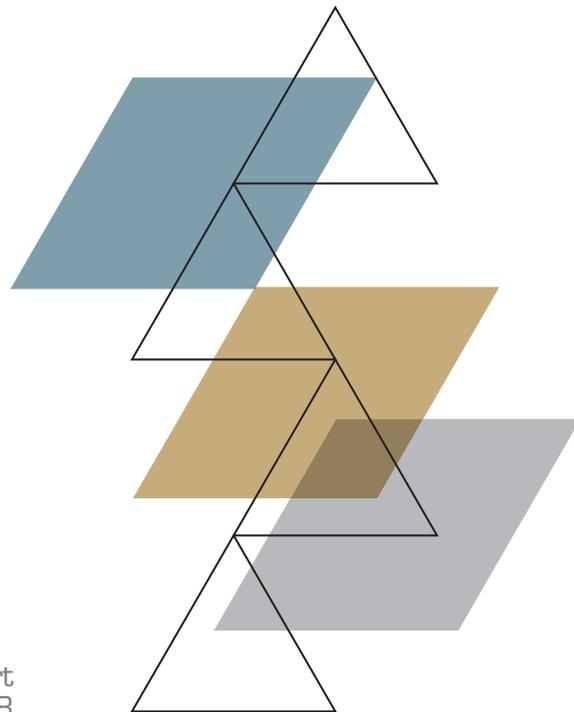


AWWAL
MODARABA

Creating **Structure**
and **Precision** in
Financial **Planning** for
Economic **Prosperity**



Half Yearly Report
December 2018

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AWWAL MODARABA

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. Iqra Sajjad

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 six months period ended 31 December 2018

On behalf of the Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, we are pleased to present the Directors' Report together with unaudited financial results of Awwal Modaraba, for the half year ended 31 December 2018.

Economic Outlook

FY2019 has been a challenging year for Pakistan's economy amid an increasing current account deficit, declining foreign exchange reserves, depreciating rupee and resultant tight monetary policy by the State Bank of Pakistan (SBP). Borrowing costs have seen an upward rise as SBP Policy Rate increased in the calendar year 2018 to 10.25% in the latest monetary policy after remaining range bound in the previous three years. PKR USD parity also fell considerably to the prevailing rate of PKR 138-139. These have significantly increased the production cost and hence working capital needs of business enterprises and eroded end consumers' buying power.

However, we expect the situation to improve as economic indicators stabilize and government policies to stimulate business activity start generating visible impact enabling companies to realistically plan their operations and investments.

Financial Performance

During the period under review, Modaraba followed a cautious approach towards underwriting new business. During the first half of FY2019, the Modaraba posted profit before tax for the period being PKR 43 million compared to the corresponding period of PKR 78 million. Overall revenues have been recorded at PKR 70.54 million compared to PKR 101.91 million in corresponding period last year. Total expenses for the period were contained at PKR 26.53 million in comparison with the corresponding period of PKR 22 million. The portfolio size remained nearly stable at PKR 797.35 million in absence of leverage and strong recovery performance.

Governance

The Board of Awwal Modaraba Management Limited, 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 and Human Resource & Remuneration Committee and composition of board have been provided in the Corporate Information section.

Acknowledgement

The Board would like to acknowledge and appreciate Securities & Exchange Commission of Pakistan and Registrar Modaraba for their continuous guidance and support. Also, we would like to avail this opportunity to thank our customers and investors for placing their trust in the Modaraba.

On behalf of the Board



Karim Hatim
Chief Executive Officer
Date: 7 February 2019



Abdul Jaleel Shaikh
Director

AWWAL MODARABA

ڈائریکٹرز رپورٹ:

برائے اختتامِ ششماہی 31 دسمبر، 2018

اول مضارہ بینچمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز جو اول مضارہ (مضارہ) کی بینچمنٹ کمپنی ہے، اول مضارہ کے غیر آڈٹ شدہ مالی گوشوارے برائے اختتامِ ششماہی 31 دسمبر، 2018 کے ہمراہ ڈائریکٹرز رپورٹ پیش کرتے ہوئے انتہائی مسرت محسوس کرتے ہیں۔

اقتصادی سرگرمی:

مالی سال 2019 پاکستان کی معیشت میں بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے، غیر ملکی زرمبادلہ کے ذخائر میں کمی، روپے کی مسلسل گرتی ہوئی قدر اور اسٹیٹ بینک آف پاکستان کی طرف سے سخت مالیاتی پالیسیوں کے باعث ایک مشکل سال رہا۔ فرخسوں کی لاگت میں اضافے کا رجحان رہا جس کا سبب 2018 میں اسٹیٹ بینک آف پاکستان کے پالیسی ریٹ میں اضافہ بنا جو گزشتہ 3 سال محدود حد میں رہا تاہم موجودہ مالیاتی پالیسی ریٹ 10.25 فیصد ہے۔ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر گھٹ کر 139-138 پاکستانی روپے پر موجود ہے۔ جس کی وجہ سے پیداواری لاگت میں نمایاں اضافہ ہوا اور کاروباری اداروں کی سرمایہ کاری اور صارفین کی قوت خرید بھی متاثر ہوئی۔

تاہم، ہم امید رکھتے ہیں کہ صورتحال کی بہتری کے لیے معاشی اشاریوں میں استحکام اور کاروباری سرگرمیوں کو فروغ دینے کے لیے حکومتی پالیسیاں اپنے جوصلہ افزا اثرات مرتب کریں گی جو کمپنیز کو حقیقت پر مبنی آپریشنز اور سرمایہ کاری کو تیز بنانے میں مددگار ہوں گی۔

مالی کارکردگی

زیر جائزہ مالی سال کے دوران مضارہ نے نئے کاروبار کے لیے پختہ طور پر برقرار رکھا۔ مالی سال 2019 کی پہلی ششماہی میں مضارہ کا قبل ازنگین منافع پچھلے سال کی اسی مدت کے 78 ملین پاکستانی روپے کے مقابلے میں 43 ملین پاکستانی روپے ہے۔ پچھلے سال کی پہلی ششماہی کی آمدنی 101.91 ملین پاکستانی روپے کے مقابلے میں اس سال کی پہلی ششماہی میں آمدنی 70.54 ملین پاکستانی روپے ریکارڈ کی گئی۔ اس مدت کے تمام اخراجات متعلقہ دور کے 22 ملین پاکستانی روپے کے مقابلے میں 26.53 ملین پاکستانی روپے تک محدود رہے۔ فرخسوں کی عدم موجودگی اور بروقت وصولیوں کے باعث پورٹ فولیو کا حجم تقریباً مستحکم رہے ہوئے 797.35 ملین پاکستانی روپے رہا۔

نظامت:-

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

اظہار تشکر:-

بورڈ، SEC اور رجسٹرار مضارہ 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 مضارہ پر اعتماد کا تہجدل سے مشکور ہے۔

بورڈ کی جانب سے



کریم حاتم

چیف ایگزیکٹو آفیسر

موعدہ: 7 فروری 2019



محمد علی
ڈائریکٹر



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Certificate holders of AWWAL MODARABA

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **AWWAL MODARABA** ("the Modaraba") as at 31 December 2018 and the related condensed interim profit and loss account and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). The Modaraba Management Company (Awwal Modaraba Management Limited) is responsible for the preparation and presentation of this condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

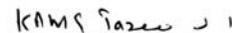
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures for the quarter ended 31 December 2018 and 31 December 2017 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is Muhammad Taufiq.

Date: 7 February 2019
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

AWWAL MODARABA

Condensed Interim Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
----- (Rupees) -----			
ASSETS			
Current assets			
Bank balances	4	222,300,219	298,945,833
Accruals, prepayments, advances and other receivables		40,069,884	27,437,338
Current portion of receivable against advisory fee	5	58,055,298	71,717,084
Current portion of Investment against repurchase agreement	6	54,878,896	17,999,991
Current portion of Musharika Finance	7	356,836,222	345,040,495
Current portion of Diminishing Musharika Finance	8	20,000,000	-
Current portion of long term loans		2,142,304	1,567,430
Taxation recoverable		7,041,291	6,368,628
Total current assets		761,324,114	769,076,799
Non - current assets			
Receivable against advisory fee	5	12,236,119	24,443,848
Investment against repurchase agreement	6	-	48,878,899
Long term portion of Musharika Finance	7	85,633,535	133,773,324
Long term portion of Diminishing Musharika Finance	8	280,000,000	300,000,000
Long term loans		5,465,644	4,015,254
Long term deposit		75,000	75,000
Intangible asset	9	7,949,640	258,600
Operating fixed assets	10	2,080,075	2,571,493
Total non-current assets		393,440,013	514,016,418
TOTAL ASSETS		1,154,764,127	1,283,093,217
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses	11	23,391,303	35,024,301
Payable to related parties	21	14,707,866	26,652,246
Unclaimed profit distribution		154,657	42,217
Total liabilities		38,253,826	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	14	81,942,060	73,314,890
Unappropriated profit		34,568,241	148,059,563
Total Equity		1,116,510,301	1,221,374,453
TOTAL LIABILITIES AND EQUITY		1,154,764,127	1,283,093,217
Contingencies and Commitments	15		

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 six months and quarter period ended 31 December 2018

	Note	For the six months period ended		For the quarter ended	
		31 December 2018 (Unaudited)	31 December 2017	31 December 2018 (Unaudited)	31 December 2017
(Rupees)					
Income					
Advisory fee		11,017,647	52,998,188	3,767,647	45,748,188
Income from Investment against repurchase agreement		7,647,207	3,485,298	4,638,905	1,573,165
Income from Musharika Finance		25,326,301	18,723,363	13,866,237	9,196,477
Income from Diminishing Musharika Finance		18,094,321	14,817,609	9,935,502	7,340,675
Income from deposits with banks		8,457,773	8,405,220	3,949,510	4,429,829
Income from sukuk certificates		-	3,476,656	-	1,301,916
		<u>70,543,249</u>	<u>101,906,334</u>	<u>36,157,801</u>	<u>69,590,250</u>
Expenses					
Administrative and operating expenses		(26,449,246)	(22,397,344)	(13,631,995)	(11,952,886)
Financial charges		(77,832)	(9,205)	(73,020)	(4,118)
		<u>44,016,171</u>	<u>79,499,785</u>	<u>22,452,786</u>	<u>57,633,246</u>
Management Company's remuneration		-	-	-	-
Provision for services sales tax on Management Company's remuneration	16	-	-	-	-
Provision for Workers' Welfare Fund	11.1	(880,323)	(1,589,996)	(449,056)	(1,152,665)
		<u>(880,323)</u>	<u>(1,589,996)</u>	<u>(449,056)</u>	<u>(1,152,665)</u>
Profit for the period before taxation		<u>43,135,848</u>	<u>77,909,789</u>	<u>22,003,730</u>	<u>56,480,581</u>
Taxation	17	-	-	-	-
Profit for the period after taxation		<u>43,135,848</u>	<u>77,909,789</u>	<u>22,003,730</u>	<u>56,480,581</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>43,135,848</u>	<u>77,909,789</u>	<u>22,003,730</u>	<u>56,480,581</u>
(Rupee)					
Earnings per certificate - basic and diluted	18	<u>0.43</u>	<u>0.78</u>	<u>0.22</u>	<u>0.56</u>

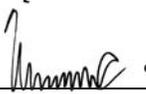
The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited
(Management Company)


Chief Financial Officer


Chief Executive Officer


Director


Director

AWWAL MODARABA

Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2018

	Note	31 December 2018	31 December 2017
		(Unaudited)	
----- (Rupees) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		43,135,848	77,909,789
Adjustments for non-cash items			
Depreciation on operating fixed assets	10	614,921	558,041
Amortisation on intangible asset	9	218,960	70,116
		<u>833,881</u>	<u>628,157</u>
Changes in assets			
Accruals, prepayments, advances and other receivables		(12,632,546)	3,821,934
Receivable against advisory fee		25,869,515	(30,465,576)
Investment against repurchase agreement		11,999,994	19,999,990
Disbursement of Musharika Finance		(35,000,000)	(15,685,450)
Repayment of Musharika Finance		71,344,062	66,567,277
Disbursement of Diminishing Musharika Finance		-	(317,461)
Repayment / Settlement of Diminishing Musharika Finance		-	87,291,670
Long term loans		(2,025,264)	768,318
Receivable from related parties		-	(3,468,139)
Short term investment		-	100,000,000
		<u>59,555,761</u>	<u>228,512,563</u>
Changes in liabilities			
Accrued expenses		(11,632,998)	16,445,403
Payable to related parties		(11,944,380)	3,560,691
Unclaimed profit distribution		112,440	-
		<u>(23,464,938)</u>	<u>20,006,094</u>
Taxes withheld		(672,663)	(452,375)
Net cash generated from operating activities		<u>79,387,889</u>	<u>326,604,228</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(8,033,503)	(425,069)
Proceeds from disposal of fixed asset		-	-
Net cash used in investing activities		<u>(8,033,503)</u>	<u>(425,069)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(148,000,000)	(122,454,073)
Net cash used in financing activities		<u>(148,000,000)</u>	<u>(122,454,073)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(76,645,614)</u>	<u>203,725,086</u>
Cash and cash equivalents at beginning of the period		298,945,833	252,808,456
Cash and cash equivalents at end of the period	4	<u>222,300,219</u>	<u>456,533,542</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)



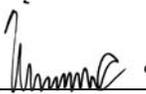
Chief Financial Officer



Chief Executive Officer



Director



Director

AWWAL MODARABA

Condensed Interim Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2018

	Paid up certificate capital	Reserves		Total
		Statutory reserve	Unappropriated profit	
(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 six months period ended 31 December 2017	-	-	77,909,789	77,909,789
- Other comprehensive income for the six months period	-	-	77,909,789	77,909,789
Transfer to statutory reserve	-	15,581,958	(15,581,958)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
- Profit distribution for the year ended 30 June 2017 @ Rs. 1.225 per certificate	-	-	(122,500,000)	(122,500,000)
Balance as at 31 December 2017	<u>1,000,000,000</u>	<u>52,150,105</u>	<u>63,400,421</u>	<u>1,115,550,526</u>
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 six months period ended 31 December 2018	-	-	43,135,848	43,135,848
- Other comprehensive income for the six months period	-	-	43,135,848	43,135,848
Transfer to statutory reserve	-	8,627,170	(8,627,170)	-
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 31 December 2018	<u>1,000,000,000</u>	<u>81,942,060</u>	<u>34,568,241</u>	<u>1,116,510,301</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

Notes to the Condensed Interim Financial Statements

For the six months period ended 31 December 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, advisory services 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 information of the Modaraba for the six months period ended 31 December 2018 has 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 Board (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 Regulation for Modarabas ;
- 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.

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 condensed interim 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 indicated.

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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. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the condensed interim financial statements and information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are included in the following notes:

- i) Classification of financial instruments and Provision for impairment (note 3.4.1)
- ii) Provision for taxation (note 17)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are the same as those applied in the preparation of audited annual separate financial statements of the Modaraba as at and for the year ended 30 June 2018 except for the adoption of new standards effective as of 1 July 2018 as referred to in note 3.4 to these condensed interim financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

The Modaraba has initially adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 July 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Modaraba's condensed interim financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Modaraba's condensed interim financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Modaraba is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Modaraba's condensed interim financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Modaraba's condensed interim financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Modaraba's condensed interim financial statements.

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3.4 Changes in accounting policies

The below explains the impact of the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 Financial Instruments' on the Modaraba's condensed interim financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

3.4.1 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement.'

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, the Modaraba classifies its financial assets in the following measurement category:

- those to be measured at amortised cost.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on principal amount outstanding.

The classification and measurement under IFRS 9 does not have any impact on Modaraba's accounting policy. There has been no major change resulted in accounting treatment for the financial instruments that have been accounted for in these condensed interim financial statements except for the calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modarabas as issued by SECP prevails. Loans and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Loans and other receivables and investment against repurchase agreement are initially measured at transaction price and are subsequently measured at amortised cost using the effective interest method, net of impairment losses. Any gain or loss on derecognition is recognised in statement of profit or loss.

3.4.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Modaraba has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information

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presented for 2018 has not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The revenue recognition of the Modaraba is based on the following policies:

- Advisory fees are recognized as revenue when the related services are performed.
- Profit on Sukuk Certificates is recognised using effective profit rate method.
- Profit on Musharika arrangements and Investment against repurchase agreement is recognised under the effective profit rate method based on the amount outstanding.
- Profit / return on deposits is recognised on accrual basis using the effective profit rate method.
- Income from Shari'ah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.
- Miscellaneous income is recognised on receipt basis.
- Capital gain / loss on sale of equity investments is recognised in the profit and loss account on the date of transaction.

The above is generally consistent with the timing and amounts of revenue the Modaraba recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Modaraba.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Modaraba for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

4	BANK BALANCES	<i>Note</i>	31 December 2018 (Unaudited)	30 June 2018 (Audited)
		----- (Rupees) -----		
	<i>Balances with banks</i>			
	- in current accounts		155,068	42,638
	- in deposit accounts	4.1	<u>222,145,151</u>	<u>298,903,195</u>
			<u>222,300,219</u>	<u>298,945,833</u>
4.1	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 7.5% (30 June 2018: 3.9% to 6.25%) per annum.			
	5 RECEIVABLE AGAINST ADVISORY FEE			
	Receivable against advisory fee	5.1	70,291,417	96,160,932
	less: current portion of fee		<u>(58,055,298)</u>	<u>(71,717,084)</u>
			<u>12,236,119</u>	<u>24,443,848</u>
5.1	This represents advisory fee receivable from customers in connection with advisory services rendered by the Modaraba.			
	6 INVESTMENT AGAINST REPURCHASE AGREEMENT			
	Investment against repurchase agreement - <i>secured</i>	6.1 & 6.2	54,878,896	66,878,890
	less: current portion of investment		<u>(54,878,896)</u>	<u>(17,999,991)</u>
			<u>-</u>	<u>48,878,899</u>

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- 6.1** 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.
- 6.2** 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.

7 MUSHARIKA FINANCE

	<i>Note</i>	31 December 2018 (Unaudited)	30 June 2018 (Audited)
----- (Rupees) -----			
Musharika finance - secured	7.1	442,469,757	478,813,819
less: current portion of Musharika Finance		<u>(356,836,222)</u>	<u>(345,040,495)</u>
		<u>85,633,535</u>	<u>133,773,324</u>

- 7.1** 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% (30 June 2018: 74.4% to 99%) and 1% to 25.6% (30 June 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 (30 June 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 (30 June 2018: Rs.533.67 million). Further, in case of one customer, the Modaraba along with related party of the Modaraba holds 42 million (30 June 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%.

- 7.2** Contractual rentals receivable on Musharika Finance facilities:

	31 December 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
----- (Rupees) -----								
<i>Musharika Finance facilities:</i>								
- Principal repayments	356,836,222	85,633,535	-	442,469,757	345,040,495	133,773,324	-	478,813,819
- Profit	32,879,045	10,197,041	-	43,076,086	38,940,867	12,435,366	-	51,376,233
	<u>389,715,267</u>	<u>95,830,576</u>	<u>-</u>	<u>485,545,843</u>	<u>383,981,362</u>	<u>146,208,690</u>	<u>-</u>	<u>530,190,052</u>

The above represents rentals receivable by the Modaraba in future periods in respect of Musharika Finance facilities given under long term arrangements.

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8	DIMINISHING MUSHARIKA FINANCE	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
----- (Rupees) -----				
	Diminishing Musharika Finance - secured	8.2 & 8.3	300,000,000	300,000,000
	less: current portion of Diminishing Musharika Finance		<u>(20,000,000)</u>	-
			<u>280,000,000</u>	<u>300,000,000</u>
8.1	Opening balance		300,000,000	286,974,209
	Facilities extended during the period		-	100,317,458
	Less:			
	Repayments during the period		-	(6,874,996)
	Settlements during the period		-	(80,416,671)
			-	(87,291,667)
	Closing balance		<u>300,000,000</u>	<u>300,000,000</u>

8.2 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.

8.3 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%.

8.4 Contractual rentals receivable on Diminishing Musharika Finance facilities:

	31 December 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
----- (Rupees) -----								
<i>Diminishing Musharika Finance facilities</i>								
- Principal repayments	20,000,000	257,222,230	22,777,770	300,000,000	-	260,000,000	40,000,000	300,000,000
- Profit	40,919,999	83,487,943	1,504,072	125,912,014	31,926,849	78,916,754	3,465,469	114,309,072
	<u>60,919,999</u>	<u>340,710,173</u>	<u>24,281,842</u>	<u>425,912,014</u>	<u>31,926,849</u>	<u>338,916,754</u>	<u>43,465,469</u>	<u>414,309,072</u>

This represents rentals receivable by the Modaraba in future periods in respect of Diminishing Musharika Finance facilities given under long term arrangements.

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9	INTANGIBLE ASSET	31 December 2018 (Unaudited)	30 June 2018 (Audited)		
	Cost	----- (Rupees) -----			
	Opening Balance	420,731	420,731		
	Additions	7,910,000	-		
	Disposal	-	-		
		8,330,731	420,731		
	Amortisation				
	Opening Balance	162,131	21,899		
	Charge for the period/year	218,960	140,232		
	Disposal	-	-		
		381,091	162,131		
	Net book value as at	7,949,640	258,600		
	Annual rate of amortisation	33.33%	33.33%		
10	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	73,725	2,454,927	1,613,740	4,142,392
	Balance as at 1 July 2018	73,725	2,454,927	1,613,740	4,142,392
	Additions	-	123,503	-	123,503
	Disposal	-	-	-	-
	Balance as at 31 December 2018	73,725	2,578,430	1,613,740	4,265,895
	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	13,883	989,983	567,033	1,570,899
	Balance as at 01 July 2018	13,883	989,983	567,033	1,570,899
	Charge for the period	7,374	426,005	181,542	614,921
	Disposal	-	-	-	-
	Balance as at 31 December 2018	21,257	1,415,988	748,575	2,185,820
	Net book value as at 30 June 2018	59,842	1,464,944	1,046,707	2,571,493
	Net book value as at 31 December 2018	52,468	1,162,442	865,165	2,080,075
	Annual Rates of depreciation	20%	33% - 50%	25%	

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11 ACCRUED EXPENSES	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
		----- (Rupees) -----	
Audit remuneration payable		244,021	329,751
Leave fare allowance and staff medical accrual		7,772,725	4,831,881
Sindh sales tax payable		103,167	13,788,488
Provision for Workers' Welfare Fund	11.1	8,361,436	7,481,112
Advances from Customers	11.2	3,218,535	3,416,334
Others	11.3	3,691,419	5,176,735
		<u>23,391,303</u>	<u>35,024,301</u>

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

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

11.3 This includes staff retirement benefit payable amounting to Rs. 3.51 million (30 June 2018: Rs. 3.13 million).

12 PAYABLE TO MODARABA MANAGEMENT COMPANY

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.

13 CERTIFICATE CAPITAL

Authorised certificate capital

31 December 2018 (Unaudited)	30 June 2018 (Audited)		31 December 2018 (Unaudited)	30 June 2018 (Audited)
			----- (Rupees) -----	
Number of certificates				
<u>100,000,000</u>	<u>100,000,000</u>	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				
<u>100,000,000</u>	<u>100,000,000</u>	Modaraba certificates of Rs. 10 each fully paid in cash	<u>1,000,000,000</u>	<u>1,000,000,000</u>

As at 31 December 2018, Awwal Modaraba Management Limited (the Management Company) and Pak Brunei Investment Company Limited held 10,000,000 (30 June 2018: 10,000,000) and 89,780,566 (30 June 2018: 89,780,566) certificates of Rs. 10 each respectively.

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14 STATUTORY RESERVE

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

During the period, the Modaraba has transferred an amount of Rs. 8.63 million (30 June 2018: Rs. 36.75 million) which represents 20% (30 June 2018: 20%) of the profit after taxation for the period.

15 CONTINGENCIES AND COMMITMENTS

Details of contingencies regarding Services Sales Tax on Management Company's remuneration and Provision for Sindh Workers' Welfare Fund are disclosed in notes 16 and 11.1 respectively.

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 7 of these condensed interim financial statements. Further, Diminishing Musharika Finance Facility sanctioned by the Modaraba which is not drawn by the customer as on 31 December 2018 amounts to Rs. Nil (30 June 2018: Rs. Nil).

16 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 Honorable 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.

17 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 ended 30 June 2019. Accordingly, no provision in respect of current and deferred taxation has been made in these condensed interim financial statements.

18 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

	For the six months period ended		For the quarter ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	----- (Unaudited) -----			
	----- (Rupees) -----			
Basic				
Profit for the period after taxation	43,135,848	77,909,789	22,003,730	56,480,581
	----- (Number) -----			
Weighted average number of certificates outstanding during the period	100,000,000	100,000,000	100,000,000	100,000,000
	----- (Rupee) -----			
Earnings per certificate	0.43	0.78	0.22	0.56

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.

19 CAPITAL MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and benefits of other stake holders and to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit paid to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

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.

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	31 December 2018 (Unaudited)				
	Carrying amount / cost		Fair value		
	Amortized Cost	Other financial liabilities	Level 1	Level 2	Level 3
	----- (Rupees) -----				
Financial assets not measured at fair value					
Bank balances	222,300,219	-	-	-	-
Accruals and other receivables	39,399,841	-	-	-	-
Receivable against advisory fee	70,291,417	-	-	-	-
Investment against repurchase agreement	54,878,896	-	-	-	-
Musharika Finance	442,469,757	-	-	-	-
Diminishing Musharika Finance	300,000,000	-	-	-	-
Long term loans	7,607,948	-	-	-	-
Long term deposit	75,000	-	-	-	-
Financial liabilities not measured at fair value					
Accrued expenses	-	14,926,700	-	-	-
Payable to related parties	-	14,707,866	-	-	-

	30 June 2018 (Audited)				
	Carrying amount / cost		Fair value		
	Amortized Cost	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 related parties	-	26,652,246	-	-	-

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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. 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:

21.1 Details of the transactions with related parties	31 December 2018	31 December 2017
	(Unaudited)	
	----- (Rupees) -----	
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Advisory fee income	-	-
Shared service expense	<u>4,756,218</u>	<u>4,195,848</u>
Other expenses	<u>4,436,198</u>	<u>389,152</u>
Purchase of LMS software	<u>7,910,000</u>	<u>-</u>
Awwal Modaraba Management Limited		
- Management Company		
Payment of Management Company's remuneration during the period	<u>21,136,796</u>	<u>-</u>
21.2 Amounts outstanding as at period / year end	31 December 2018	30 June 2018
	(Unaudited) (Audited)	
	----- (Rupees) -----	
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Payable balance against expenses paid on behalf of the Modaraba	<u>9,192,416</u>	<u>-</u>
Awwal Modaraba Management Limited		
- Management Company		
Receivable balance against payments made on behalf of the Management Company	-	-
Payable balance against Management Company's remuneration	<u>5,515,450</u>	<u>26,652,246</u>
Staff retirement benefits funds		
Contribution payable to staff provident fund	-	-
Contribution payable to staff gratuity fund	<u>3,515,531</u>	<u>3,126,427</u>

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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 condensed interim financial statements in the current period.

23 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 07 February 2019 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