Creating **Structure**

and **Precision**

in Financial **Planning**

for Economic **Prosperity**

AWWAL MODARABA

ANNUAL

REPORT

June 2021

VISION

Awwal Modaraba Management Limited (AMML) will play a role in the economic progress and development of Pakistan by providing a range of advisory services and financial support, through Sharia'h 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 environment to our employees.

Contents

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. Saiyid Najam Rizvi		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. Saiyid Najam Rizvi	Member

Human Resource and Remuneration Committee

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

Company Secretary
Ms. Misbah Asjad

Chief Financial Officer
Mr. Aftab Afroz Mahmoodi

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

Auditors
BDO Ebrahim & Co.
Chartered Accountants

Legal Advisor
LMA Ebrahim Hosain

Shari'ah Advisor
Mufti Muhammad Hassaan Kaleem

Certificate Registrar
THK Associates (Private) Limited.
Plot No: 32-C, Jami Commercial,
Street No: 2, DHA, Phase-VII, Karachi,
Tel: 021-111-000-322 Fax: 021-35310190,
E-mail: sfc@thk.com.pk

Registered Office
3rd 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

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

7. RECORDING AND REPORTING OF THE COMPANY
    - Employees shall ensure that all business related information/ transaction are recorded and reported accurately, honestly and in the 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.

AWWAL MODARABA

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 GDP grew by 3.9% in FY2021 according to data released in the Monetary Policy Statement (MPS) State Bank of Pakistan (SBP) which is considerably higher than projected by International Monetary Fund (IMF) and the World Bank. This was also acknowledged by IMF in the recently released World Economic Update. SBP expects economic growth at around 4-5% this year. Inflation has reduced on an year to year basis in recent months to 9.7% in June 2021 and is expected to clock around 7-9% this year.

The aforementioned positive economic development have occurred as a result of several measures taken by the Government of Pakistan (GoP) and SBP. Pakistan's National Assembly passed a growth oriented budget for 2021-2022 on June 29, 2021. SBP has maintained the policy rate at 7% per annum, unchanged since June 2020 as economy remains vulnerable under the fourth wave of Covid-19. Overall, SBP's support to various economic sectors amounted to approximately PKR two trillion inclusive of interest rate reduction, loan deferrals and reschedulings, and support for new investment / BMR.

Imports are expected to grow with increase in economic activity and rebound in global commodity prices. SBP expects that the current account deficit will be contained in a sustainable range of 2–3% of GDP in FY2022 as a result of policy measures and positive export outlook. Foreign exchange reserves position is expected to remain strong with external support including financial assistance and loan deferrals.

The Modaraba has been able to maintain profitable position in FY2021 and maintain asset quality in challenging times. Income has declined on a year to year basis as expected due to lower interest rate scenario and conservative underwriting of new exposures. While economic activity is recovering, the distressed asset segment is still in a vulnerable situation. Further, there will be a significant impact from withdrawal of tax exemption on modaraba sector in the current budget on distribution of 90% or more dividend in a year. From next year onwards, modaraba income will be taxed on normal corporate rates.

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 fulfills 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 company and its stakeholders.

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: 27 August 2021

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 2021.

Economy

The Government of Pakistan (GoP) and the regulators have been taking several measures for the revival of the economy impacted by the pandemic which are reflected in the country's economic growth and in performance of the stock exchange. The National Assembly passed the country's 2021-2022 budget on June 29, 2021 which is a growth-oriented budget and GoP has introduced several incentive schemes to support and boost economic activity, including for construction sector and allied industries. The State Bank of Pakistan (SBP) has also maintained the policy rate at 7% per annum since June 2020, and the subsidized financing schemes including the Long Term Financing Facility (LTFF) and Temporary Economic Relief Facility have facilitated capital investments. Year-on-year inflation rate has been on a declining trend in recent months which has facilitated the ease in monetary policy. Notably, different measures taken by SBP has provided significant boost to Fintech in the past two years which has facilitated economic activity in the country particularly during COVID-19 lockdowns.

Earlier in April 2021, the World Bank had projected GDP growth rate of 1.3% for FY2021 in the Pakistan Development Update, recovering to 4% in FY2022 while GDP growth clocked at 3.9% in FY2021. International Monetary Fund (IMF) has acknowledged Pakistan's stronger economic activity in the recently issued World Economic Update. Pakistan has received USD 2 billion so far under the IMF program since May 2019. Tough economic measures have been taken in line with the program including increase in electricity tariff and withdrawal of income tax exemptions of nearly PKR 140 billion along with structural reforms of the Central Bank.

The risk of pandemic still exists with the country in the grip of the fourth wave of COVID-19 with intermittent lockdowns affecting economic activity. Further, tax exemption on income of Modaraba sector on distribution of 90% and above dividend has been withdrawn which will be a significant hit on profitability of the Modaraba sector.

Financial Performance

Operating Results	**30 June 2021**	**30 June 2020**
	(Rupees '000')	(Rupees '000')
Balance Sheet		
Certificate capital	1,000,000	1,000,000
Total equity	1,161,367	1,199,498
Investment in Musharika Finance	499,000	802,706
Profit & Loss		
Revenue	92,794	176,325
Operating expenses	45,595	58,240
Profit before Management Fee	47,199	118,085
Net profit for the year	41,028	102,646
Appropriations		
Profit distribution @ 3.20% (2020: @ 8%)	32,000	80,000
Statutory reserve	8,206	20,529
Unappropriated profit carried forward	37,041	83,377
Earnings per certificate	0.41	1.03

Financial snapshot

Under the directions of the Board of Directors, Awwal's management remains focused on recoveries from outstanding portfolio and we are considering fresh exposures on a very conservative basis. Accordingly, the value of outstanding portfolio amounted to PKR 499 million on June 30, 2021 compared to PKR 802.71 million at the end of the preceding year. The excess liquidity was placed in sukuks of PKR 179.16 million and placements of PKR 239 million to maximize return generation. The asset quality and recoveries remains sound as a result of management policies. Excess liquidity of PKR 155.75 million was placed with banks. During the year under review, overall revenues have been recorded at PKR 92.79 million compared to PKR 176.32 million in the preceding year. Expenses were contained at PKR 45.6 million compared to PKR 58.2 million in preceding year. The Modaraba posted profit before tax for the period at PKR 41.03 million (FY2020: PKR 102.65 million).

The recent amendments in tax laws are a major setback for the Modaraba sector whereby the tax exemption on income of the Modaraba on declaration of 90% and above dividend has been withdrawn. The profitability in future periods will be impacted by this withdrawal.

Profit Distribution

The Board in its meeting held on 27 August 2021 has approved cash dividend of PKR 0.32 (3.20%) per certificate PKR 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2021.

To comply with Modaraba Regulations 2021, the Board of Directors has transferred PKR 8.21 million to statutory reserve. As per the Regulations 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% and not more than 20% of its after tax profit is to be transferred to such reserve.

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 2021.

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

Corporate and Financial Reporting Framework

The Board of Directors is pleased to report that:

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

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on 30 June 2021 except for those disclosed in the financial statements.

- During the year under review, four (4) meetings of the Board of Directors were held. Attendance by each director was as follows:

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

Change in Directors

Mr. Ahmed Ateeq resigned as a non-executive director of the Company with effect from June 30, 2021 and Mr. Saiyid Najam Rizvi was nominated on the Board of the Company by Pak Brunei Investment Company (Holding Company of Management Company) in place of Mr. Ahmed Ateeq with effect from July 01, 2021.

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

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

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

- One meeting of Human Resource and Remuneration Committee (HR&RC) was held to finalize the recommendation for the yearly staff compensation amounts.
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO, Company Secretary, their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year under review.
- The Modaraba operates Provident Fund & Gratuity fund for its eligible employees, the value as at June 30, 2021 is PKR 12.75 million and PKR 13.89 million respectively.

The Board of Directors

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

a. Male: 5

b. Female: 1

The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
Other Non-Executive Directors	Ms. Ayesha Aziz Mr. Abdul Jaleel Shaikh Mr. Saiyid Najam Rizvi
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 independent director is entitled to receive the prescribed fee as determined by the Board of Directors only for attending the Board Meeting. Further, the nominee directors / Chief Executive Officer / any other director in whole time remunerated service with the Company are not entitled to any payment for attending meetings of the Board or any Committee of the Board. However, all the directors are entitled to be paid all travelling, hotel and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of Directors or General Meeting of the company in connection with the business of the Company.

Auditors

On the recommendation of the Audit Committee, the Board has approved the present auditors M/s BDO Ebrahim & Co. Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed as external auditors of the Modaraba for the year ending 30 June 2022. 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 2021 is attached in the Annual Financial Statements.

Acknowledgments

The Board of Directors would like to acknowledge and appreciate SECP and Registrar Modaraba for their continuous guidance and support. Also, 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

Karim Hatim
Chief Executive Officer

Abdul Jaleel Shaikh
Director

Date: 27 August 2021

ساتھ کل وقتی معاوضے میں خدمت کرتے ہیں، بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے کسی بھی ادائیگی کا حقدار نہیں ہے۔ تاہم، تمام ڈائریکٹرز کو بورڈ کی کسی کمیٹی اور کمپنی کی جنرل میٹنگوں میں شرکت اور واپسی کے اجلاس میں شرکت اور کمپنی کے کاروبار سے متعلق ہونے والے اجلاسوں میں شرکت اور واپسی میں ان کے ذریعے ہونے والے تمام سفر، ہوٹل اور دیگر اخراجات ادا کرنے کا حق ہے۔

آڈیٹرز

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز BDO Ebrahim & Co. چارٹرڈ اکاؤنٹینٹ کو منظوری دی ہے جو تقرری کے اہل ہیں اور آڈیٹر کے طور پر کام کرنے کی ان کی رضامندی پر 30 جون 2022 کو ختم ہونے والے سال کے لئے مضاربہ کے بیرونی آڈیٹرز مقرر کئے گئے ہیں۔ تاہم ان کی تقرری مضاربہ کمپنی اور مضاربہ کے رجسٹرار کی منظوری سے مشروط ہوں گی۔

شریعہ مشیر کی رپورٹ

مضاربہ رجسٹرار، مضاربہ کے مشورے سے تیار کردہ شریعت آڈٹ میکانزم کی مکمل تعمیل کو یقینی بنانے کی ضرورت کے مطابق، شریعہ کے مشیر، مفتی محمد حسن کلیم شرعی مشیر سے رہنمائی حاصل کرنا جاری رکھے ہوئے ہیں۔ داخلی آڈٹ کو یہ بھی تربیت دی گئی ہے کہ وہ مضاربہ کے روزمرہ کے امور کو حل کریں جو شرعی پالیسیوں اور اصولوں پر مکمل عمل پیرا ہیں۔ 30 جون 2021 کو ختم ہوئے سال کے لئے مضاربہ کے امور کے لئے جاری کردہ شرعی مشیر رپورٹ سالانہ مالیاتی اسٹیٹمنٹ میں منسلک ہے۔

اعترافات

بورڈ آف ڈائریکٹر SECP اور رجسٹرار مضاربہ کی مستقل رہنمائی اور مدد کے لئے ان کا معترف اور شکرگزار ہے۔ نیز ہم اس موقع سے فائدہ اٹھانا چاہتے ہیں کہ وہ مضاربہ پر اعتماد کرنے پر اپنے صارفین اور سرمایہ کاروں کا شکریہ ادا کرتے ہیں۔

بورڈ کی جانب سے

کریم حاتم
چیف ایگزیکٹو آفیسر
تاریخ: 27 اگست، 2021

عبدالجلیل شیخ
ڈائریکٹر

آڈٹ کمیٹی بیرونی آڈیٹرز کی تقرری کے لئے بورڈ آف ڈائریکٹرز کو سفارش کرنے کی بھی ذمہ داری عائد کرتی ہے۔

☆ زیرِ جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ممبر کی حاضری مندرجہ ذیل تھی:۔

نام	اجلاسوں کی تعداد
جناب شاہد غفار	4
جناب خالد عزیز مرزا	4
جناب عبدالجلیل شیخ	4
جناب احمد عتیق	4

☆ سالانہ عملے کے معاوضے کی رقم کی سفارش کو حتمی شکل دینے کے لئے ہیومن ریسورس اور معاوضہ کمیٹی (HR&RC) کا ایک اجلاس منعقد ہوا۔

☆ سرٹیفکیٹ ہولڈرز اور ان کے زیرملکیت سرٹیفکیٹ کا زائچہ اس سالانہ رپورٹ میں شامل ہے۔

☆ زیرغور سال کے دوران ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری، ان کے شریک حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفکیٹ میں کوئی لین دین نہیں کیا۔

☆ مضاربہ اپنے مستقل ملازمین کے لئے ایک پروویڈینٹ فنڈ اور گریجویٹی فنڈ چلاتی ہے جس کی مالیت 30 جون 2021 میں 12.75 ملین روپے اور 13.89 ملین روپے ہے۔

بورڈ آف ڈائریکٹرز

ڈائریکٹرز کی کل تعداد 6 ہیں جن میں CEO بھی شامل ہیں جو کہ درج ذیل ہیں:۔

مرد	5
خاتون	1

بورڈ کی تشکیل مندرجہ ذیل ہے:۔

	عہدہ	نام
۱)	آزاد/خودمختار ڈائریکٹر	جناب خالد عزیز مرزا
		جناب شاہد غفار
۲)	دوسرے نان ایگزیکٹیو ڈائریکٹرز	محترمہ عائشہ عزیز
		جناب عبدالجلیل شیخ
		جناب سید نجم رضوی
۳)	چیف ایگزیکٹیو آفیسر	جناب کریم حاتم

ڈائریکٹر کی معاوضہ پالیسی

بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کرنے کے لئے ایک ڈائریکٹر کا معاوضہ اول مضاربہ مینجمنٹ لمیٹڈ کے ذریعہ اختیار کردہ ڈائریکٹریز معاوضہ پالیسی کے تحت طے کیا جاتا ہے۔ مذکورہ پالیسی کے تحت، آزاد/خودمختار ڈائریکٹر صرف بورڈ میٹنگ میں شرکت کے لئے بورڈ آف ڈائریکٹرز کے ذریعے طے شدہ فیس وصول کرنے کا حقدار ہے۔ مزید یہ کہ نامزد ڈائریکٹرز/ چیف ایگزیکٹیو آفیسر/کوئی دوسرا ڈائریکٹر جو کمپنی کے

شرعی ایڈوائزر آغاز سے ہی اس بات کو یقینی بناتا ہے کہ ممکنہ گاہکوں کا کاروبار اور مجوزہ لین دین کا ڈھانچہ شرعی اصولوں کے مطابق ہو۔ اچھی گورننس اور تمام پالیسیوں کو عملی طور پر نافذ کرنے پر زور دیا جاتا ہے۔ بورڈ آف ڈائریکٹرز بیرونی نگرانی کو یقینی بنانے کے لیے آزاد ڈائریکٹرز پر مشتمل ہے۔

کارپوریٹ اور مالی رپورٹنگ دائرہ کار

بورڈ آف ڈائریکٹر یہ اطلاع دیتے ہوئے خوشی محسوس کرتے ہیں کہ:

- ☆ مضاربہ کی انتظامیہ کے ذریعے تیارہ کردہ مالی گوشوارے، اس کے امور کی منصفانہ حیثیت، اس کی کاروائیوں، نقد بہاؤ اور حصہ میں بدلاؤ کا واضح نتیجہ پیش کرتے ہیں۔
- ☆ مضاربہ کے حساب کتاب کے کھاتے باقاعدہ برقرار رکھے گئے ہیں۔
- ☆ مناسب اکاؤنٹنگ پالیسیاں مالی اسٹیٹمنٹ کی تیاری میں لاگو ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہے۔
- ☆ مالی اسٹیٹمنٹ کی تیاری کے سلسلے میں بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں مضاربہ پر لاگو ہیں پر عمل کیا گیا ہے۔
- ☆ اندرونی کنٹرول کا نظام مستحکم ہے اور مئوثر انداز میں نافذ اور اس کی نگرانی کی جارہی ہے۔
- ☆ مضاربہ کی جاری حیثیت سے روانی کی اہلیت پر شکوک وشبہات موجود نہیں ہیں۔
- ☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی خاص مادی اجتناب نہیں ہے، جیسا کہ کارپوریٹ گورننس میں تفصیل سے بتایا گیا ہے۔
- ☆ ٹیکس، ڈیوٹی، محصول اور محصولات کے معاوضے کے حساب سے 30 جون 2021ء تک کوئی قانونی ادائیگی واجب نہیں ہے، سوائے اس کے کہ مالی اسٹیٹمنٹ میں انکشاف کیا گیا ہو۔
- ☆ ایک سال کے دوران، بورڈ آف ڈائریکٹرز کے 4 اجلاس منعقد ہوئے۔ ہر ڈائریکٹرز کی حاضری کچھ یوں تھی:۔

ڈائریکٹر کے نام	اجلاسوں میں شرکت کی تعداد
جناب خالد عزیز مرزا	4
جناب شاہد غفار	4
محترمہ عائشہ عزیز	4
جناب عبدالجلیل شیخ	4
جناب احمد عتیق	4
جناب کریم حاتم (CEO)	4

ڈائریکٹرز میں تبدیلی

جناب احمد عتیق نے 30 جون 2021 سے کمپنی کے نان ایگزیکٹیو ڈائریکٹر کے عہدے سے استعفیٰ دے دیا ہے اور جناب سید نجم رضوی کو احمد عتیق کی جگہ پاک برونائی انویسمنٹ کمپنی (ہولڈنگ کمپنی آف مینجمنٹ کمپنی) نے کمپنی کے بورڈ میں 1 جولائی 2021 کو نامزد کیا ہے۔

بورڈ نے کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کے لئے آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی میں چار ممبران شامل ہیں۔ آڈٹ کمیٹی کے سربراہ خودمختار/آزاد ڈائریکٹر ہیں۔ کمیٹی وقتاً فوقتاً مالی اسٹیٹمنٹ کا جائزہ لیتی ہے اور مالی پالیسیوں اور طریقوں کی وافر درستگی کی جانچ کرتی ہے تاکہ یہ یقینی بنایا جاسکے کہ داخلی کنٹرول کا ایک مئوثر اور مضبوط نظام موجود ہے۔ کمیٹی داخلی آڈٹ کے ذریعہ جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔

انتظامی اخراجات	45,595	58,240
منیجمنٹ فیس سے قبل منافع	47,199	118,085
سال کا خالص منافع	41,028	102,646
اختصاص (Appropriations)		
منافع کی تقسیم 3.2 فیصد (8 فیصد :2020)	32,000	80,000
لازمی زخائر/ ریزرو	8,206	20,529
غیر مختص منافع کی اگلے سال منتقلی	37,041	83,377
آمدنی سرٹیفکیٹ	0.41	1.03

سرسری جائزہ

بورڈ آف ڈائریکٹرز کی ہدایات کے تحت، اوول مضاربہ کی انتظامیہ کی توجہ پورٹ فولیو کی وصولی پر مرکوز ہے اور ہم بہت زیادہ روائتی بنیادوں پر تازہ سرمایہ کاری پر غور کر رہے ہیں۔ اس کے مطابق 30 جون 2021 کو بقایا پورٹ فولیو کی مالیت 499 ملین روپے تھی جبکہ پچھلے سال کے اختتام پر 802.71 ملین روپے تھی۔ اضافی لیکویڈیٹی 179.16 ملین روپے سکوک کی مد میں اور 239 ملین روپے مضاربہ ٹرم ڈپازٹ میں رکھی گئی تا کہ زیادہ سے زیادہ منافع حاصل کیا جا سکے۔ انتظامی پالیسیوں کے نتیجے میں اثاثوں کا معیار اور وصولی درست رہتی ہے۔ بینکوں کے پاس 155.75 ملین روپے کی اضافی لیکویڈیٹی رکھی گئی۔ زیر جائزہ سال کے دوران مجموعی آمدنی 92.79 ملین روپے ریکارڈ کی گئی ہے جبکہ پچھلے سال 176.32 ملین روپے تھی۔ اخراجات 45.6 ملین روپے پر مشتمل تھے جبکہ پچھلے سال 58.2 ملین روپے تھے۔ مضاربہ نے ٹیکس سے پہلے منافع 41.03 ملین روپے (مالی سال 2020، 102.65 ملین روپے) رکھا۔

ٹیکس قوانین میں حالیہ ترامیم مضاربہ سیکٹر کے لیے ایک بڑا دھچکا ہے، جس کے تحت مضاربہ کی آمدنی پر 90 فیصد اور اس سے زائد منافع کے اعلان پر ٹیکس چھوٹ واپس لے لی گئی ہے۔ مستقبل کے ادوار میں منافع اس واپسی سے متاثر ہوگا۔

منافع کی تقسیم

بورڈ نے 27 اگست 2021 کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2021 کو ختم ہونے والے سال کے لیے زکوۃ اور جہاں بھی قابل اطلاق ٹیکس پر ٹیکس کی کٹوتی سے مشروط 0.32 روپے (3.20٪) کا سرٹیفکیٹ 10 روپے منظور کیا ہے۔

مضاربہ ریگولیشنز 2021 کی تعمیل کے لیے بورڈ آف ڈائریکٹرز نے 8.21 ملین روپے کو لازمی ریزرو میں منتقل کیا ہے۔ ریگولیشنز کے مطابق مضاربہ کو 20 فیصد سے کم نہیں اور 50 فیصد سے زیادہ نہیں قبل از ٹیکس منافع کو لازمی ریزرو میں منتقل کرنے کی ضرورت ہے جب تک کہ ریزرو ادا شدہ سرمائے کے 100 فیصد کے برابر ہو۔ اس کے بعد، قبل از ٹیکس منافع کے بعد 5 فیصد سے کم نہیں اور 20 فیصد سے زیادہ نہیں رقم اس طرح کے ریزرو میں منتقل کی جائے گی۔

گورننس اور شریعت کی تعمیل

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے مختلف احکامات کی تعمیل کو یقینی بنانے کے لیے پرعزم ہے۔ مضاربہ 30 جون 2021 کو ختم ہونے والے سال کے لیے متعلقہ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی ضروریات کے مطابق ہے۔

ڈائریکٹر رپورٹ:

اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو، اوول مضاربہ کی مینجمنٹ کمپنی ہے 30 جون 2021 کو ختم ہونے والے سال کے لیے اول مضاربہ کے آڈٹ شدہ مالی گوشوارے کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

معیشت:

حکومت پاکستان اور انتظامی ادارے وباء سے متاثر ہونے والی معیشت کی بحالی کے لیے کئی اقدامات کر رہے ہیں جو کہ ملک کی معاشی نمو اور اسٹاک ایکسچینج کی کارکردگی میں جھلکتے ہیں۔ قومی اسمبلی نے 29 جون 2021 کو ملک کا 2021-2022 کا بجٹ منظور کیا جو کہ ترقی پر مبنی بجٹ ہے اور حکومت نے معاشی سرگرمیوں کو مدد اور فروغ دینے کے لیے کئی ترغیبی منصوبے متعارف کرائے ہیں، بشمول تعمیراتی شعبے اور اس سے وابستہ صنعتوں کے لئے۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے جون 2020 سے پالیسی شرح 7 فیصد سالانہ پر برقرار رکھی ہے اور سبسڈی والی فنانسنگ اسکیمیں بشمول طویل مدت فنانسنگ سہولت (ایل ٹی ایف ایف) اور عارضی اقتصادی سہولت نے سرمایہ کاری میں آسانی فراہم کی ہے۔ سال بہ سال افراط زر کی شرح حالیہ مہینوں میں کمی کے رجحان پر رہی ہے جس نے مالیاتی پالیسی میں آسانی پیدا کی ہے۔ خاص طور پر اسٹیٹ بینک کے مختلف اقدامات نے پچھلے دو سالوں میں فن ٹیک (Fintech) کو نمایاں فروغ دیا ہے جس نے ملک میں معاشی سرگرمیوں کو خاص طور پر کووڈ 19 لاک ڈاؤن کے دوران سہولت فراہم کی ہے۔

اس سے قبل اپریل 2021 میں عالمی بینک نے پاکستان ڈویلپمنٹ اپ ڈیٹ میں مالی سال 2021 کے لیے جی ڈی پی کی شرح نمو 1.3 فیصد کی پیش گوئی کی تھی، جو مالی سال 2022 میں 4 فیصد تک پہنچ گئی جبکہ مالی سال 2021 میں جی ڈی پی کی شرح نمو 3.9 فیصد رہی۔ بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) نے حال ہی میں جاری کردہ عالمی اقتصادی اپ ڈیٹ میں پاکستان کی مضبوط معاشی سرگرمیوں کو تسلیم کیا ہے۔ پاکستان نے مئی 2019 سے اب تک آئی ایم ایف پروگرام کے تحت 2 ارب ڈالر وصول کیے ہیں۔ پروگرام کے مطابق سخت اقتصادی اقدامات کیے گئے ہیں جن میں بجلی کے نرخوں میں اضافہ اور تقریباً 140 ارب روپے کے انکم ٹیکس کی چھوٹ واپس لینا اور مرکزی بینک کی بنیادی اصلاحات شامل ہیں۔

کووڈ 19 کی چوتھی لہر کی گرفت میں ملک کے ساتھ وبائی امراض کا خطرہ اب بھی موجود ہے جس سے وقفے وقفے سے لاک ڈاؤن معاشی سرگرمیوں کو متاثر کرتے ہیں۔ مزید یہ کہ 90 فیصد اور اس سے زائد منافع کی تقسیم پر مضاربہ سیکٹر کی آمدنی پر ٹیکس کی چھوٹ واپس لے لی گئی ہے جو مضاربہ سیکٹر کے منافع پر نمایاں اثر ڈالے گی۔

مالیاتی کارکردگی

کاروباری نتائج	30 جون **2021**	30 جون **2020**
	(روپے "000")	(روپے "000")
بیلنس شیٹ		
سرٹیفیکیٹ سرمایہ	1,000,000	1,000,000
کل مساوات/ ایکویٹی	1,161,367	1,199,498
مشارکہ	499,000	802,706
نفع اور نقصان		
آمدنی	92,794	176,325

AWWAL MODARABA

Pattern of Holding of Certificates by the Certificate Holders

As At 30 June, 2021

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
77	1	100	418
182	101	500	90,403
9	501	1,000	8,501
20	1,001	5,000	60,612
2	5,001	10,000	14,500
2	10,001	15,000	25,000
1	15,001	20,000	20,000
1	9,995,001	10,000,000	10,000,000
1	89,180,001	89,785,000	89,780,566
295			**100,000,000**

SR NO.	Category of Certificate Holders	Number of Certificates Held	Category wise No of Certificate Holders	Category wise Certificates Held	PERCENTAGE %
1	**Individuals**		284	204,448	0.20445%
2	**Directors their spouse**		3	1,500	0.00150%
	Mr. Tahir Aziz	500			
	Ms. Seema Jaleel Sheikh	500			
	Ms. Hina Ahmed	500			
3	**Related Parties**		1	500	0.00050%
	Ms. Rubina Rubab	500			
4	**Associated Companies**		2	99,780,566	99.78057%
	Awwal Modaraba Management Limited	10,000,000			
	Pak Brunei Investment Company Limited	89,780,566			
5	**Foreign Certificate holders**		5	12,986	0.01299%
	Total		**295**	**100,000,000**	**100.0000%**

Key Financial Data

	2021	2020	2019	2018	2017	2016
Total Assets	1,196,402,142	1,243,691,234	1,234,332,197	1,283,093,217	1,202,708,828	1,043,051,075
Musharika Finance	199,000,000	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	300,000,000	286,974,209	-
Current Assets	995,764,182	912,919,957	807,975,226	769,076,799	625,018,763	974,281,202
Current Liabilities	28,872,311	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	1,000,000,000
Statutory Reserve	124,326,410	116,120,771	95,591,501	73,314,890	36,568,147	5,688,574
Certificate Holders' Equity	1,161,367,225	1,199,498,124	1,184,757,508	1,221,374,453	1,160,140,737	1,028,442,871
Gross Revenue	92,794,346	176,324,742	185,381,248	263,314,904	208,214,563	61,923,689
Net Profit	41,028,192	102,646,351	111,383,055	183,733,716	154,397,866	28,442,871

Profitability Ratios						
Net Profit Margin (%)	44.21%	58.21%	60.08%	69.78%	74.15%	45.93%
Return on Equity (%)	3.53%	8.56%	9.40%	15.04%	13.31%	2.77%
Return on Assests(%)	3.36%	8.28%	8.85%	14.78%	13.75%	2.73%
Liquidity Ratios						
Current ratio (x)	34	25	16	12	15	67
Market ratio						
Market Value Per Certificate (Rupees)	11	10.80	11.10	11.50	10.51	10.25
EPS	0.41	1.03	1.11	1.84	1.54	0.28
Price Earnings ratio (x)	26.81	10.49	10.00	6.25	6.82	36.61
Dividend Yield ratio (%)	2.91%	7.41%	8.02%	12.87%	11.66%	2.21%
Dividend Payout ratio (%)	78.00%	77.67%	80.18%	80.43%	79.55%	81.07%
Cash Dividend (%)	3.2%	8.00%	8.90%	14.8%	12.25%	2.27%
Cash Dividend per Certificate(Rupees)	0.32	0.80	0.89	1.48	1.23	0.227
Book Value per Certificate (Rupees)	11.61	11.99	11.85	12.21	11.60	10.28
Dividend (Rupees)	32,000,000	80,000,000	89,000,000	148,000,000	122,500,000	22,700,000

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

Year ended June 30, 2021

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:

1. The total number of directors are six (6) as per the following:
   a. Male: 05
   b. Female: 01

2. 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. Saiyid Najam Rizvi
Executive Directors	Mr. Karim Hatim (Chief Executive Officer)
Female Director	Ms. Ayesha Aziz

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. 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.

5. 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.

6. 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.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board meets the criteria of requirement of Director's Training program.

10. 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. Saiyid Najam Rizvi
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: 27 August 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF AWWAL MODARABA 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 Company (Private) Limited (the Modaraba Management Company) for and on behalf of Awwal Modaraba (the Modaraba) for the year ended June 30, 2021 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'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.

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, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2021.

KARACHI

DATED: AUGUST 27, 2021

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali causer

Muhammad Hassaan Kaleem

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

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, 2021 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

Dated: 11 August 2021

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **AWWAL MODARABA** ("the Modaraba") as at June 30, 2021 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year ended June 30, 2021 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 purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management 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 account have been kept by the Modaraba Management Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation And Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2021 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

BDO Ebrahim & Co. Chartered Accountants

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d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the Modaraba for the year ended June 30, 2020 were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those financial statements vide their report dated October 01, 2020.

KARACHI

DATED: 27 AUG 2021

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants
BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

AWWAL MODARABA

Statement of Financial Position

As at 30 June 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	5	184,519	459,463
Intangible asset	6	1,169,495	3,806,159
Long term portion of Musharika Finance	7	-	50,325,885
Long term portion of Diminishing Musharika Finance	8	196,666,669	266,666,666
Receivable against advisory fee	9	917,478	6,793,225
Long term loans	10	1,624,799	2,644,879
Long term deposit		75,000	75,000
		200,637,960	330,771,277
CURRENT ASSETS			
Current portion of Musharika Finance	7	199,000,000	452,380,207
Current portion of Diminishing Musharika Finance	8	103,333,331	33,333,334
Current portion of receivable against advisory fee	9	34,792,710	34,904,238
Current portion of long term loans	10	1,716,015	1,914,848
Current portion of Investment against repurchase agreement	11	-	48,878,899
Investment in Sukuk certificates	12	179,162,606	-
Accruals, prepayments, advances and other receivables	13	69,895,749	71,083,747
Modaraba term deposit	14	239,000,000	-
Taxation recoverable		13,109,846	10,515,883
Bank balances	15	155,753,925	259,908,801
		995,764,182	912,919,957
TOTAL ASSETS		1,196,402,142	1,243,691,234
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each	16	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital			
100,000,000 Modaraba Certificates of Rs. 10 each	16	1,000,000,000	1,000,000,000
Statutory Reserves	17	124,326,410	116,120,771
Accumulated profit		37,040,815	83,377,353
		1,161,367,225	1,199,498,124
Unrealised gain on remeasurement of Sukuk Certificate	12.3	6,162,606	-
NON CURRENT LIABILITIES			
Defined benefit obligation	18	-	7,280,767
		-	7,280,767
CURRENT LIABILITIES			
Accrued expenses	19	13,222,667	14,901,776
Payable to related parties	23 & 24	15,466,272	21,851,692
Unclaimed profit distribution		183,372	158,875
		28,872,311	36,912,343
TOTAL EQUITY AND LIABILITIES		1,196,402,142	1,243,691,234
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 37 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

Chief Financial Officer | Chief Executive Officer | Director | Director

AWWAL MODARABA

Statement of Profit or Loss
For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
Income			
Income from Musharika Finance		34,838,337	62,016,524
Income from Diminishing Musharika Finance - net	21	10,404,865	52,957,023
Advisory fee		18,100,000	24,000,000
Income from Investment against repurchase agreement		3,273,199	9,746,857
Income from Modaraba Term Deposit		12,892,899	14,991,781
Income from Sukuk		2,571,453	-
Income from deposits with banks		10,713,593	12,612,557
		92,794,346	176,324,742
Expenses			
Administrative and operating expenses	22	(45,513,843)	(58,138,407)
Financial charges		(81,515)	(101,584)
		47,198,988	118,084,751
Management Company's remuneration	23	(4,719,899)	(11,808,475)
Provision for services sales tax on Management Company's remuneration	24	(613,587)	(1,535,102)
		(5,333,486)	(13,343,577)
Provision for Workers' Welfare Fund	19.1	(837,310)	(2,094,823)
Profit before the taxation		41,028,192	102,646,351
Taxation	25	-	-
Profit for the year		41,028,192	102,646,351
Earnings per certificate - basic and diluted	26	0.41	1.03

The annexed notes from 1 to 37 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 2021

	Note	2021 Rupees	2020 Rupees
Profit for the year		41,028,192	102,646,351
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Gain on remeasurement of defined benefit obligation	18.6	840,909	1,094,265
Items that will be reclassified to profit and loss			
Unrealised gain on remeasurement of Sukuk Certificate	12.3	6,162,606	-
		7,003,515	1,094,265
Total comprehensive income for the year		48,031,707	103,740,616

The annexed notes from 1 to 37 form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

Chief Financial Officer	Chief Executive Officer	Director	Director

AWWAL MODARABA

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		41,028,192	102,646,351
Adjustments for:			
Depreciation on operating fixed assets	5	274,944	1,004,214
Amortisation on intangible asset	6	2,636,664	2,755,033
Provision for deferred liabilities - gratuity	18.5	1,260,764	1,798,436
Impact of adoption of IAS 19		-	1,869,134
Net cash generated before working capital changes		45,200,564	110,073,168
Decrease / (increase) in current assets			
Accruals, prepayments, advances and other receivables		2,235,443	(25,788,918)
Modaraba Term Deposit		(239,000,000)	200,000,000
Receivable against advisory fee		5,987,275	42,160,556
Investment against repurchase agreement		48,878,899	-
Disbursement of Musharika Finance		(400,000,000)	(400,000,000)
Proceeds from repayment / settlement of Musharika Finance		703,706,095	267,279,234
Disbursement of Diminishing Musharika Finance		-	(135,000,000)
Proceeds from repayment / settlement of Diminishing Musharika Finance		-	135,000,000
Long term loans		1,218,913	1,976,315
		123,026,625	85,627,187
(Decrease) / Increase in current liabilities			
Accrued expenses		(1,679,109)	(8,717,918)
Payable to related parties		(6,385,420)	748,354
Unclaimed profit distribution		24,497	14,680
Defined Benefit Obligation		(8,748,067)	-
Trade and other payables		(16,788,099)	(7,954,884)
Cash generated from operations		151,439,090	187,745,471
Tax withheld		(2,593,966)	(2,972,145)
Net cash flows from operating activities		148,845,124	184,773,326
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Sukuk Certificates		(173,000,000)	-
Net cash used in investing activities		(173,000,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(80,000,000)	(89,000,000)
Net cash used in from financing activities		(80,000,000)	(89,000,000)
Net (decrease) / increase in cash and cash equivalents		(104,154,876)	95,773,326
Cash and cash equivalents at the beginning of the year		259,908,801	164,135,475
Cash and cash equivalents at the end of the year	32	155,753,925	259,908,801

The annexed notes from 1 to 37 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 2021

	Issued, subscribed, and paid up certificate capital	*Statutory reserve	Accumulated profit	Total
	-----------------------Rupees-----------------------			
Balance as at July 01, 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	-	-	102,646,351	102,646,351
Other comprehensive income	-	-	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 June 30, 2019 @ Re. 0.89 per certificate	-	-	(89,000,000)	(89,000,000)
Balance as at June 30, 2020	1,000,000,000	116,120,771	83,377,353	1,199,498,124
Balance as at July 01, 2020	1,000,000,000	116,120,771	83,377,353	1,199,498,124
Total comprehensive income for the year				
Profit for the year	-	-	41,028,192	41,028,192
Other comprehensive income	-	-	840,909	840,909
	-	-	41,869,101	41,869,101
Transfer to statutory reserve	-	8,205,638	(8,205,638)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended June 30, 2020 @ Re. 0.80 per certificate	-	-	(80,000,000)	(80,000,000)
Balance as at June 30, 2021	1,000,000,000	124,326,409	37,040,816	1,161,367,225

*Statutory reserve represents profit set aside to comply with the Modaraba Regulations, 2021 issued by Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 37 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 2021

1 STATUS AND NATURE OF BUSINESS

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 (the Management Company), a Company wholly owned by Pak Brunei Investment Company Limited (the 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 3rd 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).

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;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017;

- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and the Modaraba Regulation, 2021; and

- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, the Modaraba Regulation, 2021, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, the Modaraba Regulation, 2021, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 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 stated.

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 4.3.1).
ii) Provision for impairment (note 4.13)
iii) Provision for taxation (note 4.8 and 25).
iv) Residual values, useful lives and depreciation methods of operating fixed assets (notes 4.1)
v) Residual values, useful lives and amortisation methods of intangible assets (notes 4.2)
vi) Defined benefit obligation (18.1)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards / amendments that are effective in current year and are not relevant to the Modaraba.

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures:

	Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendments to IFRS 16 'Leases' - Covid - 19 related rent consessions	June 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent consessions	April 01, 2021

Certain annual improvements have also been made to a number of IFRSs.

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards; and
IFRS 17	Insurance Contracts.

The Modaraba expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Modaraba's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 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 or loss as and when incurred.

Depreciation on all fixed assets is charged to profit or loss on a straight-line basis in accordance with the rates specified in note 5 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 or loss in the period in which they arise.

4.2 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 6 of the financial statements, 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 reporting 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 or loss.

4.3 Financial instruments

4.3.1 Financial assets

All 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, modaraba term deposits, investment in repurchase agreement, long term loans, other receivables and bank balance. 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.

4.3.2 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.

4.3.3 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. 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 or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss 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 or loss.
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 or loss.
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 recongnised in the statement of profit or loss.

Surplus / (deficit) on re-measurement of FVTOCI investment is presented separately from equity in order to comply with the Modaraba Regulations 2021.

4.3.4 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 amortised cost using effective profit rate method.

4.3.5 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.

4.4 Loans and receivables

The Modaraba's receivables comprise of receivable against advisory fee, musharika finance, diminishing musharika finance, deposits, other receivables and cash and cash equivalents with fixed or determinable payment 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.

4.5 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 statement of financial position. 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.

4.6 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.

4.7 Accrued expenses and other payables

Accrued expense and other payables are initially recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Modaraba and is subsequently measured at amortised cost.

4.8 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 tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 has been withdrawn through an amendment dated March 21, 2021 which is subsequently adopted in Finance Act, 2021. But a new section 242 has been added in the Income Tax Ordinance, 2001 through Finance Act, 2021 by virtue of which, the Modaraba may avail the exemption till June 30, 2021 subject to the fulfillment of condition that not less than 90 percent of its total profits, as reduced by the amount transferred to the mandatory reserve, as required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, are distributed amongst 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 up to June 30, 2021 by distributing at least 90% of its profits to its certificate holders.

4.9 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.

4.10 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.

4.11 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 or loss and is classified as charity payable.

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

4.12 Staff Retirement Benefit

4.12.1 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 or loss when they become due.

4.12.2 Staff gratuity

The Modaraba operates 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 reporting date. Service costs are recognised in statement of profit or loss in the period in which they occur. Net interest on net defined benefit liability is also recognised in statement of profit or loss. Effect of remeasurement comprising actuarial gain / (loss) is recognised in other comprehensive income. Amount recognised in the statement of financial position represents the present value of defined benefit obligation.

4.13 Impairment

4.13.1 Financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFI & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Regulations, 2021. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba and its own accounting policies.

During the reporting period, the SECP has deferred the applicability of all requirements of IFRS 9 for Modarabas uptil June 30, 2022 via S.R.O. 800 (I)/2021 dated June 22, 2021.

4.13.2 Non-financial assets

The Modaraba assesses at the end of each reporting period whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income in profit or loss.

4.14 Proposed profit distribution to certificate holders and transfers between reserves

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

4.15 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 reporting 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.

4.16 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.

4.17 Expenses

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

5 OPERATING FIXED ASSETS

	Furniture and Fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
	------------ (Rupees) ------------			
Cost				
Balance as at 01 July 2019	73,725	2,578,430	1,613,740	4,265,895
Balance as at 30 June 2020	73,725	2,578,430	1,613,740	4,265,895
Balance as at 1 July 2020	73,725	2,578,430	1,613,740	4,265,895
Balance as at 30 June 2021	73,725	2,578,430	1,613,740	4,265,895
Accumulated depreciation				
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
Balance as at June 30, 2020	43,379	2,469,852	1,293,201	3,806,432
Balance as at 01 July 2020	43,379	2,469,852	1,293,201	3,806,432
Charge for the year	14,748	101,032	159,164	274,944
Balance as at June 30, 2021	58,127	2,570,884	1,452,365	4,081,376
Net book value as at June 30, 2020	30,346	108,578	320,539	459,463
Net book value as at June 30, 2021	15,598	7,546	161,375	184,519
Annual Rates of depreciation	20%	33% - 50%	25%	

		2021 Rupees	2020 Rupees
6 INTANGIBLE ASSET			
Cost			
Balance as at July 01		8,330,731	8,330,731
Balance as at June 30		8,330,731	8,330,731
Amortisation			
Balance as at July 01		4,524,572	1,769,539
Charge for the year		2,636,664	2,755,033
Disposal		-	-
Balance as at June 30		7,161,236	4,524,572
Net book value as at June 30		1,169,495	3,806,159
Annual rate of amortisation		33.33%	33.33%
7 MUSHARIKA FINANCE			
Musharika finance - secured		199,000,000	502,706,092
less: current portion of Musharika Finance	7.1	(199,000,000)	(452,380,207)
		-	50,325,885

7.1 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 5.71% to 74.36% (2020: 74.4% to 99%) and 25.64% to 94.29% (2020: 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 an 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 the Modaraba to the extent of its interest defined in such agreements. The Modaraba has also obtained various securities against these facilities including personal guarantees of sponsors or directors of customers, post-dated cheques issued by customers and hypothecation of assets.

7.2 These facilities have various maturities up to 03 December 2021. These facilities carry profit ranging from 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2.25%.

7.3 Contractual rentals receivable on Musharika Finance facilities:

	2021				2020			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)							
Musharika Finance facilities:								
Principal repayments	199,000,000	-	-	199,000,000	452,380,207	50,325,885	-	502,706,092
Profit	9,561,691	-	-	9,561,691	31,085,468	3,626,926	-	34,712,394
	208,561,691	-	-	208,561,691	483,465,675	53,952,811	-	537,418,486

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

		Note	2021 Rupees	2020 Rupees
8	**DIMINISHING MUSHARIKA FINANCE**			
	Diminishing Musharika Finance - secured	8.2 & 8.3	300,000,000	300,000,000
	Less: current portion of Diminishing Musharika Finance		(103,333,331)	(33,333,334)
			196,666,669	266,666,666
8.1	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

8.2 This include 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. 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, pledge over sponsor shares, personal guarantees of sponsors, sponsor support and lien over collection account. The customer has defaulted in repayments, therefore, modaraba initiated (subsequently) legal proceeding against the customer in the Sindh High Court under Financial Institution (Recovery of Finances) Ordinance, 2001.

8.3 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. 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 housing project, lien on debt collection accounts of the customer and personal guarantees of the Sponsors.

8.3.1 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%.

8.4 Contractual rentals receivable on Diminishing Musharika Finance facilities:

	2021				2020			
	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	103,333,331	196,666,669	-	300,000,000	33,333,334	233,333,336	33,333,330	300,000,000
- Profit	50,362,361	153,054,074	22,368,916	225,785,351	40,416,210	164,684,581	22,368,916	227,469,707
	153,695,692	349,720,743	22,368,916	525,785,351	73,749,544	398,017,917	55,702,246	527,469,707

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

		Note	2021 Rupees	2020 Rupees
9	**RECEIVABLE AGAINST ADVISORY FEE**			
	Receivable against advisory fee	9.1	35,710,188	41,697,463
	Less: current portion of fee		(34,792,710)	(34,904,238)
			917,478	6,793,225

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

		Note	2021 Rupees	2020 Rupees
10	**LONG TERM LOANS**			
	Considered good			
	Loan to employees - unsecured	10.1	3,340,814	4,559,727
	Less: receivable within one year		(1,716,015)	(1,914,848)
			1,624,799	2,644,879

10.1 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.

10.2 Maximum balance due from employees during the year was Rs. 6.84 million (2020: 6.64 million).

11 INVESTMENT AGAINST REPURCHASE AGREEMENT

	Note	2021 Rupees	2020 Rupees
Investment against repurchase agreement - secured	11.1	-	48,878,899
less: current portion of investment		-	(48,878,899)
		-	-

11.1 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. During 2020, the tenor of facility was further extended for nine months. The entire facility has been recovered during the year.

12 INVESTMENT IN SUKUK CERTIFICATES

This represents investment in privately placed perpetual sukuk certificates, out rightly purchased from related party.

12.1 The details of investment is as under:

Description	Investment Date	Number of Units	Amount in Rupees	Monthly Profit	Investment Agent	Maturity Date	Fair Value in Rupees
Meezan Bank Ltd	May 19, 2021	173	173,000,000	3 months KIBOR + 1.75% per annum	Al Barka Bank Ltd.	August 01, 2028	179,162,606

12.2 The fair value of the investment has been determined using rate notified by the Mutual Funds Association of Pakistan. The Management is not intending to hold the investment till its maturity. The surplus funds were deployed to earn better returns on short term investment, which shall be liquidated as per financial need of the Modaraba.

		Note	2021 Rupees	2020 Rupees
12.3	Market value of investment		179,162,606	-
	Less: Cost on investment		(173,000,000)	-
	Unrealised gain on remeasurement of Sukuk Certificate		6,162,606	-

13 ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	Note	2021 Rupees	2020 Rupees
Accrued profit on Investment against repurchase agreement		-	9,336,101
Accrued profit on Musharika Finance		1,718,988	4,532,553
Accrued profit on Diminishing Musharika Finance		45,859,727	52,245,097
Accrued profit on Modaraba Term deposit		12,657,724	-
Accrued profit on deposit accounts		376,056	1,036,074
Accrued profit on Sukuk Certificates		1,367,885	-
Receivable from employees	13.1	73,709	108,044
Other advance		249,678	69,678
Prepayments	13.2	447,066	490,715
Other receivables	13.3	3,433,610	3,265,485
Receivable from KASB Modaraba	13.4	1,080,081	-
Receivable from First Pak Modaraba	13.4	140,375	-
Receivable from First Prudential Modaraba	13.4	1,428,517	-
Receivable from Pak Brunei		14,888	-
Receivable from Gratuity Fund		1,047,445	-
		69,895,749	71,083,747

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

13.2 This includes Rs.11,223 pertaining to an account maintained with the State Bank of Pakistan for the collection of ECIB Charges.

13.3 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.

13.4 This includes staff cost of the employees deputed in Modarabas under common management.

		Note	2021 Rupees	2020 Rupees
14	**MODARABA TERM DEPOSIT**	14.1	239,000,000	-

14.1 Modaraba (Rabb-ul-Maal) invested in the General Pool created by Related Party (Mudarib or Investment Manager) in accordance with the principles of Shariah. As per terms of the agreement, these term deposit will mature on respective dates and the related party shall pay profit to the Modaraba on each maturity as per profit sharing ratio between Modaraba and related party. The details of investments are as under:

Investment			Profit Sharing Ratio		Profit Rate (per anum)	
Date	Amount	Maturity	Rabb-ul -Maal	Mudarib	Rabb-ul -Maal	Mudarib
July 17, 2020	200,000,000	July 16, 2021	72.22%	27.78%	6.50%	2.50%
May 07, 2021	39,000,000	Monthly Rollover till May 06, 2022	77.34%	22.66%	7.10%	2.08%

15 BANK BALANCES

	Note	2021	2020
Balances with banks			
in current accounts		183,800	159,289
in deposit accounts	15.1	155,570,125	259,749,512
		155,753,925	259,908,801

15.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 3.99% to 6.25% (2020: 4.1% to 12.25%) per annum.

16 CERTIFICATE CAPITAL

Authorised certificate capital

2021	2020		2021	2020
Number of certificates			Rupees	Rupees
100,000,000	100,000,000	Modaraba certificates of Rs.10 each	1,000,000,000	1,000,000,000

Issued, subscribed and paid-up certificate capital

100,000,000	100,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	1,000,000,000	1,000,000,000

16.1 At 30 June 2021, Awwal Modaraba Management Limited (the Management Company) and Pak Brunei Investment Company Limited (the Holding Company) held 10,000,000 (2020: 10,000,000) and 89,780,566 (2020: 89,780,566) certificates of Rs. 10 each respectively.

17 STATUTORY RESERVE

Statutory reserves represent profits set aside by the Modaraba to comply with the Modaraba Regulations, 2021 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 year, the Modaraba has transferred an amount of Rs. 8.206 million (2020: Rs. 20.53 million) which represents 20% (2020: 20%) of the profit after taxation for the year.

18 DEFERRED LIABILITY	**Note**	**2021 Rupees**	**2020 Rupees**
Present value of defined benefit obligation	18.2	-	7,280,767

18.1 Defined benefit plan - gratuity fund

18.1.1 Salient Features

The Modaraba operates a funded scheme to provide gratuity to the permanent employees on retirement. The actuarial valuation of gratuity fund is carried out as at 30 June 2021 using the Projected Unit Credit Method by an independent actuary. Principal actuarial assumptions used in the actuarial valuation of gratuity fund carried out as at 30 June 2021 are given in note 18.1.2. 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. At 30 June 2021, 3 (2020: 4) employees were enrolled in gratuity fund.

18.1.2 The Gratuity fund 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 such funds 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 last valuation was carried out as at 30 June 2021. The information provided in notes 18.2 to 18.3 has been obtained from the latest actuarial valuation report. The following significant assumptions have been used for valuation of gratuity fund:

	2021	2020
Valuation discount rate %	10.25	8.5
Salary increase rate %	9.25	7.5
Rate of employee turnover	moderate	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.

	2021 Rupees	2020 Rupees
18.2 Amount recognised in the balance sheet		
Present value of defined benefit obligation	(1,047,445)	7,280,767

18.3 Movement in amount payable to the defined benefit plan

Opening balance	7,280,767	6,576,596
Charge for the year	1,260,764	1,798,436
Contribution paid during the year	(8,748,067)	-
Remeasurement gain on obligation recognised in other comprehensive income	(840,909)	(1,094,265)
Closing balance	(1,047,445)	7,280,767

18.4 Movement in the present value of defined benefit obligation

Present value of defined benefit obligation - opening	7,280,767	6,576,596
Current service cost	881,158	861,271
Mark-up cost	565,502	937,165
Benefit paid during the year	(1,255,607)	-
Remeasurement loss on obligation recognised in other comprehensive income	-	-
Actuarial (gains)/losses from changes in	-	-
financial assumptions	13,584	(45,110)
Experience adjustments	(829,175)	(1,049,155)
Present value of defined benefit obligation - closing	6,656,229	7,280,767

18.5 Amount charged to the statement of profit or loss

The following amounts have been charged to the statement of profit or loss in the current year in respect of gratuity fund:

	2021 Rupees	2020 Rupees
Current service cost	881,158	861,271
Cost on defind benefit obligation	565,502	937,165
Income on plan assets	(185,896)	-
	1,260,764	1,798,436

18.6 Remeasurements recognised in other comprehensive income during the year

Remeasurement gain on obligation recognised in other comprehensive income	(840,909)	(1,094,265)

18.7 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%	5,958,249	7,472,588
Salary increase rate	1%	7,560,117	5,868,395

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.

18.8 The weighted average duration of the defined benefit obligation is 11 years.

18.9 Based on actuarial advice, charge for the year ending 30 June 2022 amounts to Rs. 0.552 million.

	Note	2021 Rupees	2020 Rupees
19 ACCRUED EXPENSES			
Audit remuneration payable		389,880	387,828
Payable to Sharia'h Advisor		100,000	-
Bonus, leave fare allowance and other staff accrual		2,991,837	4,264,806
Sindh sales tax payable		7,705	679
Provision for Worker's Welfare Fund	19.1	6,512,721	7,002,641
Advances from Customers	19.2	3,175,659	3,169,207
Others		44,865	76,615
		13,222,667	14,901,776

19.1 The Sindh Workers' Welfare Fund Act, 2014 ('the SWWF 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 SWWF 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 Court in respect of SWWF petitions including our petition bearing number CP.D.3867/2017; Awwal Modaraba has deposited amounting to Rs. 6.17 million in Sindh Workers' Welfare Fund (G-06313) for the years from 2016 to 2020.

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

20 CONTINGENCIES AND COMMITMENTS

20.1 Details of contingencies regarding Provision for Sindh Workers' Welfare Fund and Services Sales Tax on Management Company's remuneration are disclosed in notes 19.1 and 24 respectively. There are no other contingencies as at 30 June 2021.

	Note	2021 Rupees	2020 Rupees
21 INCOME FROM DIMINISHING MUSHARIKA FINANCE - NET			
Income from Diminshing Musharika Finance		33,887,750	52,957,023
Less: Income suspended	21.1	(23,482,885)	-
		10,404,865	52,957,023

21.1 During the year, one of the customer (note 8.2) has defaulted in payment of dues against the extended facility. The income of the year pertained to such facility has been suspended in accordance with the Modaraba Regulation, 2021.

22 ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2021 Rupees	2020 Rupees
Salaries and other staff benefits	22.1	24,212,700	36,332,773
Amortisation on intangible asset	6	2,636,664	2,755,033
Depreciation on operating fixed assets	5	274,944	1,004,214
Fees and subscriptions		2,072,163	2,097,476
Advertising, travelling and entertainment expenses		366,161	1,140,555
Telecommunication		813,814	357,350
Postage		41,929	56,763
Repair and maintenance		191,839	170,618
Printing and Stationary		409,869	478,875
Auditor's remuneration	22.2	520,483	548,905
Legal and professional charges		2,131,917	1,864,061
Insurance		83,013	105,589
Shared service expense	22.3	9,549,972	9,512,436
Other expenses	22.4	2,208,375	1,713,759
		45,513,843	58,138,407

22.1 This includes contribution of Rs. 0.984 million (2020: Rs. 1.304 million) to the staff provident fund and charge in respect of funded gratuity scheme amounting to Rs. 1.261 million (2020: Rs. 3.668 million).

	Note	2021 Rupees	2020 Rupees
22.2 Auditor's Remuneration			
Statutory audit fee		250,000	231,000
Half yearly review fee		64,000	64,000
Fee for review of compliance with the Code of Corporate Governance		11,000	30,000
Fee for other certifications		118,200	148,980
Sindh Sales Tax		32,000	33,848
Out of pocket expenses		45,283	41,077
		520,483	548,905

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

22.4 Other expenses includes contractual staff salaries Rs. 1.17 million (2020: Rs. 0.97 million) and electricity charges Rs. 0.386 million (2020: Rs. 0.35 million)

23 MANAGEMENT COMPANY'S REMUNERATION

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.

24 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.

25 TAXATION

25.1 The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 has been withdrawn through an Tax Laws (Second amendment), 2021 dated March 21, 2021 which is subsequently adopted in Finance Act, 2021. But a new section 242 has been added in the Income Tax Ordinance, 2001 through Finance Act, 2021 by virtue of which, the Modaraba may avail the exemption till June 30, 2021 subject to the fullfillement of condition that not less than 90 percent of its total profits, as reduced by the amount transferred to the mandatory reserve, as required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, are distributed amongst the certificate holders. 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 June 30, 2021. Accordingly, no provision in respect of current and deferred taxation has been made in these financial statements.

25.2 The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2020 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

26 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

The earnings per certificate as required under IAS 33 "Earnings per share" is given below:

	2021 Rupees	2020 Rupees
Basic		
Profit for the year	41,028,192	102,646,351
Weighted average number of certificates outstanding during the year	100,000,000	100,000,000
Earnings per certificate - Basic (Rupee/es per certificate)	0.41	1.03

Diluted

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

27 REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2021		
	Executives (Key management personnel)	Other employees	Total
	------------------------- (Rupees) -------------------------		
Salary, Allowances & Bonus	13,903,606	4,740,610	18,644,216
Provident fund	703,105	281,300	984,405
Gratuity fund	1,082,667	178,097	1,260,764
Contribution to Employees' Old Age Benefit	18,200	33,150	51,350
Other benefits	2,291,841	980,124	3,271,965
	17,999,419	6,213,281	24,212,700
	------------------------- (Numbers) -------------------------		
Number of employees as at 30 June 2021	1	2	3

	2020		
	Executives (Key management personnel)	Other employees	Total
	------------------------ (Rupees) ------------------------		
Salary, Allowances & Bonus	16,947,380	6,863,900	23,811,280
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
	------------------------ (Numbers) ------------------------		
Number of employees as at 30 June 2020	3	6	9

28 FINANCIAL RISK MANAGEMENT

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

- Market risk;
- Credit risk; and
- 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 the Modaraba's risk framework including developing and monitoring the Modaraba risk management policies.

28.1 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 other 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. At the reporting date, the Modaraba 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.

At the reporting date, the Musharika and Diminishing Musharika Facilities are exposed to profit rate risk as detailed in note 7 and 8 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. 452,472 (2020: Rs. 967,920). 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 the reporting date is not necessarily indicative of the effect on the Modaraba's profit or 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. At the reporting date, the Modaraba does not hold any instruments which exposed it to other price risk.

28.2 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.

	2021 Rupees	2020 Rupees
Musharika Finance	199,000,000	502,706,092
Diminishing Musharika Finance	300,000,000	300,000,000
Receivable against advisory fee	35,710,188	41,697,463
Investment against repurchase agreement	-	48,878,899
Investment in Sukuk Certificates	179,162,606	-
Accruals and other receivables	69,125,296	70,415,310
Modaraba Term Deposit	239,000,000	-
Bank balances	155,753,925	259,908,801
	1,177,752,015	1,223,606,565

Bank balances

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

AAA	972,336	2,271,502
AA	154,216,416	257,062,680
AA-	565,173	574,619
	155,753,925	259,908,801

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 polices and the requirements of the Modaraba Regulations, 2021 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. Hence, management considers minimal credit risk and any credit losses as immaterial.

Investment in Sukuk Certificates, Modaraba term deposit and Other receivables

The Modaraba is potentially exposed to credit risk from investment in sukuk certificates measured at fair value through other comprehensive income (FVTOCI) and Modaraba term deposit and other receivables measured at amortised cost. The Modaraba considers the risk of default to be close to zero for its financial assets measured at FVTOCI and amortised cost and as these financial instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on expected 12 month or lifetime credit losses as any such impairments are immaterial. Management of the Modaraba has determined that expected credit loss under Modaraba Regulations, 2021 is higher than expected credit loss determined under IFRS 9.

Past due but not impaired

Certain receivables against diminishing musharika and musharika finance facility were past due as at the reporting date 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 Modaraba Regulations, 2021 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 down grade the category of classification determined on the basis of Modaraba Regulations, 2021. Further, management considers applicable Modaraba Regulations, 2021, for the purpose of ascertaining the forced sales value and the haircut that needs to be applied there against. Management of the Modaraba has determined that expected credit loss under Modaraba Regulations, 2021 is higher than expected credit loss determined under IFRS 9.

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	2021		2020	
	Rupees	%	Rupees	%
Cable and Electrical Goods	200,000,000	18.64%	245,311,781	20.12%
Banks	155,753,925	14.52%	259,908,801	21.32%
Real Estate and Developers	100,000,000	9.32%	113,211,105	9.28%
Food and Allied	20,000,000	1.86%	118,973,696	9.76%
Engineering	-	-	236,260,934	19.38%
Pharmaceutical	-	-	-	-
Cement	179,000,000	16.68%	201,557,260	16.53%
Security Services	-	-	2,641,299	0.22%
Investment in SUKUK/Term Deposit	418,162,606	38.97%	-	-
Others	-	-	41,440,131	3.40%
	1,072,916,531	100.00%	1,219,305,007	100.00%

28.3 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:

	2021				
	Carrying amount	Contractual cash flows	Upto 1 month	Over 1 month to 3 months	Over 3 months to 1 year
Financial liabilities	---------- (Rupees) ----------				
Accrued expenses	6,702,239	(6,702,239)	304,149	389,880	6,008,210
Payable to related parties	15,466,272	(15,466,272)	-	-	15,466,272
	15,466,272	(15,466,272)	304,149	389,880	21,435,813

Financial liabilities	2020 Carrying amount	Contractual cash flows	Upto 1 month	Over 1 month to 3 months	Over 3 months to 1 year
	(Rupees)				
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

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.

28.4 Financial instruments by category

	30 June 2021 At amortised cost	FVTPL	FVTOCI	Other liabilities
	(Rupees)			
Assets				
Bank balances	155,753,925	-	-	-
Investment in Sukuk Certificates	-	-	179,162,606	-
Modaraba term deposit	239,000,000	-	-	-
Accruals and other receivables	69,125,296	-	-	-
Receivable against Advisory Fee	35,710,188	-	-	-
Investment against repurchase agreement	-	-	-	-
Musharika Finance	199,000,000	-	-	-
Diminishing Musharika Finance	300,000,000	-	-	-
Long term loans	3,340,814	-	-	-
Long term deposit	75,000	-	-	-
	1,002,005,223	-	179,162,606	-
Liabilities				
Accrued expenses	-	-	-	6,702,239
Payable to related parties	-	-	-	15,466,272
	-	-	-	22,168,511

	30 June 2020 At amortised cost	FVTPL	FVTOCI	Other 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

29 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.

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During the year, the Modaraba's strategy, remains unchanged from the last year, to maintain the debt-to-adjusted capital ratio to zero. The Modaraba is not subject to any externally imposed capital requirements.

30 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.

	30 June 2021						
	Carrying amount / cost				Fair value		
	FVTPL	At amortised cost	FVTOCI	Other liabilities	Level 1	Level 2	Level 3
	(Rupees)						
Financial assets							
Bank balances	-	155,753,925	-	-	-	-	-
Investment in Sukuk Certificates	-	-	179,162,606	-	-	179,162,606	-
Modaraba Term Deposit	-	239,000,000	-	-	-	-	-
Accruals and other receivables	-	69,125,296	-	-	-	-	-
Receivable against advisory fee	-	35,710,188	-	-	-	-	-
Investment against repurchase agreement	-	-	-	-	-	-	-
Musharika Finance	-	199,000,000	-	-	-	-	-
Diminishing Musharika Finance	-	300,000,000	-	-	-	-	-
Long term loans	-	3,340,814	-	-	-	-	-
Long term deposit	-	75,000	-	-	-	-	-
	-	1,002,005,223	179,162,606	-	-	179,162,606	-
Financial liabilities							
Accrued expenses	-	-	-	6,702,239	-	-	-
Payable to Related Parties	-	-	-	15,466,272	-	-	-
	-	-	-	22,168,511	-	-	-

	30 June 2020						
	Carrying amount / cost				Fair value		
	FVTPL	At amortised cost	FVTOCI	Other liabilities	Level 1	Level 2	Level 3
	(Rupees)						
Financial 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	-	-	-	-	-
Financial liabilities							
Accrued expenses	-	-	-	7,898,456	-	-	-
Payable to Related Parties	-	-	-	21,851,692	-	-	-
	-	-	-	29,750,148	-	-	-

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 counter parties.

31 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, Modarabas under common management (KASB Modaraba, First Prudential Modaraba and First Pak Modaraba), 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:

31.1 Details of the transactions with related parties

	2021 Rupees	2020 Rupees
Pak Brunei Investment Company Limited		
Holding Company of the Management company		
Modaraba Term Deposit	239,000,000	-
Profit earned from Modaraba Term Deposit during the year	(12,892,899)	(14,991,781)
Shared service expense	9,549,972	9,512,436
Other expenses	414,712	492,015
Awwal Modaraba Management Limited		
Management Company		
Management Company's remuneration	5,333,486	13,343,577
KASB Modaraba		
Sharing of common expenses	(64,680)	-
First Pak Modaraba		
Sharing of common expenses	(140,375)	-
First Prudential Modaraba		
Sharing of common expenses	(842,247)	-
Staff cost of deputed employee	1,157,065	-
Staff retirement benefits funds		
Contribution to staff provident fund	984,405	1,304,079
Contribution to staff gratuity fund	1,260,764	3,667,570
Jubilee Life Insurance Co. Ltd.		
Takaful premium	62,880	91,293

31.2 Amounts outstanding as at year end	2021 Rupees	2020 Rupees
Pak Brunei Investment Company Limited		
Holding Company of the Management company		
Payable in respect shared services	1,060,029	1,326,904
Modaraba Term Deposit	239,000,000	-
Receivable balance in respect of Modarabah Term Deposit - Profit Accrued	12,657,724	-
Other Receivable	14,888	
Awwal Modaraba Management Limited		
Management Company		
Payable against Management Company's remuneration	14,049,799	20,524,788
KASB Modaraba		
Receivable against Staff cost of deputed employee	658,957	-
Receivable against sharing of common expenses	64,680	-
First Pak Modaraba		
Receivable against sharing of common expenses	140,375	-
First Prudential Modaraba		
Receivable against Staff cost of deputed employee	586,270	
Receivable against sharing of common expenses	842,247	
Staff retirement benefits funds		
Contribution payable to staff provident fund	-	-
Contribution payable to staff gratuity fund	(1,047,445)	7,280,767

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise of the following amounts appearing in the statement of financial position:

Cash and bank balances	155,753,925	259,908,801

33 NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2021 are 3 (2020 : 9) and the average number of employees during the year equates to 6 (2020: 10).

34 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.

35 IMPACTS OF COVID-19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had no major effect on the Modaraba's results of operations and financial condition as of June 30, 2021. The Modaraba is continuously evaluating the impacts of COVID-19, which has had global implications. In response to these developments, the Modaraba has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

36 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.32 (2020: Re. 0.80) per certificate for the year ended 30 June 2021, resulting in a total distribution of profit amounting to Rs. 32 million (2020: Rs. 80 million), in its meeting held on 27 August 2021 which is more than 90% of the net profit for the year ended 30 June 2021, 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 2022.

37 DATE OF AUTHORISATION

These financial statements were authorised for issue on 27 August 2021 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited
(Management Company)

Chief Financial Officer	Chief Executive Officer	Director	Director

AWWAL MODARABA

Notice of Annual Review Meeting

Notice is hereby given that the Annual Review meeting of the Modaraba's Certificate Holders of Awwal Modaraba will be held on Thursday, 14th October, 2021 at 10:00am, through (Zoom Application) to review the performance of the Modaraba for the year ended 30 June 2021.

On behalf of the Board

Misbah Asjad
Company Secretary
Karachi, 22 September, 2021

Notes:

1. Participation of Certificate holders through electronic means:

In view of prevailing situation due to the pandemic of COVID-19 and pursuant to the guidelines issued by the Securities and Exchange Commission of Pakistan, the Annual Review Meeting of Certificate holders of Modaraba will be held through zoom application only to ensure safety and well-being of Certificate holders.

Certificate holders interested in attending the Annual Review Meeting are requested to get themselves registered by providing the following information through our e-mail arm2021@awwal.com.pkat earliest but not later than 48 hours before the time of meeting:-

Name of Certificate holders	CNIC	Folio/CDC Account No	E Mail Address	Cell No

The Zoom login credentials will be shared with only those certificate holders whose emails, containing all the required particulars.

2. The certificate transfer books shall remain closed from Thursday 30 September, 2021 to Thursday 14 October 2021 (both days inclusive). Transfers received in order at the office of the Share Registrar of Awwal Modaraba i.e. M/s THK Associates (Private) Limited., before the close of business hours on Wednesday, 29 September, 2021 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.

3. The Certificate holders are advised to notify change in their address, if any, to M/s THK Associates (Private) Limited, at 32-C, Jami Commercial, Street No: 2, Phase-VII, DHA, Karachi, Phone : 021-111-000-322

4. The Annual Report for the year ended 30 June 2021 will also be placed on Modaraba's website simultaneously with the dispatch of the same through CD to the certificate holders.Certificate holders who wishes to receive Annual Report of Modaraba by E-mail or printed copy at their registered address are advised to send Request form available on the web of Modaraba.

5. Dividend income is liable to deduction of withholding tax under Section 150, of the Income Tax Ordinance, 2001 withholding of tax on dividend based on 'Active' and 'Non-Active' status of certificate holders shall be @ 25% and 50% 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 being appeared on the Active Taxpayers list.

6. 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 Registrar 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 Registrar (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 prospective dividend payouts, if any.

7. Certificate holders seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be to the Share Registrar of Modaraba.

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

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. Therefore, all the certificate holders of Awwal Modaraba are hereby advised to provide dividend mandate of their respective banks in the “Dividend Mandate Form” available on 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 our Registrar, THK Associates (Private) Limited.

9. **Unclaimed Dividendsandphysical Modaraba Certificates**

Certificate holders, who by any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar M/s THK Associates (Private) Limited, at 32-C, Jami Commercial Street No: 2, Phase-VII, DHA, Karachi, Phone : 021-111-000-322 to enquire about their unclaimed dividend or pending Modaraba certificates.

10. **Conversion of Physical Modaraba Certificates into Book-Entry Form:**

As per requirement of Companies Act, 2017, all listed companies are required to replace the Certificates held in physical form with the Certificates to be issued in Book-Entry, all Certificate holders holding Certificates in physical form are requested to convert their shares in Book-Entry Form in order to comply with the provisions of the Companies Act, 2017. Certificate holders may contact the Modaraba’s Share Registrar to understand the process of conversion of Certificates held in physical form, into the Book-Entry Form.

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

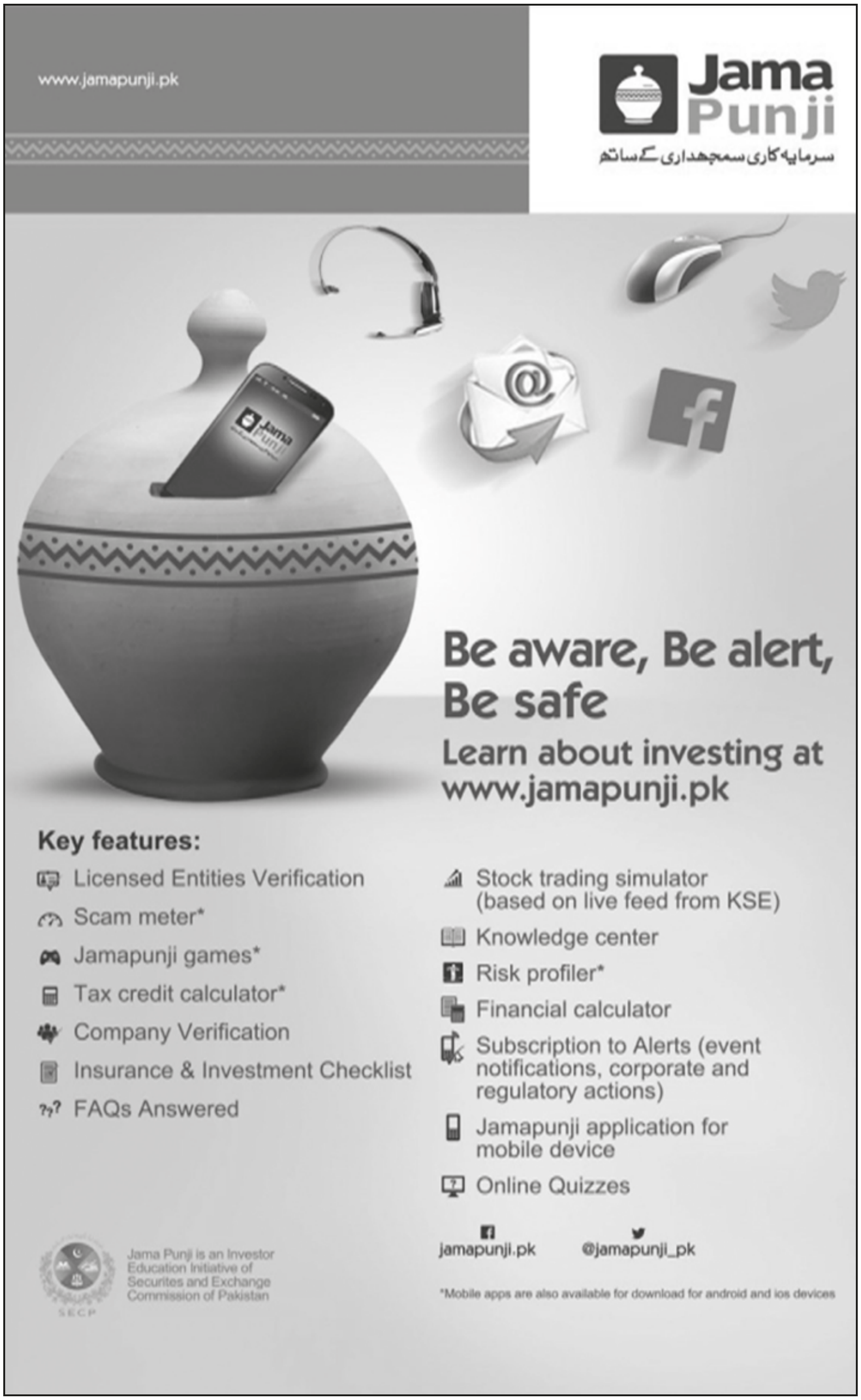
CNIC No.____________________
(copy attached)

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

MODARABA

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