

Creating **Structure**
and **Precision**
in Financial **Planning**
for Economic **Prosperity**



ANNUAL
REPORT
June 2022



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.

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Corporate Information

Board of Directors

Mr. Khalid Aziz Mirza	Chairman	Independent Director
Mr. Shahid Ghaffar		Independent Director
Ms. Ayesha Aziz		Non-Executive Director
Mr. Abdul Jaleel Shaikh		Non-Executive Director
Mr. 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

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.

Our country's economy is going through a challenging phase impacted by high inflationary forces arising from fuel and power costs, rupee depreciation against the dollar and compounded by the recent floods which caused severe devastation in the country. According to estimates by The Asian Development Bank, GDP growth could slow down to 3.5% in FY2023 from 6% in FY2022. The economic outlook will be shaped largely by the restoration of political stability and the continued implementation of reforms under the revived International Monetary Fund program to stabilize the economy and restore fiscal and external buffers. The State Bank of Pakistan (SBP) maintained the policy rate at 15% to support a contracting economy while inflation numbers appear to be declining and rupee depreciation seems to be reversed amid measures taken by the regulatory authorities.

Awwal Modaraba's management focused to improve profitability to mitigate impact of tax incidence on the modaraba sector from fiscal year 2022. Low earning liquid assets were deployed in Musharakah financing in a prudent manner towards the latter half of the year to offset the impact of taxation. Accordingly, the value of outstanding portfolio amounted to PKR 803 million on June 30, 2022 compared to PKR 499 million at the end of the preceding year.

Overall revenues were nearly stable at PKR 97.43 million from the preceding year while management. Expenses were sharply contained to PKR 23.94 million compared to PKR 45.51 million in preceding year. The Modaraba posted profit before tax for the period at PKR 39.23 million (FY2021: PKR 41.03 million). However, with tax impact of PKR 11.38 million, net profits amounted to PKR 27.85 million compared to net profit of PKR 41.03 million.

The process for merger of Modaraba into Awwal Corporate Restructuring Company (ACRC) is underway and expected to materialize soon under the approved Scheme of Arrangement. Following the awaited court order for merger, the modaraba's operations will cease to exist.

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

KHE, -

Khalid Aziz Mirza
Chairman

Dated: 20 October 2022

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 2022.

Economic Review & Outlook

In the recent Monetary Policy Statement, the State Bank of Pakistan (SBP) kept the policy rate unchanged at 15%. The headline inflation fell to 23.2% in Sep'22 from Aug'22 readings of 27.3% driven by a reduction in electricity prices. The MPC cited encouraging developments as desired moderation in economic activity has become more visible and entrenched while Core inflation continued to drift upwards in both rural and urban areas fueled by supply side shocks. The current account and trade deficits narrowed significantly in Aug-Sep, respectively, and the Rupee has recouped some of its losses following the recent depreciation. In Sep '22, Pakistan's trade deficit reduced 20% YoY to USD2.8bn led by a sharp decline in imports. Moody's downgraded Pakistan's local and foreign debt ratings to Caa1 from B3 along with decline in the deposit rating of five commercial banks. The downgrade was due to increased government liquidity requirements, external vulnerability risks and higher debt sustainability risks, in the aftermath of devastating floods.

The Asian Development Bank's (ADB) expectation for GDP growth in FY2023 is 3.5% from approx. 6% in FY2022. The inflation rate in Pakistan is likely to decline in the coming months while interest rate scenario is expected to remain stable with expectations of downward trend next year to stimulate economy. Pak Rupee is expected to stabilize as SBP has launched an investigation into alleged manipulation by commercial banks of foreign exchange operations in the country. ADB has promised to provide USD2.5bn to Pakistan to help support flood relief activities by the end of Oct '22. Going forward, inflows from multilateral and bilateral lenders are expected to start materializing next month along with concessions from the IMF keeping the pressure off the FX market.

In this challenging scenario, the management of the modaraba has put in considerable efforts to maintain profitability and asset quality. The process for merger of Modaraba into Awwal Corporate Restructuring Company (ACRC) is underway and expected to materialize soon under the approved Scheme of Arrangement. Following the awaited court order for merger, the modaraba's operations will cease to exist. In this context, the modaraba has slowed down underwriting of new business.

	30 June 2022	30 June 2021
Operating Results	(Rupees '000')	(Rupees '000')
Balance Sheet		
Certificate capital	1,000,000	1,000,000
Total equity	1,158,073	1,161,367
Investment in Musharika Finance	803,176	499,000
Profit & Loss		
Revenue	97,427	92,794
Operating expenses	23,959	45,514
Provisioning	28,263	-
Profit before Management Fee	45,131	47,199
Taxation	11,376	-
Net profit for the year	27,854	41,028
Appropriations		
Profit distribution @ 2.2% (2021: @ 3.20%)	22,000	32,000
Statutory reserve	5,571	8,206
Unappropriated profit carried forward	28,176	37,041
Earnings per certificate	0.28	0.41

Financial snapshot

Awwal Modaraba's management focused to deploy low earning liquid assets in a prudent manner in order to support the modaraba's profitability which came under pressure from the incidence of tax following the withdrawal of tax exemption on modaraba sector earlier this year. Additionally, modaraba also provided against Musharaka exposure of one client while recovery efforts continue on that front. Accordingly, the value of outstanding portfolio amounted to PKR 803 million on June 30, 2022 compared to PKR 499 million at the end of the preceding year with liquidation of investment in sukuk and term deposit. Most of the deployment occurred towards the latter part of the year.

During the year under review, overall revenues have been recorded at PKR 97.43 million compared to PKR 92.80 million in the preceding year. Expenses were sharply contained to PKR 23.94 million compared to PKR 4551 million in preceding year. The Modaraba posted profit before tax for the period at PKR 39.23 million (FY2021: PKR 41.03 million). However, with tax impact of PKR 11.38 million, net profits amounted to PKR 27.85 million compared to net profit of PKR 41.03 million.

Profit Distribution

The Board in its meeting held on 20 October 2022 has approved cash dividend of PKR 0.22 (2.20%) per certificate PKR 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended 30 June 2022.

To comply with Modaraba Regulations 2021, the Board of Directors has transferred PKR 5.57 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 2022.

Shariah Advisor is involved from the outset to ensure that prospective clients' business and proposed transaction structure are in line with Shariah principles. Strong emphasis is placed on good governance and implementation of all policies in 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 2022 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	6
Mr. Shahid Ghaffar	6
Ms. Ayesha Aziz	6
Mr. Abdul Jaleel Shaikh	6
Mr. Saiyid Najam Rizvi	6
Mr. Karim Hatim (CEO)	6

Change in Directors

There has been no change in the Board of Directors during the year.

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. Saiyid Najam Rizvi	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 Board of Directors

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

- Male: 5
- Female: 1

The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahid Ghaffar
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 traveling, hotel and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of Directors or General Meeting of the company in connection with the business of the Company.

Auditors

On the recommendation of the Audit Committee, the Board has approved the present auditors M/s BDO 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 2023. 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 2022 is attached in the Annual Financial Statements.

Acknowledgments

The Board of Directors would like to acknowledges 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

Dated: 20 October 2022



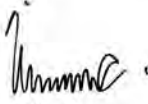
Abdul Jaleel Shaikh
Director

شریعہ ایڈوائزری رپورٹ:

مضاربہ اپنے شرعی مشیر مفتی محمد حسن کلیم سے رہنمائی حاصل کرتا رہتا ہے اور جب ضرورت پڑتی ہے تو رجسٹرار مضاربہ کی مشاورت سے تیار کردہ شرع آڈٹ میکانزم کی مکمل تعمیل کو یقینی بنایا جاتا ہے۔ اندرونی آڈٹ ڈیپارٹمنٹ کو بھی تربیت دی گئی ہے کہ وہ مضاربہ کے روزمرہ کے معاملات کو شرعی پالیسیوں اور اصولوں کی مکمل پابندی کو یقینی بنائے۔ 30 جون 2022 کو ختم ہونے والے سال کے لئے مضاربہ کے امور کے لئے جاری کردہ شرعی مشیر کی رپورٹ سالانہ مالیاتی گوشواروں میں منسلک ہے۔

اعترافات:

بورڈ آف ڈائریکٹرز SECP اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا اعتراف اور تعریف کرتا چاہیں گے۔ اس کے علاوہ، ہم مضاربہ پر اعتماد کرنے کے لئے اپنے صارفین اور سرمایہ کاروں کا شکریہ ادا کرنے کے لئے اس موقع سے فائدہ اٹھانا چاہیں گے۔


عبدالجلیل شیخ
ڈائریکٹر

بورڈ کی جانب سے


کریم حاتم

چیف ایگزیکٹو

مورخہ: 20 اکتوبر 2022

- ☆ اس سالانہ رپورٹ میں سرٹیفکیٹ رکھنے والوں کی طرف سے سرٹیفکیٹ رکھنے کا نمونہ شامل ہے۔
- ☆ ڈائریکٹرز، ای او، ای سی ایف او، کمپنی سیکریٹری، ان کی شریک حیات اور نابالغ بچوں نے زیر جائزہ سال کے دوران مضاربہ کے سرٹیفکیٹس میں کوئی لین دین نہیں کیا۔

بورڈ آف ڈائریکٹرز

مندرجہ ذیل کے مطابق ڈائریکٹرز کی کل تعداد 6 ہے جن میں CEO بھی شامل ہیں:-

(الف) مرد 5

(ب) خاتون 1

بورڈ کی تشکیل حسب ذیل ہے:-

نام	عہدہ
جناب خالد عزیز مرزا جناب شاہد غفار	آزاد ڈائریکٹرز
محترمہ عائشہ عزیز جناب عبدالخلیل شیخ جناب سید نجم رضوی	دیگر نان ایگزیکٹو ڈائریکٹرز
جناب کریم حاتم	چیف ایگزیکٹو آفیسر

ڈائریکٹر کا معاوضہ:

بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے ڈائریکٹر کے معاوضے کا تعین اول مضاربہ منجسٹ لیٹنڈ کی طرف سے اختیار کردہ ڈائریکٹر کی معاوضہ پالیسی کے تحت کیا جاتا ہے۔ مذکورہ پالیسی کے تحت ایک آزاد ڈائریکٹر صرف بورڈ میں میٹنگ میں شرکت کے لئے بورڈ آف ڈائریکٹرز کے ذریعے مقرر کردہ فیس وصول کرنے کا حقدار ہے۔ مزید برآں نامزد ڈائریکٹر کمیٹی کے ساتھ کل وقتی معاوضہ کی خدمت میں بورڈ یا بورڈ کی کسی کمیٹی کے اجلاسوں میں شرکت کے لئے کسی ادائیگی کا حقدار نہیں ہے۔ تاہم تمام ڈائریکٹر کمیٹی کے کاروبار کے سلسلے میں ڈائریکٹرز یا ڈائریکٹرز کی کسی کمیٹی یا کمیٹی کی جنرل میٹنگ میں شرکت اور واپسی میں ان کے تمام سفری، ہوٹل اور دیگر اخراجات ادا کرنے کے حقدار ہیں۔

آڈیٹرز:

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز BDO چارٹرڈ اکاؤنٹنٹس کو تقرری کے اہل ہونے اور آڈیٹر کے طور پر کام کرنے کے لئے ان کی رضامندی پر منظوری دے دی ہے۔ 30 جون 2023 کو ختم ہونے والے سال کے لئے مضاربہ کے بیرونی آڈیٹر مقرر کئے گئے ہیں۔ ان کی تقرری رجسٹر آف مضاربہ کمپنیز اور مضاربہ کی منظوری سے شروط ہوگی۔

- ☆ مضاربہ کے جاری رہنے کی قابلیت پر کوئی خاص شک نہیں ہے۔
- ☆ کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی رخصتی نہیں ہوئی ہے، جیسا کہ فہرست سازی کے ضوابط میں تفصیل سے بتایا گیا ہے۔
- ☆ میکسر، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں جو کہ 30 جون 2022 تک بھایا ہیں سوائے ان مالیاتی گوشواروں میں جن کا انکشاف کیا گیا ہے۔

☆ زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کی چار (4) میٹنگیں ہوئیں۔ ہر ڈائریکٹر کی حاضری حسب ذیل تھی:-

ڈائریکٹر کا نام	اجلاس میں شرکت کرنے والے کی تعداد
جناب خالد عزیز مرزا	6
جناب شاہد غفار	6
محترمہ عائشہ عزیز	6
جناب عبدالجلیل شیخ	6
جناب سید نجم رضوی	6
جناب کریم حاتم (CEO)	6
ڈائریکٹرز میں تبدیلی:	

سال کے دوران بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کے تقاضوں کی تعمیل میں ایک آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی چار ارکان پر مشتمل ہے۔ آڈٹ کمیٹی کا سربراہ ایک آزاد ڈائریکٹر ہوتا ہے۔ کمیٹی وقتاً فوقتاً مالیاتی گوشواروں کا جائزہ لیتی ہے اور مالیاتی پالیسیوں اور طریقوں کی مناسبت کا جائزہ لیتی ہے تاکہ یہ یقینی بنایا جاسکے کہ اندرونی کنٹرول کا ایک موثر اور مضبوط نظام موجود ہے۔ کمیٹی انٹرنل آڈٹ ڈیپارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کو بیرونی آڈیٹرز کی تقرری کی سفارش کرنے کی بھی ذمہ دار ہے۔

☆ زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری حسب ذیل تھی:-

ممبر کا نام	اجلاس میں شرکت کرنے والوں کی تعداد
جناب شاہد غفار	4
جناب خالد عزیز مرزا	4
جناب عبدالجلیل شیخ	4
جناب سید نجم رضوی	4

☆ ہیومن ریسورسز اینڈ ریمونریشن کمیٹی (HR&RC) کی ایک میٹنگ عملے کے سالانہ معاوضے کی قوم کی سفارش کو حتمی شکل دینے کے لئے منعقد ہوئی۔

منافع کمایا تاہم 11.38 ملین پاکستانی روپے کے ٹیکس اثرات کے ساتھ خالص منافع 41.03 ملین پاکستانی روپے کے خالص منافع کے مقابلے 27.85 ملین پاکستانی روپے ہو گیا۔

منافع کی تقسیم:

بورڈ نے 20 اکتوبر 2022 کو منعقدہ اپنے اجلاس میں 30 جون 2022 کو ختم ہونے والے سال کے لئے (2.20%) 0.22 ملین پاکستانی روپے فی شیئہ 10 پاکستانی روپے کے نقد منافع کی منظوری دی ہے، زکوٰۃ اور ذرائع پر ٹیکس کی کٹوتی سے مشروط ہے۔

مضاربہ ریگولیشنز 2021 کی تعمیل کرنے کے لئے، بورڈ آف ڈائریکٹرز نے 5.57 ملین پاکستانی روپے کو قانونی ریزرو میں منتقل کر دیا ہے۔ ضوابط کے مطابق مضاربہ کو مضاربہ کے بعد از ٹیکس منافع کا 20% سے کم اور 50% سے زیادہ اس وقت تک قانونی ریزرو میں منتقل کرنے کی ضرورت ہے جب تک کہ ریزرو ادا شدہ سرمائے کے 100% کے برابر نہ ہو۔ اس کے بعد ایک رقم 5% سے کم نہیں اور اس کے بعد از ٹیکس منافع کا 20% سے زیادہ نہیں اس طرح کے ریزرو میں منتقل کیا جاتا ہے۔

گورنرس اور شریعت کی تعمیل:

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی مختلف ضروریات کی تعمیل کو یقینی بنانے کے لئے پرعزم ہے۔ مضاربہ 30 جون 2022 کو ختم ہونے والے سال کے لئے متعلقہ لکچر (کوڈ آف کارپوریٹ گورنرس) ریگولیشنز 2019 کے تقاضوں کے مطابق ہے۔

شرعیہ وائزر شروع سے اس بات کو یقینی بنانے کے لئے شامل ہے کہ مکمل کلائنٹس کا کاروبار اور مجوزہ لین دین کا ڈھانچہ شرعی اصولوں کے مطابق ہو۔ اچھی حکمرانی اور تمام پالیسیوں کو روح کے مطابق نافذ کرنے پر زور دیا جاتا ہے۔ بورڈ آف ڈائریکٹرز بیرونی نگرانی کو یقینی بنانے کے لئے آزاد ڈائریکٹرز پر مشتمل ہوتا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

بورڈ آف ڈائریکٹرز کو یہ اطلاع دیتے ہوئے خوشی ہو رہی ہے کہ:

☆ مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کی حالت، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں ہونے والی تبدیلیوں کو کافی حد تک پیش کرتے ہیں۔

☆ مضاربہ کے حساب کتاب کی مناسب و یکہ بھال کی گئی ہے۔

☆ مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔

☆ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں مدارس پر لاگو ہوتا ہے، مالی بیانات کی تیاری میں بیرونی کی گئی ہے۔

☆ اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔

مالیاتی کارکردگی

آپریٹنگ نتائج

30 جون 2021 (روپے)	30 جون 2022 (روپے)	بیلنس شیٹ
1,000,000	1,000,000	سرسٹیکس سرمایہ
1,161,367	1,158,073	کل ایکویٹی
499,000	803,176	مشارکہ فنانس میں سرمایہ کاری
		نفع نقصان
92,794	97,427	آمدنی
45,514	23,959	آپریٹنگ اخراجات
-	28,263	فرائضی
47,199	45,131	منجست فیس سے پہلے منافع
-	11,376	ٹیکس لگانا
41,028	27,854	سال کے لئے خالص منافع
		خصصات
32,000	22,000	منافع کی تقسیم @ 2.2% (2021: @ 3.20%)
8,206	5,571	قانونی ریزرو
37,041	28,176	غیر مناسب منافع کو آگے بڑھایا
0.41	0.28	آمدنی فی سرٹیکس

مالی اسٹیپ شاٹ:

اول مضاربہ کی انتظامیہ نے مضاربہ کے منافع کو سہارا دینے کے لئے کم آمدنی والے مالغ اثاثوں کو خطا ط انداز میں تعینات کرنے پر توجہ مرکوز کی جو اس سال کے شروع میں مضاربہ سیکٹر پر ٹیکس اسٹشی کی واپسی کے بعد ٹیکس کے واقعات کے دباؤ میں آئی تھی۔ مزید برآں، مضاربہ نے ایک گلائٹ کے مشارکہ کی نمائش کے خلاف بھی فراہم کیا جبکہ اس محاذ پر بازیابی کی کوششیں جاری ہیں۔ اس کے مطابق بتایا پورٹ فولیو کی مالیت 30 جون 2022 کو 803 ملین پاکستانی روپے تھی جو پچھلے سال کے اختتام پر سکوک اور ٹرم ڈیپازٹ کی سرمایہ کاری کے ساتھ 499 ملین پاکستانی روپے تھی زیادہ تر تعیناتی سال کے آخری حصے میں ہوئی۔

زیر جائزہ سال کے دوران مجموعی طور پر 97.43 ملین پاکستانی روپے کی آمدنی ریکارڈ کی گئی ہے جو پچھلے سال کے 9.280 ملین پاکستانی روپے تھی۔ پچھلے سال کے 4551 ملین پاکستانی روپے کے مقابلے میں اخراجات تیزی سے 23.94 ملین پاکستانی روپے پر مشتمل تھے۔ مضاربہ نے اس مدت کے لئے 39.23 ملین پاکستانی روپے (FY:2021: 41.03 PKR) ملین میں ٹیکس سے پہلے

ڈائریکٹرز کی رپورٹ

اول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز، اول مضاربہ کی انتظامی کمپنی، 30 جون 2022 کو ختم ہونے والے سال کے لئے اول مضاربہ کے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشحسوس ہو رہی ہے۔

اقتصادی جائزہ اور آؤٹ لک:

حالیہ ماہیٹری پالیسی اینٹینٹ میں، اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی ریٹ کو 15 فیصد پر برقرار رکھا۔ بجلی کی قیمتوں میں کمی کی وجہ سے ہیڈ لائن افراط زر اگست 2022 میں 27.3 فیصد کی ریڈنگ سے ستمبر 2022 میں 27.3 فیصد کی ریڈنگ سے ستمبر 2022 میں 23.2 فیصد پر آ گئی۔ MPC نے حوصلہ افزا پیش رفت کا حوالہ دیا کیونکہ معاشی سرگرمیوں میں مطلوبہ اعتدال زیادہ واضح اور مضبوط ہو گیا ہے جبکہ بنیادی افراط زر دینی اور شہری دونوں علاقوں میں اوپر کی طرف بڑھتا چلا گیا جس کی وجہ سلائی سائیڈ شاک ہے۔ کرنٹ اکاؤنٹ اور تجارتی خسارہ بالترتیب اگست، ستمبر میں نمایاں طور پر کم ہوا اور روپے نے حالیہ گراؤ کے بعد اپنے کچھ نقصانات کو پورا کیا ہے۔ ستمبر 2022 میں پاکستان کا تجارتی خسارہ سالانہ 20 فیصد کم ہو کر 2.8 بلین ڈالریک پہنچ گیا جس کی وجہ درآمدات میں شدید کمی تھی۔ موڈرن نے پانچ کمرشل بینکوں کی ڈیپازٹ ریڈنگ میں کمی کے ساتھ پاکستانی کے مقامی اور غیر ملکی قرضوں کی درجہ بندی کو B3 سے گھٹا کر Caa1 کر دیا۔ یہ کمی تباہ کن سیلابوں کے نتیجے میں حکومتی لیکویڈیٹی کی بڑھتی ہوئی ضروریات، بیرونی خطرے کے خطرات اور قرضوں کی پائیداری کے زیادہ خطرات کی وجہ سے ہوئی۔

ایشیائی ترقیاتی بینک (ADB) کی مال سال 2023 میں جی ڈی پی کی نمو کی توقع تقریباً 3.5 فیصد ہے۔ مالی سال 2022 میں 6 فیصد۔ پاکستان میں آنے والے مہینوں میں مہنگائی کی شرح میں کمی کا امکان ہے جبکہ شرح سود کا منظر نامہ مستحکم رہنے کی توقع ہے اور معیشت کو متحرک کرنے کے لئے اگلے سال گرنے کے رجحان کی توقع ہے۔ پاکستانی روپے کے مستحکم ہونے کی توقع ہے کیونکہ اسٹیٹ بینک نے ملک میں غیر ملکی کرنسی کے آپریشنز میں کمرشل بینکوں کی طرف سے مبینہ ہیرا پھیری کی تحقیقات شروع کر دی ہیں۔ ADB نے اکتوبر 2022 کے آخر تک سیلاب سے متعلق امدادی سرگرمیوں میں مدد کے لئے پاکستان کو 2.5 بلین امریکی ڈالرفراہم کرنے کا وعدہ کیا ہے۔ آگے بڑھتے ہوئے توقع کی جاتی ہے کہ کثیر جہتی اور دو طرفہ قرض دہندگان کی طرف سے آنے والی رقم FX مارکیٹ پر دباؤ کو برقرار رکھتے ہوئے IMF سے رعایتوں کے ساتھ اگلے ماہ عملی شکل اختیار کرنا شروع کر دیں گی۔

اس مشکل حالات میں مضاربہ کی انتظامیہ نے منافع اور اثاثہ کے معیار کو برقرار رکھنے کے لئے کافی کوششیں کی ہیں۔ مضاربہ کو اول کار پورٹ ری اسٹرکچرنگ کمپنی (ACRC) میں ضم کرنے کا عمل جاری ہے اور توقع ہے کہ انتظامات کی منظور شدہ اسکیم کے تحت جلد ہی مکمل ہو جائے گا۔ انضمام کے مختصر عدالتی حکم کے بعد مضاربہ کی کاروائیاں ختم ہو جائیں گی۔ اس تناظر میں مضاربہ نے نئے کاروبار کی انٹر رائٹنگ کوست کر دیا ہے۔

Pattern of Holding of Certificates by the Certificate Holders

As At 30 June, 2022

Number of Certificate Holders	Certificate Holding		Total Certificates Held	% Held
	From	To		
76	1	100	428	0.000%
180	101	500	89,403	0.089%
10	501	1,000	9,501	0.010%
25	1,001	5,000	78,614	0.079%
1	5,001	10,000	8,488	0.008%
1	10,001	15,000	13,000	0.013%
1	15,001	20,000	20,000	0.020%
1	9,995,001	10,000,000	10,000,000	10.000%
1	89,780,001	89,785,000	89,780,566	89.781%
296			100,000,000	100.000%

Pattern of Certificates Holding (Categories Wise)

S/R NO.	Category of Certificate Holders	Number of Certificate Held	Category wise No of Certificate Holders	Category wise Certificate Held	PERCENTAGE %
1	INDIVIDUALS		287	204,959	0.205%
2	Directors their spouse and Minor Children		3	2,000	0.002%
	Mr. Tahir Aziz	500			
	Ms. Seema Jaleel Sheikh	500			
	Ms. Nomana Najam Rizvi	1000			
3	Associated Companies		2	99,780,566	99.781%
	Awwal Modaraba Management Limited	10,000,000			
	Pak Brunei Investment Company Limited	89,780,566			
4	Foreign Certificate holders		4	12,475	0.012%
	Total		296	100,000,000	100.000%

Certificate Holding 5 % & above

	Name of Certificate Holders	Number of Certificates Held	%
1	Pak Brunei Investment Company Limited	89,780,566	89.78%
2	AWWAL Modaraba Management Limited	10,000,000	10.00%

Key Financial Data

	2022	2021	2020	2019	2018	2017
Total Assets	1,198,364,291	1,196,402,142	1,243,691,234	1,234,332,197	1,283,093,217	1,202,708,828
Musharika Finance	531,641,716	199,000,000	502,706,092	369,985,326	478,813,819	396,248,948
Diminishing Musharika Finance	271,534,475	300,000,000	300,000,000	300,000,000	300,000,000	286,974,209
Current Assets	682,668,499	995,764,182	912,919,957	807,975,226	769,076,799	625,018,763
Current Liabilities	40,290,908	28,872,311	36,912,343	49,574,689	61,718,764	42,568,091
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	129,897,198	124,326,410	116,120,771	95,591,501	73,314,890	36,568,147
Certificate Holders' Equity	1,158,073,383	1,161,367,225	1,199,498,124	1,184,757,508	1,221,374,453	1,160,140,737
Gross Revenue	97,427,191	92,794,346	176,324,742	185,381,248	263,314,904	208,214,563
Net Profit	27,853,944	41,028,192	102,646,351	111,383,055	183,733,716	154,397,866

Profitability Ratios

Net Profit Margin (%)	28.59%	44.21%	58.21%	60.08%	69.78%	74.15%
Return on Equity (%)	2.41%	3.53%	8.56%	9.40%	15.04%	13.31%
Return on Assets (%)	2.33%	3.36%	8.28%	8.85%	14.78%	13.75%

Liquidity Ratios

Current ratio (x)	17	34	25	16	12	15
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Market ratio

Market Value Per Certificate (Rupees)	10.39	11.00	10.80	11.10	11.50	10.51
EPS	0.28	0.41	1.03	1.11	1.84	1.54
Price Earnings ratio (x)	37.11	26.83	10.49	10.00	6.25	6.82
Dividend Yield ratio (%)	2.12%	2.91%	7.41%	8.02%	12.87%	11.66%
Dividend Payout ratio (%)	78.57%	78.05%	77.67%	80.18%	80.43%	79.55%
Cash Dividend (%)	2.20%	3.20%	8.00%	8.90%	14.8%	12.25%
Cash Dividend per Certificate (Rupees)	0.22	0.32	0.80	0.89	1.48	1.23
Book Value per Certificate (Rupees)	11.58	11.61	11.99	11.85	12.21	11.60
Dividend (Rupees)	22,000,000	32,000,000	80,000,000	89,000,000	148,000,000	122,500,000

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

Year ended June 30, 2022

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

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

KHE

Khalid Aziz Mirza
Chairman

Dated: 20 October 2022

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, 2022 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.

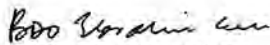
The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement 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, 2022.

KARACHI

DATED: OCTOBER 21, 2022

UDIN: CR2022101661zURrAky7



CHARTERED ACCOUNTANTS

Engagement Partner: Tariq Feroz Khan

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.

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, 2022 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that, in my opinion:

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

Recommendation

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

Conclusion

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



Mufti Muhammad Hassaan Kaleem
Shariah Advisor
Awwal Modaraba

Dated: August 2, 2022

Email: hassaan.kaleem@gmail.com
+92 21 35368790

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of AWWAL MODARABA ("the Modaraba") as at June 30, 2022 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, 2022 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, 2022 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

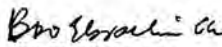
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which provide details regarding scheme of arrangement (scheme of merger) the Modaraba with and into Awwal Corporate Restructuring Company Limited subject to completion of necessary Corporate/ Regulatory formalities, approvals from the Stakeholders/ Regulators and the sanction of scheme by the Honorable High Court along with fulfilment of all legal formalities at a specific date subject to approval of Honorable High Court.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 21 OCT 2022


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

UDIN: CR2022101661zURrAky7

Balance Sheet

As at 30 June 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	5	838,383	184,519
Intangible asset	6	-	1,169,495
Long term portion of Musharika Finance	7	300,841,716	-
Long term portion of Diminishing Musharika Finance	8	189,681,829	196,666,669
Receivable against advisory fee	9	16,051,548	917,478
Long term loans	10	-	1,624,799
Long term deposit		75,000	75,000
Deferred tax asset	11	8,207,316	-
		515,695,792	200,637,960
CURRENT ASSETS			
Current portion of Musharika Finance	7	230,800,000	199,000,000
Current portion of Diminishing Musharika Finance	8	81,852,646	103,333,331
Current portion of receivable against advisory fee	9	17,708,472	34,792,710
Current portion of long term loans	10	119,989	1,716,015
Investment against repurchase agreement	12	78,487,456	-
Investment in Sukuk certificates	13	-	179,162,606
Accruals, prepayments, advances and other receivables	14	73,266,613	69,895,749
Modaraba term deposit	15	-	239,000,000
Taxation refundable		13,249,380	13,109,846
Bank balances	16	187,183,943	155,753,925
		682,668,499	995,764,182
		1,198,364,291	1,196,402,142
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each	17	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital			
100,000,000 Modaraba Certificates of Rs. 10 each	17	1,000,000,000	1,000,000,000
Statutory Reserves	18	129,897,198	124,326,410
Accumulated profit		28,176,186	37,040,815
		1,158,073,383	1,161,367,225
Unrealised gain on remeasurement of Sukuk Certificate	19	-	6,162,606
NON CURRENT LIABILITIES			
Defined benefit obligation	20	-	-
CURRENT LIABILITIES			
Accrued expenses	21	9,052,098	13,222,667
Payable to related parties	22	16,197,407	15,466,272
Taxation - net	23	14,855,312	-
Unclaimed profit distribution		186,091	183,372
		40,290,908	28,872,311
		1,198,364,291	1,196,402,142
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes from 1 to 40 form an integral part of these financial statements.

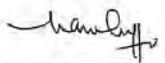
For Awwal Modaraba Management Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

Statement of Profit or Loss

For the year ended 30 June 2022

	Note	2022 Rupees	2021 Rupees
Income			
Income from Musharika Finance		49,995,099	34,838,337
Income from Diminishing Musharika Finance - net	25	10,335,646	10,404,865
Advisory fee		-	18,100,000
Income from Investment against repurchase agreement		8,429,337	3,273,199
Income from Modaraba Term Deposit		1,922,541	12,892,899
Income from Sukuk		9,331,098	2,571,453
Income from deposits with banks		15,183,858	10,713,593
Other income		2,229,612	-
		97,427,191	92,794,346
Expenses			
Administrative and operating expenses	26	(23,959,160)	(45,513,843)
Financial charges		(73,331)	(81,515)
Provision against doubtful receivables -			
Diminishing musharika finance		(28,263,316)	-
		45,131,384	47,198,988
Management Company's remuneration	27	(4,513,138)	(4,719,899)
Provision for services sales tax on Management			
Company's remuneration	28	(586,708)	(613,587)
		(5,099,846)	(5,333,486)
Provision for Workers' Welfare Fund	21.1	(800,631)	(837,310)
Profit before the taxation		39,230,907	41,028,192
Taxation	29	(11,376,963)	-
Profit for the year		27,853,944	41,028,192
Earnings per certificate - basic and diluted	30	0.28	0.41

The annexed notes from 1 to 40 form an integral part of these financial statements.

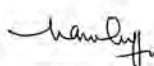
For Awwal Modaraba Management Limited
(Management Company)



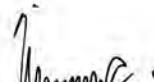
Chief Financial Officer



Chief Executive Officer



Director



Director

Statement of Comprehensive Income

For the year ended 30 June 2022

	2022 Rupees	2021 Rupees
Profit for the year	27,853,944	41,028,192
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Gain on remeasurement of defined benefit obligation	852,214	840,909
Items that will be reclassified to profit and loss		
Unrealised gain on remeasurement of Sukuk Certificate	757,394	6,162,606
Reversal of unrealized gain on disposal of sukuk certificates	(6,920,000)	-
	(5,310,392)	7,003,515
Total comprehensive income for the year	<u>22,543,552</u>	<u>48,031,707</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

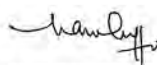
For Awwal Modaraba Management Limited
(Management Company)



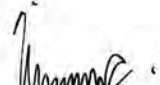
Chief Financial Officer



Chief Executive Officer



Director



Director

Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		39,230,907	41,028,192
Adjustments for:			
Depreciation on operating fixed assets	5	150,321	274,944
Amortisation on intangible asset	6	1,169,495	2,636,664
Provision for deferred liabilities - gratuity	20.6	736,757	1,260,764
Net cash generated before working capital changes		41,287,480	45,200,564
Decrease / (increase) in current assets			
Accruals, prepayments, advances and other receivables		(3,370,864)	2,235,443
Modaraba Term Deposit		239,000,000	(239,000,000)
Receivable against advisory fee		1,950,168	5,987,275
Investment against repurchase agreement		(78,487,456)	48,878,899
Disbursement of Musharika Finance		(692,000,000)	(400,000,000)
Proceeds from repayment / settlement of Musharika Finance		359,358,284	703,706,095
Disbursement of Diminishing Musharika Finance		(31,243,910)	-
Proceeds from repayment / settlement of Diminishing Musharika Finance		59,709,435	-
Long term loans		3,220,825	1,218,913
		(141,863,518)	123,026,625
(Decrease) / Increase in current liabilities			
Accrued expenses		(4,055,111)	(1,679,109)
Payable to related parties		731,135	(6,385,420)
Unclaimed profit distribution		2,719	24,497
Defined Benefit Obligation		-	(8,748,067)
Trade and other payables		(3,321,257)	(16,788,099)
Cash generated from operations		(103,897,295)	151,439,090
Tax withheld		(4,868,502)	(2,593,966)
Net cash (used in) / generated from operating activities		(108,765,797)	148,845,124
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Sukuk Certificates		173,000,000	(173,000,000)
Capital expenditure		(804,185)	-
Net cash generated from and (used in) investing activities		172,195,815	(173,000,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(32,000,000)	(80,000,000)
Net cash used in from financing activities		(32,000,000)	(80,000,000)
Net increase / (decrease) in cash and cash equivalents		31,430,018	(104,154,876)
Cash and cash equivalents at the beginning of the year		155,753,925	259,908,801
Cash and cash equivalents at the end of the year	36	187,183,943	155,753,925

The annexed notes from 1 to 40 form an integral part of these financial statements.

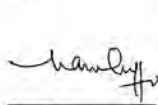
For Awwal Modaraba Management Limited
(Management Company)



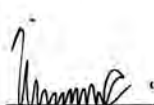
Chief Financial Officer



Chief Executive Officer



Director



Director

Statement of Changes in Equity

For the year ended 30 June 2022

Issued, subscribed, and paid up certificate capital	*Statutory reserve	Accumulated profit	Total
Rupees			

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

Other comprehensive income

-	-	41,028,192	41,028,192
-	-	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. 0.89 per certificate

Balance as at June 30, 2021

-	-	(80,000,000)	(80,000,000)
1,000,000,000	124,326,409	37,040,816	1,161,367,225

Balance as at July 01, 2021

1,000,000,000 124,326,409 37,040,816 1,161,367,225

Total comprehensive income for the year

Profit for the year

Other comprehensive income

-	-	27,853,944	27,853,944
-	-	852,214	852,214
-	-	28,706,158	28,706,158

Transfer to statutory reserve

- 5,570,789 (5,570,789) -

Transactions with Certificate Holders
of the Modaraba - Distribution

Profit distribution for the year ended

June 30, 2021 @ Re. 0.80 per certificate

Balance as at June 30, 2022

-	-	(32,000,000)	(32,000,000)
1,000,000,000	129,897,198	28,176,186	1,158,073,383

*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 40 form an integral part of these financial statements.

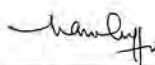
For Awwal Modaraba Management Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

Notes To The Financial Statements

For the year ended 30 June 2022

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).

- 1.2** The Board of Directors of the Modaraba Management Company in their meeting held on March 11, 2022 have approved the draft scheme of arrangement for merger of Awwal Modaraba with and into Awwal Corporate Restructuring Company Limited subject to completion of necessary Corporate/ Regulatory formalities, approvals from the Stakeholders/ Regulators and the sanction of scheme by the Honorable High Court along with fulfilment of all legal formalities. As at the reporting date the court order is awaited in respect of approval of the scheme of merger.

After obtaining the NOC from SECP, the petition has been filed in the High Court of Sindh. The Honorable Court vide order dated May 09, 2022 directed to hold meeting of the certificate holders/ shareholders for approval of the merger scheme and submit the report thereon. Accordingly, said meetings were convened on June 09, 2022 wherein the certificate holders/ shareholders have extended the desired approval. The compliance report on the proceeding of the said meeting has been submitted with the Honorable High Court.

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) 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 27).
- 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, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations that are effective in current year and are relevant to the Modaraba

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or did not have material impact on the financial statements other than certain additional disclosures:

**Effective date
(annual periods
beginning on or
after)**

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 concessions	April 01, 2021

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.

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

**Effective date
(annual periods
beginning on or
after)**

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

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

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 IFRS 17	First Time Adoption of International Financial Reporting Standards, and Insurance Contracts.
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Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 1827 (I)/2022 dated September 29, 2022 has deferred the effective date for applicability of International Financial Reporting Standard (IFRS) 9 - 'Financial Instruments' for Non-Banking Finance Companies and Modarabas.

The said standard has superseded International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement'. IFRS 9 is now effective for reporting period / year ending on or after June 30, 2024.

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 and loss as and when incurred.

Depreciation on all fixed assets is charged to profit and 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 and 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 and 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 musharika finance, diminishing musharika finance, receivable against advisory fee, long term loans, modaraba term deposits, investment in repurchase agreement, 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 and 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 and loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit and 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 and 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 and 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 recognised in the statement of profit and 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 at 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, long term loans, modaraba term 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 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.

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.

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

Revenue is recognised to the extent that the economic benefits will flow to the Modaraba and revenue can be reliably measured. Revenue is recognised at fair value of consideration received or receivable. Revenue from different sources is recognised on the following basis:

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

Net mark up on net defined benefit liability is also recognised in statement of profit and 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.

Subsequent to the year end, SECP has deferred the applicability of IFRS 9 for Modarabas for the period ended on or after June 30, 2024 via S.R.O. 1827 (I)/2022 dated September 29, 2022. Accordingly, the Modaraba has recognized provision in accordance with the Modaraba regulation, 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 and 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 and 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 and 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 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
Balance as at 01 July 2021	73,725	2,578,430	1,613,740	4,265,895
Additions during the year	-	804,185	-	804,185
Balance as at June 30, 2022	73,725	3,382,615	1,613,740	5,070,080
Accumulated depreciation				
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
Balance as at 01 July 2021	58,127	2,570,884	1,452,365	4,081,376
Charge for the year	11,564	138,757	-	150,321
Balance as at June 30, 2022	69,691	2,709,641	1,452,365	4,231,697
Net book value as at June 30, 2021	15,598	161,375	161,375	184,519
Net book value as at June 30, 2022	4,034	161,375	161,375	838,383
Annual Rates of depreciation	20%	33% - 50%	25%	

	2022 Rupees	2021 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	7,161,236	4,524,572
Charge for the year	1,169,495	2,636,664
Balance as at June 30	8,330,731	7,161,236
Net book value as at June 30	-	1,169,495
Annual rate of amortisation	33.33%	33.33%
7 MUSHARIKA FINANCE		
Musharika finance - secured	531,641,716	199,000,000
less: current portion of Musharika Finance	7.1 (230,800,000)	(199,000,000)
	300,841,716	-

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 4.35% to 85.00% (2021: 5.71% to 74.36%) and 15.00% to 95.65% (2021: 25.64% to 94.29%) 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 21 April 2027. These facilities carry profit ranging from 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3%.

7.3 Contractual rentals receivable on Musharika Finance facilities:

	2022				2021			
	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	230,800,000	300,841,716	-	531,641,716	199,000,000	-	-	199,000,000
Profit	75,984,957	97,034,310	-	173,019,267	9,561,691	-	-	9,561,691
	306,784,957	397,876,026	-	704,660,983	208,561,691	-	-	208,561,691

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.

		2022	2021
	Note	Rupees	Rupees
8 DIMINISHING MUSHARIKA FINANCE			
Diminishing Musharika Finance - secured	8.2	271,534,475	300,000,000
Less: current portion of Diminishing Musharika Finance		(81,852,646)	(103,333,331)
		<u>189,681,829</u>	<u>196,666,669</u>
8.1 Diminishing Musharika Finance - secured			
Considered good	8.3	94,577,247	100,000,000
Considered doubtful	8.4	200,000,000	200,000,000
Less: Provision against doubtful debts	8	(23,042,772)	-
		<u>176,957,228</u>	<u>200,000,000</u>
		<u>271,534,475</u>	<u>300,000,000</u>
8.2 Opening balance		300,000,000	300,000,000
Facilities extended during the year		31,243,910	-
Less:			
Repayments during the year		(36,666,663)	-
Provisions during the year		(23,042,772)	-
		<u>(59,709,435)</u>	<u>-</u>
Closing balance		<u>271,534,475</u>	<u>300,000,000</u>

- 8.3** Include an amount of Rs. 63.33 million against 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.

Also include an amount of Rs. 31.24 million against facilities extended to various customers for vehicle financing arrangements. All arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

- 8.4** The Modaraba has provided Diminishing Musharika Finance Facility to one 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 legal proceeding against the customer in the Sindh High Court under Financial Institution (Recovery of Finances) Ordinance, 2001. Full provision as per regulation has been provided in these financial statements.

The above facilities have maturity dates up to 25 April 2026 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%.

- 8.5** Contractual rentals receivable on Diminishing Musharika Finance facilities:

	2022				2021			
	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	81,852,646	189,681,829	-	271,534,475	103,333,331	196,666,669	-	300,000,000
- Profit	33,198,121	28,190,253	-	61,388,374	50,362,361	153,054,074	22,368,916	225,785,351
	<u>115,050,767</u>	<u>217,872,082</u>	<u>-</u>	<u>332,922,849</u>	<u>153,695,692</u>	<u>349,720,743</u>	<u>22,368,916</u>	<u>525,785,351</u>

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

		2022 Rupees	2021 Rupees
9 RECEIVABLE AGAINST ADVISORY FEE	Note		
Receivable against advisory fee	9.1	33,760,020	35,710,188
Less: current portion of fee		<u>(17,708,472)</u>	<u>(34,792,710)</u>
		<u>16,051,548</u>	<u>917,478</u>

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

10 LONG TERM LOANS

Considered good

Loan to employees - unsecured	10.1	119,989	3,340,814
Less: receivable within one year		<u>(119,989)</u>	<u>(1,716,015)</u>
		<u>-</u>	<u>1,624,799</u>

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 tenure of upto 5 years.

10.2 Maximum balance due from employees during the year was Rs. 1.32 million (2021: 6.84 million).

11 DEFERRED TAX ASSET

The deferred tax asset is attributable to the following items:

Deductible temporary differences

Provision against doubtful receivables	8,196,362	-
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Chargeable temporary differences

Property plant & equipment	10,954	-
	<u>8,207,316</u>	<u>-</u>

12 INVESTMENT AGAINST REPURCHASE AGREEMENT

Investment against repurchase agreement secured	12.1	78,487,456	-
less: current portion of investment		<u>(78,487,456)</u>	<u>-</u>
		<u>-</u>	<u>-</u>

12.1 The Modaraba has entered into an agreement with a shareholder of a company (investee company) for the purchase of 2,518,045 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 eight months from the date of purchase at an agreed price. The underlying shares have been transferred in the name of the Modaraba.

13 INVESTMENT IN SUKUK CERTIFICATES

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

Meezan Bank Ltd-Additional Tier I Mudaraba Sukuk

Certificate	-	179,162,606
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During the year the above investments were sold (to related party) to generate funds for extension of shariah compliant finance facilities on higher rate of return.

		2022 Rupees	2021 Rupees
14 ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES	Note		
Accrued profit on Investment against repurchase agreement		8,429,337	-
Accrued profit on Musharika Finance		3,976,160	1,718,988
Accrued profit on Diminishing Musharika Finance		46,051,774	45,859,727
Accrued profit on Modaraba Term deposit		-	12,657,724
Accrued profit on deposit accounts		1,172,360	376,056
Accrued profit on Sukuk Certificates		-	1,367,885
Receivable from employees	14.1	44,136	73,709
Other advance		811,576	249,678
Prepayments	14.2	303,468	447,066
Other receivables	14.3	10,259,768	3,433,610
Receivable from KASB Modaraba	14.4	737,874	1,080,081
Receivable from First Pak Modaraba	14.4	448,058	140,375
Receivable from First Prudential Modaraba	14.4	5,074,936	1,428,517
Receivable from Pak Brunei		-	14,888
Receivable from Gratuity Fund		1,177,710	1,047,445
		78,487,157	69,895,749
Less: Provision against accrued profit on Diminishing Musharaka Finance		(5,220,544)	-
		<u>73,266,613</u>	<u>69,895,749</u>
14.1	This represents expenses incurred by the Modaraba on behalf of its employees which will be adjusted against their respective salaries.		
14.2	This includes Rs.11,223 pertaining to an account maintained with the State Bank of Pakistan for the collection of ECIB Charges.		
14.3	This includes Rs. 10.16 million paid as an advance against purchase of vehicles for customers financing.		
14.4	This includes staff cost of the employees deputed in Modarabas under common management.		
15 MODARABA TERM DEPOSIT	15.1	<u>-</u>	<u>239,000,000</u>
15.1	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. During the year, the term deposit was encashed to generate funds for extension of shariah compliant finance facilities on higher rate of return.		
16 BANK BALANCES			
Balances with banks			
in current accounts		186,518	183,800
in deposit accounts	16.1	186,997,424	155,570,125
		<u>187,183,943</u>	<u>155,753,925</u>
16.1	These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at a rate ranging from 3.99% to 12.00% (2021: 3.99% to 6.25%) per annum.		

17 CERTIFICATE CAPITAL

Authorised certificate capital

2022	2021		2022 Rupees	2021 Rupees
Number of certificates				
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
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17.1 At 30 June 2022, Awwal Modaraba Management Limited (the Management Company) and Pak Brunei Investment Company Limited (the Holding Company) held 10,000,000 (2021: 10,000,000) and 89,780,566 (2021: 89,780,566) certificates of Rs. 10 each respectively.

17.2 The Modaraba has only one class of certificate capital and each certificate carries equal rights.

18 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. 7.372 million (2021: Rs. 8.206 million) which represents 20% (2021: 20%) of the profit after taxation for the year.

19 UNREALISED GAIN / (LOSS) ON REMEASUREMENT OF INVESTMENTS CLASSIFIED AS 'FVTOCI'

Market value of investments	-	179,162,606
Less: cost of investments	-	(173,000,000)
	-	6,162,606

Unrealised gain / (loss) on remeasurement at the beginning of the year	6,162,606	-
Gain on remeasurement during the year	757,394	6,162,606
Reversal of un-realized gain on disposal of sukuk	(6,920,000)	-
Unrealised gain on remeasurement at the end of the year	-	6,162,606

	Note	2022 Rupees	2021 Rupees
20 DEFERRED LIABILITY			
Present value of defined benefit obligation	20.2	-	-

20.1 Defined benefit plan - gratuity fund

20.1.1 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 2022 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 2022 are given in note 19.1.2. 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 2022, 2 (2021: 3) employees were enrolled in gratuity fund.

20.1.2 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 2022. The information provided in notes 19.2 to 19.3 has been obtained from the latest actuarial valuation report. The following significant assumptions have been used for valuation of gratuity fund:

	2022	2021
Valuation discount rate %	13.5	10.25
Salary increase rate %	12.5	9.25
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.

	2022 Rupees	2021 Rupees
20.2 Amount recognised in the statement of financial position		
Present value of defined benefit obligation	<u>(1,162,902)</u>	<u>(1,047,445)</u>
20.3 Movement in amount payable to the defined benefit plan		
Opening balance	(1,047,445)	7,280,767
Charge for the year	736,757	1,260,764
Contribution paid during the year	-	(8,748,067)
Remeasurement gain on obligation recognised in other comprehensive income	<u>(852,214)</u>	<u>(840,909)</u>
Closing balance	<u>(1,162,902)</u>	<u>(1,047,445)</u>

20.4 Movement in the present value of defined benefit obligation	2022 Rupees	2021 Rupees
Present value of defined benefit obligation - opening	6,656,229	7,280,767
Current service cost	851,940	881,158
Mark-up cost	502,128	565,502
Benefit paid during the year	(3,514,842)	(1,255,607)
Actuarial losses/ (gains) from changes in financial assumptions	11,863	13,584
Experience adjustments	(1,046,774)	(829,175)
Present value of defined benefit obligation - closing	<u>3,460,544</u>	<u>6,656,229</u>

20.5 Movement in fair value of Plan asset

Fair value of plan assets - opening	7,703,674	-
contribution	-	8,748,067
interest income on plan asset	617,311	185,896
Benefit paid during the year	(3,362,250)	(1,255,607)
Return on plan asset excluding interest income	(182,697)	25,318
Fair value of plan assets - closing	<u>4,776,038</u>	<u>7,703,674</u>

20.6 Amount charged to the statement of profit and loss

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

Current service cost	851,940	881,158
Cost on defined benefit obligation	502,128	565,502
Income on plan assets	<u>(617,311)</u>	<u>(185,896)</u>
	<u>736,757</u>	<u>1,260,764</u>

20.7 Remeasurements recognised in other comprehensive income during the year

Remeasurement gain on obligation recognised in other comprehensive income

<u>(852,214)</u>	<u>(840,909)</u>
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20.8 The defined benefit obligations are based in Pakistan.

20.9 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%	2,446,719	3,085,565
Salary increase rate	1%	3,173,094	2,363,947

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.

20.10 The weighted average duration of the defined benefit obligation is 10 years.

20.11 Based on actuarial advice, charge for the year ending 30 June 2023 amounts to Rs. 0.325 million.

21 ACCRUED EXPENSES	Note	2022 Rupees	2021 Rupees
Audit remuneration payable		361,034	389,880
Payable to Shari'ah Advisor		600,000	100,000
Bonus, leave fare allowance and other staff accrual		177,424	2,991,837
Sindh sales tax payable		1,393	7,705
Provision for Workers' Welfare Fund	21.1	7,313,352	6,512,721
Advances from Customers	21.2	-	3,175,659
Others		598,895	44,865
		<u>9,052,098</u>	<u>13,222,667</u>

21.1 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.

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

22 PAYABLE TO RELATED PARTIES

Awwal Modaraba Management Limited	27 & 28	14,429,747	14,049,799
Pak Brunei Investment Company Limited		1,013,371	1,060,029
Modarabas under common management		754,289	356,444
		<u>16,197,407</u>	<u>15,466,272</u>

23 TAXATION - NET

Current taxation	19,584,279	-
Less: Advance tax	(4,728,967)	-
	<u>14,855,312</u>	

24 CONTINGENCIES AND COMMITMENTS

Details of contingencies regarding Provision for Sindh Workers' Welfare Fund and Services Sales Tax on Management Company's remuneration are disclosed in notes 21.1 and 28 respectively. There are no other contingencies as at June 30, 2022.

25 INCOME FROM DIMINISHING MUSHARIKA FINANCE - NET

Income from Diminishing Musharika Finance	29,833,358	33,887,750
Less: Income suspended	25.1	(19,497,712)
	<u>10,335,646</u>	<u>10,404,865</u>

- 25.1** One of the customer (note 8.4) 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.

	Note	2022 Rupees	2021 Rupees
26 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other staff benefits	26.1	3,512,936	24,212,700
Amortisation on intangible asset	6	1,169,495	2,636,664
Depreciation on operating fixed assets	5	150,321	274,944
Fees and subscriptions		2,734,473	2,072,163
Advertising, travelling and entertainment expenses		568,836	366,161
Telecommunication		779,581	813,814
Postage		8,498	41,929
Repair and maintenance		957,117	191,839
Printing and Stationary		305,677	409,869
Auditor's remuneration	26.2	459,937	520,483
Legal and professional charges		2,210,658	2,131,917
Insurance		438,349	83,013
Shared service expense	26.3	9,587,508	9,549,972
Other expenses		1,075,774	2,208,375
		<u>23,959,160</u>	<u>45,513,843</u>

- 26.1** This includes contribution of Rs. 0.045 million (2021: Rs. 0.984 million) to the staff provident fund and charge in respect of funded gratuity scheme amounting to Rs. 0.716 million (2021: Rs. 1.261 million).

	2022 Rupees	2021 Rupees
26.2 Auditor's Remuneration		
Statutory audit fee	262,500	250,000
Half yearly review fee	67,200	64,000
Fee for review of compliance with the Code of Corporate Governance	11,550	11,000
Fee for other certifications	78,750	118,200
Sindh Sales Tax	-	32,000
Out of pocket expenses	39,937	45,283
	<u>459,937</u>	<u>520,483</u>

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

27 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.

28 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.

	2022 Rupees	2021 Rupees
29 TAXATION		
Current	19,584,279	-
Deferred	(8,207,316)	-
	<u>11,376,963</u>	<u>-</u>

29.1 Relationship between tax expenses and accounting profit

Profit before taxation	<u>39,230,907</u>	<u>-</u>
Tax at the applicable rate of 29%	<u>11,376,963</u>	<u>-</u>

29.2 The tax exemption by virtue of Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2021 had been withdrawn through Tax Laws (Second amendment), 2021 dated March 21, 2021 which was subsequently adopted in Finance Act, 2021. By virtue of withdrawal of exemption, provision for taxation has been recorded in these financial statements.

29.3 The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2021 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities. Provision for current taxation is based on taxable income for the period at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

29.4 Modaraba is subjected to taxation in the current year hence there is no comparative figures.

30 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

	2022 Rupees	2021 Rupees
Basic		
Profit for the year	<u>27,853,944</u>	<u>41,028,192</u>
Weighted average number of certificates outstanding during the year	<u>100,000,000</u>	<u>100,000,000</u>
Earnings per certificate - Basic (Rupee/es per certificate)	<u>0.28</u>	<u>0.41</u>

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.

31 REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

2022			
	Executives (Key management personnel)	Other employees	Total
	(Rupees)		
Salary, Allowances & Bonus	2,192,662	296,011	2,488,673
Provident fund	-	26,289	26,289
Gratuity fund	630,593	85,130	715,723
Contribution to Employees'			
Old Age Benefit	7,800	5,850	13,650
Other benefits	268,601	-	268,601
	<u>3,099,656</u>	<u>413,280</u>	<u>3,512,936</u>
	(Numbers)		
Number of employees as at 30 June 2022	1	0	1
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
	<u>17,999,419</u>	<u>6,213,281</u>	<u>24,212,700</u>
	(Numbers)		
Number of employees as at 30 June 2021	1	2	3

32 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.

32.1 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, Diminishing Musharika and Repurchase agreements Facilities are exposed to profit rate risk as detailed in note 7,8 and 11 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. 603,307 (2021: Rs. 452,472). 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 and loss and reserves due to changes in profit rates.

Other price risk

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

32.2 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.

	2022 Rupees	2021 Rupees
Musharika Finance	531,641,716	199,000,000
Diminishing Musharika Finance	271,534,475	300,000,000
Receivable against advisory fee	33,760,020	35,710,188
Investment against repurchase agreement	78,487,456	-
Investment in Sukuk Certificates	-	179,162,606
Accruals and other receivables	77,327,977	69,125,296
Modaraba Term Deposit	-	239,000,000
Bank balances	187,183,943	155,753,925
	<u>1,179,935,587</u>	<u>1,177,752,015</u>

Bank balances

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

	2022 Rupees	2021 Rupees
AAA	8,825,228	972,336
AA	177,876,095	154,216,416
AA-	482,620	565,173
	<u>187,183,943</u>	<u>155,753,925</u>

Advisory fee

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

Musharika Finance, Diminishing Musharika Finance and Investment against repurchase agreement

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Modaraba Regulations, 2021 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 are under pledge with the Modaraba until complete divestment of all shares. Hence, management considers minimal credit risk and any credit losses as immaterial.

Past due but not impaired

Certain receivables against financing facilities 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 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.

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 industria distributions are as follows:

Sectors	2022		2021	
	Rupees	%	Rupees	%
Cable and Electrical Goods	200,000,000	19.74%	200,000,000	18.64%
Banks	187,183,942	18.47%	155,753,925	14.52%
Real Estate and Developers	63,333,337	6.25%	100,000,000	9.32%
Food and Allied	221,500,000	21.86%	20,000,000	1.86%
Engineering	160,141,716	15.80%	-	0.00%
Pharmaceutical	31,243,910	3.08%	-	0.00%
Cement	150,000,000	14.80%	179,000,000	16.68%
Investment in SUKUK/Term Deposit	-	0.00%	418,162,606	38.97%
	<u>1,013,402,905</u>	<u>100.00%</u>	<u>1,072,916,531</u>	<u>100.00%</u>

32.3 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:

	2022				
	Carrying amount	Contractual cash flows	Upto 1 month	Over 1 month to 3 months	Over 3 months to 1 year
	(Rupees)				
Financial liabilities					
Accrued expenses	1,737,353	(1,737,353)	606,512	361,035	776,031
Payable to	16,197,407	(16,197,407)	-	-	16,197,407
	<u>17,934,760</u>	<u>(17,934,760)</u>	<u>606,512</u>	<u>361,035</u>	<u>16,973,438</u>
	2021				
	Carrying amount	Contractual cash flows	Upto 1 month	Over 1 month to 3 months	Over 3 months to 1 year
	(Rupees)				
Financial liabilities					
Accrued expenses	6,702,239	(6,702,239)	304,149	389,880	6,008,210
Payable to	15,466,272	(15,466,272)	-	-	15,466,272
	<u>22,168,511</u>	<u>(22,168,511)</u>	<u>304,149</u>	<u>389,880</u>	<u>21,474,482</u>

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

32.4 Financial instruments by category

	30 June 2022			
	At amortised cost	FVTPL	FVTOCI	Other liabilities
	(Rupees)			
Assets				
Bank balances	187,183,943	-	-	-
Investment in Sukuk Certificates	-	-	-	-
Modaraba term deposit	-	-	-	-
Accruals and other receivables	77,327,977	-	-	-
Receivable against Advisory Fee	33,760,020	-	-	-
Investment against repurchase agreement	-	-	-	-
Musharika Finance	531,641,716	-	-	-
Diminishing Musharika Finance	271,534,475	-	-	-
Investment against repurchase agreement	78,487,456	-	-	-
Long term loans	119,989	-	-	-
Long term deposit	75,000	-	-	-
	<u>1,180,130,576</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Accrued expenses	-	-	-	1,737,353
Payable to related parties	-	-	-	16,197,407
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,934,760</u>

	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	-	-	-
	<u>1,002,005,223</u>	<u>-</u>	<u>179,162,606</u>	<u>-</u>
Liabilities				
Accrued expenses	-	-	-	6,702,239
Payable to related parties	-	-	-	15,466,272
	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,168,511</u>

33 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.

34 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 2022				Fair value		
	Carrying amount / cost				Level 1	Level 2	Level 3
	FVTPL	At amortised cost	FVTOCI	Other liabilities			
	(Rupees)						
Financial assets							
Bank balances	-	187,183,943	-	-	-	-	-
Investment in Sukuk Certificates	-	-	-	-	-	-	-
Modaraba Term Deposit	-	-	-	-	-	-	-
Accruals and other receivables	-	77,327,977	-	-	-	-	-
Receivable against advisory fee	-	33,760,020	-	-	-	-	-
Investment against repurchase agreement	-	78,487,456	-	-	-	-	-
Musharika Finance	-	531,641,716	-	-	-	-	-
Diminishing Musharika Finance	-	271,534,475	-	-	-	-	-
Long term loans	-	119,989	-	-	-	-	-
Long term deposit	-	75,000	-	-	-	-	-
	-	1,180,130,576	-	-	-	-	-
Financial liabilities							
Accrued expenses	-	-	-	1,738,746	-	-	-
Payable to Related Parties	-	-	-	16,197,407	-	-	-
	-	-	-	17,936,153	-	-	-

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	-	-

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.

35 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:

35.1 Details of the transactions with related parties	2022 Rupees	2021 Rupees
Pak Brunei Investment Company Limited		
Holding Company of the Management company		
Modaraba Term Deposit	239,000,000	239,000,000
Profit earned from Modaraba Term Deposit during the year	(1,922,541)	(12,892,899)
Shared service expense	9,587,508	9,549,972
Other expenses	10,800	414,712
Awwal Modaraba Management Limited		
Management Company		
Management Company's remuneration	4,513,138	5,333,486
KASB Modaraba		
Sharing of common expenses	(16,415)	(64,680)
First Pak Modaraba		
Sharing of common expenses	(626,130)	(140,375)
First Prudential Modaraba		
Sharing of common expenses	(2,716,300)	(842,247)
Staff cost of deputed employee	(6,618,204)	1,157,065
Staff retirement benefits funds		
Contribution to staff provident fund	45,565	984,405
Contribution to staff gratuity fund	736,757	1,260,764
Jubilee Life Insurance Co. Ltd.		
Takaful premium	40,700	62,880
35.2 Amounts outstanding as at year end		
Pak Brunei Investment Company Limited		
Holding Company of the Management company		
Payable in respect shared services	1,013,371	1,060,029
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	14,429,747	14,049,799
KASB Modaraba		
Receivable against Staff cost of deputed employee	-	658,957
Receivable against sharing of common expenses	16,415	64,680
First Pak Modaraba		
Receivable against sharing of common expenses	448,058	140,375
First Prudential Modaraba		
Receivable against Staff cost of deputed employee	3,730,397	586,270
Receivable against sharing of common expenses	1,344,539	842,247
Staff retirement benefits funds		
Contribution payable to staff provident fund	(27,822)	-
Contribution payable to staff gratuity fund	(1,162,902)	(1,047,445)

36 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	<u>187,183,943</u>	<u>155,753,925</u>
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37 NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2022 is 1 (2021 : 3) and the average number of employees during the year equates to 3 (2021: 6).

38 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.

39 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company has approved dividend at the rate of Rs. 0.22 (2021: Re. 0.32) per certificate for the year ended 30 June 2022, resulting in a total distribution of profit amounting to Rs. 22 million (2021: Rs. 32 million), in its meeting held on 20 October 2022. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending 30 June 2022.

40 DATE OF AUTHORISATION

These financial statements were authorised for issue on 20 October 2022 by the Board of Directors of the Management Company.

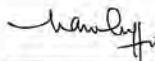
For Awwal Modaraba Management Limited
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director



Director

Notice of Annual Review Meeting

Notice is hereby given that the Annual Review meeting of the Modaraba's Certificate Holders of Awwal Modaraba will be held on Tuesday, 15th November, 2022 at 10:00 am, at Auditorium Hall, Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi to review the performance of the Modaraba for the year ended 30 June 2022.

On behalf of the Board



Misbah Asjad
Company Secretary
Karachi, 25 October, 2022

Notes:

1. The Certificate Transfer Books of the Modaraba will be closed from Wednesday, 02nd November, 2022 to Tuesday, 15th November, 2022 (both days inclusive). Transfers received at the office of our Share Registrar, /s THK Associates (Private) Limited, at 32-C, Jami Commercial, Street No: 2, Phase-VII, DHA, Karachi, phone : 021-111-000-322, at the close of business on Tuesday, 01st November, 2022 will be treated in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
2. The Certificate holders are advised to notify change in their address, if any, to M/s THK Associates (Private) Limited, at 32-C, Jami Commercial, Street No: 2, Phase-VII, DHA, Karachi, phone : 021-111-000-322
3. The Annual Report for the year ended 30 June 2022 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.
4. 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.
5. 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,
6. 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.

7. Payment of Dividend through electronic mode (mandatory)

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

8. Unclaimed Dividends and physical Modaraba Certificates

Certificate holders, who by any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar 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.

9. 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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