



AWWAL
MODARABA

HALF YEARLY REPORT
DECEMBER 2017

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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
Ms. Ayesha Aziz		Non-Executive Director
Mr. Abdul Jaleel Shaikh		Non-Executive 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. Abdul Jaleel Shaikh	Chairman
Mr. Khalid Aziz Mirza	Member
Mr. Abdul Hafeez	Member
Mr. Ahmed Ateeq	Member

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 half year ended 31 December 2017

The Board of Directors (Board) of Awwal Modaraba Management Limited, the management company of Awwal Modaraba (Modaraba), is pleased to present the Directors' Report together with un-audited Financial Statements of Awwal Modaraba, for the half year ended 31 December 2017.

Economic Activity

Over the past few years, Pakistan has been on the road of improved policy-making backed by successful completion of IMF program, that has helped restore macroeconomic stability. Strong private consumption, recovery in agriculture and vibrancy in the services sector has resulted in an increase of 0.8% in GDP growth. However, investment continued to drag especially from the private sector. Moreover, fiscal pressures have increased. After having fallen significantly till FY2016, fiscal deficit has widened, reaching 5.8% of GDP. A less-than-satisfactory tax collection effort combined with an unprecedented increase in development spending led to this slide. The provinces have posted fiscal surpluses over the past few years, but these turned into a deficit of 0.5% of GDP in 2017.

On the external side, the current account deficit has widened substantially. Trade deficit has widened as imports surged and exports have declined. While structural issues have caused a long-term decline in Pakistan's export competitiveness, exchange rate flexibility remains critical to supporting competitiveness. Furthermore, international remittances, which have been resilient to previous international and domestic shocks, also declined. As a result, Pakistan's official foreign exchange reserves fell to US\$16.2 billion at the end of FY2017.

Inflation remained subdued, staying well below this year's target of 6%. An improved domestic supply situation and stable exchange rate helped curtail headline inflation, which was recorded at 4.2% during the year. As a result, State Bank of Pakistan (SBP) kept the policy rate unchanged at 5.75% throughout FY2017. Encouragingly, private sector credit picked up due to the net retirement of government borrowing to scheduled banks and low real interest rates. The credit to the private sector grew by 16.8%, expanding by around PKR 748 billion.

We expect GDP growth to continue accelerating and reach 5.8% in coming years. However, going forward, this momentum is contingent on managing the challenges that have emerged on the external and fiscal fronts. Growth is expected to be driven by public and private sector consumption, aided by a steady increase in public investment, especially due to projects under the China-Pakistan Economic Corridor (CPEC). On the supply side, growth will likely be supported by services and industry. The wide current account deficit is expected to remain a concern and pressure on international reserves is likely to persist.

Financial Analysis

Following the footsteps of successful conclusion of FY2017, Awwal Modaraba began this year with strong performance. It has continued to provide exceptional business and advisory solutions to companies with unique and complex financing needs, while ensuring strict adherence to the principles of Sharia. We stood at forefront of providing advisory services tailored specifically for the needs of individual clients also, focusing on revival of financially distressed companies.

Awwal Modaraba's sources of revenue include Advisory services, income derived from Musharika finance and Diminishing Musharika finance. During the first half of FY2018, Modaraba posted revenue of PKR 101.9 million including Advisory fee income of PKR 53 million. Total Expenses incurred during the period amounted to PKR 24 million including provision of PKR 1.6 million for SWWF, earning net profit of PKR 77.9 million. Earnings per certificate for the period under review were Re. 0.78, compared to Re. 0.81 in the corresponding period last year. Total assets of the Modaraba at period end stood at PKR 1,178 million. Disbursements during the period amounted to PKR 16 million whereas future commitments are expected to be PKR 111.5 million. As of 31 December 2017, the total portfolio of Awwal Modaraba have reached at PKR 575.4 million.

Acknowledgement

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

On behalf of the Board



Karim Hatim
Chief Executive Officer

Date: 15 February 2018

AWWAL MODARABA

ڈائریکٹر رپورٹ:

اول مضاربہ پیمنٹ کمپنی لمیٹڈ، اول مضاربہ کی منتظم کمپنی کے ڈائریکٹر ان اول مضاربہ کے غیر آڈٹ شدہ مالیاتی حسابات برائے 31 دسمبر 2017 کو ختم ہونے والی ششماہی جمع ڈائریکٹر رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

اقتصادی سرگرمی:

آئی ایم ایف پروگرام کے کامیاب اختتام کے توسط سے گزشتہ چند سالوں سے پاکستان بہتر حکمت عملی مرتب کرنے کی راہ پر گامزن ہے جس کی وجہ سے میکرو اکنامک استحکام بحال ہونے میں مدد ملی ہے۔ نجی شعبے میں بڑھتی کھپت، زرعی شعبے کی بحالی اور خدمات کے شعبے میں سرگرمی GDP کی قدر میں 0.8 فیصد اضافے کا سبب بنی۔ تاہم سرمایہ کاری کا نجی رجحان جاری رہا بالخصوص نجی شعبے میں۔ مزید برآں مالی دباؤ میں اضافہ ہوا۔ مالی سال 2016 تک واضح کمی کے بعد، مالی خسارہ وسیع ہوتے ہوئے GDP کے 5.8 فیصد تک پہنچا۔ غیر ملکیان بخش محصولات کی وصولی کی کوششوں کے ساتھ ترقیاتی اخراجات میں بیش بہا اضافہ مالی خسارے کا موجب بنا۔ گزشتہ چند سالوں سے صوبے فاضل وسائل خارج کر رہے ہیں۔ تاہم مالی سال 2017 میں یہ اضافہ خسارے میں تبدیل ہو کر GDP کا 0.5 فیصد ہو گیا۔

بیرونی سطح پر جاری حسابات کے خسارے میں واضح اضافہ دیکھا گیا درآمدات میں اضافے اور برآمدات میں کمی کے باعث تجارتی خسارے میں قابل قدر اضافہ ہوا۔ وسائل کی عدم موجودگی طویل عرصے سے پاکستانی درآمدات کی مسابقت پر اثر انداز ہو رہی ہے۔ زرمبادلہ کی شرح میں گلوبل مثبت اہت کے لیے معاون ہوتی ہے۔ مزید برآں بین الاقوامی ترسیلات جو کہ گزشتہ اندرونی و بیرونی تعامل میں مددگار تھیں، کمی کا شکار ہیں۔ نتیجتاً پاکستان کے زرمبادلہ کے ذخائر مالی سال 2017 کے اختتام پر کم ہو کر 16.2 بلین امریکی ڈالر ہو گئے۔

افراط زر عجیبی سطح پر برقرار رہا، جو اس سال کے ہدف 6 فیصد سے کافی کم رہا۔ شاید، داخلی فراہمی میں بہتری اور زرمبادلہ کی شرح میں استحکام، افراط زر کی اوپری سطح کو کم کرنے میں معاون رہا، جو کہ سال کے دوران 4.2 فیصد رقم کیا گیا۔ نتیجتاً اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی ریٹ کو بغیر تبدیلی کے 5.75 فیصد پر مالی سال 2017 میں برقرار رکھا۔ حوصلہ افزا بات یہ ہے کہ شیڈول بینکوں سے حاصل کردہ کل وقتی قرضوں میں مجموعی کمی اور کم شرح سود نجی شعبے میں کریڈٹ کے اضافے کا باعث بنا۔ نجی شعبے کے قرضوں میں 16.8 فیصد سے اضافہ ہوا جو کہ بڑھ کر 748 بلین روپے ہو گیا۔

ہم توقع کرتے ہیں کہ آنے والے سالوں میں GDP میں اضافے کی رفتار اس کو 5.8 فیصد تک پہنچا دے گی۔ تاہم مستقبل میں اس کا تسلسل درپیش بیرونی خطرات و مالی مشکلات کے نشتے سے مشروط ہے۔ ترقی کا دارومدار معاشی و نجی شعبے کی کھپت، ہوائی سرمایہ کاری میں اضافہ، خصوصی طور پر پاک چین اکنامک کارپورڈ کے زیر انتظام منصوبوں پر مبنی ہے۔ رسد کے محاذ پر صنعت و خدمات کے اہم کردار ادا کرنے کا امکان ہے۔ جاری حسابات کا وسیع خسارہ خوشنظرانہ کا باعث رہے گا، جبکہ زرمبادلہ کے ذخائر پرباؤ برقرار رہے گا۔

مالیاتی جائزہ:

مالی سال 2017 کے کامیاب اختتام کے نقش قدم پر، اول مضاربہ نے اس سال کی شروعات منظم کارکردگی سے کی، ماضی کی طرح کمپنیز کو غیر معمولی کاروباری و مشاورتی خدمات، منفرد و پیچیدہ مالی ضروریات کی فراہمی، بشری اصولوں کی پاسداری کو یقینی بناتے ہوئے۔ ہم اپنے تمام صارفین کو ان کی ضروریات کے مطابق سہولیات کی فراہمی میں پیش پیش رہے اور توجہ کا مرکز مالی بحران کا شکار کمپنیز کا احیاء رہا۔

مشاورتی خدمات، مشارک اور ڈیمنٹیک مشارک سے حاصل ہونے والی آمدنی اول مضاربہ کے ذرائع آمدن میں شامل ہیں۔ مالی سال 2018 کی پہلی ششماہی میں 101.9 PKR ملین کی آمدنی حاصل کی جس میں 53 PKR ملین مشاورتی خدمات فراہم کرنے کی مدد میں تھے۔ اس مدت کے لیے کل اخراجات 24 PKR ملین رہے جس میں 1.6 PKR ملین SWWF کی مدد میں شامل ہیں جس کے بعد 77.9 PKR ملین کا خالص منافع حاصل کیا۔ مضاربہ کی فی سرٹیفیکٹ آمدنی اس ششماہی کے دوران Re. 0.78 رہی جبکہ گزشتہ سال اسی عرصے میں Re. 0.81 تھی۔ مضاربہ کے کل اثاثے اس مدت کے اختتام پر 1178 PKR ملین رہے اس عرصے میں 16 PKR ملین کی مزید سرمایہ کاری کی جبکہ مستقبل میں 111.5 PKR ملین سرمایہ فراہم کرنے کے وعدے ہیں۔ 31 دسمبر 2017 کو مضاربہ کی مجموعی سرمایہ کاری 575.4 PKR ملین تک پہنچ چکی ہے۔

انتہا تشکر

بورڈ سیکرٹریز اینڈ ایگزیکٹو کمیشن آف پاکستان (SECP) اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا معترف ہے اور اسے سراہتا ہے۔ اس کے ساتھ اس موقع کا فائدہ اٹھاتے ہوئے اپنے صارفین اور سرمایہ کاروں کے اعتماد کا تہدول سے شکر گزار ہے۔

بورڈ کی جانب سے



کریم حامد
چیف ایگزیکٹو

مورخہ 15 فروری 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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 2017, 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 2017 and 31 December 2016 in the condensed interim financial information has not been reviewed and we do not express a conclusion on them.

Date: 15 February 2018

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 2017

	Notes	31 December 2017 (Unaudited)	30 June 2017 (Audited)
		------(Rupees)-----	
ASSETS			
Current assets			
Bank balances	5	456,533,542	252,808,456
Accruals, prepayments, advances and other receivables		10,293,020	14,114,954
Current portion of receivable against advisory fee	6	101,511,971	50,350,918
Current portion of Investment against repurchase agreement	7	23,999,988	31,999,984
Current portion of Musharika Finance	8	139,922,998	133,320,267
Current portion of Diminishing Musharika Finance	9	-	16,666,670
Current portion of long term loans		1,011,684	1,450,622
Receivable from related party		23,260,488	19,792,349
Short term investment		-	100,000,000
Taxation recoverable		4,966,918	4,514,543
Total current assets		761,500,609	625,018,763
Non - current assets			
Receivable against advisory fee	6	-	20,695,477
Investment against repurchase agreement	7	5,999,997	17,999,991
Long term portion of Musharika Finance	8	205,444,123	262,928,681
Long term portion of Diminishing Musharika Finance	9	200,000,000	270,307,539
Long term loans		1,847,410	2,176,790
Long term deposit		75,000	75,000
Intangible asset		328,716	398,832
Operating fixed assets	10	2,974,783	3,107,755
Total non-current assets		416,670,029	577,690,065
TOTAL ASSETS		1,178,170,638	1,202,708,828
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses	11	35,203,834	18,758,432
Payable to related parties	12	27,366,119	23,805,428
Unclaimed profit distribution		50,159	4,231
Total liabilities		62,620,112	42,568,091
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	13	52,150,105	36,568,147
Unappropriated profit		63,400,421	123,572,590
		1,115,550,526	1,160,140,737
TOTAL LIABILITIES AND EQUITY		1,178,170,638	1,202,708,828
COMMITMENTS			
	14		

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

For Awwal Modaraba Management Limited
(Management Company)



Chief Executive Officer



Director



Director

AWWAL MODARABA

Condensed Interim Profit and Loss and Other Comprehensive Income (Unaudited)

For the six months period and quarter ended 31 December 2017

	For the six months period ended 31 December 2017 (Unaudited)	For the six months period ended 31 December 2016 (Unaudited)	For the quarter ended 31 December 2017 (Unaudited)	For the quarter ended 31 December 2016 (Unaudited)
Notes	(Rupees)			
Income				
Advisory fee	52,998,188	61,266,352	45,748,188	24,962,924
Income from Investment against repurchase agreement	3,485,298	-	1,573,165	-
Income from Musharika Finance	18,723,363	8,464,899	9,196,477	6,128,530
Income from Diminishing Musharika Finance	14,817,609	2,409,609	7,340,675	2,104,751
Income from deposits with banks	8,405,220	19,915,544	4,429,829	7,659,110
Income from Sukuk Certificates	3,476,656	3,015,753	1,301,916	2,153,096
	<u>101,906,334</u>	<u>95,072,157</u>	<u>69,590,250</u>	<u>43,008,411</u>
Expenses				
Administrative and operating expenses	(22,397,344)	(12,195,604)	(11,952,886)	(6,441,008)
Financial charges	(9,205)	(6,957)	(4,118)	(3,622)
	<u>79,499,785</u>	<u>82,869,596</u>	<u>57,633,246</u>	<u>36,563,781</u>
Management Company's remuneration	12	-	-	-
Provision for services sales tax on Management Company's remuneration	-	-	-	-
Provision for Workers' Welfare Fund	11.1	(1,589,996)	(1,152,665)	(731,276)
	<u>(1,589,996)</u>	<u>(1,657,392)</u>	<u>(1,152,665)</u>	<u>(731,276)</u>
Profit for the period before taxation	<u>77,909,789</u>	<u>81,212,204</u>	<u>56,480,581</u>	<u>35,832,505</u>
Taxation	15	-	-	-
Profit for the period after taxation	<u>77,909,789</u>	<u>81,212,204</u>	<u>56,480,581</u>	<u>35,832,505</u>

There are no items of other comprehensive income to report and hence profit for the period as well as for comparative period equals to total comprehensive income.

	(Rupees)			
Earnings per certificate - basic and diluted	16	<u>0.78</u>	<u>0.81</u>	<u>0.56</u>
				<u>0.36</u>

The annexed notes from 1 to 20 form an integral part of these 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 2017

	31 December 2017 (Unaudited)	31 December 2016 (Unaudited)
	------(Rupees)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	77,909,789	81,212,204
Adjustments for non-cash items		
Depreciation on operating fixed assets	558,041	83,602
Amortization on intangible asset	70,116	-
	<u>78,537,946</u>	<u>81,295,806</u>
(Increase) / decrease in assets		
Accruals, prepayments, advances and other receivables	3,821,934	16,092,289
Receivable against advisory fee	(30,465,576)	(38,108,376)
Investment against repurchase agreement	19,999,990	-
Musharika Finance	50,881,827	(350,000,002)
Diminishing Musharika Finance	86,974,209	(95,625,000)
Long term loans	768,318	(1,289,794)
Receivable from related party	(3,468,139)	(37,295,504)
Short term investment	100,000,000	(100,000,000)
	<u>228,512,563</u>	<u>(606,226,387)</u>
Increase / (decrease) in liabilities		
Accrued expenses	16,445,403	11,810,338
Payable to related parties	3,560,691	(12,414,540)
	<u>20,006,094</u>	<u>(604,202)</u>
Taxes withheld	(452,375)	(909,560)
Net cash generated from / (used in) operating activities	<u>326,604,228</u>	<u>(526,444,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(425,069)	(2,331,840)
Net cash used in investing activities	<u>(425,069)</u>	<u>(2,331,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(122,454,073)	(22,694,332)
Net cash used in financing activities	<u>(122,454,073)</u>	<u>(22,694,332)</u>
Net increase / (decrease) in cash and cash equivalents	<u>203,725,086</u>	<u>(551,470,515)</u>
Cash and cash equivalents at beginning of the period	252,808,456	933,524,819
Cash and cash equivalents at end of the period	<u>456,533,542</u>	<u>382,054,304</u>

The annexed notes from 1 to 20 form an integral part of these 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 2017

	Paid up certificate capital	Reserves		Total
		Statutory reserve	Unappropriated profit	
		(Rupees)		
Balance as at 30 June 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
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
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	1,000,000,000	52,150,105	63,400,421	1,115,550,526

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

For Awwal Modaraba Management Limited
(Management Company)


Chief Executive Officer


Director


Director

Notes to the Condensed Interim Financial Information (Unaudited)

For the six months period ended 31 December 2017

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, 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 report of the Modaraba for the six months period ended December 31, 2017 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 Modaraba Companies and Modarabas (Flotation 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 Modaraba Companies and Modarabas (Flotation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Modaraba for the year ended 30 June 2017.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the year ended 30 June 2017, whereas the comparative condensed interim profit & loss account, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial information for the period ended 31 December 2016.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgements

In preparing this condensed interim financial information management has made judgement, 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

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these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material adjustment were the same as those were applied to the financial statements for the year ended 30 June 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2017.

There are certain amendments to approved accounting standards which are applicable for current year. However, these do not have significant impact other than increased disclosures, if any at year end financial statements for the year ending 30 June 2018.

There are certain other standards and amendments to the approved accounting standards that will be applicable for annual period beginning on or after 1 July 2018. Further Securities and Exchange Commission of Pakistan has notified IFRS 9 "Financial Instruments" replacing IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 15 "Revenue from Contracts with Customers" replacing IAS 18 "Revenue" and IAS 11 "Construction Contracts". These standards are applicable for the annual period beginning on or after 1 July 2018 and management is currently assessing its impact.

4. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives & policies are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2017.

5. BANK BALANCES

	31 December 2017 (Unaudited)	30 June 2017 (Audited)
	----- (Rupees) -----	
<i>Balances with banks</i>		
- in current accounts	62,579	4,283
- in deposit accounts	5.1 456,470,963	252,804,173
	<u>456,533,542</u>	<u>252,808,456</u>

5.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 5.17% (2017: 5.4%) per annum.

6. RECEIVABLE AGAINST ADVISORY FEE

This represents advisory fee receivable from various customers of the Modaraba in respect of advisory services rendered by it.

7. INVESTMENT AGAINST REPURCHASE AGREEMENT

Investment against repurchase agreement - secured	7.1 29,999,985	49,999,975
less: current portion of investment	(23,999,988)	(31,999,984)
	<u>5,999,997</u>	<u>17,999,991</u>

7.1 On 28 December 2016, the Modaraba has entered into an agreement with the holding company (financee) 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.

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 Rs. 529.37 million. Apart from this, the Modaraba has obtained various securities against these facilities including personal guarantees of Sponsors / directors of customers, post dated cheques issued by customers, hypothecation of fixed assets, movables and receivables amounting in aggregate to Rs. 267 million. Further, in case of one customer, the Modaraba along with related party of the Modaraba holds 42 million ordinary shares of a scheduled bank as pledge and lien on debt collection account against respective exposure.

8.2 Contractual rentals receivable on Musharika Finance facilities:

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

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9.1 The Modaraba has provided Diminishing Musharika Finance facility to a customer. The facility is secured against various collaterals which mainly include first pari passu mortgage and hypothecation charges over the fixed assets up to an amount of Rs. 119.05 million, first pari passu charge over current assets, pledge over Sponsor's shares, mortgage over personal properties of Sponsors having forced sales value of Rs. 72.23 million, lien on debt collection accounts of the customers and personal guarantees of the Sponsors, and pledge of various equity securities of listed companies having aggregate market value of Rs. 19.29 million at reporting date. Further to this, the Modaraba also appointed two of its directors on the Board of the counterparty.

The facility have a maturity date of 20 April 2024 and carry profit at the rate of 6 months KIBOR plus 5%.

9.2 Contractual rentals receivable on Diminishing Musharika Finance facility:

	31 December 2017 (Unaudited)				30 June 2017 (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

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11. ACCRUED EXPENSES

		31 December 2017 (Unaudited)	30 June 2017 (Audited)
		-----	-----
		(Rupees)	(Rupees)
Audit remuneration payable		229,775	244,200
Payable to Tax Advisor		-	27,000
Payable to Shari'ah Advisor		100,000	100,000
Leave fare allowance and staff medical accrual		4,962,949	2,279,299
Sindh sales tax payable		11,999,180	8,524,327
Provision for Workers' Welfare Fund	11.1	5,321,440	3,731,444
Zakat payable		24,409	-
Others	11.2	12,566,081	3,852,162
		<u>35,203,834</u>	<u>18,758,432</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. During the period, 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 this condensed interim financial information.

11.2 This includes staff retirement benefit payable amounting to Rs. 3.61 million (2017: Rs. 1.41 million).

12. PAYABLE TO RELATED PARTIES

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

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.

13. 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. 15.58 million (30 June 2017: Rs. 30.88 million) which represents 20% of the profit after taxation for the period.

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14. COMMITMENTS

On 24 January 2017, the Modaraba had entered into a Musharika Finance Agreement with a customer for Rs. 30 million out of which Rs. 18.47 million (2017: 2.78 million) has already been disbursed as disclosed in note 8 of this condensed interim financial information.

Further, on 13 November 2017, the Modaraba entered into a Diminishing Musharika Finance Agreement with a customer for Rs. 100 million. No disbursement is made to the customer as at 31 December 2017.

15. 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 period ending 31 December 2017. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

16. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

	For the six months period ended 31 December 2017 (Unaudited)	For the six months period ended 31 December 2016 (Unaudited)	For the quarter ended 31 December 2017 (Unaudited)	For the quarter ended 31 December 2016 (Unaudited)
	----- (Rupees) -----			
Basic				
Profit for the period after taxation	<u>77,909,789</u>	<u>81,212,204</u>	<u>56,480,581</u>	<u>35,832,505</u>
	----- (Number) -----			
Weighted average number of certificates outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	----- (Rupees) -----			
Earnings per certificate	<u>0.78</u>	<u>0.81</u>	<u>0.56</u>	<u>0.36</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.

17. 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. There are no transactions with key management personnel other than their terms of employment/entitlement.

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

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17.1	Details of the transactions with related parties	31 December 2017 (Unaudited)	31 December 2016 (Unaudited)
		----- (Rupees) -----	
	Pak Brunei Investment Company Limited		
	- Holding company of the Management company		
	Advisory fee income	-	25,000,000
	Shared service expense	<u>4,195,848</u>	<u>2,088,440</u>
	Other expenses	<u>389,152</u>	<u>4,004,982</u>
17.2	Amounts outstanding as at period end	31 December 2017 (Unaudited)	30 June 2017 (Audited)
		----- (Rupees) -----	
	Pak Brunei Investment Company Limited		
	- Holding company of the Management company		
	Payable / (receivable) balance against expenses paid on behalf of Modaraba	<u>3,560,691</u>	<u>(1,024,309)</u>
	Awwal Modaraba Management Limited		
	- Management Company		
	Payable balance	<u>23,805,428</u>	23,805,428
	Receivable balance	<u>(23,260,488)</u>	<u>(18,768,040)</u>
	Staff retirement benefits funds		
	Contribution payable to staff provident fund	<u>1,822,470</u>	1,021,914
	Contribution payable to staff gratuity fund	<u>1,792,365</u>	<u>389,161</u>

18 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 values cannot be reliably measured.

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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 2017 (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	-	456,533,542	-	-	-	-
Accruals and other receivables	-	9,778,159	-	-	-	-
Receivable against advisory fee	-	101,511,971	-	-	-	-
Investment against repurchase agreement	-	29,999,985	-	-	-	-
Musharika Finance	-	345,367,121	-	-	-	-
Diminishing Musharika Finance	-	200,000,000	-	-	-	-
Long term loans	-	2,859,094	-	-	-	-
Receivable from related parties	-	23,260,488	-	-	-	-
Long term deposits	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	17,883,214	-	-	-
Payable to related parties	-	-	27,366,119	-	-	-
Unclaimed profit distribution	-	-	50,159	-	-	-
30 June 2017 (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	-	252,808,456	-	-	-	-
Accruals and other receivables	-	13,670,666	-	-	-	-
Receivable against advisory fee	-	71,046,395	-	-	-	-
Investment against repurchase agreement	-	49,999,975	-	-	-	-
Musharika Finance	-	396,248,948	-	-	-	-
Diminishing Musharika Finance	-	286,974,209	-	-	-	-
Long term loans	-	3,627,412	-	-	-	-
Receivable from related parties	-	19,792,349	-	-	-	-
Short term investment	100,000,000	-	-	-	-	-
Long term deposits	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	6,485,061	-	-	-
Payable to related parties	-	-	23,805,428	-	-	-
Unclaimed profit distribution	-	-	4,231	-	-	-

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.

19. 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.

20. DATE OF AUTHORISATION

This condensed interim financial information were authorised for issue on 15 February 2018 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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*Mobile apps are also available for download for android and ios devices

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