

AWWAL MODARABA

QUARTERLY REPORT
SEPTEMBER 30, 2022

MANAGED BY
AWWAL MODARABA MANAGEMENT LIMITED

Vision

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

Mission

Awwal Modaraba Management Limited (AMML) aims to be at the vanguard of innovation in modaraba management services, offering the best solutions to our customers, value to our certificate holders and modaraba investors, complemented with a challenging, equal opportunity to our employees.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Khalid Aziz Mirza	Chairman	Independent Director
Mr. Shahid Ghaffar		Independent Director
Ms. Ayesha Aziz		Non-Executive Director
Mr. Abdul Jaleel Shaikh		Non-Executive Director
Mr. Saiyid Najam Rizvi		Non-Executive Director
Mr. Karim Hatim		Chief Executive Officer

Audit Committee

Mr. Shahid Ghaffar	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Jaleel Shaikh	Member
Mr. Saiyid Najam Rizvi	Member

Human Resource and Remuneration Committee

Mr. Khalid Aziz Mirza	Chairman
Ms. Ayesha Aziz	Member
Mr. Karim Hatim	Member

Company Secretary

Ms. Misbah Asjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

BDO Ebrahim & Co, Chartered Accountants

Bankers

Habib Bank Limited
Dubai Islamic Bank
Soneri Bank

Certificate Registrar

THK Associates (Private) Limited.
Plot No: 32-C, Jami Commercial, Street No: 2,
DHA, Phase-VII, Karachi, Tel: 021-111-000-322
Fax: 021-35310190, E-mail: sfc@thk.com.pk

Legal Advisor

LAM Ebrahim Mohsin

Shariah Advisor

Mufti Muhammad Hassaan Kaleem

Registered Office

3rd Floor, Horizon Vista, Plot No:
Commercial 10, Block-4, Clifton, Karachi
Phone : 021- 38771685,
Fax: 021-35374275

Directors' Report

For the three months period ended 30 September 2022

On behalf of the Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, we are pleased to present Directors' Report together with the unaudited financial results of Awwal Modaraba for the three months period ended 30 September 2022.

Economy

The State Bank of Pakistan has kept the policy rate unchanged since the last hike in July 2022 when the rate was increased to 15%. Monetary Policy Statement cited various reasons in support of the decision including fall in headline inflation to 23.2% in Sep 2022 from 27.3% in Aug 2022 driven by a reduction in electricity prices. Desired moderation in economic activity has become more visible though core inflation continued to drift upwards in both rural and urban areas fueled by supply side shocks. The current account and trade deficits narrowed significantly in Aug-Sep, and the Rupee has recouped some of its losses following the recent depreciation. In Sep 2022, Pakistan's trade deficit reduced by 20% YoY to USD2.8bn led by a sharp decline in imports. Moody's downgraded Pakistan's local and foreign debt ratings to Caa1 from B3 along with decline in the deposit rating of five commercial banks. The downgrade was due to increased government liquidity requirements, external vulnerability risks and higher debt sustainability risks, in the aftermath of devastating floods.

The Asian Development Bank's ("ADB") expectation for GDP growth in FY2023 is 3.5% from approx. 6% in FY2022. Inflation rate in Pakistan is likely to decline in the coming months while interest rate scenario is expected to remain stable with expectations of downward trend next year to stimulate economy. Pak Rupee is expected to stabilize with foreign inflows and reduction in trade deficit.

The most significant recent development is that Financial Action Task Force ("FATF") on 21st October excluded Pakistan from the grey list of the global watchdog on terror financing and money laundering after four long years. It had become increasingly difficult for the country to negotiate financial aid with the IMF, the World Bank, the ADB, and the European Union. One of the structural benchmarks laid down by IMF for Pakistan stated 'Adoption of measures to strengthen the effectiveness of the AML/CFT framework to support the country's efforts to exit the FATF list of jurisdictions with serious deficiencies.'

Financial Performance

The size of shariah compliant lending portfolio remained nearly stable at PKR 874 Million as on September 30, 2022 from close of last financial year. Revenues increased to PKR 29.82 million compared to PKR 18.74 million in the corresponding period last year. Operating expenses were contained at PKR 5.29 Million. Profit before tax amounted to PKR 24.03 million compared to PKR 11.56 million. After impact of taxation of PKR 6.86 million, profit after tax increased to PKR 17.18 million compared to PKR 8.10 million in corresponding period last year.

Future Plans

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

Governance

There has been no change in the Board of Directors of Awwal Modaraba Management Limited during the period under review.

Acknowledgement

The Board would like to acknowledge and appreciate Securities and Exchange Commission of Pakistan and Registrar Modaraba for their continuous guidance and support. We 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

Abdul Jaleel Shaikh
Director

Date: 28th October, 2022

ڈائریکٹرز کی رپورٹ:

30 ستمبر 2022 کو ختم ہونے والی تین ماہ کی مدت کے لیے
اول مضاربہ بینجٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، اول مضاربہ کی انتظامی کمپنی، ہمیں 30 ستمبر 2022 کو ختم ہونے والی تین ماہ کی مدت کے لیے ڈائریکٹرز کی رپورٹ کو اول مضاربہ کے غیر
آڈٹ شدہ مالیاتی نتائج کے ساتھ پیش کرتے ہوئے خوش ہو رہی ہے۔

معیشت:

اسٹیٹ بینک آف پاکستان نے جولائی 2022 میں آخری اضافے کے بعد سے پالیسی ریٹ میں کوئی تبدیلی نہیں کی تھی جب شرح کو بڑھا کر 15 فیصد کر دیا گیا تھا۔ مائیکرو پالیسی کے بیان میں فیصلے کی حمایت
میں مختلف وجوہات کا حوالہ دیا گیا جس میں بجلی کی قیمتوں میں کمی کی وجہ سے اگست 2022 میں 27.3 فیصد سے ستمبر 2022 میں ہیڈ لائن افراط زر میں 23.2 فیصد تک گرتا شامل ہے۔ اقتصادی سرگرمیوں میں
مطلوبہ بہ امتیاز زیادہ واضح ہو گیا ہے حالانکہ بنیادی افراد درمیانی اور شہری دونوں علاقوں میں اوپر کی طرف بڑھتا رہا ہے جس کی وجہ سے پالیسی سائیکل شاخس ہیں۔ کرنٹ اکاؤنٹ اور تجارتی خسارہ اگست - ستمبر میں
نمایاں طور پر کم ہوا اور روپے نے حالیہ گمراہی کے بعد اپنے کچھ نقصانات کو پورا کیا ہے۔ ستمبر 2022 میں، پاکستان کا تجارتی خسارہ سالانہ 20 فیصد کم ہو کر 2.8 بلین امریکی ڈالر تک پہنچ گیا جس کی وجہ
ورآمدات میں شدید کمی تھی۔ مؤثر بننے والے پانچ کرنشل بینکوں کی ڈپازٹ ریٹنگ میں کمی کے ساتھ پاکستان کے مقامی اور غیر ملکی قرضوں کی درجہ بندی کو B3 سے گھٹا کر Caa1 کر دیا۔ یہ کمی تباہ کن سیلابوں کے نتیجے
میں حکومتی لیکویڈیٹی کی بڑھتی ہوئی ضروریات، بیرونی خطرے کے خطرات اور قرضوں کی پائیداری کے زیادہ خطرات کی وجہ سے ہوئی۔

ایشیائی ترقیاتی بینک ("ADB") کی مالی سال 2023 میں جی ڈی پی کی نمو کی توقع تقریباً 3.5 فیصد ہے۔ مالی سال 2022 میں 6 فیصد۔ پاکستان میں آنے والے مہینوں میں افراط زر کی شرح میں کمی کا امکان
ہے جبکہ شرح سود کا منظر نامہ مستحکم رہنے کی توقع ہے جس کی توقع ہے کہ اگلے سال معیشت کو تحریک کیا جاسکے گا۔ پاکستانی روپیہ غیر ملکی آمدورفت اور تجارتی خسارے میں کمی کے ساتھ مستحکم ہونے کی توقع ہے۔
سب سے اہم حالیہ پیش رفت یہ ہے کہ فنانشل ایکشن ٹاسک فورس ("FATF") نے 21 اکتوبر کو پاکستان کو چار سال کے طویل عرصے کے بعد وبہشت گردی کی مالی معاونت اور سی لانڈرنگ پر عالمی واضح
ڈانگ کی گمرے لسٹ سے خارج کر دیا۔ ملک کے لیے آئی ایم ایف، ورلڈ بینک، اے ڈی بی اینڈ اور یو پی پی این کے ساتھ مالی امداد کے لیے بات چیت کرنا مشکل ہوتا جا رہا تھا۔ پاکستان کے لیے IMF کی طرف
سے وضع کردہ ڈھانچہ جاتی معیارات میں سے ایک میں کہا گیا ہے کہ CFT / AML فریم ورک کی موثریت کو مضبوط بنانے کے لیے اقدامات کو اپنانا ملک کی FATF کے دائرہ اختیار کی فہرست سے باہر نکلنے
کی کوششوں کی حمایت کرنے کے لیے سنگین خامیوں کے ساتھ۔

مالیاتی کارکردگی:

گزشتہ مالی سال کے اختتام سے 30 ستمبر 2022 تک شریعت کے مطابق قرض دینے والے پورٹ فولیو کا حجم 874 PKR ملین پر تقریباً مستحکم رہا۔ آمدنی گزشتہ سال کی اسی مدت میں 18.74 PKR ملین
کے مقابلے 29.82 PKR ملین تک بڑھ گئی۔ آپریٹنگ اخراجات 5.29 PKR ملین پر مشتمل تھے۔ ٹیکس سے قبل منافع 11.56 PKR ملین کے مقابلے 24.03 PKR ملین رہا۔ بعد از ٹیکس منافع
گزشتہ سال کی اسی مدت کے 8.10 PKR ملین کے مقابلے میں 17.18 ملین روپے تک بڑھ گیا۔

مستقبل کے منصوبے:

مضاربہ کو اول کارپوریٹ ری سٹرکچرنگ کمپنی ("ACRC") میں ضم کرنے کا عمل جاری ہے اور توقع ہے کہ انتظامات کی منظور شدہ اسکیم کے تحت جلد ہی مکمل ہو جائے گا۔ انضمام کے منتظر عدالتی حکم کے بعد
مضاربہ کی کارروائیاں ختم ہو جائیں گی۔

گورننس:

دیر چائزہ مدت کے دوران اول مضاربہ بینجٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں کی گئی ہے۔

اعتراف:

بورڈ کی بورڈ اینڈ ایگزیکٹو کمیشن آف پاکستان اور رجسٹرڈ مضاربہ کی مسلسل رہنمائی اور تعاون کا اعتراف اور تحریف کرتا چاہتا ہے۔ ہم مضاربہ پر اعتماد کرنے کے لیے اس کے سارے ممبرین اور سرمایہ کاروں کا شکریہ ادا
کرنے کے لیے اس موقع سے فائدہ اٹھانا چاہتے ہیں۔

بحکم بورڈ

عبدالجلیل شیخ

ڈائریکٹر

کریم حاتم

چیف ایگزیکٹو

تاریخ: 28 اکتوبر 2022

AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

		September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
		----- Rupees -----	
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	4	1,011,132	838,383
Intangible asset	5	-	-
Long term portion of Musharika Finance	6	263,676,433	300,841,716
Long term portion of Diminishing Musharika Finance	7	178,672,086	189,681,829
Receivable against advisory fee	8	16,051,548	16,051,548
Long term loans	9	-	-
Long term deposit		75,000	75,000
Deferred tax asset	10	8,128,513	8,207,316
		467,614,712	515,695,792
CURRENT ASSETS			
Current portion of Musharika Finance	6	239,300,000	230,800,000
Current portion of Diminishing Musharika Finance	7	130,143,455	81,852,646
Current portion of receivable against advisory fee	8	11,283,643	17,708,472
Current portion of long term loans	9	-	119,989
Investment against repurchase agreement	11	63,053,999	78,487,456
Accruals, prepayments, advances and other receivables	12	60,073,773	73,266,613
Taxation refundable		13,249,380	13,249,380
Bank balances	13	237,616,735	187,183,943
		754,720,985	682,668,499
TOTAL ASSETS		1,222,335,697	1,198,364,291
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each	14	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital			
100,000,000 Modaraba Certificates of Rs. 10 each	14	1,000,000,000	1,000,000,000
Statutory Reserves		133,331,178	129,897,198
Accumulated profit		41,912,107	28,176,186
		1,175,243,285	1,158,073,383
CURRENT LIABILITIES			
Accrued expenses	15	9,107,175	9,052,098
Payable to related parties	16	16,431,967	16,197,407
Provision for taxation	17	21,367,179	14,855,312
Unclaimed profit distribution		186,091	186,091
		47,092,412	40,290,908
TOTAL EQUITY AND LIABILITIES		1,222,335,697	1,198,364,291
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

		Quarter ended September 30, 2022 ----- Un-audited ----- ----- Rupees -----	Quarter ended September 30, 2021
Income			
Income from Musharika Finance		21,985,218	6,473,925
Income from Diminishing Musharika Finance - net	19	4,359,956	2,444,799
Income from Investment against repurchase agreement		-	68,811
Income from Modaraba Term Deposit		-	1,179,084
Income from Sukuk		-	4,066,259
Income from deposits with banks		3,473,851	4,506,668
		29,819,025	18,739,546
Expenses			
Administrative and operating expenses		(5,292,710)	(6,939,772)
Financial charges		(1,102)	(1,966)
		24,525,213	11,797,808
Management Company's remuneration		-	-
Provision for services sales tax on Management Company's remuneration		-	-
		-	-
Provision for Workers' Welfare Fund		(490,504)	(235,956)
Profit before the taxation		24,034,709	11,561,852
Taxation	22	(6,864,808)	(3,456,749)
Profit for the period		17,169,901	8,105,103
Earnings per certificate - basic and diluted		0.17	0.08

The annexed notes form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Quarter ended September 30, 2022	Quarter ended September 30, 2021
	----- Un-audited -----	
	----- Rupees -----	
Profit for the period	17,169,901	8,105,103

Other comprehensive income:

Items that will not be reclassified to profit and loss

Gain on remeasurement of defined benefit obligation

Items that will be reclassified to profit and loss

Unrealised loss on remeasurement of Sukuk Certificate

	-	-
	-	(114,180)
	-	(114,180)
Total comprehensive income for the period	<u>17,169,901</u>	<u>7,990,923</u>

The annexed notes form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Issued, subscribed, and paid up certificate capital	*Statutory reserve	Accumulated profit	Total
	-----Rupees-----			
Balance as at July 01, 2021 (Audited)	1,000,000,000	124,326,410	37,040,815	1,161,367,225
Total comprehensive income for the period				
Profit for the period	-	-	8,105,103	8,105,103
Other comprehensive income	-	-	-	-
	-	-	8,105,103	8,105,103
Transfer to statutory reserve	-	1,621,021	(1,621,021)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended June 30, 2021 @ Re. 0.32 per certificate	-	-	(32,000,000)	(32,000,000)
Balance as at September 30, 2021(Un-audited)	1,000,000,000	125,947,431	11,524,897	1,137,472,328
Balance as at July 01, 2022	1,000,000,000	129,897,198	28,176,186	1,158,073,383
Total comprehensive income for the period				
Profit for the period	-	-	17,169,901	17,169,901
Other comprehensive income	-	-	-	-
	-	-	17,169,901	17,169,901
Transfer to statutory reserve	-	3,433,980	(3,433,980)	-
Balance as at September 30, 2022 (Un-audited)	1,000,000,000	133,331,178	41,912,107	1,175,243,285

*Statutory reserve represents profit set aside to comply with the Modaraba Regulations, 2021 issued by Securities and Exchange Commission

The annexed notes form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR

AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

		Quarter ended September 30, 2022	Quarter ended September 30, 2021
		----- Un-audited -----	
	Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		24,034,709	11,561,852
Adjustments for:			
Depreciation on operating fixed assets	4	62,670	9,191
Amortisation on intangible asset	5	-	659,166
Net cash generated before working capital changes		24,097,379	12,230,209
Decrease / (increase) in current assets			
Accruals, prepayments, advances and other receivables		13,192,840	9,043,199
Modaraba Term Deposit		-	200,000,000
Receivable against advisory fee		6,424,829	-
Investment against repurchase agreement		15,433,457	(78,487,456)
Disbursement of Musharika Finance		-	(140,000,000)
Proceeds from repayment / settlement of Musharika Finance		28,665,283	10,000,000
Disbursement of Diminishing Musharika Finance		(49,262,400)	-
Proceeds from repayment / settlement of Diminishing Musharika Finance		11,981,334	6,666,665
Long term loans		119,989	345,169
		26,555,332	7,567,577
(Decrease) / Increase in current liabilities			
Accrued expenses		55,079	(353,859)
Payable to related parties		234,560	(4,773,964)
		289,639	(5,127,823)
Cash generated from operations		50,942,350	14,669,963
Tax withheld		(274,138)	(1,609,019)
Net cash (used in) / generated from operating activities		50,668,212	13,060,944
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Sukuk Certificates		-	-
Capital expenditure		(235,419)	(158,500)
Net cash generated from and (used in) investing activities		(235,419)	(158,500)
Net increase / (decrease) in cash and cash equivalents		50,432,793	12,902,444
Cash and cash equivalents at the beginning of the period		187,183,943	155,753,925
Cash and cash equivalents at the end of the period	13	237,616,736	168,656,369

The annexed notes form an integral part of these financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

1 STATUS AND NATURE OF BUSINESS

- 1.1 Awwal Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder. The Modaraba is managed by the Awwal Modaraba Management Limited (the Management Company), a Company wholly owned by Pak Brunei Investment Company Limited (the Holding Company). After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from 10 February 2016. The registered office is situated at 3rd Floor, Horizon Vista, Plot Commercial No. 10, Block No. 4, Scheme No. 5, Clifton, Karachi.

Awwal Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing working capital, term finance, ijarah, musharika, morabaha and other shari'ah compliant investment / instrument to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange Limited (PSX).

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1 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, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) ['the Modaraba Regulations'].

Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, requirements of 'the Modaraba Regulations' have been followed.

2.1.2 The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements 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 published audited financial statements of the Modaraba for the year ended June 30, 2022.

2.1.3 The comparative year presented in these condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2022, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial statement for the period ended September 30, 2021.

2.1.4 These condensed interim financial statements are being submitted to the certificate holders if requested as required by listing Regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise stated

2.4 Critical accounting estimates and judgements

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimating the uncertainty were the same as those that apply to the audited financial statements as at and for the year ended June 30, 2022.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 3.1 The principal accounting policies applied in the presentation of these condensed interim financial statements are same as those applied in the preparation of annual financial statements of the Modaraba as at and for the year ended June 30, 2022.
- 3.2 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2022. These standards, interpretations and amendments are either not relevant to the Modaraba's operations or are not expected to have a significant effect on these condensed interim financial statements.
- 3.3 The Modaraba's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Modaraba for the year ended June 30, 2022.

4 OPERATING FIXED ASSETS

	Furniture & Fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
	(Rupees)			
Cost				
Balance as at 01 July 2021	73,725	2,578,430	1,613,740	4,265,895
Purchase during the year	-	804,185	-	804,185
Balance as at 30 June 2022 (Audited)	<u>73,725</u>	<u>3,382,615</u>	<u>1,613,740</u>	<u>5,070,080</u>
Balance as at 01 July 2022	73,725	3,382,615	1,613,740	5,070,080
Purchase during the period	-	235,419	-	235,419
Balance as at September 30, 2022 (Un-audited)	<u>73,725</u>	<u>3,618,034</u>	<u>1,613,740</u>	<u>5,305,499</u>
Accumulated depreciation				
Balance as at 01 July 2021	58,127	2,570,884	1,452,365	4,081,376
Charge for the year	11,564	138,757	-	150,321
Balance as at June 30, 2022 (Audited)	<u>69,691</u>	<u>2,709,641</u>	<u>1,452,365</u>	<u>4,231,697</u>
Balance as at 01 July 2022	69,691	2,709,641	1,452,365	4,231,697
Charge for the period	1,327	61,343	-	62,670
Balance as at September 30, 2022 (Un-audited)	<u>71,018</u>	<u>2,770,984</u>	<u>1,452,365</u>	<u>4,294,367</u>
Net book value as at June 30, 2022 (Audited)	<u>4,034</u>	<u>161,375</u>	<u>161,375</u>	<u>838,383</u>
Net book value as at September 30, 2022 (Un-audited)	<u>2,707</u>	<u>161,375</u>	<u>161,375</u>	<u>1,011,132</u>
Annual Rates of depreciation	<u>20%</u>	<u>33% - 50%</u>	<u>25%</u>	

5 INTANGIBLE ASSET

Cost

	September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
Opening balance	<u>8,330,731</u>	<u>8,330,731</u>
Closing balance	<u>8,330,731</u>	<u>8,330,731</u>

Amortisation

Opening balance	8,330,731	7,161,236
Charge for the period / year	-	1,169,495
Closing balance	<u>8,330,731</u>	<u>8,330,731</u>
Net book value	<u>-</u>	<u>-</u>
Annual rate of amortisation	<u>33.33%</u>	<u>33.33%</u>

6 MUSHARIKA FINANCE

Musharika finance - secured	502,976,433	531,641,716
less: current portion of Musharika Finance	<u>(239,300,000)</u>	<u>(230,800,000)</u>
	<u>263,676,433</u>	<u>300,841,716</u>

6.1

- 6.1 The Modaraba has provided Musharika Finance facilities to several customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 4.35% to 85.00% (2021: 5.71% to 74.36%) and 15.00% to 95.65% (2021:25.64% to 94.29%) respectively. The customers have either transferred the titles of the assets in the name of the Modaraba or the assets are held in trust by an Agent, being related party of the Modaraba, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of the Modaraba to the extent of its interest defined in such agreements. The Modaraba has also obtained various securities against these facilities including personal guarantees of sponsors or directors of customers, post-dated cheques issued by customers and hypothecation of assets.
- 6.2 These facilities have various maturities up to 21 April 2027. These facilities carry profit ranging from 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3%.

		September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
7	DIMINISHING MUSHARIKA FINANCE	Note	----- Rupees -----
	Diminishing Musharika Finance - secured	308,815,541	271,534,475
	Less: current portion of Diminishing Musharika Finance	(130,143,455)	(81,852,646)
		<u>178,672,086</u>	<u>189,681,829</u>
7.1	Diminishing Musharika Finance - secured		
	Considered good	7.2 131,858,313	94,577,247
	Considered doubtful	7.3 200,000,000	200,000,000
	Less: Provision against doubtful debts	(23,042,772)	(23,042,772)
		<u>176,957,228</u>	<u>176,957,228</u>
		<u>308,815,541</u>	<u>271,534,475</u>

- 7.2 Include an amount of Rs. 53.33 million against Diminishing Musharika Finance Facility to its corporate customer for the purpose of financing the construction of housing project. The facility is secured against various collaterals which mainly include transfer of personal properties of sponsors and/or their associates. Further this facility is secured with first pari passu hypothecation charge over the present and future fixed assets, including plant and machinery and land and building, present and future current assets of the housing project, lien on debt collection accounts of the customer and personal guarantees of the Sponsors.

Also include an amount of Rs. 78.52 million against facilities extended to various customers for vehicle financing arrangements. All arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

- 7.3 The Modaraba has provided Diminishing Musharika Finance Facility to its corporate customer for the purpose of balance sheet re-profiling. This facility is secured against various collaterals which include mortgage over personal properties of sponsors. Further, the facility is also secured with first pari passu hypothecation and mortgage charges over present and future fixed and current assets of the customer, pledge over sponsor shares, personal guarantees of sponsors, sponsor support and lien over collection account. The customer has defaulted in repayments, therefore, modaraba initiated legal proceeding against the customer in the Sindh High Court under Financial Institution (Recovery of Finances) Ordinance, 2001.

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

			September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
8	RECEIVABLE AGAINST ADVISORY FEE	Note	----- Rupees -----	
	Receivable against advisory fee	8.1	27,335,191	33,760,020
	Less: current portion of fee		(11,283,643)	(17,708,472)
			<u>16,051,548</u>	<u>16,051,548</u>

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

			September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
9	LONG TERM LOANS	Note	----- Rupees -----	
	Considered good			
	Loan to employees - unsecured	9.1	-	119,989
	Less: receivable within one year		-	(119,989)
			<u>-</u>	<u>-</u>

- 9.1 Loans to executives are provided by the Modaraba for the purchase of motor vehicles and other purposes in accordance with the terms of their employment. These loans are interest free and have tenor of upto 5 years.

- 9.2 Maximum balance due from employees during the period was Rs. 0.12 million (2022: 1.32 million).

10 DEFERRED TAX ASSET

The deferred tax asset is attributable to the following items:

		September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	----- Rupees -----	
Deductible temporary differences			
Provision against doubtful receivables		8,196,362	8,196,362
Chargeable temporary differences			
Property plant & equipment		(67,849)	10,954
		<u>8,128,513</u>	<u>8,207,316</u>

11 INVESTMENT AGAINST REPURCHASE AGREEMENT

Investment against repurchase agreement - secured	11.1	63,053,999	78,487,456
less: current portion of investment		<u>(63,053,999)</u>	<u>(78,487,456)</u>
		<u>-</u>	<u>-</u>

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

12 ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

		September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	----- Rupees -----	
Accrued profit on Investment against repurchase agreement		-	8,429,337
Accrued profit on Musharika Finance		5,545,134	3,976,160
Accrued profit on Diminishing Musharika Finance		47,111,680	46,051,774
Accrued profit on deposit accounts		1,128,449	1,172,360
Receivable from employees	12.1	28,366	44,136
Other advance		948,176	811,576
Prepayments	12.2	1,119,268	303,468
Other receivables		117,833	10,259,768
Receivable from KASB Modaraba	12.3	1,013,505	737,874
Receivable from First Pak Modaraba	12.3	589,934	448,058
Receivable from First Prudential Modaraba	12.3	7,360,250	5,074,936
Receivable from Gratuity Fund		331,722	1,177,710
		<u>65,294,317</u>	<u>78,487,157</u>
Less: Provision against accrued profit on Diminishing Musharaka Finance		<u>(5,220,544)</u>	<u>(5,220,544)</u>
		<u>60,073,773</u>	<u>73,266,613</u>

- 12.1 This represents expenses incurred by the Modaraba on behalf of its employees which will be adjusted against their respective salaries.
- 12.2 This includes Rs.10,767 pertaining to an account maintained with the State Bank of Pakistan for the collection of ECIB Charges.
- 12.3 This includes staff cost of the employees deputed in Modarabas under common management.

		September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
		----- Rupees -----	
13	BANK BALANCES		
	Balances with banks		
	in current accounts	186,518	186,518
	in deposit accounts	237,430,217	186,997,424
		<u>237,616,735</u>	<u>187,183,943</u>

- 13.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at a rate ranging from 3.99% to 12.00% (2022: 3.99% to 12.00%) per annum.

14 CERTIFICATE CAPITAL

Authorised certificate capital

September 30, 2022 (Un-audited)	June 30, 2022 (Audited)		September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
Number of certificates			----- Rupees -----	
<u>100,000,000</u>	100,000,000	Modaraba certificates of Rs.10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Issued, subscribed and paid-up certificate capital

		Modaraba certificates of Rs. 10 each fully paid in cash		
<u>100,000,000</u>	100,000,000		<u>1,000,000,000</u>	<u>1,000,000,000</u>

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

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

		September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	----- Rupees -----	
15	ACCRUED EXPENSES		
	Audit remuneration payable	361,035	361,034
	Payable to Shari'ah Advisor	300,000	600,000
	Bonus, leave fare allowance and other staff accrual	47,242	177,424
	Sindh sales tax payable	21,086	1,393
	Provision for Workers' Welfare Fund	7,803,856	7,313,352
	Others	573,956	598,895
		<u>9,107,175</u>	<u>9,052,098</u>

- 15.1 The Sindh Workers' Welfare Fund Act, 2014 ('the SWWF Act') became effective from 21 May 2015 and is applicable on the Modaraba due to which Modaraba is liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or taxable income as provided in its income tax return. However, the Modaraba has filed a petition challenging the vires of Section 5 of the SWWF Act in the Sindh High Court ('the Court'). Similar petitions have been filed by other modarabas and obtained an interim injunction from the Court. An interim injunction has been granted by the Court and the matter is tagged with other similar petitions filed with the Court.

In compliance of the order dated 16 March 2020, passed by the Court in respect of SWWF petitions including our petition bearing number CP.D.3867/2017; Awwal Modaraba has deposited amounting to Rs. 6.17 million in Sindh Workers' Welfare Fund (G-06313) for the years from 2016 to 2020.

	September 30, 2022 (Un-audited)	June 30, 2022 (Audited)
	----- Rupees -----	
16 PAYABLE TO RELATED PARTIES		
Awwal Modaraba Management Limited	14,429,747	14,429,747
Pak Brunei Investment Company Limited	1,130,284	1,013,371
Modarabas under common management	871,936	754,289
	<u>16,431,967</u>	<u>16,197,407</u>

17 **PROVISION FOR TAXATION**

Provision	26,370,284	19,584,279
Less: Advance tax	(5,003,105)	(4,728,967)
	<u>21,367,179</u>	<u>14,855,312</u>

18 **CONTINGENCIES AND COMMITMENTS**

Details of contingencies regarding Provision for Sindh Workers' Welfare Fund and Services Sales Tax on Management Company's remuneration are disclosed in notes 15.1 and 20 respectively. There are no other contingencies as at September 30, 2022.

	September 30, 2022 (Un-audited)	September 30, 2021 (Audited)
	----- Rupees -----	
19 INCOME FROM DIMINSIHING MUSHARIKA FINANCE - NET		
Income from diminsihing musharika finance	8,621,363	7,771,557
Less: Income suspended	(4,261,407)	(5,326,758)
	<u>4,359,956</u>	<u>2,444,799</u>

- 19.1 One of the customer has defaulted in payment of dues against the extended facility (refer note 0.0). The income of the period pertained to such facility has been suspended in accordance with the Modaraba Regulations, 2021.

20 MANAGEMENT COMPANY'S REMUNERATION

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

21 PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax (SST) on the Modaraba Management Company's remuneration with effect from 01 November 2011. However, certain modaraba management companies have approached the Honourable Sindh High Court (the Court) and Appellate Tribunal of SRB, challenging the levy of SST on management company's remuneration. The Modaraba Management Company has not received any demand notice from SRB for payment of SST on Management Company's remuneration and accordingly, based on legal advisor's opinion, can neither file any petition challenging the levy of SST on Management Company's remuneration nor can join the proceedings of pending petition in the Court. As a matter of abundant caution the management is accruing SST on Management Company's remuneration and will discharge the liability on direction of the Court based on outcome of the petition filed by other modaraba management companies.

22	TAXATION	Note	September 30, 2022 (Un-audited)	September 30, 2021 (Un-audited)
			----- Rupees -----	
	Current		6,786,005	3,456,749
	Deferred		78,803	-
			<u>6,864,808</u>	<u>3,456,749</u>

23 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

	September 30, 2022 (Un-audited) ----- Rupees -----	September 30, 2021 (Un-audited) ----- Rupees -----
Basic		
Profit for the year	<u>17,169,901</u>	<u>8,105,103</u>
Weighted average number of certificates outstanding during the year	<u>100,000,000</u>	<u>100,000,000</u>
Earnings per certificate - Basic (Rupee/es per certificate)	<u>0.17</u>	<u>0.08</u>

Diluted

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

The related parties of the Modaraba comprise of the Management Company and its Holding Company, Modarabas under common management (KASB Modaraba, First Prudential Modaraba and First Pak Modaraba), other associated companies, staff retirement funds, Directors and Key Management Personnel. Transactions with related parties are carried out at agreed rates.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Modaraba considers its Chief Financial Officer and business heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement. Details of certificate holding of Holding Company, Management Company, Directors, Key Management Personnel and their family members are disclosed in pattern of certificate holding included in the annual report of the Modaraba.

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

24.1 Details of the transactions with related parties	September 30, 2022 (Un-audited) Rupees	September 30, 2021 (Un-audited) Rupees
Pak Brunei Investment Company Limited Holding Company of the Management company		
Profit earned from Modaraba Term Deposit	-	(1,179,084)
Shared service expense	2,514,776	2,396,877
Other expenses	17,899	13,600
KASB Modaraba		
Sharing of common expenses	(125,154)	(187,831)
Staff cost of deputed employee	-	1,363,478
First Pak Modaraba		
Sharing of common expenses	(141,876)	(62,610)
First Prudential Modaraba		
Sharing of common expenses	(667,490)	(375,662)
Staff cost of deputed employee	(1,617,824)	1,725,849
Staff retirement benefits funds		
Contribution to staff provident fund	-	984,405
Contribution to staff gratuity fund	138,117	1,260,764
Jubilee Life Insurance Co. Ltd.		
Takaful premium	-	62,880

	September 30, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
24.2 Amounts outstanding as at year end		
Pak Brunei Investment Company Limited Holding Company of the Management company		
Payable in respect shared services	<u>1,130,284</u>	<u>1,013,371</u>
Awwal Modaraba Management Limited Management Company		
Payable against Management Company's remuneration	<u>14,429,747</u>	<u>14,429,747</u>
KASB Modaraba		
Receivable against sharing of common expenses	<u>141,569</u>	<u>16,415</u>
First Pak Modaraba		
Receivable against sharing of common expenses	<u>589,934</u>	<u>448,058</u>
First Prudential Modaraba		
Receivable against Staff cost of deputed employee	<u>5,348,221</u>	<u>3,730,397</u>
Receivable against sharing of common expenses	<u>2,012,029</u>	<u>1,344,539</u>
Staff retirement benefits funds		
Contribution payable to staff provident fund	<u>-</u>	<u>(27,822)</u>
Contribution payable to staff gratuity fund	<u>(356,860)</u>	<u>(1,162,902)</u>

25 CORRESPONDING FIGURES

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

26 DATE OF AUTHORISATION

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

**For Awwal Modaraba Management Limited
(Management Company)**

CHIEF FINANCIAL OFFICER CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR

AWWAL MODARABA

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**QUARTERLY
REPORT
SEPTEMBER 30,
2022**