



AWWAL MODARABA

**Half Yearly Report
December 2016**



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Vision & Mission Statements

VISION STATEMENT

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

MISSION STATEMENT

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

Corporate Information

Board of Directors

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

Company Secretary

Ms. Rahaila Aleem

Audit Committee

Mr. Ayyaz Ahmed	Chairman
Mr. Abdul Hafeez	Member
Mr. Ahmed Ateeq	Member

Human Resource and Remuneration (HR&R) Committee

Ms. Ayesha Aziz	Chairperson
Mr. Abdul Hafeez	Member
Mr. Karim Hatim	Member

Bankers

Habib Bank Limited
Soneri Bank Limited
Dubai Islamic Bank Pakistan Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Liaquat Merchant Associates

Shari'ah Advisor

Mufti Muhammad Hassaan Kaleem

Registered Office

6th Floor, Horizon Vista
Plot Commercial No. 10
Block No. 4, Scheme No. 5
Clifton
Karachi
Tel: (+92-21) 35361215-19
Web: www.awwal.com.pk

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

AWWAL MODARABA

Directors' Report

The Board of Directors of Awwal Modaraba Management Limited, Mudarib/Management Company of Awwal Modaraba, are pleased to present the half yearly unaudited financial statements of Awwal Modaraba, for the half year ended 31 December 2016.

Economic Outlook

A successful culmination of IMF program coupled with the impact of government's macroeconomic and structural reforms, lower oil prices, and improved security has enabled Pakistan's economic growth rate (at 4.7% year-on-year) to outpace earlier forecasts despite a major crop failure. Moreover, average inflation remained subdued at 2.1%; foreign exchange reserves have strengthened and the budget deficit shrank to 4.6% of the GDP from 5.4% last year. The tax-to-GDP ratio increased to 12.4% of GDP in FY16 from 11% a year ago owing to a significant reduction in tax concessions and exemptions while energy subsidies were also reduced significantly.

One of the most significant developments of 2016 was Pakistan and China's collaboration under China-Pakistan Economic Corridor (CPEC) initiative. The USD 46 billion inflow under CPEC will not only develop Pakistan's infrastructure, but will also strengthen the human ties across both sides of the border. With USD 34 billion injection in the form of loans and investments, Energy development remains at the forefront of CPEC. Under Energy development, CPEC is envisaging 18 new energy projects, including nine coal-fired power plants, five wind farms, three hydroelectric dams and one solar park. In addition, more than USD 10 billion are allocated for road infrastructure in the initial phase, while heavy investment is planned for railway infrastructure and air transportation as well. Moreover, CPEC projects also include installation of a cross-border optical fibre cable. These projects are expected to lead the economy out of its dependence on consumption-based growth and transform it into an investment-led growth economy in the long run.

Nonetheless, despite positive economic prospects, some warning signs should not be ignored. For instance, Public debt remains at an uncomfortable level (at around 65% of GDP) and continuously straining the budgetary spending. Real Exchange Effective Rate (REER) has witnessed significant depreciation and thus pointing towards the depreciation in nominal exchange rate ahead. Country's external account is still significantly vulnerable to international commodity price shocks. Finally, government's direct tax base needs to increase substantially in order to support fiscal consolidation and create fiscal space for growth-oriented spending.

Financial Analysis

The Modaraba, in line with its business objectives, is offering various shari'ah compliant Islamic financing products to potential customers. During last quarter, the Modaraba further disbursed PKR 350 million by way of Musharika facilities taking the total portfolio size to PKR 529.2 million. The modaraba during the period had earned revenue of PKR 95.1 million and after incurring expenses of PKR 12.2 million & SWWF PKR 1.7 million respectively had earned profit of PKR 81.2 million. The EPS for the current period is 0.812 per certificate. The total asset size of the Modaraba as on 31 December 2016 is PKR 1,100.1 million.

The Modaraba is focused to take benefit of viable opportunities in the market to earn high returns and add value to the certificate holders investment while remaining cautious and prudent with proactive risk management approach.

Acknowledgments

The Board of directors acknowledges and would like to thank all the regulatory authorities for their support. The Board would also like to thank all the certificate-holders and sponsors for placing their confidence in the newly established Modaraba.

On behalf of the Board



Karim Hatim
Chief Executive Officer
Date: 23 February 2017

ڈائریکٹرز رپورٹ

اول مضاربہ کی انتظامی کمپنی اول مضاربہ مینجمنٹ لمیٹڈ، کے بورڈ آف ڈائریکٹرز غیر آڈٹ شدہ مالیاتی حسابات اول مضاربہ برائے 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

اقتصادی سرگرمی:

IMF کے پروگرام کے کامیاب اختتام کے ساتھ ساتھ حکومت کی جانب سے میکرو اکنامک اور بنیادی اصلاحات، تیل کی قیمتوں میں کمی، اور ملکی سلامتی کی بہتر صورتحال کے باعث یہ سال بھی پاکستان کے لئے اقتصادی ترقی کا سال رہا جس کا سالانہ تناسب (4.7%) رہا جو کہ فصلوں کے نقصانات کے باوجود گزشتہ اندازوں سے زیادہ رہا۔ مزید یہ کہ افراط زر کا تناسب بھی 2.1% تک محدود رہا۔ زرمبادلہ کے ذخائر میں کافی بہتری آئی اور بجٹ خسارہ گزشتہ سال کے مقابلے میں 5.4% سے کم ہو کر 4.6% رہا۔ اس کے علاوہ مالیاتی سال 2016ء میں شرح محصولات اور GDP میں تناسب گزشتہ سال 11 فیصد کے مقابلے میں بڑھ کر 12.4 فیصد ہو گیا۔ جس کی وجہ حکومت کی جانب سے محصولات میں رعایت اور توانائی کے شعبے میں زراعت میں کمی بنی۔

سال 2016ء کی سب سے اہم پیش رفت چین پاکستان اقتصادی راہداری (CPEC) کا قیام رہا۔ CPEC کے تحت 46 بلین امریکی ڈالر کی سرمایہ کاری کا اثر نہ صرف پاکستان کے انفراسٹرکچر پر پڑے گا بلکہ سرحد کے دونوں جانب عوامی تعلقات میں مضبوطی آئے گی۔ 34 بلین امریکی ڈالر قرضہ جات اور سرمایہ کاری میں توانائی کا حصول سب سے اہم ترجیح ہے۔ توانائی کی ذرائع کی ترقی کے لئے CPEC کے تحت 18 نئے توانائی کے حصول کے پروجیکٹس شروع کئے جائیں گے جس میں نوکوسلے سے چلنے والے پاور پلانٹس، پانچ ہوائے چلنے والے، تین ڈیزلین بجلی کے حصول کیلئے اور ایک سولر پارک، اس کے علاوہ 10 بلین امریکی ڈالر ابتدائی طور پر سڑکوں کی تعمیر کیلئے مختص کئے گئے ہیں۔ جبکہ ریلوے انفراسٹرکچر اور ایئر ٹرانسپورٹیشن کے لئے بھاری سرمایہ کاری کی پلاننگ کی گئی ہے۔ علاوہ ازیں CPEC پروجیکٹس میں کراس بارڈر آپٹیکل فائبر لیبل کی تنصیب بھی شامل ہے۔ ان منصوبوں کی تکمیل سے توقع کی جاتی ہے کہ ملکی اقتصادیات کا انحصار جو کہ اب تک اشیاء کی کھپت کی بنیاد پر تھا تبدیل ہو کر مستقبل میں سرمایہ کاری کی بنیاد پر اقتصادی نمو کا موجب ہوگا۔

بہر حال تمام تر مثبت اقتصادی ترقی کے امکانات کے باوجود کچھ انتہائی اشارے درگزر نہیں کئے جاسکتے جیسے کہ اندرونی قرضے جو کہ ناگوار سطح پر ہیں (GDP کا تقریباً 65%) جو کہ مسلسل بجٹ اخراجات میں اضافے کا باعث ہیں۔ ریئل اینٹیکلیو آپینجنگ رینٹ (REER) میں گراؤ مستقبل میں بنیادی شرح تبادلہ میں کمی کا اشارہ کرتی ہے۔ ملک کا ایکسٹرنل اکاؤنٹ اب بھی اشیاء کی عالمی قیمتوں میں استحکام نہ ہونے کی وجہ سے دباؤ کا شکار ہے۔ آخر میں حکومت کو بالواسطہ بنیادی محصولات میں اضافے کی ضرورت ہے جو کہ مالیاتی استحکام کا باعث بننے کے ساتھ ساتھ ترقیاتی اخراجات کے لئے گنجائش پیدا کرنے کا باعث بنیں۔

مالیاتی جائزہ:

مضاربہ اپنے کاروباری مقاصد کے تحت مختلف شرعی اسلامک فنانسنگ پروڈکٹس اپنے کسٹمرز کو پیش کر رہا ہے۔ گزشتہ سہ ماہی کے دوران مضاربہ نے مزید 350 ملین PKR مشترکہ سرمایہ کاری کی جس کی وجہ سے مضاربہ کی کل سرمایہ کاری مجموعی طور پر 529.2 ملین PKR پہنچ گئی۔ اس عرصے کے دوران مضاربہ نے 95.1 ملین PKR کی آمدنی حاصل کی اور مبلغ 12.2 ملین کے اخراجات اور SWWF کی مدد میں 1.7 ملین PKR خرچ کے بعد کل منافع 81.2 ملین PKR حاصل کیا۔ موجودہ مدت کے لئے EPS 0.812 فی سٹریٹیکٹ رہا۔ 31 دسمبر 2016ء کو مضاربہ کے مجموعی اثاثے 1,100.1 ملین PKR رہے۔

مضاربہ اس بات پر مرکوز ہے کہ وہ مارکیٹ میں میسر قابل عمل مواقع سے فائدہ اٹھائے تاکہ زیادہ آمدنی حاصل ہو اور سرمایہ کاران کے سرمائے میں قابل قدر اضافہ ہو۔ تاہم محتاط اور چوکنا رہتے ہوئے فعال رسک مینجمنٹ کے نقطہ نظر کے تحت۔

اظہار تشکر:

بورڈ آف ڈائریکٹرز تمام ریگولیٹری اتھارٹیز کے تعاون کو سراہتے ہوئے ان کا شکریہ ادا کرتا ہے۔ اس کے علاوہ سٹریٹیکٹ ہولڈرز اور اسپانسرز کے بھی بے حد شکر گزار ہیں جنہوں نے اس نئی قائم ہونے والی مضاربہ کمپنی پر اعتماد کیا۔

بورڈ کی جانب سے

(منعہ)

کریم حاتم
چیف ایگزیکٹو

مورخہ 23 فروری 2017ء



KPMG Taseer Hadi & Co.
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Karachi, 75530 Pakistan

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Independent Auditors' Review Report to the Certificate holders on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Awwal Modaraba** ("the Modaraba") as at 31 December 2016, the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (herein-after referred to as the "condensed interim financial information"). The Modaraba Management Company [Awwal Modaraba Management Limited] is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information 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 condensed interim financial information 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the quarter ended 31 December 2016 in the condensed interim financial information has not been reviewed and we do not express a conclusion on them.

Date: 23 February 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

AWWAL MODARABA

Condensed Interim Balance Sheet (Unaudited)

As at 31 December 2016

	Notes	31 December 2016 (Un-audited) (Rupees)	30 June 2016 (Audited)
ASSETS			
Current assets			
Cash and bank balances	5	382,054,304	933,524,819
Accruals, prepayments and other receivables	6	7,085,253	23,177,542
Current portion of Receivable against advisory fee	7	6,979,315	-
Current portion of Musharika Finance	8	105,717,531	14,976,517
Current portion of Diminishing Musharika Finance	9	16,666,664	-
Current portion of long term loans	10	950,217	-
Receivable from related parties		37,295,504	-
Investment	11	100,000,000	-
Taxation recoverable		3,511,884	2,602,324
Total current assets		660,260,672	974,281,202
Non - current assets			
Receivable against advisory fee	7	31,129,061	-
Long term portion of Musharika Finance	8	327,940,319	68,681,331
Long term portion of Diminishing Musharika Finance	9	78,958,336	-
Long term loans	10	339,577	-
Long term deposit		75,000	75,000
Operating fixed assets	12	2,261,780	13,542
Total non-current assets		440,704,073	68,769,873
TOTAL ASSETS		1,100,964,745	1,043,051,075
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses	13	14,004,002	2,193,664
Payable to related parties	14	-	12,414,540
Profit distribution payable		5,668	-
Total liabilities		14,009,670	14,608,204
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 certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Statutory reserve	15	21,931,015	5,688,574
Unappropriated Profit		65,024,060	22,754,297
		1,086,955,075	1,028,442,871
TOTAL LIABILITIES AND EQUITY		1,100,964,745	1,043,051,075
COMMITMENTS			
	16		

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

AWWAL MODARABA

Condensed Interim Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31 December 2016

		For the six months period ended 31 December 2016	For the quarter ended 31 December 2016
	Notes	(Rupees)	
Advisory fee		61,266,352	24,962,924
Income from Musharika Finance		8,464,899	6,128,530
Income from Diminishing Musharika Finance		2,409,609	2,104,751
Income from deposits with banks		19,915,544	7,659,110
Income from Sukuk certificates		3,015,753	2,153,096
		<u>95,072,157</u>	<u>43,008,411</u>
Administrative and operating expenses	17	<u>(12,195,604)</u>	<u>(6,441,008)</u>
		82,876,553	36,567,403
Financial charges		<u>(6,957)</u>	<u>(3,622)</u>
		82,869,596	36,563,781
Workers' Welfare Fund		<u>(1,657,392)</u>	<u>(731,276)</u>
Profit for the period before taxation		81,212,204	35,832,505
Taxation	18	<u>-</u>	<u>-</u>
Profit for the period after taxation		81,212,204	35,832,505
------(Rupee)-----			
Earnings per certificate - basic and diluted	19	0.812	0.358

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

AWWAL MODARABA

Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2016

For the six
months
period ended
31 December
2016
(Rupees)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the period before taxation

81,212,204

Adjustments for non-cash items

Depreciation on operating fixed assets

83,602

81,295,806

(Increase) / decrease in assets

Accruals, prepayments and other receivables

16,092,289

Receivable against advisory fee

(38,108,376)

Musharika Finance

(350,000,002)

Diminishing Musharika Finance

(95,625,000)

Loans

(1,289,794)

Receivable from related party

(37,295,504)

Investment

(100,000,000)

(606,226,387)

Increase / (decrease) in liabilities

Accrued expenses

11,810,338

Payable to related party

(12,414,540)

Profit distribution payable

5,668

(598,534)

Taxes paid

(909,560)

Net cash used in operating activities

(526,438,675)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure

(2,331,840)

Net cash used in investing activities

(2,331,840)

CASH FLOWS FROM FINANCING ACTIVITIES

Profit paid to certificate holders

(22,700,000)

Cash used in financing activities

(22,700,000)

Net decrease in cash and cash equivalents

(551,470,515)

Cash and cash equivalents at beginning of the period

933,524,819

Cash and cash equivalents at end of the period

382,054,304

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

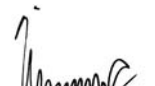
For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

AWWAL MODARABA

Condensed Interim Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2016

	Paid up certificate capital	Reserves Statutory reserve	Unappropriated profit	Total
	(Rupees)			
Balance as at 1 July 2016	1,000,000,000	5,688,574	22,754,297	1,028,442,871
Total comprehensive income for the period				
Profit for the six months period ended 31 December 2016			81,212,204	81,212,204
Transfer to statutory reserve	-	16,242,441	(16,242,441)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
Profit distribution for the period ended 30 June 2016 @ Re. 0.227 per certificate	-	-	(22,700,000)	(22,700,000)
Balance as at 31 December 2016	1,000,000,000	21,931,015	65,024,060	1,086,955,075

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

For Awwal Modaraba Management Limited
(Management Company)


Chief Executive Officer


Director


Director

Notes to the Condensed Interim Financial Statements (Unaudited)
For the six months period ended 31 December 2016

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 Awwal Modaraba Management Limited, a company wholly owned by Pak Brunei Investment Company Limited. After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from 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 credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange Limited.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information of the Modaraba for the six months period ended 31 December 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modarabas (Floatation and Control) Ordinance 1980, Modaraba Companies and Modarabas 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 period ended 30 June 2016.

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 period ended 30 June 2016. The Modaraba commenced its operations with effect from 10 February 2016. Hence, the comparative figures for profit and loss account, cash flow statement and statement of changes in equity have not been presented in this condensed interim financial information.

This condensed interim financial information is unaudited but subject to limited scope review by the external auditors as required by the Code of Corporate Governance and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest rupee.

2.3 Significant accounting estimates and judgements

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the period ended 30 June 2016.

2.4 Basis of measurement

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual audited financial statements of the Modaraba as at and for the period ended 30 June 2016 except for the policies as set out below. At present, the Modaraba has no item to be reported in other comprehensive income, hence no such statement is prepared and total comprehensive income equals reported profit for the period.

3.1 Financial instruments

Financial assets and financial liabilities are recognised when the Modaraba becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

3.1.1 Investments

All investments are initially recognised at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

Management determines appropriate classification of investment in accordance with the requirements of approved accounting standards as applicable in Pakistan. The Modaraba classifies its investments in the following categories:

3.1.1.1 At fair value through profit or loss

A financial assets is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit and loss if Modaraba manages such investments and make purchase and sale decisions based on their fair values in accordance with Modaraba's investment strategies. Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified at fair value through profit or loss -held for trading. Financial assets at fair value through profit or loss are measured at fair values with any resulting gains or losses recognised in the profit and loss account. The fair value of such investment, representing listed equity securities are determined on the basis of prevailing market prices at the Pakistan Stock Exchange Limited or redemption / repurchase prices, whichever is applicable, in case of other securities. In case of unquoted investment, where active market does not exist, fair value is determined using valuation techniques. The investment in equity instruments that do not have a market /quoted price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment, if any.

3.1.1.2 Held to maturity

Held to maturity are non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

3.1.1.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. At each balance sheet date, these investments are re-measured at fair value and the resulting gains or losses are recognised directly in other comprehensive income until the investment is disposed off or impaired at which time these are transferred to the profit and loss account.

3.1.1.4 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

3.1.2 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred (i.e. default, delinquency or bankruptcy by a debtor, adverse changes in the payment status of borrower, disappearance of an active market for a security, restructuring of debtor balance on unfavorable terms etc.) and that the loss event has a negative effect on the estimated future cash flows of that asset. Additionally, management consider the requirement of applicable Prudential Regulation for Modaraba issued by the Securities and Exchange Commission of Pakistan (SECP).

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised, is transferred from other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss account. In case of investment carried at cost, if the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss.

The carrying amount of the Modaraba's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

During the period certain new standards, amendments to existing standards and interpretations became effective which were either not relevant or not having significant impact on Modaraba's accounting policies.

5 CASH AND BANK BALANCES

	31 December 2016 (Un-Audited)	30 June 2016 (Audited)
	(Rupees)	
Cash in hand	7,000	-
<i>Balances with banks</i>		
- in current accounts	5,754	-
- in deposit accounts	382,041,550	933,524,819
	<u>382,054,304</u>	<u>933,524,819</u>

- 5.1 These balances are held with Islamic Banks / Islamic Banking windows of commercial banks and carry profit at an average rate of 5.5% per annum.

6. ACCRUALS, PREPAYMENTS AND OTHER RECEIVABLES

Accrued profit on Musharika Finance	3,817,556	25,395
Accrued profit on Diminishing Musharika Finance	383,024	-
Accrued profit on Sukuk certificates	870,767	-
Accrued profit on deposit accounts	1,648,617	4,431,700
Prepayments	233,736	220,985
Other receivables	131,553	18,499,462
	<u>7,085,253</u>	<u>23,177,542</u>

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7. RECEIVABLE AGAINST ADVISORY FEE

This represents advisory fee receivable from customer in connection with Diminishing Musharika Finance facility provided by the Modaraba. The Sponsors have securitised such receivable by transfer of 1,672,929 shares of the underlying finance company to the Modaraba. As per the agreement, such shares will be offered to the Sponsor against the due installment of advisory fee in 24 quarterly installments. During the period, Modaraba has offered 136,058 shares to the Sponsors for an amount of Rs. 2,956,250.

8. MUSHARIKA FINANCE		31 December 2016 (Un-Audited)	30 June 2016 (Audited)
		(Rupees)	
Musharika finance - secured	8.1	433,657,850	83,657,848
less: current portion of Musharika Finance		(105,717,531)	(14,976,517)
		<u>327,940,319</u>	<u>68,681,331</u>

- 8.1 The Modaraba has provided Musharika Finance facilities to various customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 74% to 97.4% and 2.6% to 26% respectively. The customers have transferred the titles of the assets in the name of the Modaraba according to the terms of the agreement, the combined forced sales value of which amounts to 550.189 million. Further, in case of one customer, the Modaraba also holds 42 million ordinary shares of a scheduled bank as pledge and Lien on debt collection accounts against respective exposure.

These facilities have various maturity dates up to 21 October 2021. These facilities carry profit ranging from 6 months KIBOR + 5% to 3 months KIBOR + 6%.

- 8.2 Contractual rentals receivable on Musharika Finance facility:

	2016			Total
	Due within one year	Due after one year but within five years	Due after five years	
	(Rupees)			
<i>Musharika Finance facility:</i>				
- Principal repayments	105,717,531	327,940,319	-	433,657,850
- Profit	40,124,818	44,109,744	-	84,234,562
	<u>145,842,349</u>	<u>372,050,063</u>	<u>-</u>	<u>517,892,412</u>

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

9. DIMINISHING MUSHARIKA FINANCE		31 December 2016 (Un-Audited)	30 June 2016 (Audited)
		(Rupees)	
Diminishing Musharika Finance - secured	9.1	95,625,000	-
less: current portion of Diminishing Musharika Finance		(16,666,664)	-
		<u>78,958,336</u>	<u>-</u>

- 9.1 During the period, the Modaraba has entered into an agreement to provide Diminishing Musharika Finance facility amounting to Rs. 100 million. The purpose of the said facility is balance sheet re-profiling of the customer. The facility is secured against pari passu hypothecation charge over present and future fixed assets with a margin of 25%, ranking charge of Rs. 50 million over current assets, pledge over 20% of Sponsor's shares and lien on debt collection accounts of the customer and Sponsor support agreement etc.

The tenor of the agreement is 6 years during which the customer is to repay the share of the Modaraba in 72 installments commencing from 15 October 2016. The rentals are subject to profit at the rate of prevailing 3 months KIBOR plus 2.5%.

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9.2 Contractual rentals receivable on Diminishing Musharika Finance facility:

	2016		
	Due within one year	Due after one year but within five years	Due after five years
	----- (Rupees) -----		
<i>Diminishing Musharika Finance facility</i>			
- Principal repayments	16,666,664	78,958,336	-
- Profit	7,566,086	16,371,759	-
	<u>24,232,750</u>	<u>95,330,095</u>	<u>-</u>
			<u>119,562,845</u>

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

10. LONG TERM LOANS - considered good

	31 December 2016 (Un-Audited)	30 June 2016 (Audited)
	(Rupees)	
Due from:		
Executives	10.1 1,289,794	-
Less: receivable within one year	(950,217)	-
	<u>339,577</u>	<u>-</u>

10.1 Loans to executives are provided by the Modaraba for the purchase of motor vehicles and emergency purposes in accordance with the terms of their employment. These loans are interest free and having remaining tenor of 2 years.

11. INVESTMENT

Held-to-maturity investment

Investment in Sukuk certificates	11.1 100,000,000	-
----------------------------------	------------------	---

11.1 These represents privately placed sukuk certificates issued by counterparty through Al-Baraka Bank (Pakistan) Limited, acting as investment agent of the issuer and have a maturity date of 15 months from the date of issue i.e. 25 November 2017. The profit on the sukuk shall be paid quarterly at the rate of 3 months KIBOR plus 2.5%. The amount of principal will be paid at maturity of the issue.

12. OPERATING FIXED ASSETS

	Six months period ended December 2016	
	Additions	Disposals
	(Rupees)	
Vehicle	1,567,000	-
Computer and allied equipment	764,840	-
	<u>2,331,840</u>	<u>-</u>

The above assets are depreciated at average rates of 25% and 33% respectively.

13. ACCRUED EXPENSES

	31 December 2016 (Un-Audited)	30 June 2016 (Audited)
	(Rupees)	
Audit remuneration payable	162,000	190,200
Payable to Shari'ah Advisor	500,000	100,000
Leave fare allowance and staff medical accrual	2,650,951	616,580
Sindh sales tax payable	7,965,438	706,417
Provision for Workers' Welfare Fund	2,237,859	580,467
Zakat payable	21,438	-
Others	13.1 466,316	-
	<u>14,004,002</u>	<u>2,193,664</u>

13.1 This includes provident fund contribution payable amounting to Rs. 0.38 million.

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14. PAYABLE TO RELATED PARTIES

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

The 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 current period, the Modaraba has transferred an amount of Rs. 16.242 million which represents 20% of the profit after taxation for the period.

16. COMMITMENTS

On 15 December 2016, the Modaraba has entered into an agreement with prospective customer and has committed to purchase ordinary shares amounting to Rs. 50 million of the investee company.

17. ADMINISTRATIVE AND OPERATING EXPENSES

		For the six months period ended 31 December 2016	For the quarter ended 31 December 2016
		(Rupees)	
Salaries and other staff benefits	17.1	8,335,496	4,119,661
Depreciation on operating fixed assets		83,602	80,921
Fees and subscriptions		378,005	144,990
Advertising, travelling and entertainment expenses		177,115	159,335
Telecommunication		65,520	24,420
Postage		8,570	4,635
Repair and maintenance		112,802	112,802
Printing and Stationary		159,426	157,426
Auditor's remuneration		167,900	162,000
Legal and professional charges		552,119	181,263
Insurance		8,367	8,367
Shared service expense	17.2	2,088,440	1,253,064
Other expenses		58,242	32,124
		<u>12,195,604</u>	<u>6,441,008</u>

17.1 Salaries and other benefits include Rs. 0.35 million in respect of staff retirement benefits.

17.2 This represents shared service cost of the Modaraba charged by Pak Brunei Investment Company Limited (a related party).

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 2017. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

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19. EARNINGS PER CERTIFICATE - BASIC AND DILUTED		31 December 2016 (Un-Audited) (Rupee)
Basic		
Profit for the period after taxation		<u>81,212,204</u>
		(Number)
Weighted average number of certificates outstanding during the period		<u>100,000,000</u>
		(Rupee)
Earnings per certificate		<u>0.812</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. 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 other than those which have been specifically disclosed elsewhere in the condensed interim financial information are as follows:		
20.1 Details of the transactions with related parties		Six months period ended 31 December 2016 (Un-Audited) (Rupees)
Pak Brunei Investment Company Limited		
Advisory fee income		<u>25,000,000</u>
Key management personnel		
Salaries and other benefits		<u>1,683,074</u>
Number of persons		<u>1</u>
Staff retirement benefits funds		
Contribution to the staff provident fund		<u>387,288</u>
Contribution to the staff gratuity fund		<u>160,452</u>
20.2 Amounts outstanding as at period end		
	31 December 2016 (Un-Audited) (Rupees)	30 June 2016 (Audited) (Rupees)
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Receivable balance in respect of advisory services - net	<u>34,801,406</u>	<u>15,000,000</u>
Payable balance against expenses paid on behalf of the Modaraba	<u>-</u>	<u>8,332,104</u>
Awwal Modaraba Management Limited		
- Management Company		
Payable balance against Management Company's remuneration - net	<u>-</u>	<u>4,082,436</u>
Receivable from Management Company	<u>2,494,098</u>	<u>-</u>
Staff retirement benefits funds		
Contribution payable to staff provident fund	<u>387,288</u>	<u>155,052</u>

AWVAL MODARABA

21. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual audited financial statements as at and for the period ended 30 June 2016.

22. 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.

31 December 2016 (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						
Cash and bank balances	-	382,054,304	-	-	-	-
Accruals and other receivables	-	6,851,517	-	-	-	-
Receivable against advisory fee	-	38,108,376	-	-	-	-
Musharika Finance	-	433,657,850	-	-	-	-
Diminishing Musharika Finance	-	95,625,000	-	-	-	-
Loans	-	1,289,794	-	-	-	-
Receivable from related parties	-	37,295,504	-	-	-	-
Investment in Sukuk certificates	100,000,000	-	-	-	-	-
Long term deposits	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	3,779,267	-	-	-
Payable to related parties	-	-	-	-	-	-

AWWAL MODARABA

30 June 2016 (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						
Cash and bank balances	-	933,524,819	-	-	-	-
Accruals and other receivables	-	22,956,557	-	-	-	-
Musharika Finance	-	83,657,848	-	-	-	-
Long term deposits	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	906,780	-	-	-
Payable to related parties	-	-	12,414,540	-	-	-

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 Musharika Finance and Diminishing Musharika Finance including investment in Sukuk Certificate, 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.

23. 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 this condensed interim financial information during the current period.

24. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on 23 February 2017 by the Board of Directors of the Management Company.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

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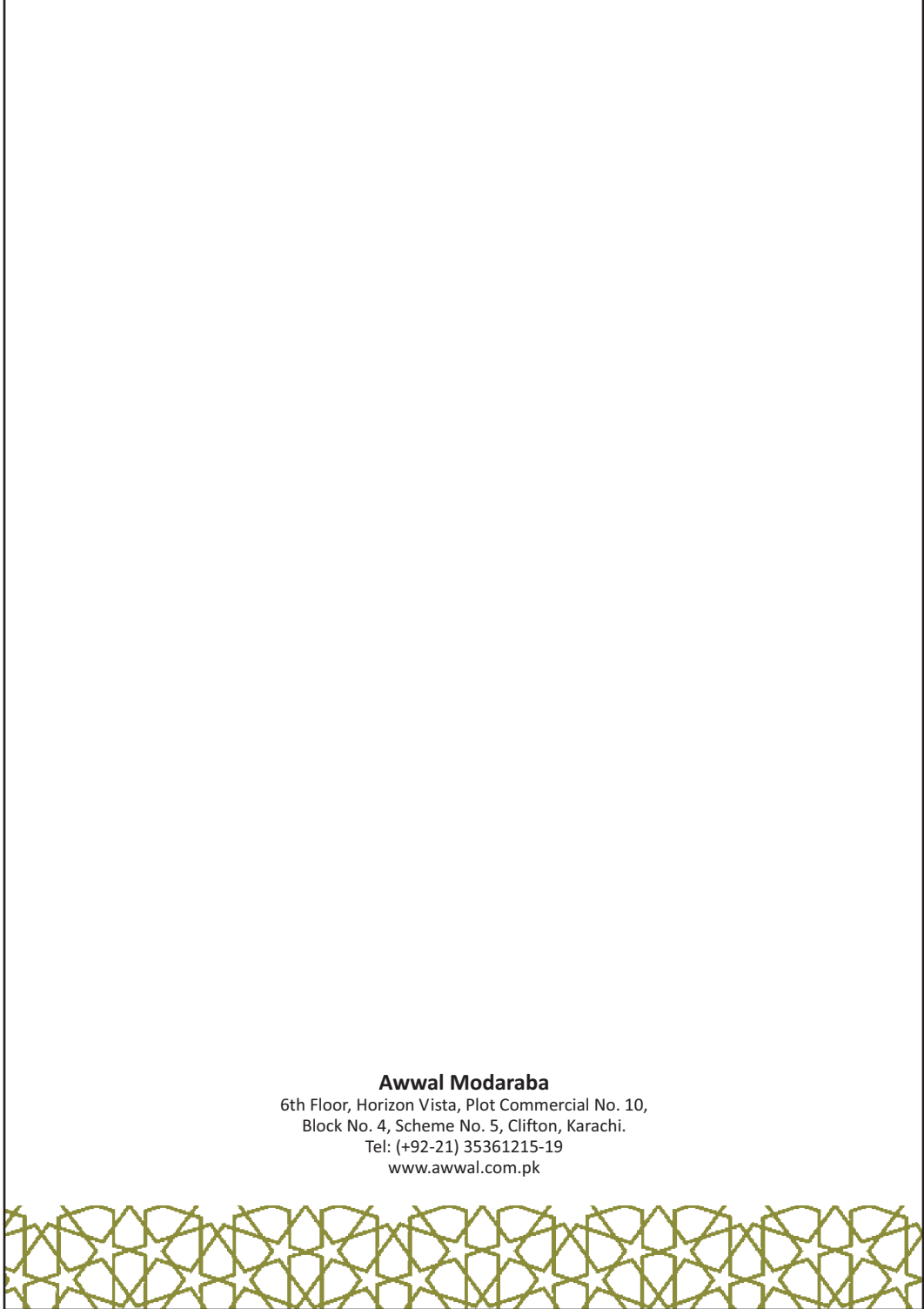
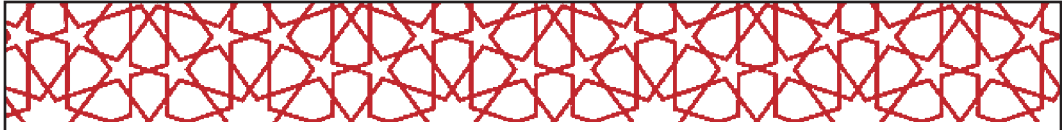


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*Mobile apps are also available for download for android and ios devices



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