

AWWAL MODARABA

QUARTERLY REPORT
MARCH 31, 2023

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. Ahmed Ateeq		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. Ahmed Ateeq	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

AWWAL MODARABA

Directors' Report

For the nine months period ended 31 March 2023

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 nine months period ended 31 Mar 2023.

Economy

Pakistan's economy continues to face serious economic challenges exacerbated by increasing political instability. This is an alarming situation with a potential risk of default on external debt obligations in the absence of preemptive restructuring and a return to IMF program. The crisis is demonstrated by sustained decline in Rupee value which fell by 27% since December 2022, foreign exchange reserves of \$4.2 billion (as of March 31, 2023), record high inflation at 35.4%, highest ever policy rate at 21%, and a sharp downward revision in growth forecast from 2% to 0.4%. Resumption of the IMF program accompanied by support from China, Saudi Arabia and UAE in the form of new loans can provide a measure of immediate stability. With all the difficult conditions required by IMF largely implemented, including market-based exchange rate, mini-budget to cover shortfall in tax revenue, reduction in subsidies, increase in utility tariffs, hike in policy rate and commitment of bilateral support from friendly countries, it is expected that ninth review of IMF would be completed and staff level agreement reached in the next few weeks.

Pakistan's economy is expected to grow by only 0.4 percent in the current fiscal year ending June 2023. According to World Bank's latest Pakistan Development Update released on April 4, 2023. This slower growth reflects subdued private sector activity amid deteriorating confidence, import controls, belated fiscal tightening, and the impacts of the unprecedented floods of summer 2022.

Clarity on political front and a successful review of IMF can herald a gradual return to normalcy after this period of unprecedented instability.

Financial Performance

Awwal Modaraba stepped up lending operations in FY2023 in order to counter the drag in profitability resulting from a highly liquid position. The size of shariah compliant lending portfolio increased to PKR 981.93 Million as on March 31, 2023 as compared to PKR 803.18 Million at the close of last financial year with fresh disbursements while maintaining the quality of exposures.

Total revenues increased to PKR 100.78 Million during the nine months period ended March 31, 2023 as compared to PKR 69.25 Million in corresponding period last year. With the increase in revenue and containment of operating expenses, profit before tax increased to PKR 80.21 Million, compared to PKR 34.37 Million in the corresponding period last year while after-tax profit substantially increased to PKR 57.03 Million from PKR 20.14 Million in corresponding period last year excluding management fee. We expect the full year's results to be stronger with full deployment as well as higher lending rates in line with increase in interest rates in the economy.

Current status of merger of Awwal Modaraba

On March 02, 2023, the Honourable High Court allowed our merger petition of Awwal Modaraba (AM) with and into Awwal Corporate Restructuring Company Limited (ACRCL). We are now in process of fulfilling corporate and regulatory formalities with regards to completion of merger. During the next few days, Certificate Holders book of Awwal Modaraba will be closed for issuance of new shares of Awwal Corporate Restructuring as per Swap ratio already determined. Awwal Modaraba will then be delisted from PSX and the books of both AM and ACRCL will be amalgamated.

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: 27th April, 2023

اول مضاربہ

ڈائریکٹرز کی رپورٹ

31 مارچ 2023 کو ختم ہونے والی نو ماہ کی مدت کے لیے

اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، اول مضاربہ کی انتظامی کمپنی، ہمیں 31 مارچ 2023 کو ختم ہونے والی نو ماہ کی مدت کے لیے ڈائریکٹرز کی رپورٹ کو اول مضاربہ کے غیر آڈٹ شدہ مالیاتی نتائج کے ساتھ پیش کرتے ہوئے خوشی ہو رہی ہے۔

معیشت:

پاکستان کی معیشت کو بدستور سنگین معاشی چیلنجز کا سامنا ہے جو بڑھتے ہوئے سیاسی عدم استحکام سے بڑھ رہے ہیں۔ یہ ایک تشویشناک صورتحال ہے جس میں قبل از وقت تنظیم نو اور آئی ایم ایف پروگرام میں واپسی کی غیر موجودگی میں بیرونی قرضوں کی ذمہ داریوں پر ڈیفالٹ کا خطرہ ہے۔ اس بحران کا اظہار روپے کی قدر میں مسلسل کمی سے ہوتا ہے جو دسمبر 2022 کے بعد سے 27 فیصد تک گر گئی، زرمبادلہ کے ذخائر 4.2 بلین ڈالر (31 مارچ 2023 تک)، ریکارڈ بلند افراط زر 35.4 فیصد، پالیسی شرح 21 فیصد پر اب تک کی بلند ترین شرح، اور چین، سعودی عرب اور متحدہ عرب امارات کی جانب سے نئے قرضوں کی صورت میں آئی ایم ایف پروگرام کے دوبارہ شروع ہونے کے ساتھ شرح نمو کی پیشن گوئی میں 2 فیصد سے 0.4 فیصد تک تیزی سے نیچے کی طرف نظر ثانی فوری استحکام کا ایک پیمانہ فراہم کر سکتی ہے۔ آئی ایم ایف کی طرف سے درکار تمام مشکل شرائط کو بڑے پیمانے پر لاگو کیا گیا، جس میں مارکیٹ پر مبنی شرح تبادلہ، ٹیکس ریونیو میں کمی کو پورا کرنے کے لیے منی بجٹ، سبسڈی میں کمی، یوٹیلیٹی ٹیرف میں اضافہ، پالیسی ریٹ میں اضافہ اور دوست ممالک کی جانب سے دو طرفہ تعاون کا عزم شامل ہیں۔ توقع ہے کہ آئی ایم ایف کا نواں جائزہ مکمل ہو جائے گا اور عملے کی سطح پر معاہدہ اگلے چند ہفتوں میں طے پا جائے گا۔ جون 2023 کو ختم ہونے والے رواں مالی سال میں پاکستان کی معیشت کی شرح نمو صرف 0.4 فیصد رہنے کی توقع ہے۔ ورلڈ بینک کی تازہ ترین پاکستان ڈویلپمنٹ اپڈیٹ کے مطابق 4 اپریل 2023 کو جاری کیا گیا۔ یہ سست شرح نمو بگڑتے ہوئے اعتماد، درآمدی کنٹرول، تاخیر سے مالیاتی سختی، اور 2022 کے موسم گرما کے بے مثال سیلاب کے اثرات کے درمیان نجی شعبے کی پست سرگرمی کی عکاسی کرتی ہے۔

سیاسی محاذ پر وضاحت اور آئی ایم ایف کا کامیاب جائزہ بے مثال عدم استحکام کے اس دور کے بعد بتدریج معمول پر آنے کا

اعلان کر سکتا ہے۔

مالیاتی کارکردگی:

اول مضاربہ نے مالی سال 2023 میں قرض دینے کی کارروائیوں میں تیزی لائی تاکہ انتہائی مائع پوزیشن کے نتیجے میں منافع میں کمی کا مقابلہ کیا جاسکے۔ 31 مارچ 2023 تک شریعت کے مطابق قرض دینے والے پورٹ فولیو کا حجم 981.93PKR ملین ہو گیا جو کہ گزشتہ مالی سال کے اختتام پر 803.18PKR ملین تھا جو کہ نمائش کے معیار کو برقرار رکھتے ہوئے تازہ تقسیم کے ساتھ تھا۔ 31 مارچ 2023 کو ختم ہونے والی نو ماہ کی مدت کے دوران کل آمدنی 100.78PKR ملین ہو گئی جو گزشتہ سال کی اسی مدت میں PKR

69.25 ملین تھی۔ آمدنی میں اضافے اور آپریٹنگ اخراجات کی روک تھام کے ساتھ ٹیکس سے پہلے کا منافع بڑھ کر 80.21PKR ملین ہو گیا، جو کہ گزشتہ سال کی اسی مدت میں 34.37PKR ملین تھا جبکہ ٹیکس کے بعد منافع پچھلے سال کی اسی مدت میں 20.14PKR ملین سے بڑھ کر 57.03PKR ملین ہو گیا انتظامیہ کی فیس کو چھوڑ کر۔ ہم توقع کرتے ہیں کہ پورے سال کے نتائج معیشت میں شرح سود میں اضافے کے ساتھ ساتھ مکمل تعیناتی کے ساتھ ساتھ اعلیٰ قرضے کی شرح کے ساتھ مضبوط ہوں گے۔

اول مضاربہ کے انضمام کی موجودہ صورتحال:

02 مارچ، 2023 کو، معزز ہائی کورٹ نے اول مضاربہ (AM) کی ہماری انضمام کی درخواست کو اول کارپوریٹ ری اسٹرکچرنگ کمپنی لمیٹڈ (ACRCL) کے ساتھ اور اس میں شامل کرنے کی اجازت دے دی۔ اب ہم انضمام کی تکمیل کے حوالے سے کارپوریٹ اور ریگولیٹری رسمی کارروائیوں کو پورا کرنے کے عمل میں ہیں۔ اگلے چند دنوں کے دوران، اول مضاربہ کی سٹوفکیٹ ہولڈرز بک پہلے سے طے شدہ سویپ تناسب کے مطابق اول کارپوریٹ ری اسٹرکچرنگ کے نئے حصص کے اجراء کے لیے بند کر دی جائے گی۔ اس کے بعد اول مضاربہ کو PSX سے خارج کر دیا جائے گا اور AM اور ACRCL دونوں کی کتابوں کو یکجا کر دیا جائے گا۔

گورننس

زیر جائزہ مدت کے دوران اول مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں کی گئی ہے۔

اعتراف:

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا اعتراف اور تعریف کرنا چاہتا ہے۔ ہم مضاربہ پر اعتماد کرنے کے لیے اس کے صارفین اور سرمایہ کاروں کا شکریہ ادا کرنے کے لیے اس موقع سے فائدہ اٹھانا چاہتے ہیں۔

بورڈ کی جانب سے

عبدالخلیل شیخ

ڈائریکٹر

کریم حاتم

چیف ایگزیکٹو

تاریخ: 27 اپریل 2023

**AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023**

	Note	March 31, 2023 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	4	1,299,955	838,383
Intangible asset	5	-	-
Long term portion of Musharika Finance	6	250,568,356	300,841,716
Long term portion of Diminishing Musharika Finance	7	216,775,252	189,681,829
Long term portion of receivable against advisory fee	8	-	16,051,548
Long term deposit		75,000	75,000
Assignment of receivable	9	210,000,000	-
Deferred tax asset		8,002,319	8,207,316
		<u>686,720,882</u>	<u>515,695,792</u>
CURRENT ASSETS			
Current portion of Musharika Finance	6	80,800,000	230,800,000
Current portion of Diminishing Musharika Finance	7	223,786,431	81,852,646
Current portion of receivable against advisory fee	8	27,480,000	17,708,472
Current portion of long term loans		4,392,497	119,989
Investment against repurchase agreement		-	78,487,456
Accruals, prepayments, advances and other receivables		91,437,392	73,266,613
Bank balances	10	108,906,160	187,183,943
		<u>536,802,480</u>	<u>669,419,119</u>
TOTAL ASSETS		<u><u>1,223,523,362</u></u>	<u><u>1,185,114,911</u></u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
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			
100,000,000 Modaraba Certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Statutory Reserves		129,897,198	129,897,198
Accumulated profit		63,210,744	28,176,186
		<u>1,193,107,941</u>	<u>1,158,073,383</u>
Unrealised gain on remeasurement of Sukuk Certificate		-	-
CURRENT LIABILITIES			
Accrued expenses		16,082,949	9,052,098
Payable to related parties	[11,428,915	16,197,407
Taxation - net		2,714,964	1,605,931
Unclaimed profit distribution		188,593	186,091
		<u>30,415,421</u>	<u>27,041,528</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,223,523,362</u></u>	<u><u>1,185,114,911</u></u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 16 form an integral part of these condensed interim 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 MARCH 31, 2023

		Nine month Ended March 31, 2023 (Un-audited) Rupees	Nine month Ended March 31, 2022 (Un-audited) Rupees	Quarter ended March 31, 2023 (Un-audited) Rupees	Quarter ended March 31, 2022 (Un-audited) Rupees
	Note				
Income					
Income from Musharika Finance		57,696,847	31,624,209	14,815,123	16,535,835
Income from Diminishing Musharika Finance - net		25,531,254	7,177,158	12,285,439	2,431,781
Income from Investment against repurchase agreement		-	6,330,604	-	3,096,491
Income from Modaraba Term Deposit		-	1,922,541	-	45,517
Income from Investment in Sukuk Certificates		-	9,331,098	-	948,703
Income from deposits with banks		15,248,796	11,155,315	3,571,876	3,619,973
Other Income		2,299,600	1,710,143	2,130,700	507,791
		100,776,497	69,251,068	29,709,576	27,186,091
Provision against doubtful receivable- Diminshing Musharaka Finance		-	(14,131,658)	-	-
Expenses					
Administrative and operating expenses		(18,938,149)	(19,688,348)	(5,772,772)	(4,852,120)
Financial charges		(19,122)	(70,005)	(8,002)	(4,021)
		81,819,226	35,361,057	23,928,802	22,329,950
Management Company's remuneration		-	-	-	-
Provision for services sales tax on Management Company's remuneration		-	-	-	-
		-	-	-	-
Provision for Workers' Welfare Fund		(1,604,299)	(989,854)	(469,192)	(446,599)
Profit before the taxation		80,214,927	34,371,203	23,459,610	21,883,351
Taxation	12	(23,180,369)	(14,227,747)	(6,727,910)	(6,425,913)
Profit / (loss)for the period		57,034,558	20,143,456	16,731,700	15,457,438
Earnings per certificate - basic and diluted	13	0.57	0.20	0.17	0.15

The annexed notes from 1 to 16 form an integral part of these condensed interim 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 MARCH 31, 2023**

	Nine month Ended March 31, 2023 (Un-audited) Rupees	Nine month Ended March 31, 2022 (Un-audited) Rupees	Quarter ended March 31, 2023 (Un-audited) Rupees	Quarter ended March 31, 2022 (Un-audited) Rupees
Profit for the period	57,034,558	20,143,456	16,731,700	15,457,438
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>57,034,558</u>	<u>20,143,456</u>	<u>16,731,700</u>	<u>15,457,438</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim 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 MARCH 31, 2023

	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 Quarter				
Profit for the period	-	-	20,143,456	20,143,456
Other comprehensive income	-	-	-	-
	-	-	20,143,456	20,143,456
Transfer to statutory reserve	-	4,028,691	(4,028,691)	-
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 March 31, 2022 (Un-audited)	<u>1,000,000,000</u>	<u>128,355,101</u>	<u>21,155,580</u>	<u>1,149,510,681</u>
Balance as at July 01, 2022 (Audited)	1,000,000,000	129,897,198	28,176,186	1,158,073,383
Total comprehensive income				
Profit for the period	-	-	57,034,558	57,034,558
Other comprehensive income	-	-	-	-
	-	-	57,034,558	57,034,558
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended June 30, 2022 @ Re. 0.22 per certificate	-	-	(22,000,000)	(22,000,000)
Balance as at March 31, 2023 (Un-audited)	<u>1,000,000,000</u>	<u>129,897,198</u>	<u>63,210,744</u>	<u>1,193,107,941</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim 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 MARCH 31, 2023

	Note	Nine month Ended March 31, 2023 (Un-audited) Rupees	Nine month Ended March 31, 2022 (Un-audited) Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		80,214,927	34,371,203
Adjustments for:			
Depreciation on operating fixed assets	4	257,047	89,102
Amortisation on intangible asset	5	-	1,169,495
Gain on Sale of fixed assets		(1,743,300)	
Provision against doubtful receivable		204,997	14,131,658
Net cash generated before working capital changes		78,933,671	49,761,458
Decrease / (increase) in current assets			
Accruals, prepayments, advances and other receivables		(18,170,779)	5,672,774
Modaraba Term Deposit		-	239,000,000
Sukuk - Proceeds from Sale of Meezan Sukuk		-	173,000,000
Receivable against advisory fee		6,280,020	1,950,168
Investment against repurchase agreement		78,487,456	(78,487,456)
Disbursement of Musharika Finance		-	(832,000,000)
Disbursement of Diminishing Musharika Finance		(206,065,100)	-
Proceeds from repayment / settlement of Musharika Finance		200,273,360	518,800,000
Proceeds from repayment / settlement of Diminishing Musharika Finance		37,037,892	26,666,664
Long term loans		(4,272,508)	3,142,097
(Decrease) / Increase in current liabilities		93,570,341	57,744,247
Accrued expenses		7,030,851	(2,218,767)
Payable to related parties		(4,768,492)	(4,972,468)
Unclaimed profit distribution		2,502	2,720
		2,264,861	(7,188,515)
Cash generated from operations		174,768,873	100,317,190
Tax paid		(22,071,336)	(4,235,904)
Net cash flows from operating activities		152,697,536	96,081,286
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(875,319)	(697,285)
Sales proceed of Fixed asset		1,900,000	-
Investment in assignment of receivables		(210,000,000)	-
Net cash used in investing activities		(208,975,319)	(697,285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to Certificate Holders		(22,000,000)	(32,000,000)
Net cash used in from financing activities		(22,000,000)	(32,000,000)
Net increase / (decrease) in cash and cash equivalents		(78,277,783)	63,384,000
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		108,906,160	219,137,925

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2023

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. On the March 02, 2023, the Honorable High Court approved/sanctioned the merger scheme and the procedures to materialize the merger are in process of completion

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 March 31, 2022.
- 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

		March 31, 2023	June 30, 2022
		(Un-audited)	(Audited)
	Note	Rupees	Rupees
Opening net book value (NBV)		838,383	184,519
Additions during the period / year at cost	4.1	875,319	804,185
Disposal during the period / year at cost	4.2	(156,700)	-
Depreciation charge for the period / year		(257,047)	(150,321)
Closing net book value (NBV)		<u>1,299,955</u>	<u>838,383</u>

4.1 Additions are made in Furniture and Fittings and vehicle

4.2 Deletion is made in vehicle

5 INTANGIBLE ASSET

These are carries at Nil book value as disclosed in Note 6 to the audited financial statements for the year ended June 30, 2022.

		March 31, 2023	June 30, 2022
		(Un-audited)	(Audited)
		Rupees	Rupees
6 MUSHARIKA FINANCE			
Musharika finance - secured	6.1	331,368,356	531,641,716
Less: current portion of Musharika Finance		(80,800,000)	(230,800,000)
		<u>250,568,356</u>	<u>300,841,716</u>

- 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 10% to 90% (June 30, 2022: 4.35 % to 85.00%) and 10% to 90% (June 30, 2022: 15.00% to 95.65%) 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 April 21, 2027. These facilities carry profit ranging from 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3% (June 30, 2022: 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3%)

	Note	March 31, 2023 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
7 DIMINISHING MUSHARIKA FINANCE			
Diminishing Musharika Finance - secured considered good	7.1	263,604,455	94,577,247
Considered doubtful	7.2	200,000,000	200,000,000
Less: Provision against doubtful debts		(23,042,772)	(23,042,772)
		176,957,228	176,957,228
Less: current portion of Diminishing Musharika Finance		(223,786,431)	(81,852,646)
		<u>216,775,252</u>	<u>189,681,829</u>

- 7.1 Include an amount of Rs. 27.73 million against Diminishing musharaka 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. 235.87 million against facilities extended to various customers for vehicle financing arrangements. All arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

- 7.2 The Modaraba has provided Diminishing musharaka finance facility to one of 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 November 28, 2026 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5% (June 30, 2022: 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%)

8 RECEIVABLE AGAINST ADVISORY FEE

Receivable against advisory fee	8.1	27,480,000	33,760,020
Less: current portion of advisory fee		<u>(27,480,000)</u>	<u>(17,708,472)</u>
		<u>-</u>	<u>16,051,548</u>

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

	Note	March 31, 2023 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
9 ASSIGNMENT OF RECEIVABLES			
Against the Court decree	9.1	161,824,286	-
Less: Unearned income		<u>(51,824,286)</u>	<u>-</u>
		110,000,000	-
Other receivable	9.2	<u>100,000,000</u>	<u>-</u>
		<u>210,000,000</u>	<u>-</u>

9.1 The Modaraba and the Pak Brunei Investment Company Limited (PBIC) entered into an agreement for “Assignment of Receivables and Rights” dated October 31, 2022. As per the agreement, PBIC has transferred/ assigned all rights and receivables pertaining to one customer against which recovery suit was filed (by PBIC) and decree was obtained from the Honorable Court for Rs. 161,824,286 as per order dated February 12, 2020. Modaraba has assumed the aforesaid rights on payment of full and final amount of Rs. 110,000,000 to PBIC. The receivable shall be recovered from the execution proceeding of the decree relating to the underlying Mortgaged Properties and other Securities and the amount of unearned income shall be recognized accordingly. However, Modaraba is entitled to exercise rights to issue notices, recover or restructure the claim for future settlement with the customer.

The underlying securities against the receivable (decretal amount) comprises of mortgage of various properties, attachment and sale of hypothecated assets of the customer and associated concern along with the sale of pledged shares of the sponsors.

As per the agreement, until final settlement between the Modaraba and the customer, the PBIC shall act as an agent of and continue to hold the mortgaged properties and other securities on behalf of the Modaraba.

9.2 The Modaraba, the Pak Brunei Investment Company Limited (PBIC) and one of its customer entered into tripartite agreement for “Assignment of Receivables and Rights” dated October 31, 2022. As per the agreement, PBIC has transferred/ assigned portion of rights against receivables of Rs. 100 million pertaining to the customer. Modaraba has assumed the aforesaid rights on payment of full and final amount of Rs. 100,000,000 to PBIC. The receivable is secured against mortgage of personal properties, personal guarantee of the customer’s sponsors and hypothecation charge over assets of the customer.

As per the agreement, until final settlement between the Modaraba and the customer, the PBIC shall act as an agent of and continue to hold the mortgage properties and other securities on behalf of the Modaraba.

The receivable shall be matured on April 23, 2023 on rollover basis and carry profit at 3 months KIBOR plus 4.75%.

Modaraba is also entitled to exercise rights to issue notices, recover or restructure the claim for future settlement with the customer.

10	BANK BALANCES	March 31. 2023 (Un-audited) Rupees	June 30. 2022 (Audited) Rupees
	Balances with banks in current accounts	221,344	186,518
	in deposit accounts	108,684,816	186,997,424
		<u>108,906,160</u>	<u>187,183,943</u>

11 CONTINGENCIES AND COMMITMENTS

11.1 Details of contingencies regarding Provision for Sindh Workers' Welfare Fund and Services Sales Tax on Management Company's remuneration are disclosed in notes 21.1 and 28 respectively as disclosed in the audited financial statements. There are no other contingencies as at March 31, 2023.

11.2 Commitment

There was no commitment as at the reporting date.

12	TAXATION	March 31. 2023 (Un-audited) Rupees	March 31. 2022 (Un-audited) Rupees
	Current	22,986,326	14,227,747
	Deferred	194,043	
		<u>23,180,369</u>	<u>14,227,747</u>

13 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

	Nine month Ended		Quarter ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(Un-audited)			
	(Rupees)			
Basic earning per certificate				
Profit for the period after taxation	<u>57,034,558</u>	<u>20,143,456</u>	<u>16,731,700</u>	<u>15,457,438</u>
	(Number)			
Weighted average number of certificates outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	(Rupee)			
Earnings per certificate	<u>0.57</u>	<u>0.20</u>	<u>0.17</u>	<u>0.15</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.

14 RELATED PARTY TRANSACTIONS

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 period other than those disclosed elsewhere in the financial statements are given below:

		March 31, 2023 (Un-audited) Rupees	March 31, 2022 (Un-audited) Rupees
14.1	Details of the transactions with related parties		
	Pak Brunei Investment Company Limited		
	Holding Company of the Management company		
	Receipt against sale/novation of Musharika Finance Facility	(150,000,000)	(174,000,000)
	(Encashment)/Placement of Modaraba Term Deposit	-	(239,000,000)
	Profit earned from Modaraba Term Deposit during the period	-	(1,922,541)
	Shared service expense	7,674,134	7,190,631
	Assignment of receivable under decree	110,000,000	-
	Assignment of other receivable	100,000,000	-
	KASB Modaraba		
	Sharing of common expenses	(829,261)	(191,446)
	Other expenses	965,395	249,811
	First Pak Modaraba		
	Sharing of common expenses	(427,012)	(63,815)
	First Prudential Modaraba		
	Staff cost of deputed employee	(5,898,403)	(4,672,445)
	Sharing of common expenses	(2,361,623)	(382,892)
	Staff retirement benefits funds		
	Contribution to staff provident fund	75,438	45,565
	Contribution to staff gratuity fund	-	414,351
	Jubilee Life Insurance Co. Ltd.		
	Takaful premium	186,943	47,160
14.2	Amounts outstanding as at period/year end		
	Pak Brunei Investment Company Limited		
	Holding Company of the Management company		
	Payable in respect shared services	(995,702)	(1,013,371)
	Awwal Modaraba Management Limited		
	Management Company		
	Payable against Management Company's remuneration	(9,916,609)	(14,429,747)

KASB Modaraba

Receivable/(payable) against sharing of common expense	<u>158,106</u>	<u>16,415</u>
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First Pak Modaraba

Receivable against sharing of common expenses	<u>143,260</u>	<u>448,058</u>
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First Prudential Modaraba

Receivable against Staff cost of deputed employee	<u>1,952,630</u>	<u>3,730,397</u>
Receivable against sharing of common expenses	<u>693,732</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>-</u>	<u>(1,162,902)</u>

15 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 condensed interim financial statements.

16 DATE OF AUTHORISATION

These condensed interim 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
MARCH 31 , 2023**