

# **AWWAL MODARABA**

**Quarterly Report  
March 2016**

## Contents

Vision & Mission Statements .....	02
Corporate Information .....	03
Directors' Review .....	04
Condensed Interim Balance Sheet .....	05
Condensed Interim Profit and Loss Account .....	06
Condensed Interim Cash Flow Statement .....	07
Condensed Interim Statement of Changes in Equity .....	08
Notes to the Condensed Interim Financial Information .....	09

## **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.

## **Corporate Information**

### **Board of Directors**

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

### **CFO & Company Secretary**

S. Askary H. Rizvi

### **Audit Committee**

Mr. Abdul Jaleel Shaikh	Chairperson
Mr. Abdul Hafeez	Member
Mr. Ahmed Ateeq	Member

### **Bankers**

Habib Bank Limited  
Soneri Bank Limited  
Dubai Islamic Bank Pakistan Limited

### **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants

### **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)

### **Legal Advisor**

Liaquat Merchant Associates

### **Shariah Advisor**

Mufti Muhammad Hassaan Kaleem

### **Share Registrar**

THK Associates (Pvt) Ltd.  
2nd Floor, State Life Building No. 3  
Dr. Ziauddin Ahmed Road  
Karachi.  
Tel : (+92-21) 111-000-322

# **AWWAL MODARABA**

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## **Directors' Review**

The Board of Directors of Awwal Modaraba Management Limited, Mudarib/Management Company of Awwal Modaraba, is pleased to present the un-audited Financial Statements of Awwal Modaraba for the period ended March 31, 2016.

## **Operating Results**

The Modaraba commenced its business operations w.e.f. February 10, 2016 and this is its first published financial statements. The period under review ended with a positive bottom line of PKR 6.44 million after deducting the preliminary expenses incurred for floatation of Modaraba amounting to PKR 23.48 million. The Modaraba is expected to book quality financial assets in the upcoming quarter.

## **Future Prospects**

The management intends to focus on diversified financing portfolio and to take benefit of good opportunities keeping in view the prudent and proactive risk management approach which will serve as a strong base for Modaraba's future growth.

## **Acknowledgement**

The Board wish to place on record its appreciation for the support and guidance of regulatory authorities & sponsors and thanks to the certificate holders for their confidence in the Modaraba.

On behalf of the Board



Karim Hatim  
Chief Executive

Karachi: April 25, 2016

# AWWAL MODARABA

## Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2016

	Notes	(Un-audited) March 31, 2016 .....Rupees.....
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank balances	4	1,013,840,761
Advances, deposits, prepayments and other receivables		15,699,186
Total current assets		1,029,539,947
<b>Non-Current Assets</b>		
Long term loans and security deposits		75,000
Total non-current assets		75,000
<b>TOTAL ASSETS</b>		<u>1,029,614,947</u>
<b>LIABILITIES AND EQUITIES</b>		
<b>Current Liabilities</b>		
Creditors, accrued and other liabilities	5	23,171,955
Total Liabilities		23,171,955
<b>CERTIFICATE HOLDERS EQUITY</b>		
<b>Certificate Capital</b>		
<b>Authorized Certificate Capital</b>		
100,000,000 Certificates of Rs. 10 each		<u>1,000,000,000</u>
<b>Issued, subscribed, and paid up certificate capital</b>		
100,000,000 certificates of Rs. 10 each		1,000,000,000
Unappropriated profit		6,442,992
		1,006,442,992
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>1,029,614,947</u>
Contingencies and commitments	6	

For Awwal Modaraba Management Limited  
(Management Company)

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# **AWWAL MODARABA**

## **Condensed Interim Profit and Loss Account (Un-audited)**

For the period from February 10, 2016 to March 31, 2016

		February 10, 2016 to March 31, 2016
	Notes	.....Rupees.....
Advisory fee		8,442,982
Income on bank deposits	7	24,351,348
		<u>32,794,330</u>
Financial charges		(884)
Administrative and operating expenses	8	(2,149,377)
Preliminary expenses		(23,485,189)
		<u>(25,635,450)</u>
		<u>7,158,880</u>
Modaraba Management Company fee @ 10%		(715,888)
Profit before taxation		<u>6,442,992</u>
Taxation	9	-
Profit after taxation		<u>6,442,992</u>
Other comprehensive income for the period		-
Total comprehensive income for the period		<u><u>6,442,992</u></u>
Earnings per certificate-basic and diluted		<u><u>0.064</u></u>

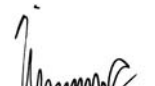
For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive



Director



Director

# AWWAL MODARABA

## Condensed Interim Cash Flow Statement (Un-audited)

For the period from February 10, 2016 to March 31, 2016

February 10, 2016  
to March 31, 2016

.....Rupees.....

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the period before tax	6,442,992
<b>(Increase)/Decrease in current assets</b>	
Advances, deposits, prepayments and other receivables	(15,699,186)
	-
<b>Increase/(Decrease) in current liabilities</b>	
Creditors, accrued and other liabilities	23,171,955
	<u>13,915,761</u>
Long term loans and security deposits	<u>(75,000)</u>
Net cash generated from (used in) operating activities	13,840,761

### CASH FLOWS FROM INVESTING ACTIVITIES

-

### CASH FLOWS FROM FINANCING ACTIVITIES

Issue of certificate capital	1,000,000,000
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,013,840,761
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	<u><u>1,013,840,761</u></u>

For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive



Director



Director



# AWWAL MODARABA

## Condensed Interim Statement of Changes in Equity (Un-audited)

For the period from February 10, 2016 to March 31, 2016

	Paid up certificate capital .....Rupees.....	Unappropriated profit	Total
Issue of certificate capital	1,000,000,000		1,000,000,000
Total comprehensive income for the period ended March 31, 2016	-	6,442,992	6,442,992
Balance as at March 31, 2016	1,000,000,000	6,442,992	1,006,442,992

The statutory reserve representing profit set aside in accordance with the provisions of prudential regulations for modarabas promulgated by the Securities and Exchange Commission of Pakistan, will be transferred at the year end.

For Awwal Modaraba Management Limited  
(Management Company)

  
Chief Executive

  
Director

  
Director

## **Notes to the Condensed Interim Financial Information (Un-audited)**

For the period from February 10, 2016 to March 31, 2016

### **1 STATUS AND NATURE OF BUSINESS**

Awwal Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and 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 February 10, 2016. The address of its registered office is 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, Ijara, Musharika, Morabaha & 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 has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 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 and the directives issued by SECP differ with the requirements of IFRS or IFAS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the SECP prevail.

#### **2.2 Accounting estimates and judgements**

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

#### **2.3 Accounting convention**

These condensed interim financial statements have been prepared under the historical cost convention.

#### **2.4 Functional and presentation currency**

This condensed interim financial information is presented in Pakistani Rupees which is the Modaraba's functional and presentation currency.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these condensed interim financial information are set out below.

#### **3.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. These include balances with banks in deposit accounts.

#### **3.2 Financial instruments**

##### **Financial Assets**

##### **Classification**

The management determines the appropriate classification of the financial assets of the Modaraba in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired.

##### **Initial recognition and measurement**

Financial assets are recognised at the time the Modaraba becomes a party to the contractual obligations of the instruments. These are initially recognised at fair value plus transaction costs.

##### **Subsequent measurement**

Subsequent to initial recognition, financial assets are carried at amortised cost using the effective interest method.

##### **Financial liabilities**

Financial liabilities are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument and include creditors, accrued and other liabilities. These are initially recognised at fair values and subsequently stated at amortised cost.

##### **Derecognition**

Financial assets are derecognised at the time when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss arising on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

##### **Off-setting of financial assets & liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

### **3.3 Taxation**

Provision for current taxation is based on taxable income for the period at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders. The Modaraba intends to avail the tax exemption by distributing at least 90% of its profits to the certificate holders each year.

### **3.4 Loans, advances & other receivables**

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

### **3.5 Creditors, accrued and other liabilities**

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

### **3.6 Provisions**

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past obligating events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

### **3.7 Revenue recognition**

Mark-up / return on deposits / investments is recognised on accrual basis using the effective profit rate method.

Income from shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.

Other income is recognised on an accrual basis.

### **3.8 Earnings per certificate**

Basic earnings per certificate is calculated by dividing the profit after taxation for the period by the weighted average number of certificates outstanding during the period. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any dilutive potential ordinary certificates.

# **AWWAL MODARABA**

		(Un-audited) Notes March 31, 2016 .....Rupees.....
<b>4 CASH AND BANK BALANCES</b>		
Balances with banks		
- In deposit accounts	4.1	1,013,840,761
		<u>1,013,840,761</u>

These balances are held with Islamic Banks/Islamic Banking windows of commercial banks. The deposit accounts carry profit rates ranging from 5.4% to 6.35% per annum.

## **5 CREDITORS ACCRUED AND OTHER LIABILITIES**

Preliminary and other expenses payable to Sponsor Company	21,855,067
Preliminary expenses payable to Management Company	500,000
Management fee payable	715,888
Others	101,000
	<u>23,171,955</u>

## **6 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments at the balance sheet date.

## **7 INCOME ON BANK DEPOSITS**

Income on bank deposits includes Pre-operating profit of Rs. 16,176,797/-

	February 10, 2016 to March 31, 2016 .....Rupees.....
<b>8 ADMINISTRATIVE AND OPERATING EXPENSES</b>	
Salaries, allowances & other benefits	1,369,539
Registration & subscription fee	466,000
Rent, rate & taxes	160,306
Advertisement	70,000
Travelling & conveyance	15,668
Insurance expense	34,261
Communication	7,603
Sundry expenses	26,000
	<u>2,149,377</u>

# AWWAL MODARABA

## 9 TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail tax exemption for the year ending June 30, 2016. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

## 10 RELATED PARTY BALANCES AND TRANSACTIONS

The Modaraba has related party relationship with Management company, its associated companies directors and key management personnel.

The details of significant related party transactions and balances as at March 31, 2016 are as follows:

	(Un-audited) March 31, 2016 .....Rupees.....
Pak Brunei Investment Company Limited	
- Preliminary & other expenses payable	21,855,067
	<u>21,855,067</u>
Awwal Modaraba Management Limited	
- Management Company fee payable	715,888
- Preliminary expenses payable	500,000
	<u>1,215,888</u>
	February 10, 2016 to March 31, 2016 .....Rupees.....
Expenses reimbursable to Pak Brunei Investment Company Limited	
Salaries & allowances	1,285,997
Insurance	78,656
Rent, communication & maintenance	260,119
Others	17,000

## 11 GENERAL

11.1 The Modaraba commenced its commercial operations w.e.f. February 10, 2016 and accordingly these are its first financial statements. Hence, no comparative figures have been presented in these financial statements.

11.2 Figures have been rounded off to the nearest rupee.

# **AWWAL MODARABA**

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## **12 DATE OF AUTHORIZATION**

This condensed interim financial information was authorized for issue on April 25, 2016 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited  
(Management Company)



Chief Executive



Director



Director

**Awwal Modaraba**

6th Floor, Horizon Vista, Plot Commercial No. 10,  
Block No. 4, Scheme No. 5, Clifton, Karachi.  
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