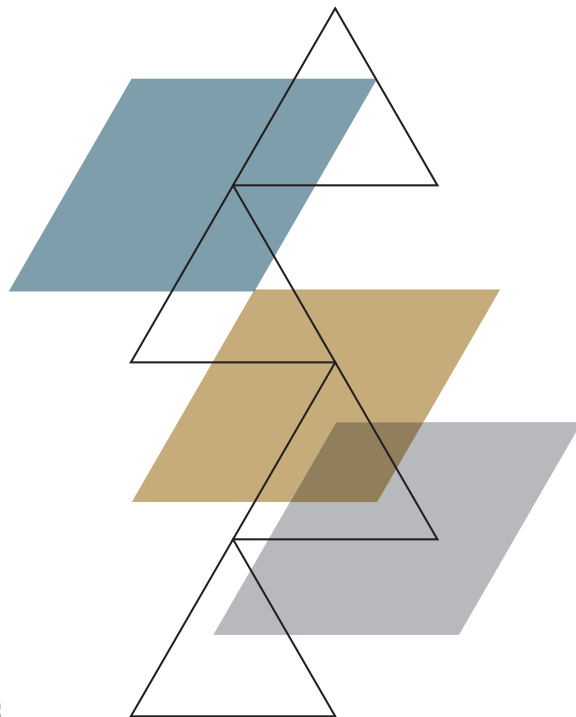


AWWAL
MODARABA

Creating Structure
and Precision in
Financial Planning for
Economic Prosperity



Quarterly Report
September 2018

Vision & Mission Statements

VISION STATEMENT

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

MISSION STATEMENT

AMML aims to be at the vanguard of innovation in modaraba management services, offering the best solutions to our customers, value to our shareholders and modaraba investors, complemented with a challenging, equal opportunity environment to our employees.

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 Sheikh	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. Rahaila Aleem

Chief Financial Officer

Syed Askary Haider Rizvi

Bankers

Habib Bank Limited
Soneri Bank Limited
National Bank of Pakistan

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

LMA Ebrahim Hosain

Shari'ah Advisor

Mufti Muhammad Hassaan Kaleem

Share Registrar

THK Associates (Pvt) Ltd.
1st Floor, 40-C, Block-6
P.E.C.H.S.
Karachi -75400.
Tel : (+92-21) 111-000-322
Fax: (+92-21) 34168271

Registered Office

6th Floor, Horizon Vista
Plot No. Commercial 10,
Block No. 4, Scheme No. 5
Clifton, Karachi, Pakistan.
Tel : (+92-21) 38771685
Fax : (+92-21) 35374275
Web: www.awwal.com.pk

AWWAL MODARABA

Directors' Report

For the three months period ended 30 September 2018

The Board of Directors of Awwal Modaraba Management Limited, Mudarib/Management Company of Awwal Modaraba (the Modaraba), are pleased to present the quarterly unaudited financial statements of Awwal Modaraba, for the quarter ended 30 September 2018.

Total income amounted to PKR 34.39m for the quarter comparable to PKR 32.32m in the comparative quarter last year. Overall, profit before tax for the period after provision for workers welfare fund was maintained at PKR 21.13m for the quarter comparable to PKR 21.42m due to slightly higher expenses. The overall portfolio size remained nearly constant with Musharakah Finance amounting to PKR 748.81m as on 30 September 2018. Uptil now, the modaraba has extended Musharakah Shirkatul Milk and Diminishing Musharakah facilities to its clients according to the structure advised by the Shariah Advisor.

GDP growth clocked 5.8% in FY2018. However, the weaker Pakistani rupee has taken its toll on the GDP and thereby has shrunk this growth rate to 2.7% in dollar terms. The rupee has weakened by approximately 18% against the US dollar over the past nine months and market experts believe it will further lose value with depleting foreign exchange reserves and a widening current account deficit. The country is likely to face a slowdown in growth during the ongoing fiscal year as tighter policies to improve macroeconomic stability have a negative impact. The SBP has already increased the key interest rate by 275 basis points since January, taking it to 8.5%. Inflationary pressures are increasing.

As intimated earlier, the Modaraba management has decided not to leverage its portfolio and manage within the available modaraba funds. This is also with consideration to the vulnerable economic situation where rising interest rates are expected to lead to stressed profitability and cashflows of corporates. Impact of inflation and devaluation, power issues, concerns related to IMF program have overall dampened the medium term economic outlook.

The Modaraba strategy at present is to monitor the existing exposures and write new exposures cautiously.

Governance

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

Acknowledgement

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

On behalf of the Board



Karim Hatim
Chief Executive Officer

Date: 16 October 2018



Abdul Jaleel Shaikh
Director

AWWAL MODARABA

ڈائریکٹرز رپورٹ:

برائے اختتام سہ ماہی 30 ستمبر، 2018

اول مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو اول مضاربہ (مضاربہ) منجمنٹ کمپنی ہے، اول مضاربہ کے غیر آڈٹ شدہ مالی گوشوارے برائے اختتام سہ ماہی 30 ستمبر 2018 کی رپورٹ پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔

گزشتہ سال کی اسی سہ ماہی میں 32.32 ملین پاکستانی روپے کے مقابلے میں اس سہ ماہی میں 34.39 ملین پاکستانی روپے کی مجموعی آمدنی حاصل ہوئی۔ مجموعی طور پر، دو مرکز ویلفیئر فنڈ مختص کرنے کے بعد اس سہ ماہی میں قبل از ٹیکس منافع، اخراجات میں معمولی اضافے کے باعث 21.13 ملین روپے رہا جو کہ گزشتہ سال کی اسی مدت میں 21.42 ملین روپے تھا۔ 30 ستمبر 2018 تک مجموعی پورٹ فولیو کا حجم، مشارک فنانس کے ساتھ تقریباً یکساں رہے ہوئے 748.81 ملین پاکستانی روپے رہا۔ مضاربہ نے اب تک مشارک شریک: اہلک اور تحقیقی مشارک میں سرمایہ کاری اپنے شرعی صلاح کار کی تجویز کردہ ساخت کے مطابق کی ہے۔

مالی سال 2018 میں جی ڈی پی میں اضافہ 5.8 فیصد تک پہنچا۔ تاہم، تیزی سے کمزور ہوتی پاکستانی روپے کی قدر نے جی ڈی پی پر منفی اثرات مرتب کیے اور نتیجتاً جی ڈی پی کی شرح ڈالر کی مد میں 2.7 فیصد تک پہنچ گئی۔ گزشتہ نو ماہ میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر تقریباً 18 فیصد تک کمزور ہوئی اور مارکیٹ کے ماہرین کا خیال ہے کہ غیر ملکی زرمبادلہ کے ذخائر کے خاتمے اور موجودہ کرنٹ اکاؤنٹ کے خسارے میں اضافے کے باعث اس کی قدر میں مزید کمی واقع ہوگی۔ جاری مالی سال کے دوران ملک کو ترقی کی شرح میں سست روی کا سامنا کرنا پڑ سکتا ہے کیونکہ یہ بڑے پیمانے پر اقتصادی استحکام کو بہتر بنانے کے لیے سخت پالیسیوں کے منفی اثرات مرتب ہو رہے ہیں۔ جنوری سے لے کر اب تک اسٹیٹ بینک آف پاکستان (ایس بی پی) نے پہلے ہی بنیادی شرح سود 275 بیس پوائنٹس کا اضافہ کر کے 8.5 فیصد تک پہنچا دیا ہے۔ افراط زر کے دباؤ میں اضافہ ہو رہا ہے۔

جیسا کہ پہلے لکھا دی گئی ہے، مضاربہ منجمنٹ نے فیصلہ کیا ہے کہ اپنے پورٹ فولیو کو بڑھانے کے لیے قرضوں کے حصول کے بجائے مضاربہ کے دستیاب فنڈز تک محدود رہ جائے۔ یہ بات موجودہ غیر یقینی معاشی صورتحال کی عکاس ہے جس میں سود کی بڑھتی ہوئی شرح، متوقع طور پر دباؤ کے حامل کارپوریشن کے منافع جات اور یکیش کلوز شامل ہیں۔ افراط زر اور روپے کی قدر میں کمی، توانائی کے مسائل، آبی اہم ایف پروگرام سے متعلق خدشات نے مجموعی طور پر معیشت کے وسط مدتی منظر نامے کو کمزور کر دیا ہے۔

مضاربہ کی حکمت عملی موجود سرمایہ کاری کی گہرائی اور نئی سرمایہ کاری میں احتیاط برتنے کی ہے۔

تفصیلات:-

اول مضاربہ کی تنظیم کمپنی، اول مضاربہ منجمنٹ لمیٹڈ کا بورڈ چھ (6) ممبران پر مشتمل ہے، جس میں چیف ایگزیکٹو آفیسر اور ایک خاتون ڈائریکٹر شامل ہیں۔ بورڈ کمپنی کی تفصیلات جس میں آڈٹ کمیٹی، ایف آر اور ریویژن کمیٹی اور بورڈ کی ترتیب رپورٹ کے کارپوریٹ انفارمیشن کے سیکشن میں دی گئی ہے۔

اعلیٰ تشکر:-

بورڈ SECP اور رجسٹر ارمضاربہ کی مسلسل رہنمائی اور تعاون کا معترف ہے اور اسے سراہتا ہے۔ اس کے ساتھ، اس موقع کا فائدہ اٹھاتے ہوئے اپنے صارفین اور سرمایہ کاروں کے اعتماد کا تہہ دل سے مشکور ہے۔

بورڈ کی جانب سے

(Signature)

کریم حاتم

چیف ایگزیکٹو آفیسر

مورخہ: 16 اکتوبر 2018

(Signature)

عبدالحلیم شیخ

ڈائریکٹر

AWWAL MODARABA

Condensed Interim Balance Sheet (Unaudited)

As at 30 September 2018

	Notes	30 September 2018 (Unaudited)	30 June 2018 (Audited)
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	332,380,259	298,945,833
Accruals, prepayments, advances and other receivables	6	64,631,845	27,437,338
Current portion of receivable against advisory fee	7	63,623,460	71,717,084
Current portion of Investment against repurchase agreement	8	60,878,893	17,999,991
Current portion of Musharika Finance	9	341,571,417	345,040,495
Current portion of Diminishing Musharika Finance	10	-	-
Current portion of long term loans	11	1,555,114	1,567,430
Taxation recoverable		7,212,362	6,368,628
Total current assets		871,853,350	769,076,799
Non - current assets			
Receivable against advisory fee	7	18,340,304	24,443,848
Investment against repurchase agreement	8	-	48,878,899
Long term portion of Musharika Finance	9	107,239,786	133,773,324
Long term portion of Diminishing Musharika Finance	10	300,000,000	300,000,000
Long term loans	11	3,692,204	4,015,254
Long term deposit		75,000	75,000
Intangible asset		223,542	258,600
Operating fixed assets	12	2,388,274	2,571,493
Total non - current assets		431,959,110	514,016,418
TOTAL ASSETS		1,303,812,460	1,283,093,217
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses	13	33,715,906	35,024,301
Payable to related parties	14	27,547,765	26,652,246
Profit distribution payable		148,000,000	-
Unclaimed profit distribution		42,217	42,217
Total liabilities		209,305,888	61,718,764
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each		1,000,000,000	1,000,000,000
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 reserve	15	77,541,313	73,314,890
Unappropriated profit		16,965,257	148,059,563
Total Equity		1,094,506,570	1,221,374,453
TOTAL LIABILITIES AND EQUITY		1,303,812,460	1,283,093,217

Contingencies and Commitments

16


The annexed notes from 1 to 23 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 Profit and Loss Account and Other Comprehensive Income (Unaudited)

For the three months period ended 30 September 2018

	Three months period ended 30 September 2018 (Unaudited)	Three months period ended 30 September 2017 (Unaudited)
Notes	(Rupees)	
Income		
Advisory fee	7,250,000	7,250,000
Income from Investment against repurchase agreement	3,008,302	1,912,133
Income from Musharika Finance	11,460,064	9,526,886
Income from Diminishing Musharika Finance	8,158,819	7,476,934
Income from deposits with banks	4,508,263	3,975,391
Income from sukuk certificates	-	2,174,740
	<u>34,385,448</u>	<u>32,316,084</u>
Expenses		
Administrative and operating expenses	(12,817,251)	(10,444,458)
Financial charges	(4,812)	(5,087)
	<u>21,563,385</u>	<u>21,866,539</u>
Management Company's remuneration	-	-
Provision for services sales tax on Management Company's remuneration	-	-
	-	-
Provision for Workers' Welfare Fund	13.1 (431,268)	(437,331)
Profit for the period before taxation	<u>21,132,117</u>	<u>21,429,208</u>
Taxation	18 -	-
Profit for the period after taxation	<u>21,132,117</u>	<u>21,429,208</u>
There are no items of other comprehensive income to report and hence profit for the period as well as for comparative period equals to total comprehensive income.		
	(Rupee)	
Earnings per certificate - basic and diluted	19 <u>0.21</u>	<u>0.21</u>

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.


For Awwal Modaraba Management Limited
(Management Company)



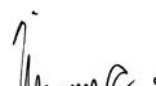
Chief Financial Officer



Chief Executive Officer



Director



Director

AWWAL MODARABA

Condensed Interim Statement of Cash Flows (Unaudited)

For the three months period ended 30 September 2018


		Three months period ended 30 September 2018 (Unaudited)	Three months period ended 30 September 2017 (Unaudited)
	Notes	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		21,132,117	21,429,208
Adjustments for non-cash items			
Amortisation on intangible asset		35,058	35,058
Depreciation on operating fixed assets	12	306,722	270,164
Income from sukuk certificates		-	(2,174,740)
		<u>21,473,897</u>	<u>19,559,690</u>
Changes in assets			
Accruals, prepayments, advances and other receivables		(37,194,507)	(17,059,667)
Receivable against advisory fee		14,197,168	11,666,813
Investment against repurchase agreement		5,999,997	13,999,993
Repayment of Musharika Finance		30,002,616	30,369,257
Disbursement of Diminishing Musharika Finance		-	(317,461)
Repayment of Diminishing Musharika Finance		-	3,958,333
Long term loans		335,366	407,157
Receivable from related parties		-	(5,065,667)
		<u>13,340,640</u>	<u>37,958,758</u>
Changes in liabilities			
Accrued expenses		(1,308,395)	4,104,876
Payable to related parties		895,519	(2,229,493)
Unclaimed profit distribution		-	-
		<u>(412,876)</u>	<u>1,875,383</u>
Taxes withheld		<u>(843,734)</u>	<u>(194)</u>
Net cash from / (used in) operating activities		<u>33,557,927</u>	<u>59,393,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Income from sukuk certificates received		-	2,028
Capital expenditure		(123,503)	(425,069)
Net cash from / (used in) investing activities		<u>(123,503)</u>	<u>(423,041)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		<u>33,434,424</u>	<u>58,970,596</u>
Cash and cash equivalents at beginning of the period		<u>298,945,833</u>	<u>252,808,456</u>
Cash and cash equivalents at end of the period		<u><u>332,380,259</u></u>	<u><u>311,779,052</u></u>


The annexed notes from 1 to 23 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 (Unaudited)

For the three months period ended 30 September 2018

	Paid up certificate capital	Reserves Statutory reserve	Unappropriated profit	Total
	(Rupees)			
Balance as at 30 June 2017	1,000,000,000	36,568,147	123,572,590	1,160,140,737
Total comprehensive income for the period				
- Profit for the three months period ended 30 September 2017	-	-	21,429,208	21,429,208
Transfer to statutory reserve	-	4,285,842	(4,285,842)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended 30 June 2017 @ Rs. 1.225 per certificate	-	-	(122,500,000)	(122,500,000)
Balance as at 30 September 2017	1,000,000,000	40,853,989	18,215,956	1,059,069,945
Balance as at 30 June 2018	1,000,000,000	73,314,890	148,059,563	1,221,374,453
Total comprehensive income for the period				
- Profit for the three months period ended 30 September 2018	-	-	21,132,117	21,132,117
Transfer to statutory reserve	-	4,226,423	(4,226,423)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the year ended 30 June 2018 @ Rs. 1.480 per certificate	-	-	(148,000,000)	(148,000,000)
Balance as at 30 September 2018	1,000,000,000	77,541,313	16,965,257	1,094,506,570

The annexed notes from 1 to 23 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 (Unaudited)

For the three months period ended 30 September 2018

1. LEGAL STATUS AND OPERATIONS

Awwal Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. The Modaraba is managed by the Awwal Modaraba Management Limited (Management Company), a company wholly owned by Pak Brunei Investment Company Limited (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 6th Floor, Horizon Vista, Plot Commercial No. 10, Block No. 4, Scheme No. 5, Clifton, Karachi.

Awwal Modaraba is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing Working Capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investment / instrument to clients which include distressed assets with high potential of turnaround, project finance, infrastructure and high growth companies. The Modaraba is listed on Pakistan Stock Exchange Limited (PSX).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial report of the Modaraba for the three months period ended September 30, 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act 2017;
- Provisions of and directions issued under the Companies Act 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas ; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas differ from IFRS Standards and IFAS, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Modaraba for the year ended 30 June 2018.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the year ended 30 June 2018, whereas the comparative condensed interim profit & loss account, condensed interim cashflow statement and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial information for the period ended 30 September 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These condensed interim financial information are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee, unless otherwise indicated.

2.4 Significant 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material adjustments were the same as those were applied to the financial statements for the year ended 30 June 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2018.

There are certain amendments to approved accounting standards which are applicable for current year. However, these do not have significant impact other than increased disclosures, if any at year end financial statements for the year ending 30 June 2019.

There are certain other standards and amendments to the approved accounting standards that will be applicable for annual period beginning on or after 1 July 2018. Further Securities and Exchange Commission of Pakistan has notified IFRS 9 "Financial Instruments" replacing IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 15 "Revenue from Contracts with Customers" replacing IAS 18 "Revenue" and IAS 11 "Construction Contracts". These standards are applicable for the annual period beginning on or after 1 July 2018 and "IFRS 16 Leases" superseded "IAS 17 Leases" for annual periods beginning on or after January 01, 2019. The Modaraba is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

4. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives & policies are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2018.

5. CASH AND BANK BALANCES

	30 September 2018 (Unaudited)	30 June 2018 (Audited)
	(Rupees)	
-Cash in hand	20,000	
Balances with banks		
- in current accounts	42,638	42,638
- in deposit accounts	5.1 332,317,621	298,903,195
	<u>332,380,259</u>	<u>298,945,833</u>

AWWAL MODARABA

5.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 3.9% to 7.05% (2018: 3.9% to 6.25%) per annum.

6 ACCRUALS, PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

		30 September 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
Accrued profit on Investment against repurchase agreement		7,153,059	5,078,507
Accrued profit on Musharika Finance		4,175,274	3,210,483
Accrued profit on Diminishing Musharika Finance		10,828,925	12,962,794
Accrued profit on deposit accounts		1,801,647	1,366,617
Receivable from employees	6.1	50,261	80,321
Other advance		35,000,000	-
Prepayments	6.2	1,100,652	471,452
Other receivables	6.3	4,522,027	4,267,164
		<u>64,631,845</u>	<u>27,437,338</u>

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

6.2 This includes Rs.10,753 pertaining to an account maintained with the State Bank of Pakistan for the collection of ECIB Charges.

6.3 This comprises of sums receivable from existing and potential customers on account of expenses incurred and paid for by the Modaraba on their behalf and other dues.

7. RECEIVABLE AGAINST ADVISORY FEE

Receivable against advisory fee	7.1	81,963,764	96,160,932
Less: current portion of fee		<u>(63,623,460)</u>	<u>(71,717,084)</u>
		<u>18,340,304</u>	<u>24,443,848</u>

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

8. INVESTMENT AGAINST REPURCHASE AGREEMENT

Investment against repurchase agreement - secured 8.1 & 8.2	60,878,893	66,878,890
Less: current portion of investment	<u>(60,878,893)</u>	<u>(17,999,991)</u>
	<u>-</u>	<u>48,878,899</u>

8.1 On 28 December 2016, the Modaraba has entered into an agreement with the financee company for purchase and sale of 301,750 shares of financee's subsidiary company. As per the arrangement the underlying shares will be offered to the financee company at pre - agreed prices on various offer dates. The shares repurchased by the financee company will come under pledge with the Modaraba with each divestment transaction on the respective offer dates and will remain under pledge until complete divestment of all shares. This is a limited time investment.

AWWAL MODARABA

8.2 On 16 January 2018, the Modaraba has entered into an agreement with a shareholder of a company (investee company) for the purchase of 2,051,150 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 within a period of eighteen months from the date of purchase at an agreed price. The underlying shares have been transferred in the name of the Modaraba. The prospective purchaser has provided two post dated cheques for the amounts of agreed price.

		30 September 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
Musharika finance - secured	9.1	448,811,203	478,813,819
Less: current portion of Musharika Finance		(341,571,417)	(345,040,495)
		107,239,786	133,773,324

9.1 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 74.4% to 99% (2018: 74.4% to 99%) and 1% to 25.6% (2018: 1% to 25.6%) 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 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 Modaraba to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 512.86 million (2018: Rs. 512.86 million) in aggregate. The Modaraba has also obtained various securities against these facilities including personal guarantees of sponsors / directors of customers, post dated cheques issued by customers, hypothecation of assets amounting in aggregate to Rs. 533.67 million (2018: Rs. 533.67 million). Further, in case of one customer, the Modaraba along with related party of the Modaraba holds 42 million (2018: 42 million) ordinary shares of a scheduled bank as pledge and lien on debt collection account against respective exposure.

These facilities have various maturity dates up to 15 November 2021. These facilities carry profit ranging from 3 months KIBOR plus 1.5% to 6 months KIBOR plus 5%.

9.2 Contractual rentals receivable on Musharika Finance facilities:

30 September 2018 (Unaudited)				30 June 2018 (Audited)			
Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total

AWWAL MODARABA

10. DIMINISHING MUSHARIKA FINANCE		30 September 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
Diminishing Musharika Finance - secured	10.1 & 10.2	300,000,000	300,000,000
less: current portion of Diminishing Musharika Finance		-	-
		<u>300,000,000</u>	<u>300,000,000</u>

10.1 This includes Rs. 200 million outstanding against Diminishing Musharika Finance facility forwarded by the Modaraba to its corporate customer for the purpose of balance sheet re-profiling. This facility is secured against various collaterals which mainly include mortgage over personal properties of sponsors having worth Rs. 153.36 million with forced sales value of Rs. 132.46 million. Further, the facility is also secured with pari passu hypothecation and mortgage charges over present and future fixed and current assets of the customer having a value of Rs. 119.05 million, pledge over sponsor shares, personal guarantees, sponsor support and lien over collection account.

10.2 The Modaraba has provided 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 having value of Rs. 100 million with forced sales value of Rs. 87.11 million. 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 customer up to an amount of Rs. 33.33 million, present and future fixed assets, including plant and machinery and land and building, and present and future current assets of the housing project up to an amount of Rs. 16.67 million, lien on debt collection accounts of the customer and personal guarantees of the Sponsors.

The above facilities have maturity dates up to 20 April 2024 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%.

10.3 Contractual rentals receivable on Diminishing Musharika Finance facilities:

30 September 2018 (Unaudited)				30 June 2018 (Audited)			
Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total

AWWAL MODARABA

11. LONG TERM LOANS - considered good, unsecured		30 September 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
Due from employees	11.1	5,247,318	5,582,684
Less: receivable within one year		(1,555,114)	(1,567,430)
		<u>3,692,204</u>	<u>4,015,254</u>

11.1 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 5 years.

11.2 Maximum balance due from employees during the quarter was Rs. 5.44 million (2018: 3.49 million).

12. OPERATING FIXED ASSETS	Furniture and fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
	(Rupees)			
Cost				
Balance as at 01 July 2017	47,400	1,896,797	1,613,740	3,557,937
Additions	26,325	573,130	-	599,455
Disposal	-	(15,000)	-	(15,000)
Balance as at 30 June 2018	<u>73,725</u>	<u>2,454,927</u>	<u>1,613,740</u>	<u>4,142,392</u>
Balance as at 01 July 2018	73,725	2,454,927	1,613,740	4,142,392
Additions	-	123,503	-	123,503
Disposal	-	-	-	-
Balance as at 30 September 2018	<u>73,725</u>	<u>2,578,430</u>	<u>1,613,740</u>	<u>4,265,895</u>
Accumulated depreciation				
Balance as at 01 July 2017	2,760	243,473	203,949	450,182
Charge for the year	11,123	761,510	363,084	1,135,717
Disposal	-	(15,000)	-	(15,000)
Balance as at 30 June 2018	<u>13,883</u>	<u>989,983</u>	<u>567,033</u>	<u>1,570,899</u>
Balance as at 01 July 2018	13,883	989,983	567,033	1,570,899
Charge for the period	3,687	212,264	90,771	306,722
Disposal	-	-	-	-
Balance as at 30 September 2018	<u>17,570</u>	<u>1,202,247</u>	<u>657,804</u>	<u>1,877,621</u>
Net book value as at 30 June 2018	<u>59,842</u>	<u>1,464,944</u>	<u>1,046,707</u>	<u>2,571,493</u>
Net book value as at 30 September 2018	<u>56,155</u>	<u>1,376,183</u>	<u>955,936</u>	<u>2,388,274</u>
Annual rates of depreciation	20%	33% - 50%	25%	

AWWAL MODARABA

13. ACCRUED EXPENSES		30 September	30 June
		2018	2018
		(Unaudited)	(Audited)
		(Rupees)	
Audit remuneration payable		444,139	329,751
Leave fare allowance and staff medical accrual		6,429,089	4,831,881
Sindh sales tax payable		10,988,709	13,788,488
Provision for Workers' Welfare Fund	13.1	7,912,380	7,481,112
Advances from Customers	13.2	4,622,757	3,416,334
Others	13.3	3,318,832	5,176,735
		33,715,906	35,024,301

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

An interim injunction has been granted by the Court and the matter is tagged with other similar petitions filed with the Court. However, as matter of abundant caution, full provision in respect of Workers' Welfare Fund has been made in these financial statements.

13.2 This represents advances from customers against the advisory services to be rendered by the Modaraba.

13.3 This includes staff retirement benefit payable amounting to Rs. 3.32 million (2018: Rs. 3.13 million).

14. PAYABLE TO RELATED PARTIES

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

Management records accrual in respect of remuneration of the Management Company out of the net annual profit of the Modaraba on the basis of annual audited accounts provided that 90% of the profit available for appropriation is also distributed to the certificate holders of the Modaraba after setting aside out of the profit of the Modaraba such sums as it thinks proper as reserve in accordance with the regulatory framework applicable for Modaraba.

15. STATUTORY RESERVE

Statutory reserves represent profits set aside by the Modaraba to comply with the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid - up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the quarter, the Modaraba has transferred an amount of Rs. 4.226 million (2018: Rs. 36.75 million) which represents 20% (2018: 20%) for the period.

16. CONTINGENCIES AND COMMITMENTS

16.1 Details of contingencies regarding Services Sales Tax on Management Company's remuneration and Provision for Sindh Workers' Welfare Fund are disclosed in notes 17 and 13.1 respectively.

16.2 On 24 January 2017, the Modaraba had entered into a Musharika Finance Agreement with a customer for Rs. 30 million out of which Rs. 18.20 million has already been disbursed as disclosed in note 9 of these financial statements.

17. 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.

18. TAXATION

As per Clause 100 of Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that they distribute not less than ninety percent profit to certificate holders out of current year's total profit after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending 30 June 2019. Accordingly, no provision in respect of current and deferred taxation has been made in these financial statements.

**19. EARNINGS PER CERTIFICATE - BASIC
AND DILUTED**

	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)
	(Rupees)	
Basic		
Profit for the period after taxation	<u>21,132,117</u>	<u>21,429,208</u>
	(Number)	
Weighted average number of certificates outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>
	(Rupee)	
Earnings per certificate	<u>0.21</u>	<u>0.21</u>
Diluted		

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

AWWAL MODARABA

30 September 2018 (Unaudited)						
Carrying amount / cost			Fair value			
Held-to-maturity	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
----- (Rupees) -----						
Financial assets not measured at fair value						
Bank balances	-	332,380,259	-	-	-	-
Accruals and other receivables	-	28,480,932	-	-	-	-
Advance for Musharika Finance	-	35,000,000	-	-	-	-
Receivable against advisory fee	-	81,963,764	-	-	-	-
Investment against repurchase agreement	-	60,878,893	-	-	-	-
Musharika Finance	-	448,811,203	-	-	-	-
Diminishing Musharika Finance	-	300,000,000	-	-	-	-
Long term loans	-	5,247,318	-	-	-	-
Long term deposit	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	14,814,817	-	-	-
Payable to Modaraba Management Company	-	-	27,547,765	-	-	-

30 June 2018 (Audited)						
Carrying amount / cost			Fair value			
Held-to-maturity	Loan and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
----- (Rupees) -----						
Financial assets not measured at fair value						
Bank balances	-	298,945,833	-	-	-	-
Accruals and other receivables	-	26,885,565	-	-	-	-
Receivable against advisory fee	-	96,160,932	-	-	-	-
Investment against repurchase agreement	-	66,878,890	-	-	-	-
Musharika Finance	-	478,813,819	-	-	-	-
Diminishing Musharika Finance	-	300,000,000	-	-	-	-
Long term loans	-	5,582,684	-	-	-	-
Long term deposit	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	13,754,701	-	-	-
Payable to Modaraba Management Company	-	-	26,652,246	-	-	-

AWWAL MODARABA

For financial assets and financial liabilities not measured at fair value, management consider that their carrying amounts approximate fair value because of their short term nature and credit quality of counterparties. For Investment against repurchase agreement, Musharika Finance and Diminishing Musharika Finance, management considers that their carrying amount approximate fair value as the transaction is entered in to at negotiated rate considering market prevailing rates and also assessing credit standings of counterparties.

21. RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company and its Holding Company, other associated companies, staff retirement funds, Directors and Key Management Personnel. Transactions with related parties are carried out at agreed rates.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Modaraba considers its Chief Financial Officer to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

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

21.1 Details of the transactions with related parties	30 September 2018 (Unaudited) (Rupees)	30 September 2017 (Unaudited)
Atlas Cables*		
<i>Diminishing Musharika Finance</i>		
Financing provided	-	317,461
Profit accrued	<u>5,807,343</u>	<u>5,620,232</u>
 Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Advisory fee income	-	7,250,000
Shared service expense	<u>2,378,109</u>	<u>2,097,924</u>
Other expenses	<u>327,138</u>	<u>12,600</u>
Accrued expenses receivable	-	212,643
 Awwal Modaraba Management Limited		
- Management Company		
Management Company's remuneration	-	-

AWWAL MODARABA

21.2 Amounts outstanding as at period end	30 September 2018 (Unaudited)	30 June 2018 (Audited)
	(Rupees)	
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Payable balance against payments made on behalf of Modaraba	895,519	-
Awwal Modaraba Management Limited		
- Management Company		
Receivable balance against payments made on behalf of the Management Company	-	-
Payable balance against Management Company's remuneration	26,652,246	26,652,246
Atlas Cables*		
Receivable balance in respect of advisory services / others	21,099,800	21,099,800
Receivable balance in respect of Diminishing Musharika Finance - Principal	200,000,000	200,000,000
Receivable balance in respect of Diminishing Musharika Finance - Profit Accrued	10,352,372	12,499,853
Staff retirement benefits funds		
Contribution payable to staff provident fund	-	-
Contribution payable to staff gratuity fund	3,318,832	3,126,427

* Pursuant to the Diminishing Musharika Finance facility provided to Atlas Cables (Private) Limited, the Modaraba has nominated its Director on the Board of the aforementioned company.

22. 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 in the current period.

23. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 16 October 2018 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

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Awwal Modaraba

6th Floor, Horizon Vista, Plot No. Commercial 10,
Block No. 4, Scheme No. 5, Clifton, Karachi-75600
Tel: (+92-21) 38771685 Fax: (92-21) 35374275
www.awwal.com.pk