# AVWVAL MODARABA

QUARTERLY REPORT MARCH 2018



## **Contents**

Vision & Mission Statements	. 02
Corporate Information	. 03
Directors' Report - English	04
Directors' Report - Urdu	. 05
Condensed Interim Balance Sheet (Unaudited)	. 06
Condensed Interim 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 Information (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.

## **AWWAL MODARABA**

## **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

**Audit Committee** 

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

Mr. Ahmed Ateeq

**Human Resource and** 

**Remuneration Committee** Mr. Khalid Aziz Mirza

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

**Company Secretary** 

Ms. Rahaila Aleem

**Chief Financial Officer** 

Syed Askary Haider Rizvi

**Bankers** 

Habib Bank Limited Soneri Bank Limited

National Bank of Pakistan

**Auditors** 

KPMG Taseer Hadi & Co.

**Chartered Accountants** 

**Legal Advisor** 

LMA Ebrahim Hosain

Shari'ah Advisor

Mufti Muhammad Hassaan Kaleem

Chairman Independent Director

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

**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** 

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Tel: (+92-21) 38771685 Fax: (+92-21) 35374275 Web: www.awwal.com.pk

Member

Chairman



## **Directors' Report**

For the nine months period ended 31 March 2018

The Board of Directors (Board) of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, is pleased to present the unaudited accounts for the nine months period ended 31 March 2018.

#### Economy

Pakistan's economy continues to have a favorable growth impetus at the back of an expected Real GDP growth of 5.6% given the improvement in power supply, recovery in agriculture, strong consumption growth, strong credit growth, and the investments related to CPEC.

The expansion of 6.3% in large scale manufacturing is indicative of a continued growth momentum. The economic corridor poses a great opportunity for Pakistan's local industry to enhance production and promote development. Moreover, given the strong prospect of achieving an 11 year high growth rate with average CPI continuing to be range bound, SBP in its latest monetary policy statement also maintained the policy rate at 6%.

However, the phenomena of low inflation and high growth has come with a higher current account deficit albeit at a decelerated rate. The main driver of the widening current account deficit of \$10.8 billion has been the surge in imports, reflecting the strong domestic demand, implementation of import intensive CPEC investment projects and rising oil prices. By contrast, exports began to rebound after three years of persistent decline and increased by 12.2% as compared to a decline of 0.8% in the same period last year. Export growth was mainly on the back of recovery of cotton prices and duty drawbacks offered under the government's export support package introduced last year. Remittances have also stabilized following last year's decline and recorded a growth of 3.4%.

Moreover, amid limited flexibility in exchange rates, international reserves have significantly declined to \$11.78 billion. There is a very likely possibility of a further decline in reserves owing to the worsening of current account and foreign debt repayments in the near term. Although, government policies need to focus on stemming the broadening imbalances, recent moves of tightening monetary policy and allowance of some exchange rate adjustment were needed to safeguard external buffers. Going forward, a stronger fiscal discipline and accelerated structural reforms will be critical in reinforcing the growth momentum and in the promotion of a more inclusive growth.

#### Modaraba Business Review

Core business activities of Awwal Modaraba comprise of providing Sharia compliant financial solutions to financially distressed companies along with providing strategic advisory services. This involves taking exposure on and providing advisory services to companies undergoing growth phase and/or financial overhaul, in both cases high risk clients. To counter the built in high credit risk factor, appropriate collateral arrangements are incorporated in designing the Musharika and Diminishing Musharika finance transactions.

Awwal Modaraba was also the proud recipient of "Best Islamic Finance Innovation Award" at the 6th Global Forum on Islamic Finance held in March 2018 in Lahore. This Forum was organized by the Center of Islamic Finance, COMSATS Institute of Information Technology and leading Islamic Financial Institutions took part in it. Awwal Modaraba received the award in recognition of the transaction structure it devised for one of its client in the preceding year for meeting its business needs.

#### Financial Review

Since floatation of Awwal Modaraba in February 2016, its portfolio has performed quite satisfactory with zero default rate. During the nine months period under review, the Modaraba earned revenue of PKR 179.4 million recording an increase of 26.7% compared to corresponding period last year. The increase in revenue was largely contributed by 27% surge in advisory fee income, recorded at PKR 108 million.Total expenses for the period amounted to PKR 36.6 million, including PKR 2.9 million provided against SWWF. In line with revenue, net profit increased by 22.3% from PKR 111 million PKR 142.7 million.Earnings per certificate for the period under review were Rs. 1.43, compared to Rs. 1.11 in the corresponding period last year. Total assets of Modaraba at period end stand at PKR 1,221 million.

Awwal Modaraba maintains a well-diversified industry portfolio, avoiding concentration in few selected sectors. Moreover, closely monitoring the sector, party and group wise exposure on an ongoing basis, not to exceed the limits imposed by Prudential Regulations for Modarabas. At period end, total portfolio of Musharika finance and Diminishing Musharika finance stood at PKR 744 million. Disbursements during the nine month period amounted to PKR 249.7 million, whereas future commitments are expected to be PKR 78.2 million.

#### Governance

The board of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, comprises of six members including the Chief Executive Officer and one female Director. The details of board committees, including Audit Committee, HR & Remuneration Committee and composition of board have been provided in the Corporate Information section.

#### Acknowledgement

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

On behalf of the Board

Karim Hatim Chief Executive Officer

Date: 17 April 2018

## AWWAL MODARABA

## ڈائز یکٹرزر بورٹ:

اوّل مضار بہ پنجنٹ کمیٹر ،اوّل مضار بہ کی نشائم کپنی کے ڈائر مکٹران غیر آڈٹ شدہ حسابات برائے 31 مارچ 2018 کوختم ہونے والے نو ماہ کی رپورٹ پیش کرتے ہوئے خوجی محسوس کرتے ہیں۔

پاکستان کی معاشی صورتعال بہتری کی جانب گامزن ہے جس کی وجہرئیل GDP میں %5.5 کا متوقع اضافہ ہوانائی کی فراہمی میں بہتری،زرع شعبے کی بحالی،کھیت میں خاطرخواہ اضافہ بقرضے کی مانگ میں اضافداور پاکستان چائندا کنا مک راہ داری (CPEC) کے تحت کی جانے والی سر ماریکاری ہے۔

بڑے پیانے پر کی جانے والی پیداوار میں % 6.3 کا اضافہ تر تی کے تسلسل کو طاہر کرتا ہے۔معاثٰی راہداری پاکستان کی مقامی صنعت کے لیے پیداوار میں اضافہ اور تر تی کے فروغ کے لیے بہترین مواقع فراہم کرتی ہے۔ مزید براں، گیارہ سالہ ترقی کا ہدف حاصل کرنے کے روژن امکانات کے ساتھ اوسطا CPI نڈیکس اپی محدود حدمیں رہا، SBP کی تازہ ترین مانیٹری پالیسی میں پالیسی ریٹ کو%6 پر برقر اردکھا گیا۔

تاہم، بظاہرا فراطِ زرمیں کی اورتر قی میں میش رفت کی وجہ ہے جاری صابات کے خسارے میں اضافہ واقع ہوانگرست روی کے ساتھ ۔ جاری شدہ حسابات میں 10.8 ملین ڈالر کے خسارے کی بنیاد کی وجہ بڑھتی ہوئی درآ مدات بی ، جو بڑھتی ہوئی مقا می طلب کا پرتو ہے، CPEC کے تحت سر ماریکا ری کے مفصوبوں کا نفاذ جو کدزیاد ورآ مدات پڑٹی ہیں اور بڑھتی ہوئی تیل کی قیمتیں – اس کے . برنگس گزشته تین سال سے سلسل کی کاشکار برآ مدات میں بھالی کارجھان دیکھا گیا،جس میں %12.2 کی شرح سے اضافہ ہوا۔

جبکہ ای عرصے میں گزشتہ سال %8.0 کی کی دیکھنے میں آئی۔ ہرآ مدات میں اضانے کی بنیادی وجہ کیا س کی قبیتوں کی بحال کا دجھان اور پچھلے سال میں حکومت کی جانب ہے ہرآ مدات کودی جانے والی مراعات اورڈیوٹی میں چھوٹ تھی۔ ترسیلات زرمیں گزشتہ سال کی کمی کے بعداس سال انتخام رہااور %3.4 کااضافہ نظر آیا۔

مزید ریکہ،مبادلاتی شرح کی محدود کیک کے درمیان، بین الاقوامی ذخائر خاطر خواہ کی کے بعد 11.78 ملین ڈالری سطیر بہنچے میں ممکن ہے کدان ذخائر میں جاری حسابات کی بگزتی صورتحال اور للیل مدت میں بیرونی فرضوں کی ادائیگی مزید کی کا باعث ہو۔حالانکہ حکوتی پالیسیز کو بڑھتے ہوئے عدم آوازن کو قابو کرنے پر قوجہ دین چاہیے، بیرونی بفرز کو بچانے کے لیے حالیہ اقدامات میں مالیاتی پالیسی میں نتی اورزرمبادلہ کی شرح میں چھوٹ دینے کی ضرورت ہے۔منتقبل میں ایک منتظم مالیاتی نظم وضط اور بروقت بنیادی اصلاحات ترقی کے سنرکو جاری رکھنے کے لیے اور مجموعی ترتی کو فروغ دینے کے لیے نہایت ضروری ہو نگے۔

#### كاروبارى جائزه:-

اوّل مضار بہی بنیادی کاروباری سرّگرمیوں میں ایک پینیز کو جو مالی مشکلات کا شکار ہوں شرعی اصولوں کی پاسداری کرتے ہوئے مالی سولیات فراہم کرنے کے ساتھ اہم معاملات میں مشاورتی خدمات فراہم کرنا شامل ہے۔جن میں ایم کینینز کورقو م کی فراہمی جوتر تی کے مراحل ہے گز رربی میں یا پھر مالیاتی تشکیل نو، بہرصورت بائی رسک کائینٹس ،مشار کہ واثمینشک مشار کہ فائیننس کےمعاملات میںموجود ہائی رسک کےعضر سے نمٹنے کے لیےمناسب کولیٹرل حاصل کیے جاتے ہیں تا کہ ہر مائے کو ہرممکن تحفظ دیا جاسکے۔

الَّال مضاربه كو اس يرفخر ہے كہ ماريّ 2018مين لا ہور ميں منعقدہ چينے Best Islamic finance ميں اس كو Global Forum on Islamic Finance "Innovation Award ئے ان فرم کا انتقاد Center of Islamic Finance, COMSATS Isntitute of Information and Technology نے کیا جس میں ممتاز اسلامی مالیاتی اداروں نے شرکت کی ۔اوّل مضار بہ کو بیاعز از گزشتہ سال اپنے ایک کلائے کی ٹرانز بکشن کی ساخت مرتب کرنے پر ملا جو کہ اس کی کاروباری ضروریات کے مطابق تھی۔

## مالياتي جائزه:-

فرورک 2016 میں اوّل مضار بہ کے اجراء سے لے کراب تک اس کے پورٹ فولیو کا کار دگی ناد ہندگی کی صفرشر رہے ساتھ اطمینان بخش رہی نے زیر چائزہ فو مہینے کے عرصے کے دوران مضار یہ کی آمدنی 179.4 PKR ملین رہی ،جس میں چھیلے سال کے ای عرصے کے مقالے میں 26.7 کا اضافہ ریکارڈ کیا گیا اس اضافے کی بڑی وجہ مشاورتی خدمات سے حاصل ہونے والی آمدنی میں %27اضافہ تھا، جو کہ A08 PKR ملین ریکارڈ کی گئی۔اس مدت کے کل اخراجات 36.6 PKR ملین رہے،بشول PKR و.2 ملین جوکہ SWWF کی مدمین فراہم کیے گئے۔ آمدنی کی مانندخالص منافع میں 22.30اضافہ ہوا جو کہ 111 PKR ملین ہے بڑھ کر 142.7 PKR ملین ہوگیا۔اس کر صے کے دوران فی سر ٹیکلیٹ آمد نی 1.43 روپ رہی جیکیے سال كەلىء مەيىن فى سر ئىنگىڭ آمەنى 1.11 روپىتھى\_مضار بەيكىل ا ئاتۇن كى مالىت مەت كەلغىتا م پر 1,221 PKR ملىن رىي-

اوّل مضاربه کا پورٹ فولیومخلف الوع صنعتوں کا مرکب ہے۔خودکو چند شعبوں تک محدودر کھنے ہے گریز کرتے ہوئے اس کے علاوہ مسلسل بنیادوں پر ہر شعبے، گروپ اور پارٹی کوفراہم کیے گئے قرضے کو جانچنا تا کہ پر وؤینشل ر کیلیشنز کی معین کر دہ حدود کی پاسداری کی جانسے ۔زرنظر ہدت کے اختتام پراڈل مضار یہ کا مشارکہ فائینٹس کا پورٹ فولیو PKR 744 ملین رہانہ مینئے کے وران 249.7 PKR ملین کی ہر مائیکاری کی گئی جبکہ مشتقی میں کی جانے والی ہر مائیکاری کے معاہدوں کا تخیید 78.2 PKR ملین ہے

۔ نظامت بر کی نظام کیفی، اوّل مضار بہ پنجشٹ لمیٹر کا اورؤ چھ(6) ممبران پرخشل ہے، جس میں چیف ایّر کیٹیوآ فیسراورایک خاتون ڈائز یکٹرشال ہیں۔ بورڈ کمیٹیز کی تضیلات جس میں آؤٹ سمٹیلی اوراج کے آرایٹڈ رمیوزیشن کیٹلی اور بورڈ کی تر تیب ر پورٹ کے کار پوریٹ افٹارمیٹن سے سیکٹن میں دی گئی ہے۔

### اظهارتشكر:-

۔ بورڈ SECP اور دجشر ارمضار بدکی مسلسل رہنمائی اور نعاون کامعتر ف ہاورا سے سراہتا ہے۔اس کے ساتھ اس موقع کا فائدہ اُٹھاتے ہوئے اپنے صارفین اور سرماید کاروں کے اعماد کا تہدول ہےمشکور ہے۔

بورڈ کی جانب سے

مورخه 17ايريل 2018



# **Condensed Interim Balance Sheet (Unaudited)**As at 31 March 2018

As at 31 March 2018			
7.0 00 02 1710.011 2020	Notes	31 March	30 June
		2018	2017
		(Unaudited)	(Audited)
		(Rupe	es)
ASSETS			
Current assets			
Cash and bank balances	5	269,443,764	252,808,456
Accruals, prepayments, advances and other receivables	6	17,638,855	14,114,954
Current portion of receivable against advisory fee	7	63,069,387	50,350,918
Current portion of Investment against repurchase agreement	8	28,999,988	31,999,984
Current portion of Musharika Finance	9	341,036,352	133,320,267
Current portion of Diminishing Musharika Finance	10	-	16,666,670
Current portion of long term loans		1,365,867	1,450,622
Receivable from related party		6,125,286	19,792,349
Short term investment		-	100,000,000
Taxation recoverable	_	8,251,336	4,514,543
Total current assets	_	735,930,835	625,018,763
Non - current assets			
Receivable against advisory fee	7 F	31,333,339	20,695,477
Investment against repurchase agreement	8	43,878,899	17,999,991
Long term portion of Musharika Finance	9	169,766,074	262,928,681
Long term portion of Musharika Finance	10	233,333,333	270,307,539
Long term loans	10	3,693,096	2,176,790
Long term deposit		75,000	75,000
Intangible asset		293,658	398,832
Operating fixed assets	11	2,712,905	3,107,755
Total non-current assets	L	485,086,304	577,690,065
Total Holl current assets		403,000,304	377,030,003
TOTAL ASSETS	=	1,221,017,139	1,202,708,828
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses	12	35,569,761	18,758,432
Payable to related parties	13	5,024,754	23,805,428
Unclaimed profit distribution		43,623	4,231
Total liabilities	_	40,638,138	42,568,091
CERTIFICATE HOLDERS' EQUITY			
-			
Certificate capital			
Authorised certificate capital 100,000,000 Modaraba Certificates of Rs. 10 each		1 000 000 000	1 000 000 000
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 certificates of Rs. 10 each	Г	1,000,000,000	1,000,000,000
Statutory reserve	14	65,115,800	36,568,147
Unappropriated profit		115,263,200	123,572,590
	L	1,180,379,000	1,160,140,737
TOTAL LIABILITIES AND EQUITY	-	1,221,017,139	1,202,708,828
	=		
COMMITMENTS	15		

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.

For Awwal Modaraba Management Limited (Management Company)

Chief Financial Officer

Chief Executive Officer



## **Condensed Interim Profit and Loss and Other Comprehensive Income (Unaudited)**For the nine months period and quarter ended 31 March 2018

		For the nine months period ended 31 March 2018 (Unaudited)	For the nine months period ended 31 March 2017 (Unaudited)	For the quarter ended 31 March 2018 (Unaudited)	For the quarter ended 31 March 2017 (Unaudited)
	Notes		(Rupe	ees)	
Income Advisory fee Income from Investment against repurchase agreement Income from Musharika Finance Income from Diminishing Musharika Finance Income from deposits with banks Income from Sukuk certificates		108,086,684 4,745,709 29,199,174 20,961,774 12,923,064 3,476,656	78,766,352 - 18,829,449 4,389,117 24,435,623 5,131,918	55,088,496 1,260,411 10,475,811 6,144,165 4,517,844	17,500,000 - 10,364,550 1,979,508 4,520,079 2,116,165
meetine from suitak certificates		179,393,062	131,552,459	77,486,727	36,480,302
Expenses Administrative and operating expenses Financial charges  Management Company's remuneration		(33,723,095) (18,678) 145,651,289	(18,308,493) (14,188) 113,229,778	(11,325,751) (9,473) 66,151,503	(6,112,889) (7,231) 30,360,182
Provision for services sales tax on Management Company's remuneration Provision for Workers' Welfare Fund	12.1	(2,913,026) (2,913,026)	(2,264,596) (2,264,596)	(1,323,030)	(607,204) (607,204)
Profit for the period before taxation Taxation Profit for the period after taxation	16	142,738,263 - 142,738,263	110,965,182 - 110,965,182	64,828,473 - 64,828,473	29,752,978 - 29,752,978
There are no items of other comprehensive income to re to total comprehensive income.	port ar	nd hence profit fo	r the period as we	ll as for comparati	ve periods equals
			(Rupe	ee/es)	
Earnings per certificate - basic and diluted	17	1.43	1.11	0.65	0.30

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.

For Awwal Modaraba Management Limited (Management Company)

Chief Financial Officer

Chief Executive Officer



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

For the nine months period ended 31 March 2018

	For the nine months period ended 31 March 2018 (Unaudited) (Rupe	For the nine months period ended 31 March 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	142,738,263	110,965,182
Additional to the first of the second state of		
Adjustments for non-cash items	046 344	246 690
Depreciation on operating fixed assets	846,244	246,680
Amortisation on intangible asset	105,174	111 211 002
(Ingresse) / degrees in accets	143,689,681	111,211,862
(Increase) / decrease in assets	(2.522.001)	11 004 421
Accruals, prepayments, advances and other receivables	(3,523,901)	11,094,431
Receivable against advisory fee	(23,356,331)	(34,531,813)
Investment against repurchase agreement	(22,878,912)	(224 740 207)
Musharika Finance	(114,553,478)	(334,740,207)
Diminishing Musharika Finance	53,640,876	(91,250,003)
Long term loans	(1,431,551)	(1,592,801)
Receivable from related party	13,667,063	(59,550,910)
Short term investment	100,000,000	(149,999,975)
	1,563,766	(660,571,278)
Increase / (decrease) in liabilities		
Accrued expenses	16,811,330	17,048,270
Payable to related parties	(18,780,674)	(12,414,540)
	(1,969,344)	4,633,730
Taxes witheld	(3,736,793)	(587,248)
Net cash generated from / (used in) operating activities	139,547,310	(545,312,934)
Net cash generated from / (asea in) operating activities	133,347,310	(545,512,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(451,394)	(2,970,639)
Net cash used in investing activities	(451,394)	(2,970,639)
	, , , , ,	( )/
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(122,460,608)	(22,695,196)
Net cash used in financing activities	(122,460,608)	(22,695,196)
Net increase / (decrease) in cash and cash equivalents	16,635,308	(570,978,769)
Cash and cash equivalents at beginning of the period	252,808,456	933,524,819
Cash and cash equivalents at end of the period	269,443,764	362,546,050

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.

For Awwal Modaraba Management Limited (Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Director



# Condensed Interim Statement of Changes in Equity (Unaudited) For the nine months period ended 31 March 2018

		Res	erves	
	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 nine months period ended 31 March 2017	-	-	110,965,182	110,965,182
Transfer to statutory reserve	-	22,193,036	(22,193,036)	-
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 31 March 2017	1,000,000,000	27,881,610	88,826,443	1,116,708,053
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 nine months period ended 31 March 2018	-	-	142,738,263	142,738,263
Transfer to statutory reserve	-	28,547,653	(28,547,653)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended 30 June 2017 @ Rs. 1.225 per certificate	-	-	(122,500,000)	(122,500,000)
Balance as at 31 March 2018	1,000,000,000	65,115,800	115,263,200	1,180,379,000

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.

For Awwal Modaraba Management Limited (Management Company)

Chief Financial Officer

Chief Executive Officer



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

For the nine months period ended 31 March 2018

#### 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 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

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and Provisions of and directives issued under the Companies Act, 2017.
- Provisions of and directives issued under the Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980 Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, provisions of and directives issued under the Modaraba Companies and Modarabas (Flotation 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 year ended 30 June 2017.

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 year ended 30 June 2017, whereas the comparative condensed interim profit & loss account, condensed interim cashflow statement and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial information for the period ended 31 March 2017.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

These condensed interim financial information 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 this condensed interim financial information 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.

There are certain amendments to approved accounting standards which are applicable for current year. However, these do not have significant impact other than increased disclosures, if any at year end financial statements for the year ending 30 June 2018.

There are certain other standards and amendments to the approved accounting standards that will be applicable for annual period beginning on or after 1 July 2018. Further Securities and Exchange Commission of Pakistan has notified IFRS 9 "Financial Instruments" replacing IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 15 "Revenue from Contracts with Customers" replacing IAS 18 "Revenue" and IAS 11 "Construction Contracts". These standards are applicable for the annual period beginning on or after 1 July 2018 and IFRS 16 "Leases" superseded IAS 17 "Leases" for annual periods beginning on or after January 01, 2019 and management is currently assessing its impact.

#### 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.	CASH AND BANK BALANCES		31 March	30 June
			2018	2017
			(Unaudited)	(Audited)
			(Rupe	es)
	-Cash in hand		20,000	-
	Balances with banks			
	- in current accounts		56,044	4,283
	- in deposit accounts	5.1	269,367,720	252,804,173
			269,443,764	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 4.9% (2017: 5.4%) per annum.

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

Accrued profit on Investment against			
repurchase agreement		1,175,832	5,172,412
Accrued profit on Musharika Finance		4,174,806	2,078,507
Accrued profit on Diminishing Musharika	Finance	10,141,705	4,673,942
Accrued profit on Sukuk certificates		-	873,809
Accrued profit on deposit accounts		1,229,248	871,996
Advance against salaries	6.1	110,381	28,191
Other advance		50,000	50,000
Other receivables		1,642	-
Prepayments		755,241	366,097
		17,638,855	14,114,954



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

#### 7. RECEIVABLE AGAINST ADVISORY FEE

This represents advisory fee receivable from various customers of the Modaraba in respect of advisory services rendered by it.

8. INVESTMENT AGAINST REPURCHASE AGREEMENT

31 March 30 June
2018 2017
(Unaudited) (Audited)
(Rupees)
72,878,887 49,999,975

Investments against repurchase agreement - secured less: current portion of investments

(28,999,988) (31,999,984) 43,878,899 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.

On 16 January 2018, the Modaraba has entered into an agreement with one of the Sponsor Shareholders, for purchase of 2,051,150 shares of the investee company. As per the arrangement a right of refusal of the underlying shares will be offered to existing shareholders of the company. One of the shareholders of the investee company has undertaken to purchase these shares from Modaraba at an agreed price. Shares once purchased by the shareholder pursuant to the terms of the undertaking, shall be pledged and kept under the lien of Modaraba until such time that all the Shares are completely purchased by the shareholder.

#### 9. MUSHARIKA FINANCE

Musharika finance - secured	9.1	510,802,426	396,248,948
less: current portion of Musharika Finance		(341,036,352)	(133,320,267)
		169,766,074	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 529.37 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 + 1.5% to 6 months KIBOR + 5%.

## **AWWAL MODARABA**

9.2 Contractual rentals receivable on Musharika Finance facilities:

	31 March 2018 (Unaudited)				30 June 2017	(Audited)		
	Due within	Due within Due after Due after Total		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	341,036,352	169,766,074		510,802,426	133,320,267	262,928,681	-	396,248,948
- Profit	33,312,160	18,903,934		52,216,094	33,115,418	30,203,509		63,318,927
	374,348,512	188,670,008		563,018,520	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.	DIMINISHING MUSHARIKA FINANCE		31 March	30 June
			2018	2017
			(Unaudited)	(Audited)
			(Rupe	ees)
	Diminishing Musharika Finance - secured	10.1	233,333,333	286,974,209
	less: current portion of Diminishing Musharika Fir	nance	-	(16,666,670)
			233,333,333	270,307,539

10.1 The Modaraba has provided Diminishing Musharika Finance facilities to customers. The facilities are secured against various collaterals which mainly include first pari passu mortgage hypothecation charges over the fixed assets up to an amount of Rs. 119.05 million and Rs. 100 million respectively, first pari passu charge 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 various maturity dates upto 20 April 2024. These facilities carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%.

10.2 Contractual rentals receivable on Diminishing Musharika Finance facility:

	31 March 2018 (Unaudited)					30 June 20:	L7 (Audited)	
	Due within	in Due after Due after Total		Due within	Due after	Due after	Total	
	one year	one year but within five	five years		one year	one year but within five	five years	
		years		/5		years		
Diminishing Musharika Finance facility				(Kup	ees)			
- Principal repayments	-	173,333,333	60,000,000	233,333,333	16,666,670	230,371,032	39,936,507	286,974,209
- Profit	25,206,666	68,765,324	7,805,190	101,777,180	6,851,382	115,596,941	3,349,530	125,797,853
	25,206,666	242,098,657	67,805,190	335,110,513	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.	OPERATING FIXED ASSETS  Cost		31 March 2018 (Unaudited) (Rupe	30 June 2017 (Audited) es)
	Opening balance		3,557,937	15,000
	Additions	11.1	451,394	3,542,937
	Disposal		-	-
			4,009,331	3,557,937
	Accumulated depreciation			
	Opening balance		450,182	1,458
	Charge for the period		846,244	448,724
	Disposal		-	-
			1,296,426	450,182
	Net book value as at		2,712,905	3,107,755

11.1 Additions mainly include laptops, fire proof cabinet and firewall equipment.

#### 12. ACCRUED EXPENSES

Audit remuneration payable		233,813	244,200
Payable to Tax Advisor		-	27,000
Payable to Shari'ah Advisor		400,000	100,000
Leave fare allowance and staff medical accrual		<b>6,402,960</b> 2,279,2	
Sindh sales tax payable		12,476,991	8,524,327
Provision for Workers' Welfare Fund	12.1	6,644,470	3,731,444
Others	12.2	9,411,527	3,852,162
		35,569,761	18,758,432

- 12.1 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. During the period, an interim injunction has been granted by the Court and the matter is tagged with other similar petitions filed with the Court. However, as matter of abundant caution, full provision in respect of Workers' Welfare Fund has been made in this condensed interim financial information.
- 12.2 This includes staff retirement benefit payable amounting to Rs. 4.18 million (2017: Rs. 1.41 million).

#### 13. 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.



#### 14. 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.28.55 million (30 June 2017: Rs. 30.88 million) which represents 20% of the profit after taxation for the year.

#### 15. 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. 18.47 million (2017: 2.78 million) has already been disbursed as disclosed in note 9 of this condensed interim financial information.

Further, on 13 November 2017, the Modaraba entered into a Diminishing Musharika Finance Agreement with a customer for Rs. 100 million out of which Rs. 33.33 million has already been disbursed as disclosed in note 10 of this condensed interim financial information.

#### 16. 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 period ending 31 March 2018. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

17.	EARNING PER CERTIFICATE - BASIC AND DILUTED	For the nine months period ended 31 March 2018 (Unaudited)	For the nine months period ended 31 March 2017 (Unaudited)	For the quarter ended 31 March 2018 (Unaudited)	For the quarter ended 31 March 2017 (Unaudited)		
	Basic						
	Profit for the period after taxation	142,738,263	110,965,182	64,828,473	29,752,978		
		(Number)					
	Weighted average number of certificates outstanding during the period	100,000,000	100,000,000	100,000,000	100,000,000		
		(Rupee/es)					
	Earnings per certificate	1.43	1.11	0.65	0.30		

#### Diluted

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



#### 18. 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. There are no transactions with key management personnel other than their terms of employment/entitlement.

Transactions and balances with related parties during the period other than those disclosed elsewhere in the condensed interim financial information are given below:

18.1	Details of the transactions with related parties	31 March 2018 (Unaudited) (Rupe	31 March 2017 (Unaudited) ees)	
	Pak Brunei Investment Company Limited - Holding company of the Management company			
	Advisory fee income		42,500,000	
	Shared service expense	6,293,772	-	
	Other expenses	415,552	2,524,611	
18.2	Amounts outstanding as at period end	31 March	30 June	
		2018	2017	
		(Unaudited)	(Audited)	
		(Rup	ees)	
	Pak Brunei Investment Company Limited - Holding company of the Management company Payable balance against expenses paid on behalf of Modaraba	2,257,087	(1,024,309)	
	Awwal Modaraba Management Limited - Management Company			
	Payable balance	2,767,667	23,805,428	
	Receivable balance	(6,125,286)	(18,768,040)	
	Staff retirement benefits funds			
	Contribution payable to staff provident fund	2,222,748	1,021,914	
	Contribution payable to staff gratuity fund	1,959,144	389,161	

#### 19 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 hirearchy 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 values cannot be reliabily 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 2018 (Unaudited)					
	Carrying amount / cost			Fair value		
	Held-to-	Loans and	Other	Level 1	Level 2	Level 3
	maturity	receivables	financial liabilities			
			(Rupe	ees)		
Financial assets not						
measured at fair value						
Cash and bank balances	-	269,443,764	-	-		-
Accruals and other receivables	-	16,723,233	-	-		-
Receivable against advisory fee	-	94,402,726	-	-		-
Investment against repurchase agreeme	ent -	72,878,887	-	-		-
Musharika Finance	-	510,802,426	-	-		-
Diminishing Musharika Finance	-	233,333,333	-	-		-
Long term loans	-	5,058,963	-	-	-	-
Receivable from related parties	-	6,125,286	-	-		-
Investment in Sukuk certificates	-	-	-	-		-
Long term deposits	-	75,000	-	-		-
Financial liabilities not						
measured at fair value						
Accrued expenses	-	-	16,448,300	-		
Payable to related parties	-	-	5,024,754	-		•
Unclaimed profit distribution	-	-	43,623			



	30 June 2017 (Audited)						
	Carrying amount / cost			Fair value			
	Held-to- maturity	Loan and receivables	Other financial	Level 1	Level 2	Level 3	
			liabilities				
			(Rup	ees)			
Financial assets not measured at fair value							
Cash and bank balances	-	252,808,456	-	-	-	-	
Accruals and other receivables	-	13,670,666	-	-	-	-	
Receivable against advisory fee	-	71,046,395	-	-	-	-	
Investment against repurchase agreeme	nt -	49,999,975	-	-	-	-	
Musharika Finance	-	396,248,948	-	-	-	-	
Diminishing Musharika Finance	-	286,974,209	-	-	-	-	
Long term loans	-	3,627,412	-	-	-	-	
Receivable from related parties	-	19,792,349	-	-	-	-	
Short term investment	100,000,000	-	-	-	-	-	
Long term deposits	-	75,000	-	-	-	-	
Financial liabilities not							
measured at fair value							
Accrued expenses	-	-	6,485,061	-	-	-	
Payable to related parties	-	-	23,805,428	-	-	-	
Unclaimed profit distribution	-	-	4,231	-	-	-	

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 in to at negotiated rate considering market prevailing rates and also assessing credit standings of counterparties.

## 20. 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.

#### 21. DATE OF AUTHORISATION

These condensed interim financial information were authorised for issue on 17 April 2018 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited (Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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