95 million) and electricity charges Rs. 0.35 million (2019: Rs. 0.5 million).

22 PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

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

23 TAXATION

23.1 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 2020. Accordingly, no provision in respect of current and deferred taxation has been made in these financial statements.

23.2 The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2019 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

24 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

	2020	2019
	(Rupees)	
Basic		
Profit for the year after taxation	102,646,351	111,383,055
	(Number)	
Weighted average number of certificates outstanding during the year	100,000,000	100,000,000
	(Rupees)	
Earnings per certificate	1.03	1.11

Diluted

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

REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2020		Total
	Executives (Key management personnel)	Other employees	
	(Rupees)		
Basic salary	9,335,106	3,667,700	13,002,806
Allowances	4,200,798	1,650,467	5,851,265
Bonus	3,411,476	1,545,733	4,957,209
Provident fund	933,510	370,569	1,304,079
Gratuity fund	3,307,834	359,736	3,667,570
Contribution to Employees' Old Age Benefit	23,400	48,750	72,150
Other benefits	5,695,399	1,782,295	7,477,694
	26,907,523	9,425,250	36,332,773
	(Number)		
Number of employees as at 30 June 2020	3	6	9

	2019		Total
	Executives (Key management personnel)	Other employees	
	(Rupees)		
Basic salary	8,693,453	4,544,954	13,238,407
Allowances	3,912,042	2,045,208	5,957,250
Bonus	5,423,598	2,283,543	7,707,141
Provident fund	869,340	413,716	1,283,056
Gratuity fund	1,472,163	108,872	1,581,035
Contribution to Employees' Old Age Benefit	23,400	76,700	100,100
Other benefits	4,549,126	1,786,938	6,336,064
	24,943,122	11,259,931	36,203,053
	(Number)		
Number of employees as at 30 June 2019	3	9	12

FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

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

26.1 Market Risk

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

Currency risk

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

Profit rate risk

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

As at 30 June 2020, the Musharika and Diminishing Musharika Facilities are exposed to profit rate risk as detailed in Note 9 and 10 to these financial statements.

Sensitivity analysis for variable and fixed rate instruments

In case of 100 basis points increase / decrease in profit rates on the last repricing date of variable rate instruments and fixed rate instruments with all other variables held constant, the net profit of the Modaraba will be higher / lower by Rs. 967,920 (2019: Rs. 3,010,675). 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 2020 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at 30 June 2020, the Modaraba does not hold any instruments which exposed it to price risk.

26.2 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.

	2020	2019
	(Rupees)	
Bank balances	259,908,801	164,135,475
Modaraba Term Deposit	–	200,000,000
Accruals and other receivables	70,415,310	44,667,017
Receivable against advisory fee	41,697,463	83,858,019
Investment against repurchase agreement	48,878,899	48,878,899
Musharika Finance	502,706,092	369,985,326
Diminishing Musharika Finance	300,000,000	300,000,000
Long term deposit	75,000	75,000
	1,223,681,565	1,211,599,736

Bank balances

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

	2020	2019
	(Rupees)	
AAA	2,271,502	107,865,340
AA	257,062,680	–
AA-	574,619	56,270,135
	259,908,801	164,135,475

Advisory fee

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

Musharika Finance, Diminishing Musharika Finance and Investment against repurchase agreement

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

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

Long term deposit

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

Past due but not impaired

Certain receivables against diminishing musharika and musharika finance facility were past due as at 30 June 2020 but the related amounts were either recovered subsequently or adjusted with available security. The modaraba provides financing facilities to financially distress companies, hence, delays in recovering the due amounts is anticipated and is an inherent risk in the ordinary course of its business. However, management closely monitors the investment portfolio to identify indicators for impairment.

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

Concentration of credit risk

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

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

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

Sectors	2020		2019	
	(Rupees)	%	(Rupees)	%
Cable and Electrical Goods	245,311,781	20.12%	219,712,043	21.85%
Banks	259,908,801	21.32%	164,135,475	16.32%
Real Estate and Developers	113,211,105	9.28%	118,719,187	11.81%
Food and Allied	118,973,696	9.75%	161,983,035	16.11%
Engineering	236,260,934	19.38%	68,163,572	6.78%
Cement	201,557,260	16.53%	202,269,151	20.12%
Security Services	2,641,299	0.22%	8,979,614	0.89%
Others	41,440,131	3.40%	61,550,407	6.12%
	1,219,305,007	100.00%	1,005,512,484	100.00%

26.3 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:

	2020				
	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	7,898,456	(7,898,456)	86,706	3,633,650	4,178,100
Payable to related parties	21,851,692	(21,851,692)	1,326,904	–	20,524,788
	29,750,148	(29,750,148)	1,413,610	3,633,650	24,702,888

	2019				
	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	12,590,347	(12,590,347)	358,032	8,010,223	4,222,093
Payable to related parties	21,103,338	(21,103,338)	1,108,578	19,994,760	–
	33,693,685	(33,693,685)	1,466,610	28,004,983	4,222,093

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.

26.4 Financial instruments by category

	2020		
	At amortised cost	FVTPL	Other financial liabilities
	(Rupees)		
Assets			
Bank balances	259,908,801	–	–
Modaraba term deposit	–	–	–
Accruals and other receivables	70,415,310	–	–
Receivable against Advisory Fee	41,697,463	–	–
Investment against repurchase agreement	48,878,899	–	–
Musharika Finance	502,706,092	–	–
Diminishing Musharika Finance	300,000,000	–	–
Long term loans	4,559,727	–	–
Long term deposit	75,000	–	–
	1,228,241,292	–	–
Liabilities			
Accrued expenses	–	–	7,898,456
Payable to Related parties	–	–	21,851,692
	–	–	29,750,148

	2019		
	At amortised cost	FVTPL	Other financial liabilities
	(Rupees)		
Assets			
Bank balances	164,135,475	–	–
Modaraba term deposit	200,000,000		
Accruals and other receivables	44,667,017	–	–
Receivable against Advisory Fee	83,858,019	–	–
Investment against repurchase agreement	48,878,899	–	–
Musharika Finance	369,985,326	–	–
Diminishing Musharika Finance	300,000,000	–	–
Long term loans	6,536,042	–	–
Long term deposit	75,000	–	–
	1,218,135,778	–	–
Liabilities			
Accrued expenses	–	–	12,590,347
Payable to Related parties	–	–	21,103,338
	–	–	33,693,685

27

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.

28

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.

	2020					
	Carrying amount / cost			Fair value		
	FVTPL	At amortised cost	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)					
Financial assets not measured at fair value						
Bank balances	–	259,908,801	–	–	–	–
Modaraba Term Deposit	–	–	–	–	–	–
Accruals and other receivables	–	70,415,310	–	–	–	–
Receivable against advisory fee	–	41,697,463	–	–	–	–
Investment against repurchase agreement	–	48,878,899	–	–	–	–
Musharika Finance	–	502,706,092	–	–	–	–
Diminishing Musharika Finance	–	300,000,000	–	–	–	–
Long term loans	–	4,559,727	–	–	–	–
Long term deposit	–	75,000	–	–	–	–
Financial liabilities not measured at fair value						
Accrued expenses	–	–	7,898,456	–	–	–
Payable to Related Parties	–	–	21,851,692	–	–	–
	2019					
	Carrying amount / cost			Fair value		
	FVTPL	At amortised cost	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)					
Financial assets not measured at fair value						
Bank balances	–	164,135,475	–	–	–	–
Modaraba Term deposit	–	200,000,000	–	–	–	–
Accruals and other receivables	–	44,667,017	–	–	–	–
Receivable against advisory fee	–	83,858,019	–	–	–	–
Investment against repurchase agreement	–	48,878,899	–	–	–	–
Musharika Finance	–	369,985,326	–	–	–	–
Diminishing Musharika Finance	–	300,000,000	–	–	–	–
Long term loans	–	6,536,042	–	–	–	–
Long term deposit	–	75,000	–	–	–	–
Financial liabilities not measured at fair value						
Accrued expenses	–	–	12,590,347	–	–	–
Payable to Related parties	–	–	21,103,338	–	–	–

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

29 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 and business heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement. Details of certificate holding of Holding Company, Management Company, Directors, Key Management Personnel and their family members are disclosed in pattern of certificate holding included in the annual report of the Modaraba.

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

29.1 Details of the transactions with related parties

	2020	2019
	(Rupees)	
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Modaraba Term Deposit	-	200,000,000
Profit earned from Modaraba Term Deposit during the year	14,991,781	197,260
Shared service expense	9,512,436	9,512,436
Other expenses	492,015	589,355
Awwal Modaraba Management Limited		
- Management Company		
Management Company's remuneration	13,343,577	14,479,310
29.2 Amounts outstanding as at year end		
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Payable in respect of shared services	1,326,904	1,108,578
Modaraba Term Deposit	-	200,000,000
Receivable balance in respect of Modarabah Term Deposit - Profit Accrued	-	197,260
Awwal Modaraba Management Limited		
- Management Company		
Payable balance against Management Company's remuneration - net	20,524,788	19,994,760
Staff retirement benefits funds		
Contribution payable to staff provident fund	-	-
Contribution payable to staff gratuity fund	7,280,767	4,707,462

30 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.

31 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.80 (2019: Re. 0.89) per certificate for the year ended 30 June 2020, resulting in a total distribution of profit amounting to Rs. 80 million (2019: Rs. 89 million), in its meeting held on 24 September 2020 which is more than 90% of the net profit for the year ended 30 June 2020, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending 30 June 2021.

32 DATE OF AUTHORISATION

These financial statements were authorised for issue on 24 September 2020 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

Notice of Annual Review Meeting

Notice is hereby given that the 5th Annual Review Meeting of certificate holders of Awwal Modaraba will be held on Tuesday, 27 October 2020 at 03:15 p.m. at the Registered Office of Awwal Modaraba Management Limited situated at Horizon Vista, Commercial 10, Block No. 4, Scheme No. 5, Clifton, Karachi, to review the performance of the Modaraba for the year ended 30 June 2020.

Special Business:

To obtain consent of certificate holders for transmission of the annual audited accounts of Modaraba through CD/DVD/USB instead of transmitting the said accounts in hard copies, in light of provisions of SRO 470(I)/2016 issued by the Securities and Exchange Commission of Pakistan (SECP).

On behalf of the Board



Iqra Sajjad
Company Secretary
Awwal Modaraba Management Limited
Managers of Awwal Modaraba

06 October 2020
Karachi

Notes:

1. The certificate transfer books shall remain closed from Tuesday, 13 October 2020 to Tuesday, 27 October 2020 (both days inclusive). Transfers received in order at the office of the Share Registrars of Awwal Modaraba i.e. THK Associates (Private) Limited at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400 (Telephone No: 021-111-000-322, Fax No: 021-34168271) before the close of business hours on Monday, 12 October 2020 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 THK Associates (Private) Limited.
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 identity by showing 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 SECP SRO 634(I)/2014, the Annual Report for the year ended 30 June 2020 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.

As per the directives issued by the SECP vide SRO 787(I)/2014 dated 08 September 2014, companies are allowed to circulate 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 on the website of Modaraba) and return it to THK Associates (Private) Limited.

5. Revised Treatment of Withholding Tax:

Dividend income is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2020, effective 01 July 2020, withholding of tax on dividend based on 'Active' and 'Non-Active' status of certificate holders shall be @ 15% and 30% respectively where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (<http://www.fbr.gov.pk/>) and 'Non-Active' means a person whose name is not appearing in the Active Taxpayers List.

Furthermore, according to clarification provided by the FBR; in case a Folio/CDS Account is jointly held, each joint-holder is to be treated separately as Active or Non-Active. In terms of the said clarification, tax of each joint-holder has been deducted on the gross dividend amount determined by bifurcating the certificate holding of each joint-holder on equal proportions, except where certificate holding proportion of joint-holder(s) is pre-defined as per the records of our Share Registrars and thus tax rates are applied in line with respective proportions. Those certificate holders who are holding Folio/CDS jointly are requested to notify (in writing) any change in their certificate holding proportions to our Share Registrars (in case of physical certificate holding) or their Participants/CDC Investor Account Services so that their revised certificate holding proportions are considered by the Modaraba in all present and prospective dividend payouts, if any.

6. Exemption from Deduction of Zakat / Income Tax:

Members who are seeking exemption from deduction of zakat and/or are eligible for deduction of tax at a reduced rate, are requested to submit a valid declaration for non-deduction of zakat and/or a valid tax exemption certificate or necessary documentary evidence, as the case may be.

7. Payment of Dividend through Electronic Mode (Mandatory):

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. Therefore, all the certificate holders of Awwal Modaraba are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on the website of Modaraba. Certificate holders maintaining holding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant / CDC Investor Account Service. In the absence of bank account details or in case of incomplete details, Modaraba will be constrained to withhold the payment of cash dividend of those certificate holders who have not provided the same. For more information, contact THK Associates (Private) Limited.

8. Unclaimed Dividends and Physical Modaraba Certificates:

Certificate holders, who for any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact THK Associates (Private) Limited to enquire about their unclaimed dividend and / or pending Modaraba certificates.

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 Certificate holder(s): _____
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 Modaraba 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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