



# **AWWAL MODARABA**

**Quarterly Report  
March 2017**



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**Vision & Mission Statements**

**VISION STATEMENT**

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.

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## Corporate Information

### Board of Directors

Ms. Ayesha Aziz	Chairperson	Non-Executive Director
Mr. Abdul Jaleel Shaikh		Non-Executive Director
Mr. Ayyaz Ahmad		Independent Director
Mr. Abdul Hafeez		Non-Executive Director
Mr. Ahmed Ateeq		Non-Executive Director
Mr. Karim Hatim		Chief Executive Officer

### Company Secretary

Ms. Rahaila Aleem

### Audit Committee

Mr. Ayyaz Ahmed	Chairman
Mr. Abdul Hafeez	Member
Mr. Ahmed Ateeq	Member

### Human Resource and Remuneration (HR&R) Committee

Ms. Ayesha Aziz	Chairperson
Mr. Abdul Hafeez	Member
Mr. Karim Hatim	Member

### Bankers

Habib Bank Limited  
Soneri Bank Limited  
Dubai Islamic Bank Pakistan Limited

### Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

### Legal Advisor

Liaquat Merchant Associates

### Shari'ah Advisor

Mufti Muhammad Hassaan Kaleem

### Registered Office

6th Floor, Horizon Vista  
Plot Commercial No. 10  
Block No. 4, Scheme No. 5  
Clifton  
Karachi  
Tel: (+92-21) 35361215-19  
Web: [www.awwal.com.pk](http://www.awwal.com.pk)

### 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



## Directors' Report

The Board of Directors of Awwal Modaraba Management Limited, Mudarib/Management Company of Awwal Modaraba, are pleased to present the quarterly unaudited financial statements of Awwal Modaraba, for the period ended 31 March 2017.

### Economic Outlook

Although the start of the year 2017 was marred by a wave of terrorism affecting major cities, the overall economic environment continues to be conducive for growth. SBP maintained the policy rate at 5.75% while inflation stood at 4.01% yoy during nine months (July-March) of the year 2016-17 reflecting higher domestic demand. Moreover, large scale manufacturing (LSM) sector grew at 3.5% yoy pointing to a robust industrial activity and build-up of future productive capacity. However, current account deficit almost doubled at \$5.5 billion on the back of increasing trade deficit, non-realization of CSF funds and declining remittances.

Moreover, the government initiated mega energy and infrastructure projects to address the issue of power shortage. Signing of the revised Avoidance of Double Taxation Agreement, and the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters marked some important initiatives taken by the government.

China-Pakistan Economic Corridor continues to be a beacon for economic growth that will allow Pakistan to become a hub of socio-economic activity between Asia, Central Asia and South Asia. The inter and intra-region connectivity provided by CPEC will make it a game changer for everyone because connectivity ensures greater trade, socio-economic activity and general welfare. CPEC presents an opportunity to Pakistan to grab major share of available jobs which could help employ surplus labour.

Even though Pakistan has strengthened its macroeconomic resilience, a number of challenges in the fiscal, external and energy sectors could affect the hard-won stability gains in the period ahead. In this context, strong efforts with respect to fiscal consolidation and the implementation of key structural reforms and vigilance in managing the country's external position is a pending need.

### Financial Analysis

The Modaraba, during the nine months period, has earned revenue of PKR 131.552 million, whereas total operating expenses are PKR 18.323 million and provision for SWWF is PKR 2.264 million, resulting into a profitability of PKR 110.965 million. The earning per certificate for the period under review is PKR 1.11 per certificate. The total asset size of the Modaraba as on 31 March 2017 is PKR 1,135.95 million. The Modaraba, in line with its business objectives, has continued offering various shari'ah compliant Islamic financing products to its customers. During the quarter ended 31 March 2017 the Modaraba has disbursed PKR 52.151 million whereas disbursement of PKR 228 million is in pipeline which is expected to be disbursed by 30 June 2017. As of 31 March 2017, total portfolio size of the Modaraba stands at PKR 509.648 million.

The Modaraba is continuously tapping different avenues to increase its profitability in future and developing its human resource to cater the requirements of its business.

### Acknowledgments

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

On behalf of the Board



Karim Hatim  
Chief Executive Officer

Date: 24 April 2017

## AWWAL MODARABA

### ڈائریکٹر رپورٹ:

اول مضاربہ کی انتظامی کمپنی اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز غیر آڈٹ شدہ مالیاتی حسابات اول مضاربہ برائے 31 مارچ 2017ء کو ختم ہونے والے نو ماہ کی رپورٹ پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

### اقتصادی سرگرمی:

اگرچہ سال 2017ء کی ابتداء سے دہشت گردی کی لہر نے بڑے شہروں کو متاثر کیا تاہم ماحول اقتصادی ترقی کے لئے سازگار رہا۔ اسٹیٹ بینک پالیسی ریٹ 5.75 فیصد پر منظم رہا جبکہ افراط زر جولائی 2016ء تا مارچ 2017ء سالانہ بنیاد پر 4.01 فیصد رہا جو کہ بڑھتی مقامی طلب کا عکاس ہے۔ اسکے علاوہ بڑے پیمانے کی مینوفیکچرنگ کا شعبہ سالانہ بنیاد پر 3.5 فیصد کی رفتار سے بڑھ رہا ہے جو کہ مضبوط صنعتی سرگرمیوں اور مستقبل کی پیداواری صلاحیتوں کی تعمیر کا اشارہ ہے۔ جبکہ بڑھتے تجارتی خسارے، CSF فنڈز کی عدم وصولی اور ترسیلات ذریعہ کی کمی کے لئے منظر میں جاری حسابات کا خسارہ تھریڈنگ ہاؤس کو 5.5 بلین ڈالر ہو گیا ہے۔

اسکے علاوہ حکومت نے بجلی کی قلت کے مسئلہ کو حل کرنے کے لئے بڑے توانائی اور انفراسٹرکچر کے منصوبوں کا آغاز کیا ہے۔ نظر ثانی شدہ اوائڈنس آف ڈیٹیکشن ایگریمنٹ اور او ای سی ڈی (OECD) ملٹی لیٹرل کنونشن برائے میوچل ایڈمنسٹریٹو سسٹمز پر دستخط حکومت کی طرف سے اٹھائے گئے کچھ اہم اقدامات ہیں۔

پاک چین اقتصادی راہداری (CPEC) پاکستان، ایشیاء، وسطی ایشیاء اور جنوبی ایشیاء کے درمیان اقتصادی ترقی کی مشعل راہ ہے جس کے نتیجے میں پاکستان سماجی و اقتصادی سرگرمیوں کا مرکز بنے گا۔ CPEC کی وجہ سے خطے کا بین الاقوامی روابط اقتصادی بات کی تبدیلی کا باعث بنے گا کیونکہ رابطہ یعنی طور پر تجارت، سماجی و اقتصادی اور علاقہ جات سرگرمیوں میں اضافہ کرتا ہے۔ CPEC کی وجہ سے پاکستان کو یہ موقع حاصل ہوگا کہ وہ دستیاب ہونے والی نئی ملازمتوں کا بڑا حصہ حاصل کرے اور اپنے عوام کی بیروزگاری کا خاتمہ کرے۔

اگرچہ پاکستان نے اپنی میکرو اقتصادیات کی ٹیک کو بہتر کیا ہے تاہم مالی، خارجی اور توانائی کے شعبوں میں آنے والی مشکلات حاصل استحکام کو متاثر کر سکتے ہیں۔ اس تناظر میں مالی استحکام، اہم بنیادی اصلاحات کے نفاذ اور ملک کے خارجی مقام کو برقرار رکھنا ضروری ہے۔

### مالیاتی جائزہ:

مضاربہ نے گزشتہ نو ماہ کے عرصے میں PKR 131.552 بلین کی آمدنی حاصل کی جبکہ مجموعی اخراجات PKR 18.323 بلین اور SWWF کی مد میں PKR 2.264 بلین مختص کئے گئے۔ نتیجتاً منافع PKR 110.965 بلین رہا۔ اول الذکر عرصے کے دوران آمدنی سرٹیفیکیٹ PKR 1.11 رہی۔ 31 مارچ 2017ء کو مضاربہ کے کل اثاثہ جات PKR 1,135.95 بلین رہے۔ مضاربہ اپنے کاروباری مقاصد کے تحت مسلسل مختلف شرعی اسلاک فنانسنگ پروڈکٹس اپنے کسٹمرز کو پیش کر رہا ہے۔ 31 مارچ 2017ء کو ختم ہونے والی سہ ماہی کے دوران مضاربہ نے PKR 52.151 بلین کی مزید سرمایہ کاری کی جبکہ PKR 228 بلین کی سرمایہ کاری کی فراہمی کے معاہدے کئے جن کی فراہمی 30 جون 2017ء تک متوقع ہے۔ مضاربہ کی سرمایہ کاری 31 مارچ 2017ء تک PKR 509.648 بلین رہی۔

مضاربہ مستقبل کے منافع میں اضافے کے لئے مسلسل کوشاں ہے اور اپنے عمل کو تربیت فراہم کر رہا ہے تاکہ وہ کاروباری ضروریات کو بہتر طریقے سے پورا کر سکیں۔

### اظہار تشکر

بورڈ آف ڈائریکٹرز تمام ریگولیٹری اتھارٹیز کے تعاون کو سراہتے ہوئے ان کا شکریہ ادا کرتا ہے۔ اس کے علاوہ سرٹیفیکیٹ ہولڈرز اور اسپانسرز کے بھی بے حد شکر گزار ہیں جنہوں نے اس نئی قائم ہونے والی مضاربہ کمپنی پر اعتماد کیا۔

بورڈ کی جانب سے



کریم حاتم  
چیف ایگزیکٹو

مورخہ 24 اپریل 2017ء

# AWWAL MODARABA

## Condensed Interim Balance Sheet (Unaudited)

As at 31 March 2017

	Notes	31 March 2017 (Unaudited) (Rupees)	30 June 2016 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	362,546,050	933,524,819
Accruals, prepayments and other receivables	6	12,083,111	23,177,542
Current portion of Receivable against advisory fee	7	11,365,918	-
Current portion of Musharika Finance	8	122,227,262	14,976,517
Current portion of Diminishing Musharika Finance	9	16,666,664	-
Current portion of long term loans	10	1,025,328	-
Receivable from related parties		59,550,910	-
Investment	11	149,999,975	-
Taxation recoverable		3,189,573	2,602,324
<b>Total current assets</b>		<b>738,654,791</b>	<b>974,281,202</b>
<b>Non - current assets</b>			
Receivable against advisory fee	7	23,165,895	-
Long term portion of Musharika Finance	8	296,170,793	68,681,331
Long term portion of Diminishing Musharika Finance	9	74,583,339	-
Long term loans	10	567,473	-
Long term deposit		75,000	75,000
Operating fixed assets	12	2,737,501	13,542
<b>Total non-current assets</b>		<b>397,300,001</b>	<b>68,769,873</b>
<b>TOTAL ASSETS</b>		<b>1,135,954,792</b>	<b>1,043,051,075</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accrued expenses	13	19,241,934	2,193,664
Payable to related parties	14	-	12,414,540
Profit distribution payable		4,804	-
<b>Total liabilities</b>		<b>19,246,738</b>	<b>14,608,204</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>			
100,000,000 Modaraba Certificates of Rs. 10 each		1,000,000,000	1,000,000,000
<b>Issued, subscribed and paid-up certificate capital</b>			
100,000,000 certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Statutory reserve	15	27,881,610	5,688,574
Unappropriated profit		88,826,443	22,754,297
		1,116,708,053	1,028,442,871
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,135,954,792</b>	<b>1,043,051,075</b>

### COMMITMENTS

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The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

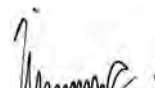
For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive Officer



Director



Director

# AWWAL MODARABA

## Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period and quarter ended 31 March 2017

		For the nine months period ended 31 March 2017	For the period from 10 February to 31 March 2016	For the quarter ended 31 March 2017	For the period from 10 February to 31 March 2016
	Notes	----- (Rupees) -----			
Advisory fee		78,766,352	8,442,982	17,500,000	8,442,982
Income from Musharika Finance		18,829,449	-	10,364,550	-
Income from Diminishing Musharika Finance		4,389,117	-	1,979,508	-
Income from deposits with banks		24,435,623	24,351,348	4,520,079	24,351,348
Income from Sukuk certificates		5,131,918	-	2,116,165	-
		<u>131,552,459</u>	<u>32,794,330</u>	<u>36,480,302</u>	<u>32,794,330</u>
Administrative and operating expenses	17	(18,308,493)	(2,149,377)	(6,112,889)	(2,149,377)
Preliminary expenses		-	(23,485,189)	-	(23,485,189)
		<u>(18,308,493)</u>	<u>(25,634,566)</u>	<u>(6,112,889)</u>	<u>(25,634,566)</u>
		<u>113,243,966</u>	<u>7,159,764</u>	<u>30,367,413</u>	<u>7,159,764</u>
Financial charges		(14,188)	(884)	(7,231)	(884)
		<u>113,229,778</u>	<u>7,158,880</u>	<u>30,360,182</u>	<u>7,158,880</u>
Management company's remuneration		-	(715,888)	-	(715,888)
Sindh Workers' Welfare Fund		(2,264,596)	-	(607,204)	-
		<u>(2,264,596)</u>	<u>(715,888)</u>	<u>(607,204)</u>	<u>(715,888)</u>
<b>Profit for the period before taxation</b>		<u>110,965,182</u>	<u>6,442,992</u>	<u>29,752,978</u>	<u>6,442,992</u>
Taxation	18	-	-	-	-
<b>Profit for the period after taxation</b>		<u>110,965,182</u>	<u>6,442,992</u>	<u>29,752,978</u>	<u>6,442,992</u>
		----- (Rupee) -----			
Earnings per certificate - basic and diluted	19	<u>1.11</u>	<u>0.06</u>	<u>0.30</u>	<u>0.06</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive Officer



Director



Director

# AWWAL MODARABA

## Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended 31 March 2017

	For the nine months period ended 31 March 2017	For the period from 10 February to 31 March 2016
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	110,965,182	6,442,992
<b>Adjustments for non-cash items</b>		
Depreciation on operating fixed assets	246,680	-
	111,211,862	6,442,992
<b>(Increase) / decrease in assets</b>		
Accruals, prepayments and other receivables	11,094,431	(15,699,186)
Receivable against advisory fee	(34,531,813)	-
Musharika Finance	(334,740,207)	-
Diminishing Musharika Finance	(91,250,003)	-
Loans and security deposit	(1,592,801)	(75,000)
Receivable from related party	(59,550,910)	-
Investment	(149,999,975)	-
	(660,571,278)	(15,774,186)
<b>Increase / (decrease) in liabilities</b>		
Accrued expenses	17,048,270	23,171,955
Payable to related party	(12,414,540)	-
Profit distribution payable	4,804	-
	4,638,534	23,171,955
Taxes paid	(587,248)	-
<b>Net cash used in operating activities</b>	(545,308,130)	13,840,761
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(2,970,639)	-
<b>Net cash used in investing activities</b>	(2,970,639)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit paid to certificate holders	(22,700,000)	1,000,000,000
<b>Cash used in financing activities</b>	(22,700,000)	1,000,000,000
<b>Net decrease in cash and cash equivalents</b>	(570,978,769)	1,013,840,761
Cash and cash equivalents at beginning of the period	933,524,819	-
<b>Cash and cash equivalents at end of the period</b>	<b>362,546,050</b>	<b>1,013,840,761</b>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive Officer



Director



Director

# AWWAL MODARABA

## Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended 31 March 2017

		Reserves		
	Paid up certificate capital	Statutory reserve	Unappropriated profit	Total
	----- (Rupees) -----			
Issue of certificate capital	1,000,000,000	-	-	1,000,000,000
<b>Total comprehensive income for the period</b>				
-Profit for the nine months period ended 31 March 2016	-	-	6,442,992	6,442,992
-Other comprehensive income	-	-	-	-
Transfer to statutory reserve	-	-	-	-
<b>Balance as at 31 March 2016</b>	<b>1,000,000,000</b>	<b>-</b>	<b>6,442,992</b>	<b>1,006,442,992</b>
Balance as at 1 July 2016	1,000,000,000	5,688,574	22,754,297	1,028,442,871
<b>Total comprehensive income for the period</b>				
Profit for the nine months period ended 31 March 2017	-	-	110,965,182	110,965,182
Transfer to statutory reserve	-	22,193,036	(22,193,036)	-
<b>Transactions with Certificate Holders of the Modaraba - Distribution</b>				
Profit distribution for the period ended 30 June 2016 @ Re. 0.227 per certificate	-	-	(22,700,000)	(22,700,000)
<b>Balance as at 31 March 2017</b>	<b>1,000,000,000</b>	<b>27,881,610</b>	<b>88,826,443</b>	<b>1,116,708,053</b>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

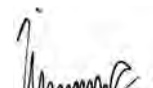
For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive Officer



Director



Director

# **AWWAL MODARABA**

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

For the nine months period ended 31 March 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 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 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.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of Compliance**

This condensed interim financial information of the Modaraba for the nine months period ended 31 March 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Modaraba for the period ended 30 June 2016.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the period ended 30 June 2016. The Modaraba commenced its operations with effect from 10 February 2016.

#### **2.2 Functional and presentation currency**

This condensed interim financial information is presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest rupee.

#### **2.3 Significant accounting estimates and judgements**

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the period ended 30 June 2016.

#### **2.4 Basis of measurement**

This condensed interim financial information has been prepared under the historical cost convention except as stated otherwise.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual audited financial statements of the Modaraba as at and for the period ended 30 June 2016 except for the policies as set out below. At present, the Modaraba has no item to be reported in other comprehensive income, hence no such statement is prepared and total comprehensive income equals reported profit for the period.

### **3.1 Financial instruments**

Financial assets and financial liabilities are recognised when the Modaraba becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

#### **3.1.1 Investments**

All investments are initially recognised at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

Management determines appropriate classification of investment in accordance with the requirements of approved accounting standards as applicable in Pakistan. The Modaraba classifies its investments in the following categories:

##### **3.1.1.1 At fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit and loss if Modaraba manages such investments and make purchase and sale decisions based on their fair values in accordance with Modaraba's investment strategies. Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified at fair value through profit or loss - held for trading. Financial assets at fair value through profit or loss are measured at fair values with any resulting gains or losses recognised in the profit and loss account. The fair value of such investment, representing listed equity securities are determined on the basis of prevailing market prices at the Pakistan Stock Exchange Limited or redemption / repurchase prices, whichever is applicable, in case of other securities. In case of unquoted investment, where active market does not exist, fair value is determined using valuation techniques. The investment in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment, if any.

##### **3.1.1.2 Held to maturity**

Held to maturity are non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

##### **3.1.1.3 Available for sale**

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. At each balance sheet date, these investments are re-measured at fair value and the resulting gains or losses are recognised directly in other comprehensive income until the investment is disposed off or impaired at which time these are transferred to the profit and loss account.

##### **3.1.1.4 Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

#### **3.1.2 Impairment**

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred (i.e. default, delinquency or bankruptcy by a debtor, adverse changes in the payment status of borrower, disappearance of an active market for a security, restructuring of debtor balance on unfavorable terms etc.) and that the loss event has a negative effect on the estimated future cash flows of that asset. Additionally, management consider the requirement of applicable Prudential Regulation for Modaraba issued by the Securities and Exchange Commission of Pakistan (SECP).



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In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised, is transferred from other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss account. In case of investment carried at cost, if the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss.

The carrying amount of the Modaraba's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

During the period certain new standards, amendments to existing standards and interpretations became effective which were either not relevant or not having significant impact on Modaraba's accounting policies.

5. CASH AND BANK BALANCES	31 March 2017 (Unaudited) (Rupees)	30 June 2016 (Audited)
Cash in hand	10,660	-
Balances with banks		
- in current accounts	4,890	-
- in deposit accounts	5.1 362,530,500	933,524,819
	<u>362,546,050</u>	<u>933,524,819</u>

5.1 These balances are held with Islamic Banks / Islamic Banking windows of commercial banks and carry profit at an average rate of 5.5% per annum.

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

Accrued profit on Musharika Finance	8,092,204	25,395
Accrued profit on Diminishing Musharika Finance	364,651	-
Accrued profit on Sukuk certificates	821,781	-
Accrued profit on deposit accounts	1,627,503	4,431,700
Other advances	633,650	
Prepayments	464,570	220,985
Other receivables	78,752	18,499,462
	<u>12,083,111</u>	<u>23,177,542</u>

#### 7. RECEIVABLE AGAINST ADVISORY FEE

This represents advisory fee receivable from customer in connection with Diminishing Musharika Finance facility provided by the Modaraba. The Sponsors have securitised such receivable by transfer of 1,672,969 shares of the underlying finance company to the Modaraba. As per the agreement, such shares will be offered to the Sponsor against the due installment of advisory fee in 24 quarterly installments. During the period, Modaraba has offered 300,666 shares to the Sponsors for an amount of Rs. 6,532,813.

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		31 March 2017 (Unaudited)	30 June 2016 (Audited)
		(Rupees)	
<b>8. MUSHARIKA FINANCE</b>			
Musharika finance - secured	8.1	418,398,055	83,657,848
less: current portion of Musharika Finance		<u>(122,227,262)</u>	<u>(14,976,517)</u>
		<u>296,170,793</u>	<u>68,681,331</u>

- 8.1** The Modaraba has provided Musharika Finance facilities to various customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 74% to 97.4% and 2.6% to 26% respectively. The customers have transferred the titles of the assets in the name of the Modaraba according to the terms of the agreement, the combined forced sales value of which amounts to 552.34 million. Further, in case of one customer, the Modaraba also holds 42 million ordinary shares of a scheduled bank as pledge and Lien on debt collection accounts against respective exposure.

These facilities have various maturity dates up to 21 October 2021. These facilities carry profit ranging from 6 months KIBOR + 5% to 3 months KIBOR + 6%.

- 8.2** Contractual rentals receivable on Musharika Finance facility:

	2017			
	Due within one year	Due after one year but within five years	Due after five years	Total
	----- (Rupees) -----			
<i>Musharika Finance facility:</i>				
- Principal repayments	122,227,262	296,170,793	-	418,398,055
- Profit	42,186,985	36,837,423	-	79,024,408
	<u>164,414,247</u>	<u>333,008,216</u>	<u>-</u>	<u>497,422,463</u>

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

- 9. DIMINISHING MUSHARIKA FINANCE**

Diminishing Musharika Finance - secured	9.1	91,250,003	-
less: current portion of Diminishing Musharika Finance		<u>(16,666,664)</u>	<u>-</u>
		<u>74,583,339</u>	<u>-</u>

- 9.1** During the period, the Modaraba has entered into an agreement to provide Diminishing Musharika Finance facility amounting to Rs. 100 million. The purpose of the said facility is balance sheet re-profiling of the customer. The facility is secured against pari passu hypothecation charge over present and future fixed assets with a margin of 25%, ranking charge of Rs. 50 million over current assets, pledge over 20% of Sponsor's shares and lien on debt collection accounts of the customer and Sponsor support agreement etc.

The tenor of the agreement is 6 years during which the customer is to repay the share of the Modaraba in 72 installments commencing from 15 October 2016. The rentals are subject to profit at the rate of prevailing 3 months KIBOR plus 2.5%.

- 9.2** Contractual rentals receivable on Diminishing Musharika Finance facility:

	2017			
	Due within one year	Due after one year but within five years	Due after five years	Total
	----- (Rupees) -----			
<i>Diminishing Musharika Finance facility</i>				
- Principal repayments	16,666,664	74,583,339	-	91,250,003
- Profit	7,204,274	14,710,183	-	21,914,457
	<u>23,870,938</u>	<u>89,293,522</u>	<u>-</u>	<u>113,164,460</u>

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

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<b>10. LONG TERM LOANS - considered good</b>	<b>31 March 2017 (Unaudited) (Rupees)</b>	<b>30 June 2016 (Audited)</b>
Due from:		
Executives	10.1 1,592,801	-
Less: receivable within one year	(1,025,328)	-
	<u>567,473</u>	<u>-</u>
<b>10.1</b>	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 remaining tenor of 3 years.	
<b>11. INVESTMENT</b>		
<b>Available for Sale Investment</b>		
OBS Pakistan (Private) Limited - net (301,750 Ordinary shares of Rs. 10/- each)	49,999,975	-
<b>Held-to-maturity investment</b>		
Investment in Sukuk certificates	11.1 100,000,000	-
	<u>149,999,975</u>	<u>-</u>
<b>11.1</b>	These represents privately placed sukuk certificates issued by counterparty through Al-Baraka Bank (Pakistan) Limited, acting as investment agent of the issuer and have a maturity date of 15 months from the date of issue i.e. 25 November 2017. The profit on the sukuk shall 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.	
<b>12. OPERATING FIXED ASSETS</b>	<b>Nine months period ended December 2017</b>	
	<b>Additions</b>	<b>Disposals</b>
	<b>(Rupees)</b>	
<b>Intangible</b>		
Software-Oracle	420,731	-
	<u>420,731</u>	<u>-</u>
<b>Tangible</b>		
Vehicle	1,613,740	-
Furniture and Fixture	47,400	-
Computer and allied equipment	873,768	-
	<u>2,534,908</u>	<u>-</u>
The above assets are depreciated at average rates of 20% and 33% respectively.		
<b>13. ACCRUED EXPENSES</b>	<b>31 March 2017 (Unaudited) (Rupees)</b>	<b>30 June 2016 (Audited)</b>
Audit remuneration payable	108,000	190,200
Payable to Shari'ah Advisor	300,000	100,000
Leave fare allowance and staff medical accrual	3,489,110	616,580
Sindh sales tax payable	10,240,816	706,417
Provision for Sindh Workers' Welfare Fund	2,845,063	580,467
Zakat payable	-	-
Others	13.1 2,258,945	-
	<u>19,241,934</u>	<u>2,193,664</u>
<b>13.1</b>	This includes provident fund contribution payable amounting to Rs. 0.58 million.	

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## 14. PAYABLE TO RELATED PARTIES

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under provisions of the Modarba Companies and Modarbas (Floatation and Control) Ordinance, 1980 upto 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.

## 15. STATUTORY RESERVES

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. 22.193 million which represents 20% of the profit after taxation for the period.

## 16. COMMITMENTS

As at 31 March 2017, the Modaraba had entered into a musharika finance agreement of PKR 30 million out of which PKR 2.1 million are already disbursed and is in process of finalizing musharika facility of PKR 200 million.

## 17. ADMINISTRATIVE AND OPERATING EXPENSES

		For the nine months period ended 31 March 2017 (Unaudited)	For the period from 10 February to 31 March 2016 (Unaudited)
		(Rupees)	
Salaries and other staff benefits	17.1	11,983,139	1,369,539
Depreciation on operating fixed assets		246,680	-
Fees and subscriptions		687,757	466,000
Advertising, travelling and entertainment expenses		259,523	87,668
Telecommunication		109,409	7,603
Postage		11,050	-
Repair and maintenance		160,229	160,306
Printing and Stationary		188,426	-
Auditor's remuneration		172,900	-
Legal and professional charges		1,026,023	24,000
Insurance		27,918	34,261
Shared service expense	17.2	3,270,733	-
Other expenses		164,706	-
		<u>18,308,493</u>	<u>2,149,377</u>

17.1 Salaries and other benefits include Rs. 0.53 million in respect of staff retirement benefits.

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

## 18. 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 2017. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

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<b>19. EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>	<b>31 March 2017 (Unaudited) (Rupee)</b>	<b>31 March 2016 (Unaudited) (Rupee)</b>
<b>Basic</b>		
Profit for the period after taxation	<u>110,965,182</u>	<u>6,442,992</u>
	<b>(Number)</b>	<b>(Number)</b>
Weighted average number of certificates outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>
	<b>(Rupee)</b>	<b>(Rupee)</b>
Earnings per certificate	<u>1.11</u>	<u>0.06</u>
<b>Diluted</b>		
Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at reporting date which would have any effect on the earnings per certificate if the option to convert is exercised.		
<b>20. RELATED PARTY TRANSACTIONS</b>		
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 other than those which have been specifically disclosed elsewhere in the condensed interim financial information are as follows:		
<b>20.1 Details of the transactions with related parties</b>	<b>Nine months period ended 31 March 2017 (Unaudited) (Rupees)</b>	<b>For the period from 10 February to 31 March 2016 (Unaudited) (Rupees)</b>
<b>Pak Brunei Investment Company Limited</b>		
Advisory fee income	<u>42,500,000</u>	<u>8,442,982</u>
<b>Key management personnel</b>		
Salaries and other benefits	<u>2,524,611</u>	<u>438,544</u>
Number of persons	<u>1</u>	<u>1</u>
<b>Staff retirement benefits funds</b>		
Contribution to the staff provident fund	<u>580,932</u>	<u>56,578</u>
Contribution to the staff gratuity fund	<u>240,678</u>	<u>43,552</u>
<b>20.2 Amounts outstanding as at period end</b>	<b>31 March 2017 (Unaudited) (Rupees)</b>	<b>30 June 2016 (Audited)</b>
<b>Pak Brunei Investment Company Limited - Holding company of the Management company</b>		
Receivable balance in respect of advisory services - net	<u>53,663,017</u>	<u>15,000,000</u>
Payable balance against expenses paid on behalf of the Modaraba	<u>-</u>	<u>8,332,104</u>
<b>Awwal Modaraba Management Limited - Management Company</b>		
Payable balance against Management Company's remuneration - net	<u>-</u>	<u>4,082,436</u>
Receivable from Management Company	<u>5,887,893</u>	<u>-</u>
<b>Staff retirement benefits funds</b>		
Contribution payable to staff provident fund	<u>580,932</u>	<u>155,052</u>
Contribution payable to staff gratuity fund	<u>53,484</u>	<u>-</u>

## 21. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual audited financial statements as at and for the period ended 30 June 2016.

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of financial asset fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Modaraba determine fair values using valuation techniques unless the fair value cannot be reliably measured.

For assets that are recognised in the financial statements at fair value on a recurring basis, the Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The table below shows the carrying amounts and fair values of a financial asset and financial liability including their fair value hierarchy for financial instruments measured at fair value. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

31 March 2017 (unaudited)						
	Carrying amount / cost			Fair value		
	Held-to-maturity	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3
(Rupees)						
<b>Financial assets not measured at fair value</b>						
Cash and bank balances	-	362,546,050	-	-	-	-
Accruals and other receivables	-	11,618,541	-	-	-	-
Receivable against advisory fee	-	34,531,813	-	-	-	-
Musharika Finance	-	418,398,055	-	-	-	-
Diminishing Musharika Finance	-	91,250,003	-	-	-	-
Loans	-	1,592,801	-	-	-	-
Receivable from related parties	-	59,550,910	-	-	-	-
Investments	100,000,000	-	49,999,975	-	-	-
Long term deposits	-	75,000	-	-	-	-
<b>Financial liabilities not measured at fair value</b>						
Accrued expenses	-	-	6,156,055	-	-	-
Payable to related parties	-	-	-	-	-	-

# AWWAL MODARABA

	30 June 2016 (audited)					
	Carrying amount / cost			Fair value		
	Held-to-maturity	Loan and receivables	Other financial liabilities	Level 1	Level 2	Level 3
	----- (Rupees) -----					
<b>Financial assets not measured at fair value</b>						
Cash and bank balances	-	933,524,819	-	-	-	-
Accruals and other receivables	-	22,956,557	-	-	-	-
Musharika Finance	-	83,657,848	-	-	-	-
Long term deposits	-	75,000	-	-	-	-
<b>Financial liabilities not measured at fair value</b>						
Accrued expenses	-	-	906,780	-	-	-
Payable to related parties	-	-	12,414,540	-	-	-

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 Musharika Finance and Diminishing Musharika Finance including investment in Sukuk Certificate, management considers that their carrying amount approximate fair value as the transaction is entered into at negotiated rate considering market prevailing rates and also assessing credit standings of counterparties.

## 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 this condensed interim financial information during the current period.

## 24. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on 24 April 2017 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive Officer



Director



Director

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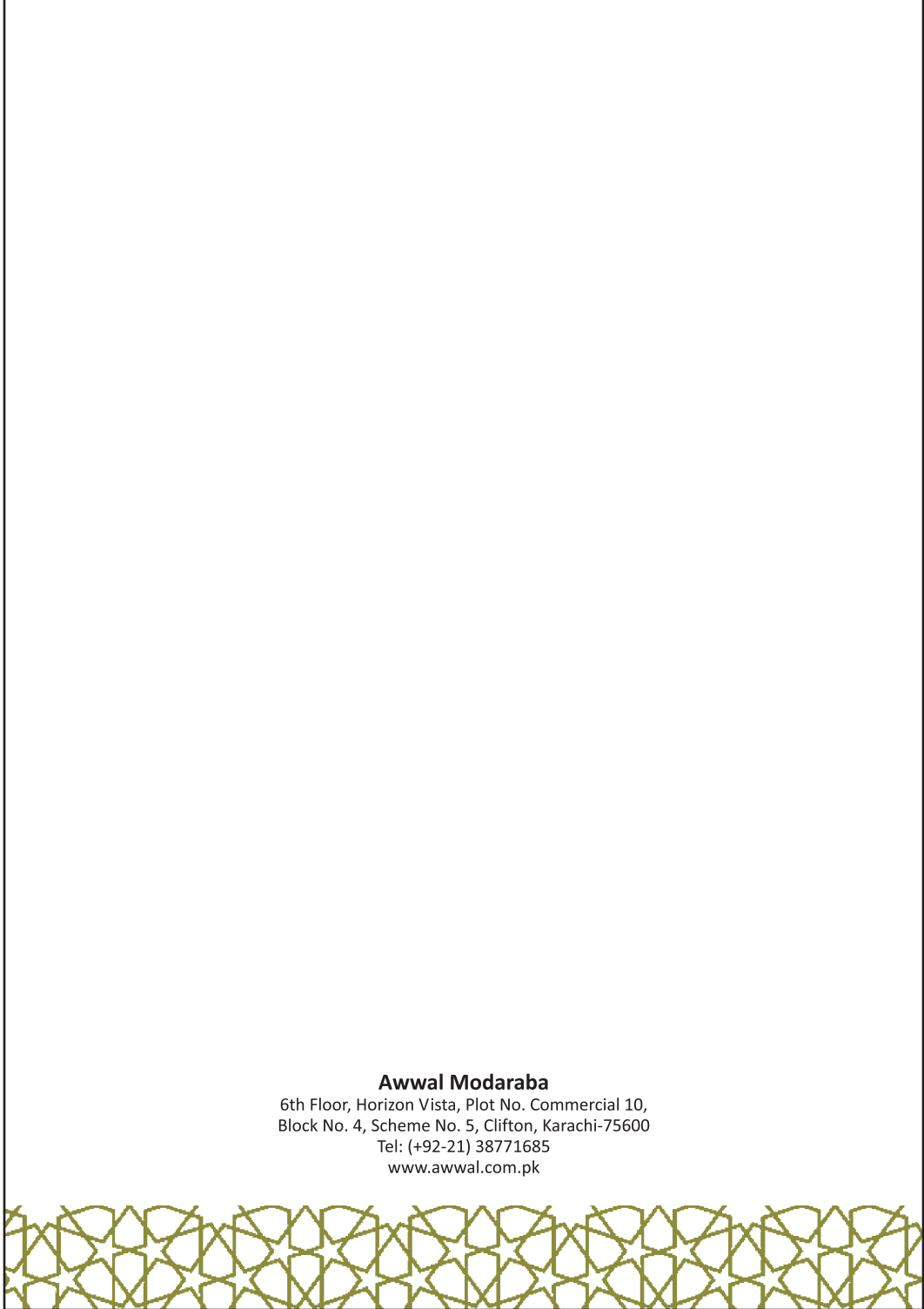
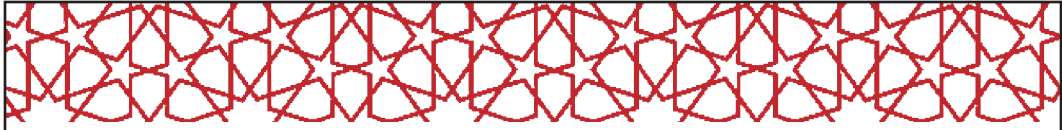
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\*Mobile apps are also available for download for android and ios devices





**Awwal Modaraba**

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