

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



QUARTERLY
REPORT
September 2019

Contents

Vision & Mission Statements	02
Corporate Information	03
Directors' Report - English	04
Directors' Report - Urdu	05
Condensed Interim Statement of Financial Position (Unaudited)	06
Condensed Interim Statement of Profit or Loss Account and Other Comprehensive Income (Unaudited)	07
Condensed Interim Statement of Cash Flows (Unaudited)	08
Condensed Interim Statement of Changes in Equity (Unaudited)	09
Notes to the Condensed Interim Financial Statements	10

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
Dubai Islamic Bank Pakistan Limited

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

Directors' Report

For the three months period ended 30 September 2019

The Board of Directors (Board) of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, is pleased to present the unaudited financial statements of Awwal Modaraba for the three months period ended 30 September 2019.

Economy

In the recent Monetary Policy Statement (MPS) of September 2019 issued by the State Bank of Pakistan, the policy rate was left unchanged at 13.25%. Foreign exchange market is somewhat stabilized with PKR hovering around PKR 156/USD and volatility has subsided. The US Fed has also reduced its policy rate by 25 bps, followed by similar actions by other major central banks around the world. After a reduction of 32%YoY in the last fiscal year, current account deficit is still on a declining trajectory as the first two months of current fiscal year records a 55% YoY reduction – thanks to a massive reduction in imports and healthy remittance inflow. Moreover, after a lull, the Government is again focusing on CPEC initiatives which would provide a much needed impetus to economic activity.

Economic growth is expected to remain under pressure due to austerity measures, high interest rates and inflation and higher burden of taxation. We believe this to be inevitable as the economy adjusts to the long neglected process of economic documentation. Political issues including FATF and recent escalation in border tensions continue to dampen the economic sentiments of the country.

Financial Performance

Modaraba is selectively underwriting new business in view of the current situation. The outstanding portfolio size was maintained at PKR 651 million at the end of the first quarter of 2020. During the three months under review, overall revenues have been recorded at PKR 54.26 million compared to PKR 34.39 million in corresponding period last year reflecting impact of higher mark-up rates, advisory income was recorded at PKR 17 million. Total expenses for the period amounted to PKR 14.93 million in comparison with the corresponding period expenses of PKR 12.82 million. The Modaraba posted profit before tax for the period being PKR 38.55million compared to the corresponding period of PKR 21.13 million.

Governance

There has been no change in the Board of Directors of Awwal Modaraba Management Limited during the period under review.

Acknowledgement

The Board would like to acknowledge and appreciate Securities and Exchange Commission of Pakistan and Registrar Modaraba for their continuous guidance and support. 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 October 2019



Abdul Jaleel Shaikh
Director

ڈائریکٹر رپورٹ

برائے اختتام مدت 30 اکتوبر، 2019

اول مضار بہ مینجمنٹ لیٹرنڈ، جو اول مضار بہ کی مینجمنٹ کمیٹی ہے، کے بورڈ آف ڈائریکٹرز (بورڈ)، غیر آڈٹ شدہ مالی گوشارے برائے اختتام مدت 30 ستمبر، 2019 پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔

معیشت

اسٹیٹ بینک آف پاکستان کے جاری کردہ ستمبر 2019 کی مانیٹری پالیسی اسٹیٹمنٹ (ایم پی ایس) میں پالیسی کی شرح بغیر کسی رد و بدل کے 13.25 فیصد پر برقرار رکھی گئی۔ فارن ایکسچج مارکیٹ قدرے مستحکم رہی اور ڈالر کے مقابلے میں روپے کی قدر تاراج چڑھاؤ میں کمی کے ساتھ 156 پاکستانی روپے کے آس پاس برقرار رہی۔ یو ایس فڈ (US Fed) نے بھی اپنی پالیسی کی شرح میں 25 بی پی ایس کی کمی کی کردی ہے، جس کے باعث دنیا بھر میں دوسرے بڑے مرکزی بینکوں نے اس سے مماثل اقدامات اٹھائے۔ جاری اکاؤنٹ کے خسارے میں گزشتہ مالی سال کے مقابلے میں 32 فیصد (YoY) کی کمی کے بعد، رواں مالی سال کے پہلے دو ماہ میں پچھلے سال کے مقابلے میں 55 (YoY) کی ریکارڈ کمی گئی جو درآمدات میں بڑے پیمانے پر کمی اور صحت مند تر سیلابات زر کی بدولت ممکن ہوئی۔ مزید برآں، کچھ قحط کے بعد حکومت پھری بیگ (CPEC) کے لیے اقدامات اٹھارہی ہے جو کہ معاشی سرگرمیوں میں اضافے کے لیے نہایت ضروری ہے۔

توقع ہے کہ رواں مالی سال معاشی نمو، کفایت شعاری کے اقدامات، افراط زر اور نیکسوں کے زیادہ بوجھ کی وجہ سے دباؤ کا شکار رہے گا۔ ہم سمجھتے ہیں کہ یہ عمل ناگزیر ہوگا کیونکہ معاشی دستاویزات کے عمل کو طویل عرصے تک نظر انداز کرنے کے عمل سے ہم آہنگ ہیں۔ سیاسی مسائل جن میں ایف ایس اے ٹی ایف (FATF) اور سرحدی کشیدگی میں حالیہ اضافہ ملک کے معاشی ماحول پر کافی حد تک اثر انداز ہو رہے ہیں۔

مالی کارکردگی

موجودہ معاشی حالات کے باعث مضاربہ نے نئے کاروباری معاملات میں اپنٹنا طرزیہ برقرار رکھا ہوا ہے۔ مالی سال 2020 کی پہلی سہ ماہی کے اختتام پر پورٹفولیو کا حجم 651 ملین پاکستانی روپے پر برقرار رکھا گیا۔ زیر جائزہ مدت کے دوران ہونے والی مجموعی آمدنی پچھلے سال کی اسی مدت کی آمدنی 34.39 ملین پاکستانی روپے کے مقابلے میں 54.26 ملین پاکستانی روپے رہی جو پچھلے سال کے زیادہ شرح سود کے اثرات کی عکاسی کرتا ہے، مشاورتی آمدنی 17 ملین پاکستانی روپے ریکارڈ کی گئی۔ اس مدت کے دوران مجموعی اخراجات گزشتہ سال کی اسی مدت کے 12.82 ملین پاکستانی روپے کے مقابلے میں 14.93 ملین پاکستانی روپے تک محدود رہے۔ مضاربہ کا کل از نکس منافع پچھلے سال کے اسی مدت کے منافع 21.13 ملین پاکستانی روپے کے مقابلے میں 38.55 ملین پاکستانی روپے رہا۔

نظامت

زیر جائزہ مدت کے دوران اول مضاربہ مینجمنٹ لیٹرنڈ کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

اظہار تشکر

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرار مضاربہ کی مسلسل رہنمائی اور تعاون کا معترف ہے اور اسے سراہتا ہے۔ اس کے ساتھ، اس موقع کا فائدہ اٹھاتے ہوئے مضاربہ اپنے صارفین اور سرمایہ کاروں کے اعتماد کا تہدول سے مشکور ہے۔



عبدالجلیل شیخ
ڈائریکٹر

بورڈ کی جانب سے



کریم حاتم
چیف ایگزیکٹو آفیسر

مودی: 15 اکتوبر 2019

Condensed Interim Statement of Financial Position (Unaudited)

As at 30 September 2019

	Notes	30 September 2019 (Unaudited) (Rupees)	30 June 2019 (Audited)
ASSETS			
Current assets			
Cash and bank balances	6	210,663,111	164,135,475
Modarabah term deposit	7	200,000,000	200,000,000
Accruals, prepayments, advances and other receivables		49,989,997	45,294,829
Current portion of receivable against advisory fee	8	68,848,488	49,150,553
Current portion of Investment against repurchase agreement		48,878,899	48,878,899
Current portion of Musharika Finance	9	277,846,148	276,993,084
Current portion of Diminishing Musharika Finance	10	22,222,224	13,888,890
Current portion of long term loans	11	2,095,440	2,089,758
Taxation recoverable		7,732,072	7,543,738
Total current assets		888,276,379	807,975,226
Non - current assets			
Receivable against advisory fee	8	31,865,365	34,707,466
Long term portion of Musharika Finance	9	73,231,102	92,992,242
Long term portion of Diminishing Musharika Finance	10	277,777,776	286,111,110
Long term loans	11	4,059,143	4,446,284
Long term deposit		75,000	75,000
Intangible asset	12	5,866,968	6,561,192
Operating fixed assets	13	1,155,478	1,463,677
Total non-current assets		394,030,832	426,356,971
TOTAL ASSETS		1,282,307,211	1,234,332,197
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses		37,779,258	28,327,156
Payable to related parties		21,103,666	21,103,338
Profit distribution payable		89,000,000	-
Unclaimed profit distribution		120,922	144,195
Total liabilities		148,003,846	49,574,689
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed, and paid-up certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each		1,000,000,000	1,000,000,000
Statutory reserve	15	103,300,672	95,591,501
Unappropriated profit		31,002,693	89,166,007
Total Equity		1,134,303,365	1,184,757,508
TOTAL LIABILITIES AND EQUITY		1,282,307,211	1,234,332,197
Contingencies and Commitments			
	16		

The annexed notes from 1 to 22 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

Condensed Interim Statement of Profit or Loss Account and Other Comprehensive Income (Unaudited)

For the three months period ended 30 September 2019


Notes	Three months period ended 30 September 2019	Three months period ended 30 September 2018
	(Unaudited)	
	(Rupees)	
Income		
Advisory fee	17,000,000	7,250,000
Income from Investment against repurchase agreement	2,219,276	3,008,302
Income from Musharika Finance	14,235,996	11,460,064
Income from Diminishing Musharika Finance	10,270,686	8,158,819
Income from deposits with banks	4,489,536	4,508,263
Income from Modarabah Term Deposit	6,049,315	-
	<u>54,264,809</u>	<u>34,385,448</u>
Expenses		
Administrative and operating expenses	(14,925,701)	(12,817,251)
Financial charges	(6,601)	(4,812)
	<u>39,332,507</u>	<u>21,563,385</u>
Management Company's remuneration	-	-
Provision for services sales tax on Management Company's remuneration	-	-
	<u>-</u>	<u>-</u>
Provision for Workers' Welfare Fund	14 (786,650)	(431,268)
Profit for the period before taxation	<u>38,545,857</u>	<u>21,132,117</u>
Taxation	18 -	-
Profit for the period after taxation	<u>38,545,857</u>	<u>21,132,117</u>
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>38,545,857</u>	<u>21,132,117</u>
	(Rupee)	
Earnings per certificate - basic and diluted	<u>0.39</u>	<u>0.21</u>

The annexed notes from 1 to 22 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

Condensed Interim Statement of Cash Flows (Unaudited)

For the three months period ended 30 September 2019


Notes	30 September 2019	30 September 2018
	(Unaudited)	
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	38,545,857	21,132,117
Adjustments for		
Depreciation on operating fixed assets	308,199	306,722
Amortisation on intangible asset	694,224	35,058
	<u>39,548,280</u>	<u>21,473,897</u>
Changes in assets		
Accruals, prepayments, advances and other receivables	(4,695,168)	(37,194,507)
Modarabah Term Deposit	-	14,197,168
Receivable against advisory fee	(16,855,834)	5,999,997
Investment against repurchase agreement	-	30,002,616
Proceeds from repayment / settlement of Musharika Finance	18,908,076	-
Long term loans	381,459	335,366
	<u>(2,261,467)</u>	<u>13,340,640</u>
Changes in liabilities		
Accrued expenses	9,452,102	(1,308,395)
Payable to related parties	328	895,519
Unclaimed profit distribution	(23,273)	-
	<u>9,429,157</u>	<u>(412,876)</u>
Taxes withheld	<u>(188,334)</u>	<u>(843,732)</u>
Net cash from operating activities	<u>46,527,636</u>	<u>33,557,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	-	(123,503)
Net cash (used in) / from investing activities	<u>-</u>	<u>(123,503)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	-	-
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents	<u>46,527,636</u>	<u>33,434,426</u>
Cash and cash equivalents at beginning of the period	<u>164,135,475</u>	<u>298,945,833</u>
Cash and cash equivalents at end of the period	<u><u>210,663,111</u></u>	<u><u>332,380,259</u></u>


The annexed notes from 1 to 22 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

Condensed Interim Statement of Changes in Equity (Unaudited)

For the three months period ended 30 September 2019

	Issued, subscribed, and paid up certificate capital	Reserves		Total
		Statutory reserve	Unappropriated profit	
		(Rupees)		
Balance as at 01 July 2018	1,000,000,000	73,314,890	148,059,563	1,221,374,453
Total comprehensive income for the period				
- Profit for the three months period ended 30 September 2018	-	-	21,132,117	21,132,117
- Other comprehensive income for the three months period ended 30 September 2018	-	-	-	-
	-	-	21,132,117	21,132,117
Transfer to statutory reserve	-	4,226,423	(4,226,423)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
- Profit distribution for the year ended 30 June 2018 @ Rs. 1.480 per certificate	-	-	(148,000,000)	(148,000,000)
Balance as at 30 September 2018	1,000,000,000	77,541,313	16,965,257	1,094,506,570
Balance as at 01 July 2019	1,000,000,000	95,591,501	89,166,007	1,184,757,508
Total comprehensive income for the period				
- Profit for the three months period ended 30 September 2019	-	-	38,545,857	38,545,857
- Other comprehensive income for the three months period ended 30 September 2019	-	-	-	-
	-	-	38,545,857	38,545,857
Transfer to statutory reserve	-	7,709,171	(7,709,171)	-
Transactions with Certificate Holders of the Modaraba - Distribution				
- Profit distribution for the year ended 30 June 2019 @ Re. 0.890 per certificate	-	-	(89,000,000)	(89,000,000)
Balance as at 30 September 2019	1,000,000,000	103,300,672	31,002,693	1,134,303,365

The annexed notes from 1 to 22 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 three months period ended 30 September 2019

1. LEGAL STATUS AND OPERATIONS

Awwal Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. The Modaraba is managed by the Awwal Modaraba Management Limited (Management Company), a company wholly owned by Pak Brunei Investment Company Limited (Holding Company). After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from 10 February 2016. The registered office is situated at 6th Floor, Horizon Vista, Plot Commercial No. 10, Block No. 4, Scheme No. 5, Clifton, Karachi.

Awwal Modaraba is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing Working Capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investment / instrument to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange Limited (PSX).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

Wherever provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and IFAS differ from IFRS Standards, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and the Modaraba Rules, 1981, Prudential Regulations for Modaraba and IFAS 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 off to the nearest rupee, unless otherwise indicated.

2.4 Critical accounting estimates and judgements

In preparing these condensed interim financial statements management has made judgements, estimates and assumptions that affect the application of the Modaraba's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 are the same as those were applied to the financial statements for the year ended 30 June 2019.

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 are effective for accounting periods beginning on or after 01 July 2019:

- 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. Management is not expecting impact of the standard on the Modaraba's financial Statements.
- 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 the Modaraba's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or fair value through other comprehensive income (FVOCI), IFRS 9 requires its contractual cash flows to meet the criterion that cash flows are 'solely payments of principal and interest' (SPPI). Some prepayment options could result in a situation wherein the party that triggers the early termination receives compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on the Modaraba's financial statements.
- 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 the Modaraba's 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 this amendment does not have an impact on the Modaraba's 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 judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and it contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- 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 improvements to standards are not likely to have material / significant impact on Modaraba's condensed interim financial statements.

4. 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 2019.

5. 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 2019.

6. CASH AND BANK BALANCES	Notes	30 September 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
-Cash in hand		20,000	-
<i>Balances with banks</i>			
- in current accounts		121,333	144,606
- in deposit accounts	6.1	210,521,778	163,990,869
		<u>210,663,111</u>	<u>164,135,475</u>
6.1 These balances are held with Islamic Banks and Islamic Banking windows of commercial banks and carry profit at an average rate of 4.42% to 12.25% (2019: 4.1% to 11%) per annum.			
7. MODARABAH TERM DEPOSIT		30 September 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
Modarabah Term Deposit	7.1	<u>200,000,000</u>	<u>200,000,000</u>
7.1 AWWAL Modaraba (Rabb-ul-Maal) invested an amount of Rs. 200 million in the General Pool created by Related Party (Mudarib or Investment Manager) in accordance with the principles of Shariah. As per the terms of the agreement, this term deposit will mature on 2 July 2020 and the Related Party shall pay profit to the Modaraba on maturity with profit sharing ratio between Modaraba and Related Party of 94.12% and 5.88%, and having profit rate of 12% and 0.75% respectively.			
8. RECEIVABLE AGAINST ADVISORY FEE		30 September 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
Receivable against advisory fee	8.1	100,713,853	83,858,019
less: current portion of fee		<u>(68,848,488)</u>	<u>(49,150,553)</u>
		<u>31,865,365</u>	<u>34,707,466</u>

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

9. MUSHARIKA FINANCE	30 September 2019 (Unaudited) (Rupees)	30 June 2019 (Audited)
Musharika finance - secured	351,077,250	369,985,326
less: current portion of Musharika Finance	(277,846,148)	(276,993,084)
	<u>73,231,102</u>	<u>92,992,242</u>

10. DIMINISHING MUSHARIKA FINANCE	30 September 2019 (Unaudited) (Rupees)	30 June 2019 (Audited)
Diminishing Musharika Finance - secured	300,000,000	300,000,000
less: current portion of Diminishing Musharika Finance	(22,222,224)	(13,888,890)
	<u>277,777,776</u>	<u>286,111,110</u>

11. LONG TERM LOANS - considered good, unsecured	30 September 2019 (Unaudited) (Rupees)	30 June 2019 (Audited)
Due from employees 11.1	6,154,583	6,536,042
Less: receivable within one year	(2,095,440)	(2,089,758)
	<u>4,059,143</u>	<u>4,446,284</u>

11.1 Loans to executives are provided by the Modaraba for the purchase of motor vehicles and other purposes in accordance with the terms of their employment. These loans are interest free and have tenor upto 5 years.

11.2 Maximum balance due from employees during the period was Rs. 6.71 million (2019: 5.12 million).

12. INTANGIBLE ASSET	30 September 2019 (Unaudited) (Rupees)	30 June 2019 (Audited)
Net book value as at	<u>5,866,968</u>	<u>6,561,192</u>
Annual rate of amortisation	<u>33.33%</u>	<u>33.33%</u>

No additions were made during the three months period ended 30 September 2019.

13. OPERATING FIXED ASSETS	Furniture and Fittings	Office equipment, computer and allied equipment	Motor vehicles	Total
	----- (Rupees) -----			
Net book value as at 30 June 2019	45,094	734,960	683,623	1,463,677
Net book value as at 30 September 2019	41,407	521,219	592,852	1,155,478
Annual Rates of depreciation	20%	33% - 50%	25%	

No additions were made during the three months period ended 30 September 2019.

14. PROVISION FOR SINDH WORKERS' WELFARE FUND

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.

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. 7.7 million (2018: Rs. 4.2 million) which represents 20% (2018: 20%) of the profit after taxation for the period.

16. CONTINGENCIES AND COMMITMENTS

- 16.1** Details of contingencies regarding Services Sales Tax on Management Company's remuneration and Provision for Sindh Workers' Welfare Fund are disclosed in notes 17 and 14 respectively.
- 16.2** On 24 January 2017, the Modaraba had entered into a Musharika Finance Agreement with a customer for Rs. 30 million out of which Rs. 18.2 million has already been disbursed as disclosed in note 9 of these condensed interim financial statements.

17. PROVISION FOR SERVICE SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax (SST) on the Modaraba Management Company's remuneration with effect from 01 November 2011. However, certain modaraba management companies have approached the Honourable Sindh High Court (the Court) and Appellate Tribunal of SRB, challenging the levy of SST on management company's remuneration.

The Modaraba Management Company has not received any demand notice from SRB for payment of SST on Management Company's remuneration and accordingly, based on legal advisor's opinion, can neither file any petition challenging the levy of SST on Management Company's remuneration nor can join the proceedings of pending petition in the Court. As a matter of abundant caution the management is accruing SST on Management Company's remuneration and will discharge the liability on direction of the Court based on outcome of the petition filed by other modaraba management companies.

18. TAXATION

As per Clause 100 of Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that they distribute not less than ninety percent profit to certificate holders out of current year's total profit after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending 30 June 2020. Accordingly, no provision in respect of current and deferred taxation has been made in these condensed interim financial statements.

19. 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.

30 September 2019 (Unaudited)						
FVTPL	Carrying amount / cost		Fair value			
	At amortised cost	Other financial liabilities	Level 1	Level 2	Level 3	
(Rupees)						
Financial assets not measured at fair value						
Cash and bank balances	-	210,663,111	-	-	-	-
Modaraba Term Deposit	-	200,000,000	-	-	-	-
Accruals and other receivables	-	48,730,829	-	-	-	-
Receivable against advisory fee	-	100,713,853	-	-	-	-
Investment against repurchase agreement	-	48,878,899	-	-	-	-
Musharika Finance	-	351,077,250	-	-	-	-
Diminishing Musharika Finance	-	300,000,000	-	-	-	-
Long term loans	-	6,154,583	-	-	-	-
Long term deposit	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	25,014,133	-	-	-
Payable to related parties	-	-	21,103,666	-	-	-

30 June 2019 (Audited)						
FVTPL	Carrying amount / cost		Fair value			
	At amortised cost	Other financial liabilities	Level 1	Level 2	Level 3	
(Rupees)						
Financial assets not measured at fair value						
Cash and bank balances	-	164,135,475	-	-	-	-
Modaraba Term deposit	-	200,000,000	-	-	-	-
Accruals and other receivables	-	44,667,017	-	-	-	-
Receivable against advisory fee	-	83,858,019	-	-	-	-
Investment against repurchase agreement	-	48,878,899	-	-	-	-
Musharika Finance	-	369,985,326	-	-	-	-
Diminishing Musharika Finance	-	300,000,000	-	-	-	-
Long term loans	-	6,536,042	-	-	-	-
Long term deposit	-	75,000	-	-	-	-
Financial liabilities not measured at fair value						
Accrued expenses	-	-	12,590,347	-	-	-
Payable to related parties	-	-	21,103,338	-	-	-

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.

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 are carried out at agreed rates.

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

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

20.1 Details of the transactions with related parties	30 September 2019	30 September 2018
	(Unaudited) (Rupees)	
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Modaraba Term Deposit	-	-
Profit accrued during the period	6,049,315	-
Shared service expense	2,378,109	2,378,109
Other expenses	160,071	327,138
Awwal Modaraba Management Limited		
- Management Company		
Management Company's remuneration	-	-
20.2 Amounts outstanding as at period end	30 September 2019	30 June 2019
	(Unaudited)	(Audited)
	(Rupees)	
Pak Brunei Investment Company Limited		
- Holding company of the Management company		
Payable in respect of shared services	1,108,906	1,108,578
Modaraba Term Deposit	200,000,000	200,000,000
Receivable balance in respect of Modarabah Term Deposit - Profit Accrued	6,246,575	197,260
Awwal Modaraba Management Limited		
- Management Company		
Payable balance against Management Company's remuneration - net	19,994,760	19,994,760
Staff retirement benefit fund		
Contribution payable to staff gratuity fund	4,920,845	4,707,462

21. 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.

22. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 15 October 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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