# AVWVAL MODARABA

QUARTERLY REPORT SEPTEMBER 2017



## **Contents**

Vision & Mission Statements	02
Corporate Information	03
Directors' Report - English	04
Directors' Report - Urdu	05
Condensed Interim Balance Sheet (Unaudited)	06
Condensed Interim Statement of Profit and Loss and Other Comprehensive Income (Unaudited)	07
Condensed Interim Cash Flow Statement (Unaudited)	08
Condensed Interim Statement of Changes in Equity (Unaudited)	09
Notes to the Condensed Interim Financial Statements (Unaudited)	10



## **Vision & Mission Statements**

## **VISION STATEMENT**

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

## **MISSION STATEMENT**

AMML aims to be at the vanguard of innovation in modaraba management services, offering the best solutions to our customers, value to our shareholders and modaraba investors, complemented with a challenging, equal opportunity environment to our employees.



## **Corporate Information**

#### **Board of Directors**

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

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

#### **Company Secretary**

Ms. Rahaila Aleem

#### **Audit Committee**

Mr. Abdul Jaleel Shaikh Chairman Mr. Khalid Aziz Mirza Member Mr. Abdul Hafeez Member Mr. Ahmed Ateeg Member

#### **Bankers**

Habib Bank Limited Soneri Bank Limited Dubai Islamic Bank Pakistan Limited

#### **Auditors**

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

#### **Legal Advisor**

LMA Ebrahim Hosain

#### Shari'ah Advisor

Mufti Muhammad Hassaan Kaleem

## **Share Registrar**

THK Associates (Pvt) Ltd. 1st Floor, 40-C, Block-6 P.E.C.H.S.

Karachi -75400.

Tel: (+92-21) 111-000-322 Fax: (+92-21) 34168271

#### **Registered Office**

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

Chairman



#### **Directors' Report**

The Board of Directors of Awwal Modaraba Management Limited, Mudarib/Management Company of Awwal Modaraba (the Modaraba), are pleased to present the guarterly unaudited financial statements of Awwal Modaraba, for the guarter ended 30 September 2017.

#### **Economic Outlook**

Pakistan's Real GDP growth maintained its upward trajectory and increased to a decade high of 5.3% in Financial Year (FY) 2017. Agriculture and services sector showed considerable rebounding whereas the industrial sector fell short on targets. Increase in foreign investment flows from China also contributed to the growth. Moreover, low inflation and interest rates have resulted in higher credit growth.

The overall improvement in business sentiments along with supportive policies primarily, low interest rate, high infrastructure spending and better law and order has encouraged a number of firms to pursue expansion plans with strong aggregate demand. Improving business sentiments are evident by the increase in private sector credit growth of 67.5% expanding to PKR 748 billion in FY 2017 as compared to PKR 446.5 billion in FY 2016.

However, deteriorating external account and foreign reserves impel to err on caution, whereby, current account deficit reached 4% of GDP (PKR 1,289 billion) on the back of large trade deficit amounting to 8.9% of GDP (PKR 2,865 billion) aggravated by the decline in exports.

Going forward, we believe Pakistan's macro economic indicators will continue to improve and solidify grounds for a sustained upward growth trajectory. Key constraints impeding the economy from achieving high growth particularly, power supply and security situation are gradually getting better. In this backdrop, coupled with the on-going CPEC industrial boom, we hope that a multiplier effect on GDP growth and infrastructure based initiatives is seen in the near future.

#### **Financial Analysis**

The Modaraba, during the first quarter of FY 2017-18, has earned revenue of PKR 32.316 million, whereas total operating expenses are PKR 10.449 million and provision for SWWF is PKR 0.437 million, resulting into a profitability of PKR 21.429 million. The earning per certificate for the period under review is PKR 0.21. The total asset size of the Modaraba as on 30 September 2017 is PKR 1,207.245 million. The Modaraba, in line with its business objectives, has continued offering various Shari'ah compliant Islamic financing products to its customers. During the first quarter of FY 2017-18, the Modaraba has disbursed PKR 16 million. As of 30 September 2017, total portfolio size of the Modaraba stands at PKR 785.213 million.

Awwal Modaraba has a well-diversified portfolio, carefully avoiding focus on few selected sectors. It has currently provided financing to services sector, construction, agriculture and food to name a few. Following its vision, the Modaraba is looking forward to provide innovative product solutions to changing demands of its customers.

#### Acknowledgment

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

On behalf of the Board

Karim Hatim

Chief Executive Officer

Date: 27 October 2017

## AWWAL MODARABA

## دُائرُ يَكْمُرزر بورك:

اول مضار پہنچمنٹ کمیٹیڈ، اول مضار پہ کی نتظم مپنی کے ڈائز کیٹران اول مضار پہ کے غیر آ ڈٹ شدہ حسابات برائے اختیام سبہ ماہی 30 ستبر 2017 کوچیش کرتے ہوئے خوشی محسوں کرتے ہیں۔

## اقتصادی سرگری:

پاکستان کی حقیقی خالص دافعلی ہیداوار نے اضافے کی رفتار کو برقر اررکھااور گزشته ایک دہائی کی بلندتر ین شطح 5.3 فیصد تک پہنچا۔ زر گی اور خد مات کے شعبے میں قابل قد رشبت رجبان جبکہ صنعی شعبہ اپنے اہداف کے حصول میں چیچے رہا۔ چین کی جانب ہے کی جانے والی ہیرونی سرمایہ کاری بھی اضافے کا سبب بنی اس کے علاوہ کم افراط زر اورشرح سود کا نتیجہ قرضوں کی فراوانی کا سبب بنا۔

بنیادی طور پرموافقانہ پالیسیاں، کم شرح سود، بنیادی ڈھانچ پر بھاری اخراجات ،امن وامان کی بہتر صورتحال اور مجموعی طلب نے بہت کی کمپنیوں کو کاروبار بڑھانے پر راغب کیا تھی شیعے میں اس کے اثرات قرضوں کے تجم میں 67.5 فیصد اضافے اور توسیعی اخراجات سال 2016 کے PKR 446.5 ملین کے مقابلے میں 2017 میں PKR 748ملین کے اخراجات سے عمال ہیں۔

تاہم بیرونی صابات اور زرمبادلہ کے ذخائر کی خراب ہوتی صورتحال احتیاط کی متقاضی ہے جبکہ جاری حسابات کا خسارہ خالص دافلی پیداوار کے 4 فیصد تک پہنچ چکا ہے (PKR 1,289 بلین) جس کی دجہ بشیر تجارتی خسارہ جو کہ خالص دافلی پیداوار 8.9 فیصد (PKR 2,865 بلین) اور برآ مدات کی گرتی صورتحال ہے۔

آنے والے وقت میں جمیں اس بات کا یقین ہے کہ پاکستان کے وقیع معاثی اشاروں میں بہتری آئے گی جو متنکم بنیا دوں پرمسلسل ترقی کی راہ ہموار کرے گی۔معاشی ترقی میں حاکل اہم رکا وٹوں بافھوس بکلی کی فراہ ہمی اورامن وامان کی صورتعال میں ہندر سے ہیں کہ مستقبل حاکل اہم رکا وٹوں بافھوس بکلی کی فراہ ہمی اورامن وامان کی صورتعال میں ہندر کے ہیتری آرہی ہے اس تناظر میں CPEC کے صفحی انقلاب کے ساتھ اُمید کرتے ہیں کہ مستقبل قریب میں ہنیادی ڈھائے کے اور خالص والحلی والحلی میں اس افرائی کی اور خالص والحلی والحلی والمیں تیزی سے اضافہ ہوتا نظر آئے گا۔

## مالياتي جائزه:

احتیاط کے ساتھ چند شعبوں تک محدود ندر ہتے ہوئے اول مضار بہکا پورٹ فولیو بہت متنوع ہے۔ فی الحال اس نے ضدمات ، تغییرات ، زراعت اورخوراک کے شعبے میں سرماییکاری کی ہے۔مضار بیا ہے نقط نظر کوسا منسر کھتے ہوئے مستقبل میں اپنے کسٹمرز کوان کی تبدیل ہوتی ضروریات کے مطابق اخترائی حل فراہم کرنے کاخواہاں ہے۔

## اظهارتشكر

پورڈ آف ڈائر کیٹرز تمام ریگولیٹری اتفار ٹیز کے تعاون کوسراہتے ہوئے ان کاشکر بیادا کرتا ہے اس کےعلاوہ سڑیقایٹ ہولڈرز اوراسپانسرز کے بھی بےحدشکر گزار ہیں کہ جنہوں نے ٹی قائم ہونے والی مضار پہلپنی پراعتاد کیا۔

پورڈ کی جانب سے
منسوم

کریم حاتم
چیف انگریکیٹیو
مورخہ 27 اکتو پر 2017ء



## **Condensed Interim Balance Sheet (Unaudited)**

As at 30 September 2017

ASSETS Current assets Bank balances Accruals, prepayments, advances and other receivables Current portion of receivable against advisory fee Current portion of Investment against repurchase agreement Current portion of Musharika Finance Current portion of Diminishing Musharika Finance	5 6 7 8 9 10	30 September 2017 (Unaudited) (Rupe 311,779,052 33,347,333 41,035,918 23,999,988 136,874,505 16,666,664	30 June 2017 (Audited) 252,808,456 14,114,954 50,350,918 31,999,984 133,320,267 16,666,670
Current portion of long term loans Receivable from related party Short term investment Taxation recoverable Total current assets Non - current assets	11 12 13	1,208,151 6,089,976 100,000,000 4,514,737 675,516,324	1,450,622 1,024,309 100,000,000 4,514,543 606,250,723
Receivable against advisory fee Investment against repurchase agreement Long term portion of Musharika Finance Long term portion of Diminishing Musharika Finance Long term loans Long term deposit Intangible asset Operating fixed assets Total non-current assets	7 8 9 10 11 14 15	18,343,664 11,999,994 229,005,186 266,666,673 2,012,104 75,000 363,774 3,262,660 531,729,055	20,695,477 17,999,991 262,928,681 270,307,539 2,176,790 75,000 398,832 3,107,755 577,690,065
TOTAL ASSETS		1,207,245,379	1,183,940,788
Current liabilities Accrued expenses Payable to related parties Profit distribution Payable Unclaimed profit distribution Total liabilities CERTIFICATE HOLDERS' EQUITY	16 17	22,863,308 2,807,895 122,500,000 4,231 148,175,434	18,758,432 5,037,388 - 4,231 23,800,051
Certificate capital Authorised certificate capital 100,000,000 Modaraba Certificates of Rs. 10 each Issued, subscribed, and paid-up certificate capital 100,000,000 certificates of Rs. 10 each Statutory reserve Unappropriated profit TOTAL LIABILITIES AND EQUITY	18	1,000,000,000 1,000,000,000 40,853,989 18,215,956 1,059,069,945 1,207,245,379	1,000,000,000 1,000,000,000 36,568,147 123,572,590 1,160,140,737 1,183,940,788
COMMITMENTS	19	1,207,243,379	1,100,340,788

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Awwal Modaraba Management Limited (Management Company)

Chief Executive Officer

Director



## **Condensed Interim Statement of Profit and Loss and Other Comprehensive Income (Unaudited)**For the three months period ended 30 September 2017

		Three months period ended 30 September	Three months period ended 30 September
		2017 (Unaudited)	2016 (Unaudited)
	Notes	(Rup	ees)
Income			
Advisory fee		7,250,000	36,303,428
Income from Investment against repurchase agreement		1,912,133	-
Income from Musharika Finance		9,526,886	2,336,369
Income from Diminishing Musharika Finance		7,476,934	304,858
Income from deposits with banks		3,975,391	12,256,434
Income from Sukuk certificates		2,174,740	862,657
		32,316,084	52,063,746
Expenses			
Administrative and operating expenses	20	(10,444,458)	(5,754,596)
Financial charges		(5,087)	(3,335)
		21,866,539	46,305,815
Provision for Workers' Welfare Fund	16.1	(437,331)	(926,116)
Profit for the period before taxation		21,429,208	45,379,699
Taxation Profit for the period after taxation	21	21,429,208	45,379,699

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

	(Rupee)	
Earnings per certificate - basic and diluted	0.21	0.45

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Awwal Modaraba Management Limited (Management Company)

Chief Executive Officer



## **Condensed Interim Cash Flow Statement (Unaudited)**

For the three months period ended 30 September 2017

	Three months period ended 30 September 2017 (Unaudited)	Three months period ended 30 September 2016 (Unaudited)
	(Rup	ees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	21,429,208	45,379,699
Adjustments for non-cash items		
Depreciation on operating fixed assets	270,164	2,679
Amortisation on intangible asset	35,058	
	21,734,430	45,382,378
(Increase) / decrease in assets	(12 222 222)	(, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Accruals, prepayments, advances and other receivables	(19,232,379)	(4,222,777)
Short term investment	44.666.040	(100,000,000)
Receivable against advisory fee Investment against repurchase agreement	11,666,813 13,999,993	(36,387,076)
Musharika Finance	30,369,257	· .
Diminishing Musharika Finance	3,640,872	(100,000,000)
Long term loans	407,157	(100,000,000)
Receivable from related party	(5,065,667)	_
necessage non-related party	35,786,046	(240,609,853)
Increase / (decrease) in liabilities	33,780,040	(240,609,853)
Accrued expenses	4,104,876	1,037,779
Payable to related parties	(2,229,493)	(1,660,486)
rayable to related parties		
	1,875,383	(622,707)
Taxes paid	(194)	(633,163)
Net cash used in operating activities	59,395,665	(196,483,345)
CACH FLOWE FROM INVESTING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES Capital expenditure	(435.060)	(15,000)
Net cash used in investing activities	(425,069) (425,069)	(15,000)
Net cash used in investing activities	(423,009)	(13,000)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net (decrease) / increase in cash and cash equivalents	58,970,596	(196,498,345)
Cash and cash equivalents at beginning of the period	252,808,456	933,524,819
Cash and cash equivalents at end of the period	311,779,052	737,026,474

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Awwal Modaraba Management Limited (Management Company)

Chief Executive Officer Direct



# **Condensed Interim Statement of Changes in Equity (Unaudited)**For the three months period ended 30 September 2017

	Paid up certificate capital	Statutory reserve	Unappropriated profit	Total
		(Ru	pees)	
Balance as at 30 June 2016	1,000,000,000	5,688,574	22,754,297	1,028,442,871
Total comprehensive income for the period				
Profit for the three months period ended 30 September 2016	-	-	45,379,699	45,379,699
Transfer to statutory reserve	-	22,689,850	(22,689,850)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended 30 June 2016 @ Re. 0.227 per certificate	-	-	(22,700,000)	(22,700,000)
Balance as at 30 September 2016	1,000,000,000	28,378,424	22,744,147	1,051,122,570
Balance as at 30 June 2017	1,000,000,000	36,568,147	123,572,590	1,160,140,737
Total comprehensive income for the period				
Profit for the three months period ended 30 September 2017	-	-	21,429,208	21,429,208
Transfer to statutory reserve	-	4,285,842	(4,285,842)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended 30 June 2017 @ Rs. 1.225	-	-	(122,500,000)	(122,500,000)
Balance as at 30 September 2017	1,000,000,000	40,853,989	18,215,956	1,059,069,945

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Awwal Modaraba Management Limited (Management Company)

Chief Executive Officer

Director



## Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 30 September 2017

#### 1. LEGAL STATUS AND OPERATIONS

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

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

#### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Significant accounting estimates and judgements

In preparing these financial statements management has made judgement, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material adjustment were the same as those were applied to the financial statements for the year ended 30 June 2017.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2017 except those mentioned in note 3.1.

#### 3.1 RESTATEMENT

The management company in its meeting held on 23 February 2017 had decided to provide management fee annually in line with clause 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Accordingly, the management fee and respective services sales tax of the prior period i.e. 30 September



2016 have been restated to conform to the presentation adopted in the current period. Such restatement did not affect net profit or total equity in the subsequent periods.

#### 4. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives & policies are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2017.

5.	BANK BALANCES	30 Septembe	er 30 June
		2017	2017
		(Unaudited)	(Audited)
		(	Rupees)
	Balances with banks		
	- in current accounts	4,28	<b>33</b> 4,283
	- in deposit accounts	5.1 <b>311,767,3</b> 3	<b>17</b> 252,804,173
		311,779.05	252,808,456

5.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 5.4% (2017: 5.4%) per annum.

#### 6. ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

Accrued profit on Investment against		
repurchase agreement	1,766,004	5,172,412
Accrued profit on Musharika Finance	2,541,227	2,078,507
Accrued profit on Diminishing Musharika Finance	10,279,565	4,673,942
Accrued profit on Sukuk certificates	875,836	873,809
Accrued profit on deposit accounts	1,372,539	871,996
Advance against salaries	14,097	28,191
Other advance	50,000	50,000
Advance for Musharika Finance	15,685,450	-
Prepayments	762,615	366,097
	33,347,333	14,114,954

#### 7. RECEIVABLE AGAINST ADVISORY FEE

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

It includes receivable against advisory fee amounting to Rs. 28.6 million which has been securitised by transfer of 1.283 million shares of the underlying financee company to the Modaraba. As per the agreement, such shares will be offered to the Sponsor against the due instalment of advisory fee in 24 quarterly instalments. During the quarter, Modaraba has offered 118,799 shares to the Sponsors for an amount of Rs. 2.92 million.

The remaining balance of advisory fee amounting to Rs. 30.80 million is secured against lien on debt collection account of the customer.

## 8. INVESTMENT AGAINST REPURCHASE AGREEMENT

Investment against repurchase agreement - secured	8.1	35,999,982	49,999,975
less: current portion of investment		(23,999,988)	(31,999,984)
		11,999,994	17,999,991

8.1 On 28 December 2016, the Modaraba has entered into an agreement with the holding company (financee) for purchase and sale of 301,750 shares of financee's subsidiary company. As per the arrangement the underlying shares will be offered to the financee company at pre agreed prices on various offer dates. The shares repurchased by the financee company will come under pledge with the Modaraba with each divestment transaction on the respective offer dates and will remain under pledge until complete divestment of all shares. This is a limited time investment.



30 September 30 June 2017 2017 (Unaudited) (Audited) (Rupees) MUSHARIKA FINANCE Musharika finance - secured 9.1 365,879,691 396,248,948 (136,874,505) (133,320,267) less: current portion of Musharika Finance 229,005,186 262,928,681

9.1 The Modaraba has provided Musharika Finance facilities to various customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 74% to 97.4% and 2.6% to 26% respectively. The customers have transferred the titles of the assets in the name of the Modaraba according to the terms of the agreement, the combined forced sales value of which amounts to 512.86 million. Apart from this, the Modaraba has obtained various securities against these facilities including personal guarantees of Sponsors / directors of customers, post dated cheques issued by customers, hypothecation of fixed assets, movables and receivables amounting in aggregate to Rs. 267 million. Further, in case of one customer, the Modaraba along with related party of the Modaraba holds 42 million ordinary shares of a scheduled bank as pledge and lien on debt collection account against respective exposure.

These facilities have various maturity dates up to 15 November 2021. These facilities carry profit ranging from 3 months KIBOR + 6% to 6 months KIBOR + 5%.

20 1--- 2017 (4---1)

9.2 Contractual rentals receivable on Musharika Finance facilities:

_	30 September 2017 (Unaudited)			30 June 2017 (Audited)				
	Due within	Due after	Due after	Total	Due within	Due after	Due after	Total
	one year	one year but	five years		one year	one year but	five years	
		within five				within five		
		years				years		
				(Rup	ees)			
Musharika Finance facilities	:							
- Principal repayments	136,874,505	229,005,186	-	365,879,691	133,320,267	262,928,681	-	396,248,948
- Profit	29,612,606	24,126,357		53,738,963	33,115,418	30,203,509	-	63,318,927
	166,487,111	253,131,543		419,618,654	166,435,685	293,132,190	-	459,567,875
-								

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

10.	10. DIMINISHING MUSHARIKA FINANCE		30 September	30 June
			2017	2017
			(Unaudited)	(Audited)
			(Rupe	ees)
	Diminishing Musharika Finance - secured	10.1	283,333,337	286,974,209
	less: current portion of Diminishing Musharika Finance		(16,666,664)	(16,666,670)
			266,666,673	270,307,539

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

These facilities have maturity dates up to 20 April 2024 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%.

## AWWAL MODARABA

10.2 Contractual rentals receivable on Diminishing Musharika Finance facilities:

	30 September 2017 (Unaudited)					30 June 201	.7 (Audited)	
	Due within	Due after	Due after	Total	Due within	Due after	Due after	Total
	one year	one year but	five years		one year	one year but	five years	
		within five				within five		
		years				years		
		(Rupe	ees)			(Rup	ees)	
Diminishing Musharika Finance facilities								
- Principal repayments	16,666,664	186,666,672	80,000,001	283,333,337	16,666,670	230,371,032	39,936,507	286,974,209
- Profit	28,729,304	84,177,684	11,164,514	124,071,502	6,851,382	115,596,941	3,349,530	125,797,853
	45,395,968	3 270,844,356	91,164,515	407,404,839	23,518,052	345,967,973	43,286,037	412,772,062

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

#### 11. LONG TERM LOANS - considered good, unsecured

		30 September 2017 (Unaudited)	30 June 2017 (Audited)
		(Rupees)	
Due from executives Less: receivable within one year	11.1	3,220,255 (1,208,151) 2,012,104	3,627,412 (1,450,622) 2,176,790

- 11.1 Loans to executives are provided by the Modaraba for the purchase of motor vehicles and emergency purposes in accordance with the terms of their employment. These loans are interest free and having maximum tenor of 5 years
- **11.2** Maximum balance due from employees during the quarter was Rs. 3.49 million (2017: Rs. 3.76 million).

#### 12. RECEIVABLE FROM RELATED PARTY

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

#### 13. SHORT TERM INVESTMENT

Held-to-maturity investment:			
Investment in Sukuk certificates	13.1	100,000,000	100,000,000

13.1 This represents 100 privately placed sukuk certificates of Rs. 1,000,000 each issued by investee company (issuer) through Al-Baraka Bank (Pakistan) Limited, acting as investment agent of the issuer and have a maturity date of 15 months (25 November 2017) from the date of issue. The profit on the sukuk will be paid quarterly at the rate of 3 months KIBOR plus 2.5%. The amount of principal will be paid at maturity of the issue. The fair value of underlying investment as at reporting date is Rs. 100,397,000. The fair value has been determined using rate notified by the Mutual Funds Association of Pakistan.

## AVWAL MODARABA

			2017 (Unaudited)	30 June 2017 (Audited)
Cost			(Rup	ees)
Balance as at 01 July 2017			420,731	-
Additions			-	420,731
Disposal  Balance as at		_	420,731	420,731
Amortisation				
Balance as at 01 July 2017			21,899	-
			35,058	21,899
Balance as at		_	56,957	21,899
Net book value as at		=	363,774	398,832
Annual rate of amortisation		_	33.33%	33.33%
OPERATING FIXED ASSETS				
	Furniture and Fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
		(Ru	pees)	
Cost				
Balance as at 30 June 2016	-	15,000	-	15,000
	47,400	1,881,797	1,613,740	3,542,937
Balance as at 30 June 2017	47,400	1,896,797	1,613,740	3,557,937
Balance as at 01 July 2017	47,400	1,896,797	1,613,740	3,557,937
Additions	-	425,069	-	425,069
· · ·	47.400	2.321.866	1.613.740	3,983,006
·				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
•	_	1.458	-	1,458
Charge for the year	2,760	242,015	203,949	448,724
Disposal	-	-	<u> </u>	-
Balance as at 30 June 2017	2,760	243,473	203,949	450,182
Balance as at 01 July 2017	2,760	243,473	203,949	450,182
	2,370	177,023	90,771	270,164
Disposal  Balance as at 30 September 2017	5,130	- 420,496	- 294,720	720,346
Net book value as at 30 June 2017	44,640	1,653,324	1,409,791	3,107,755
Net book value as at 30 September 2017	42,270	1,901,370	1,319,020	3,262,660
Annual Pates of depressiation	200/	33% - 50%	25%	
	Amortisation Balance as at 01 July 2017 Charge for the quarter Disposal Balance as at  Net book value as at  Annual rate of amortisation  OPERATING FIXED ASSETS   Cost Balance as at 30 June 2016 Additions Disposal Balance as at 30 June 2017 Balance as at 01 July 2017 Additions Disposal Balance as at 30 September 2017  Accumulated depreciation Balance as at 30 June 2016 Charge for the year Disposal Balance as at 30 June 2017 Charge for the quarter Disposal Balance as at 30 September 2017 Net book value as at 30 June 2017	Amortisation Balance as at 01 July 2017 Charge for the quarter Disposal Balance as at  Net book value as at  Annual rate of amortisation  OPERATING FIXED ASSETS  Furniture and Fittings  Cost Balance as at 30 June 2016 Additions 47,400 Disposal Balance as at 30 June 2017 Additions - Cost Balance as at 30 June 2017 Balance as at 30 June 2017 Additions - Cost Balance as at 30 June 2017 Additions - Cost Balance as at 30 June 2017 Additions - Cost Balance as at 01 July 2017 Additions - Cost Balance as at 01 July 2017 Additions - Cost Balance as at 01 July 2017 Accumulated depreciation Balance as at 30 September 2017  Accumulated depreciation Balance as at 30 June 2016 Charge for the year 2,760 Disposal - Cost Balance as at 30 June 2017 Balance as at 30 June 2017 Balance as at 30 June 2017 Charge for the quarter 2,370 Disposal - Salance as at 30 September 2017  Net book value as at 30 June 2017  At,640  Net book value as at 30 June 2017 At,640  Net book value as at 30 September 2017 At,640	Amortisation Balance as at 01 July 2017 Charge for the quarter Disposal Balance as at  Net book value as at  Annual rate of amortisation  OPERATING FIXED ASSETS  Furniture and allied equipment, computer and allied equipment  Fittings  Balance as at 30 June 2016 Additions Disposal Balance as at 30 June 2017  Additions Disposal Balance as at 30 June 2016  Accumulated depreciation Balance as at 30 June 2016  Accumulated depreciation Balance as at 30 June 2017  Accumulated depreciation Balance as at 30 June 2016  Accumulated depreciation Balance as at 30 June 2016  Accumulated depreciation Balance as at 30 June 2017  Accumulated depreciation Balance as at 30 June 2017  Accumulated depreciation Balance as at 30 June 2016  Accumulated depreciation Balance as at 30 June 2017  Accumulated depreciation Balance as at 30 June 2016  Accumulated depreciation Balance as at 30 June 2017  Accumulated depreciation Balance as at 30 June 2016  Accumulated depreciation Balance as at 30 June 2017  At 4,400  Additions  At 5,400  Accumulated	Numerisation   Salance as at 01 July 2017   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   35,058   21,899   21

#### 16. ACCRUED EXPENSES

		30 September 2017 (Unaudited)	30 June 2017 (Audited)
		(Rupees)	
Audit remuneration payable		293,225	226,600
Payable to Tax Advisor		-	27,000
Payable to Shari'ah Advisor		300,000	100,000
Leave fare allowance and staff medical accrual		3,614,171	2,279,299
Sindh sales tax payable		8,175,686	8,541,927
Provision for Workers' Welfare Fund	16.1	4,168,775	3,731,444
Others	16.2	6,311,451	3,852,162
		22,863,308	18,758,432

- 16.1 The Sindh Workers' Welfare Fund Act, 2014 ('the Act') became effective from 21 May 2015 and is applicable on the Modaraba due to which Modaraba is liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or taxable income as provided in its income tax return. However, the Modaraba has filed a petition challenging the vires of Section 5 of the Act in the Sindh High Court ('the Court'). Similar petitions have been filed by other Modarabas and obtained an interim injunction from the Court. Therefore, management, in consultation with its legal advisor, is confident that similar interim injunction will be secured by the Modaraba. However, as matter of abundant caution, full provision in respect of Workers' Welfare Fund has been made in these financial statements.
- 16.2 This includes staff retirement benefit payable amounting to Rs. 1.98 million (2017: Rs. 1.41 million).

#### 17. PAYABLE TO RELATED PARTIES

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba.

The management records accrual in respect of remuneration of the Management Company out of the net annual profit of the Modaraba on the basis of annual audited accounts provided that 90% of the profit available for appropriation is also distributed to the certificate holders of the Modaraba after setting aside out of the profit of the Modaraba such sums as it thinks proper as reserve in accordance with the regulatory framework applicable for Modaraba.

#### 18. STATUTORY RESERVE

Statutory reserves represent profits set aside by the Modaraba to comply with the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current period, the Modaraba has transferred an amount of Rs. 4.28 million (30 June 2017: Rs. 30.88 million) which represents 20% of the profit after taxation for the year.

#### 19. COMMITMENTS

On 24 January 2017, the Modaraba had entered into a Musharika Finance Agreement with a customer for Rs. 30 million out of which Rs. 19.291 million has already been disbursed as disclosed in note 9 of these financial statements



#### 20. ADMINISTRATIVE AND OPERATING EXPENSES

		Three months period ended 30 September 2017 (Unaudited)	Three months period ended 30 September 2016 (Unaudited)
		(Rup	ees)
Salaries and other staff benefits	20.1	6,891,583	4,215,835
Amortisation on intangible asset	14	35,058	-
Depreciation on operating fixed assets	15	270,164	2,681
Fees and subscriptions		260,567	233,015
Advertising, travelling and entertainment expenses	5	186,769	17,780
Telecommunication		58,221	41,100
Postage		4,693	3,935
Repair and maintenance		1,950	-
Printing and Stationary		7,610	2,000
Auditor's remuneration		49,025	5,900
Legal and professional charges		404,294	370,856
Insurance		25,031	26,118
Shared service expense	20.2	2,097,924	835,376
Other expenses		151,569	
		10,444,458	5,754,596

- 20.1 Salaries and other benefits include Rs. 0.37 million (2016: Rs. 0.18 million) in respect of staff retirement benefits.
- **20.2** This represents shared service cost of the Modaraba charged by Pak Brunei Investment Company Limited (a related party) under a service level agreement.

#### 21. TAXATION

As per Clause 100 of Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that they distribute not less than ninety percent profit to certificate holders out of current year's total profit after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending 30 June 2018. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial statements.

#### 22. RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, other associated companies, staff retirement funds, Directors and Key Management Personnel. Transactions with related parties are carried out at agreed rates.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Modaraba considers its Chief Financial Officer to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

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

## AWWAL MODARABA

22.1	Details of the transactions with related parties	30 September	30 June
		2017	2017
		(Unaudited)	(Audited)
	Pak Brunei Investment Company Limited	(Rup	ees)
	- Holding company of the Management Company		
	Advisory fee income	7,250,000	42,500,000
	Shared service expense	2,097,924	5,930,433
	Other expenses	12,600	541,857
	Accrued expenses receivable	212,643	-
	Awwal Modaraba Management Limited - Management Company Management Company's remuneration	_	20,071,048
22.2	Amounts outstanding as at period end		20,072,010
	Pak Brunei Investment Company Limited - Holding company of the Management Company Receivable balance in respect of advisory services - net	6,089,976	1,024,309
	Awwal Modaraba Management Limited - Management Company	2 007 005	5 027 200
	Payable balance against Management Company's remuneration - n	et <b>2,807,895</b>	5,037,388
	Staff retirement benefits funds		
	Contribution payable to staff provident fund	1,422,192	1,021,914
	Contribution payable to staff gratuity fund	555,946	389,161
			·

#### 23. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in these financial statements in the current year.

#### 24. DATE OF AUTHORISATION

These financial statements were authorised for issue on 27 October 2017 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited (Management Company)

Chief Executive Officer

Director





## Be aware, Be alert, Be safe

Learn about investing at www.jamapunji.pk

## **Key features:**

- Licensed Entities Verification
- Scam meter<sup>⋆</sup>
- Jamapunji games\*
- □ Tax credit calculator\*
- Company Verification
- Insurance & Investment Checklist
- 7-7 FAQs Answered

- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler\*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

jamapunji.pk

@jamapunji\_pk

\*Mobile apps are also available for download for android and ios devices



