

AWWAL MODARABA

HALF YEARLY REPORT
DECEMBER 31, 2022

MANAGED BY
AWWAL MODARABA MANAGEMENT LIMITED

Vision

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

Mission

Awwal Modaraba Management Limited (AMML) aims to be at the vanguard of innovation in modaraba management services, offering the best solutions to our customers, value to our certificate holders and modaraba investors, complemented with a challenging, equal opportunity 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 Shaikh	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. Misbah Asjad

Chief Financial Officer

Mr. Aftab Afroz Mahmoodi

Auditor

BDO Ebrahim & Co, Chartered Accountants

Bankers

Habib Bank Limited
Dubai Islamic Bank
Soneri Bank

Certificate Registrar

THK Associates (Private) Limited.
Plot No: 32-C, Jami Commercial, Street No: 2,
DHA, Phase-VII, Karachi, Tel: 021-111-000-322
Fax: 021-35310190, E-mail: sfc@thk.com.pk

Legal Advisor

LAM Ebrahim Mohsin

Shariah Advisor

Mufti Muhammad Hassaan Kaleem

Registered Office

3rd Floor, Horizon Vista, Plot No:
Commercial 10, Block-4, Clifton, Karachi
Phone : 021- 38771685,
Fax: 021-35374275

AWWAL MODARABA

DIRECTORS' REPORT

The Board of Directors of Awwal Modaraba Management Limited, the management company of Awwal Modaraba, is pleased to present the Directors' Report together with Audited Financial Statements of Awwal Modaraba for the year ended 31 December 2022.

Brief Economic Outlook

Pakistan's economy growth is forecast to slow down to less than 2% in fiscal year 2023 due to the impact of devastating floods, double digit inflation, import curtailment to control Current Account Deficit and weak global demand that is likely to hamper exports. The Government is taking necessary measures like policy tightening and efforts to tackle sizable the fiscal and external imbalances. The economic outlook will be shaped largely by the restoration of political stability and continued implementation of reforms under the revived International Monetary Fund program in order to stabilize the economy and restore fiscal and external buffers. The State Bank of Pakistan ("SBP") has already raised the discount rate to 17% which contributed to slowing down the economy by increasing the cost of doing business. Political and financial uncertainty, coupled with devastating floods, have further aggravated supply chain disruptions and dragged down the output of LSM to negative growth of 3.68% during the period Jul-Dec 22 as compared to the corresponding period last year. The recent IMF review in February 2023 of the extended arrangement under the Extended Fund Facility (EFF) for Pakistan for release of about US\$1.2 billion has been completed with hope that it will be successfully revived once the Government complies with necessary measures envisaged during negotiations, resulting in another wave of inflation.

The second half of FY2023 continues to remain tough for the economy struggling with highly depreciated PKR, high cost of borrowings and inflationary pressures. As the modaraba is not leveraged, any increase in interest rates directly translates to the top line. However, the management is in close liaison with its customers to monitor timely repayments. For the time being, we are holding back on new disbursements. The withdrawal of tax exemption on income of the modaraba sector upon declaration of 90% and above dividend became effective from last fiscal year and continues to pressurize profitability of the modaraba sector.

Financial Snapshot

Awwal Modaraba stepped up lending operations in FY2023 in order to counter the drag in profitability resulting from a highly liquid position. The size of shariah compliant lending portfolio increased to PKR 963.35 Million as on December 31, 2022 from PKR 803.18 Million in previous period with fresh disbursements while maintaining the quality of exposures.

Total revenues increased to PKR 71.07 Million in 1HY 2023 compared to PKR 42.06 Million in corresponding period last year. With the increase in revenue and containment of operating expenses, profit before tax increased PKR 56.71 Million, compared to PKR 12.49 Million last year while after-tax profit substantially increased to PKR 40.26 Million from PKR 4.69 Million in corresponding period last year excluding management fee. We expect the full year's results to be stronger with full deployment as well as higher lending rates in line with increase in interest rates in the economy.

Future Plans

The process of merger of Awwal Modaraba into Awwal Corporate Restructuring Company (“ACRC”), which is a wholly owned subsidiary of Pak Brunei Investment Company Limited, is not yet completed. We expect the merger to conclude during this financial year following which ACRC will be able to launch its new business model. We expect the profitability from existing portfolio to support the company in its initial business stage.

Change in Director

Mr. Saiyid Najam Rizvi resigned as a non-executive director of the Company with effect from October 28, 2022 and Mr. Ahmed Ateeq was nominated on the Board of the Company by Pak Brunei Investment Company (Holding Company of Management Company) in place of Mr. Saiyid Najam Rizvi with effect from October 28, 2022.

Acknowledgements

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

Karim Hatim
Chief Executive

Abdul Jaleel Shaikh
Director

February 28, 2023



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Pakistan

DRAFT

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE CERTIFICATE HOLDERS OF AWWAL MODARABA

Introduction

We have reviewed the accompanying condensed interim balance sheet of AWWAL MODARABA ("the Modaraba") as at December 31, 2022 and the related condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred as the "condensed interim financial statements"). The Modaraba Management Company (Awwal Modaraba Management Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at and for the half year ended December 31, 2022 are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 1.2 to the annexed condensed interim financial statements which provide details regarding scheme of arrangement (scheme of merger) Awwal Modaraba into Awwal Corporate Restructuring Company Limited subject to completion of necessary corporate/ regulatory formalities, approvals from the stakeholders/ regulators and the sanction of scheme by the Honorable High Court along with fulfilment of all legal formalities at a specific date subject to approval of Honorable High Court. Our conclusion is not modified in respect of this matter.

Other Matter

The figures for the quarter ended December 31, 2022 and December 31, 2021 in the condensed interim statement of profit and loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED:

UDIN:

BDO EBRAHIM & Co.
CHARTERED ACCOUNTANTS

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

AWWAL MODARABA
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2022

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	4	1,169,659	838,383
Intangible asset	5	-	-
Musharaka Finance	6	266,186,261	300,841,716
Diminishing Musharaka Finance	7	316,575,358	189,681,829
Assignment of receivables	8	210,000,000	-
Receivable against advisory fee	9	15,980,000	16,051,548
Long term loans		-	-
Long term deposit		75,000	75,000
Deferred tax asset		8,103,685	8,207,316
		<u>818,089,963</u>	<u>515,695,792</u>
CURRENT ASSETS			
Current portion of Musharaka Finance	6	80,800,000	230,800,000
Current portion of Diminishing Musharaka Finance	7	89,788,315	81,852,646
Current portion of receivable against advisory fee	9	11,500,000	17,708,472
Current portion of long term loans		22,913	119,989
Investment against repurchase agreement		28,753,999	78,487,456
Accruals, prepayments, advances and other receivables		66,286,583	73,266,613
Bank balances	10	123,120,685	187,183,943
		<u>400,272,495</u>	<u>669,419,119</u>
TOTAL ASSETS		<u>1,218,362,458</u>	<u>1,185,114,911</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital			
100,000,000 Modaraba Certificates of Rs. 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital			
100,000,000 Modaraba Certificates of Rs. 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Statutory Reserves		129,897,198	129,897,198
Accumulated profit		46,479,044	28,176,186
		<u>1,176,376,242</u>	<u>1,158,073,383</u>
NON CURRENT LIABILITIES			
Defined benefit obligation	11	-	-
CURRENT LIABILITIES			
Accrued expenses		10,496,951	9,052,098
Payable to related parties		11,702,568	16,197,407
Taxation - Net	12	16,281,136	1,605,932
Unclaimed profit distribution		3,505,561	186,091
		<u>41,986,216</u>	<u>27,041,528</u>
TOTAL EQUITY AND LIABILITIES		<u>1,218,362,458</u>	<u>1,185,114,911</u>
CONTINGENCIES AND COMMITMENTS			
	13		

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	Rupees			
Income				
Income from Musharaka Finance	42,881,724	15,088,374	20,896,506	8,614,449
Income from Diminishing Musharaka Finance - net	13,245,815	4,745,377	8,885,859	2,300,578
Income from Assignment of Receivable	3,093,562	-	3,093,562	-
Income from Investment against repurchase agreement	-	3,234,113	-	3,165,302
Income from Modaraba Term Deposit	-	1,877,024	-	697,940
Income from Sukuk Certificates	-	8,382,595	-	4,316,136
Income from deposits with banks	11,876,920	7,535,744	8,203,069	3,028,674
Other income	168,900	1,207,882	168,900	1,202,352
	71,066,921	42,064,977	41,247,896	23,325,431
Provision against doubtful receivables - Diminishing musharaka finance	-	(14,131,658)	-	(14,131,658)
Expenses				
Administrative and operating expenses	(15,165,377)	(14,836,228)	(7,872,667)	(7,896,456)
Financial charges	(11,120)	(65,984)	(10,018)	(64,018)
	57,890,424	13,031,107	33,365,211	1,233,299
Management Company's remuneration	-	-	-	-
Provision for services sales tax on Management Company's remuneration	-	-	-	-
Provision for Workers' Welfare Fund	(1,135,106)	(543,255)	(644,602)	(307,299)
Profit before the taxation	56,755,318	12,487,852	32,720,609	926,000
Taxation	(16,452,459)	(7,891,834)	(9,587,651)	(4,345,085)
Profit for the period	40,302,859	4,686,018	23,132,958	(3,419,085)
Earnings per certificate - basic and diluted	0.40	0.65	0.23	(0.03)

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
 CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
 FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	-----Rupees-----			
Profit for the period	40,302,859	4,686,018	23,132,958	(3,419,085)
Other comprehensive income for the period	-	-	-	-
Items that will be reclassified to profit and loss				
Unrealised gain on remeasurement of Sukuk Certificate	-	757,394	-	871,574
Total comprehensive income for the period	<u>40,302,859</u>	<u>5,443,412</u>	<u>23,132,958</u>	<u>(2,547,511)</u>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

For Awwal Modaraba Management Limited
 (Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

AWWAL MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Issued, subscribed, and paid up certificate capital	Statutory reserve	Accumulated profit	Total
	-----Rupees-----			
Balance as at July 01, 2021 (Audited)	1,000,000,000	124,326,410	37,040,815	1,161,367,225
Total comprehensive income for the period				
Profit for the period	-	-	4,686,018	4,686,018
Other comprehensive income	-	-	-	-
	-	-	4,686,018	4,686,018
Transfer to statutory reserve	-	937,204.00	(937,204)	-
Transactions with Certificate Holders of the Modaraba - Distribution of Profit distribution for the year ended June 30, 2021 @ Re. 0.32 per certificate	-	-	(32,000,000)	(32,000,000)
Balance as at December 31, 2021 (Un-audited)	1,000,000,000	125,263,614	8,789,629	1,134,053,243
Balance as at July 01, 2022 (Audited)	1,000,000,000	129,897,198	28,176,185	1,158,073,383
Total comprehensive income for the period				
Profit for the period	-	-	40,302,859	40,302,859
Other comprehensive income	-	-	-	-
	-	-	40,302,859	40,302,859
Transactions with Certificate Holders of the Modaraba - Distribution Profit distribution for the year ended June 30, 2022 @ Re. 0.80 per certificate	-	-	(22,000,000)	(22,000,000)
Balance as at December 31, 2022 (Un-audited)	1,000,000,000	129,897,198	46,479,044	1,176,376,242

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

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For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

**AWWAL MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR DECEMBER 31, 2022**

1 LEGAL STATUS AND OPERATIONS

- 1.1 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 (the Management Company), a Company wholly owned by Pak Brunei Investment Company Limited (the 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 3rd 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, musharaka, morabaha and other shari'ah compliant investment / instrument to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange Limited (PSX).

- 1.2 The Board of Directors of the Modaraba Management Company in their meeting held on March 11, 2022 have approved the draft scheme of arrangement for merger of Awwal Modaraba with and into Awwal Corporate Restructuring Company Limited subject to completion of necessary corporate/ regulatory formalities, approvals from the stakeholders/ regulators and the sanction of scheme by the Honorable High Court along with fulfilment of all legal formalities.

After obtaining the NOC from SECP, the petition has been filed in the High Court of Sindh. The Honorable Court vide order dated May 09, 2022 directed to hold meeting of the certificate holders/ shareholders for approval of the merger scheme and submit the report thereon. Accordingly, said meetings were convened on June 09, 2022 wherein the certificate holders/ shareholders have extended the desired approval. The compliance report on the proceeding of the said meeting has been submitted with the Honorable High Court. As at the reporting date the court order is awaited in respect of approval of the scheme of merger.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

- 2.1.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34 - Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) [the Modaraba Regulations].

Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, requirements of 'the Modaraba Regulations' have been followed.

Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 1827 (I)/2022 dated September 29, 2022 has deferred the effective date for applicability of International Financial Reporting Standard (IFRS) 9 - 'Financial Instruments' for Non-Banking Finance Companies and Modarabas. The said standard has superseded International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement'. IFRS 9 is now effective for reporting period / year ending on or after June 30, 2024.

- 2.1.2 The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements 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 published audited financial statements of the Modaraba for the year ended June 30, 2022.
- 2.1.3 The comparative condensed interim balance sheet presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2022, whereas the comparative condensed interim profit and loss, condensed interim cash flow statement, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2021.
- 2.1.4 These condensed interim financial statements are 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.
- 2.1.5 The figures of the condensed interim profit and loss and other comprehensive income for the quarters ended December 31, 2021 and December 31, 2022 have not been reviewed.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention , unless otherwise stated.

2.3 Functional and presentation currency

These condensed interim financial statements are prepared in Pakistani Rupees which is the Modaraba's functional and presentation currency. The figures in these condensed interim financial statements have been rounded off to the nearest rupee unless otherwise specified.

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Modaraba for the year ended June 30, 2022, except for the assignment of receivables as disclosed in note 8 of these condensed interim financial statements.
- 3.2 The preparation of these condensed interim financial statements are in conformity with approved accounting standards requires management to make estimates, assumptions and use of judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2022, except for the assignment of receivables as disclosed in note 8 of these condensed interim financial statements.
- 3.4 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2022. These standards, interpretations and amendments are either not relevant to the Modaraba's operations or do not have a significant effect on these condensed interim financial statements.
- 3.5 The Modaraba's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Modaraba for the year ended June 30, 2022.

	Note	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
4 OPERATING FIXED ASSETS			
Opening net book value (NBV)		838,383	184,519
Additions during the period / year at cost	4.1	492,319	804,185
Depreciation charge for the period / year		(161,043)	(150,321)
Closing net book value (NBV)		<u>1,169,659</u>	<u>838,383</u>

- 4.1 Additions are made in office equipment, computer and allied equipment.

		December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
5	INTANGIBLE ASSET		
	These are carried at nil book value as disclosed in note 6 to the audited financial statements for the year ended June 30, 2022.		
6	MUSHARIKA FINANCE		
	Musharaka finance - secured	346,986,261	531,641,716
	less: current portion of Musharaka finance	<u>(80,800,000)</u>	<u>(230,800,000)</u>
		<u>266,186,261</u>	<u>300,841,716</u>
6.1	The Modaraba has provided Musharaka finance facilities to several customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 31.20 % to 85.00% (June 30, 2022: 4.35% to 85.00%) and 15.00% to 68.80 % (June 30, 2022: 15.00% to 95.65%) respectively. The customers have either transferred the titles of the assets in the name of the Modaraba or the assets are held in trust by an Agent, being related party of the Modaraba, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of the Modaraba to the extent of its interest defined in such agreements. The Modaraba has also obtained various securities against these facilities including personal guarantees of sponsors or directors of customers, post-dated cheques issued by customers and hypothecation of assets.		
6.2	These facilities have various maturities up to April 21, 2027. These facilities carry profit ranging from 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3% (June 30, 2022: 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3%)		
7	DIMINISHING MUSHARAKA FINANCE		
	Diminishing Musharaka Finance - secured		
	Considered good	7.1 229,406,445	94,577,247
	Considered doubtful	7.2 200,000,000	200,000,000
	Less: Provision against doubtful debts	<u>(23,042,772)</u>	<u>(23,042,772)</u>
		176,957,228	176,957,228
	Less: Current portion of diminishing musharaka finance	<u>(89,788,315)</u>	<u>(81,852,646)</u>
		<u>316,575,358</u>	<u>189,681,829</u>

7.1 Include an amount of Rs. 43.33 million against Diminishing musharaka finance facility to its corporate customer for the purpose of financing the construction of housing project. The facility is secured against various collaterals which mainly include transfer of personal properties of sponsors and/or their associates. Further this facility is secured with first pari passu hypothecation charge over the present and future fixed assets, including plant and machinery and land and building, present and future current assets of the housing project, lien on debt collection accounts of the customer and personal guarantees of the Sponsors.

Also include an amount of Rs. 186.07 million against facilities extended to various customers for vehicle financing arrangements. All arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

7.2 The Modaraba has provided Diminishing musharaka finance facility to one of its corporate customer for the purpose of balance sheet re-profiling. This facility is secured against various collaterals which include mortgage over personal properties of sponsors. Further, the facility is also secured with first pari passu hypothecation and mortgage charges over present and future fixed and current assets of the customer, pledge over sponsor shares, personal guarantees of sponsors, sponsor support and lien over collection account. The customer has defaulted in repayments, therefore, Modaraba initiated legal proceeding against the customer in the Sindh High Court under Financial Institution (Recovery of Finances) Ordinance, 2001.

The above facilities have maturity dates up to November 28, 2026 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5% (June 30, 2022: 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5%)

	Note	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
8	ASSIGNMENT OF RECEIVABLES		
	Against the Court decree	8.1	161,824,286
	Less: Unearned income		(51,824,286)
			<u>110,000,000</u>
	Other receivable	8.2	100,000,000
			<u>210,000,000</u>

8.1 The Modaraba and the Pak Brunei Investment Company Limited (PBIC) entered into an agreement for "Assignment of Receivables and Rights" dated October 31, 2022. As per the agreement, PBIC has transferred/ assigned all rights and receivables pertaining to one customer against which recovery suit was filed (by PBIC) and decree was obtained from the Honorable Court for Rs. 161,824,286 as per order dated February 12, 2020. Modaraba has assumed the aforesaid rights on payment of full and final amount of Rs. 110,000,000 to PBIC. The receivable shall be recovered from the execution proceeding of the decree relating to the underlying Mortgaged Properties and other Securities and the amount of unearned income shall be recognized accordingly. However, Modaraba is entitled to exercise rights to issue notices, recover or restructure the claim for future settlement with the customer.

The underlying securities against the receivable (decretal amount) comprises of mortgage of various properties, attachment and sale of hypothecated assets of the customer and associated concern along with the sale of pledged shares of the sponsors.

As per the agreement, until final settlement between the Modaraba and the customer, the PBIC shall act as an agent of and continue to hold the mortgaged properties and other securities on behalf of the Modaraba.

- 8.2 The Modaraba, the Pak Brunei Investment Company Limited (PBIC) and one of its customer entered into tripartite agreement for "Assignment of Receivables and Rights" dated October 31, 2022. As per the agreement, PBIC has transferred/ assigned portion of rights against receivables of Rs. 100 million pertaining to the customer. Modaraba has assumed the aforesaid rights on payment of full and final amount of Rs. 100,000,000 to PBIC.

The receivable is secured against mortgage of personal properties, personal guarantee of the customer's sponsors and hypothecation charge over assets of the customer.

As per the agreement, until final settlement between the Modaraba and the customer, the PBIC shall act as an agent of and continue to hold the mortgage properties and other securities on behalf of the Modaraba.

The receivable shall be matured on April 23, 2023 on rollover basis and carry profit at 3 months KIBOR plus 4.75%.

Modaraba is also entitled to exercise rights to issue notices, recover or restructure the claim for future settlement with the customer.

		December 31, 2022	June 30, 2022
		(Un-audited)	(Audited)
		Rupees	Rupees
9	RECEIVABLE AGAINST ADVISORY FEE		
	Receivable against advisory fee	27,480,000	33,760,020
	Less: current portion of fee	<u>(11,500,000)</u>	<u>(17,708,472)</u>
		<u>15,980,000</u>	<u>16,051,548</u>

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

10 BANK BALANCES

	Balances with banks		
	in current accounts	3,505,988	186,518
	in deposit accounts	119,614,697	186,997,424
		<u>123,120,685</u>	<u>187,183,943</u>

10.1 These balances are held with Islamic banks and Islamic banking windows of commercial banks and carry profit at a rate ranging from 4.75% to 13.00% (June 30, 2022: 3.99% to 12%) per annum.

11 DEFERRED LIABILITY

11.1 Defined benefit plan - gratuity fund

The Modaraba operates a funded scheme to provide gratuity to the permanent employees on retirement. The actuarial valuation of gratuity fund is carried out as at June 30, 2022 using the Projected Unit Credit Method by an independent actuary. At December 31, 2022, 1 (June 30, 2022: 2) employees were enrolled in gratuity fund. As at June 30, 2022, the total amount of net receivable in lieu of present value of defined benefit obligation amounting to Rs. 1.162 million.

11.2 The weighted average duration period of the defined benefit obligation is 11 years.

11.3 Based on actuarial reports charge for the year ending June 30, 2023 amounts to Rs.0.325 million.

	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
12 TAXATION - NET		
Provision for taxation	35,933,105	19,584,279
Less: Advance tax	(19,651,969)	(17,978,347)
	<u>16,281,136</u>	<u>1,605,932</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Details of contingencies regarding Provision for Sindh Workers' Welfare Fund and Services Sales Tax on Management Company's remuneration are disclosed in notes 21.1 and 28 respectively as disclosed in the audited financial statements. There are no other contingencies as at December 31, 2022.

13.2 Commitment

There was no commitment as at the reporting date.

14 **MANAGEMENT COMPANY'S REMUNERATION**

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 Management Company out of the net annual profit of the Modaraba on the basis of annual audited accounts. Therefore, no Management Company's remuneration has been accrued in these condensed interim financial statements.

	December 31, 2022 (Un-audited) Rupees	December 31, 2021 (Un-audited) Rupees
15 TAXATION		
Current	16,348,828	7,801,834
Deferred	103,631	-
	<u>16,452,459</u>	<u>7,801,834</u>

16 **EARNINGS PER CERTIFICATE - BASIC AND DILUTED**

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-audited) (Rupees)			
Basic earning per certificate				
Profit for the period after taxation	<u>40,302,859</u>	<u>4,686,018</u>	<u>23,132,958</u>	<u>(3,419,085)</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>
	(Rupee)			
Earnings per certificate	<u>0.40</u>	<u>0.05</u>	<u>0.23</u>	<u>(0.03)</u>
Diluted earning per certificate				

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

17 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 these condensed interim 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.

	December 31, 2022					
	Carrying amount / cost			Fair value		
	FVTPL	At amortised cost	FVTOCI Other liabilities	Level 1	Level 2	Level 3
(Rupees)						
Financial assets						
Bank balances	-	123,120,665	-	-	-	-
Accruals and other receivables	-	65,060,755	-	-	-	-
Receivable against advisory fee	-	27,480,000	-	-	-	-
Investment against repurchase agreem.	-	28,753,999	-	-	-	-
Musharika Finance	-	346,986,261	-	-	-	-
Diminishing Musharika Finance	-	406,363,673	-	-	-	-
Long term loans	-	22,913	-	-	-	-
Long term deposit	-	75,000	-	-	-	-
	-	997,863,286	-	-	-	-
Financial liabilities						
Accrued expenses	-	-	2,678,789	-	-	-
Payable to Related Parties	-	-	11,702,568	-	-	-
	-	-	14,381,357	-	-	-

June 30, 2022						
	Carrying amount / cost			Fair value		
	FVTPL	At amortised cost	FVTOCI	Other liabilities	Level 1	Level 2
(Rupees)						
Financial assets						
Bank balances	-	187,183,943	-	-	-	-
Accruals and other receivables	-	77,527,977	-	-	-	-
Receivable against advisory fee	-	33,760,020	-	-	-	-
Investment against repurchase agreem	-	78,487,456	-	-	-	-
Musharika Finance	-	531,641,716	-	-	-	-
Diminishing Musharika Finance	-	271,534,475	-	-	-	-
Long term loans	-	119,989	-	-	-	-
Long term deposit	-	75,000	-	-	-	-
	-	1,180,130,576	-	-	-	-
Financial liabilities						
Accrued expenses	-	-	-	1,738,746	-	-
Payable to Related Parties	-	-	-	16,197,407	-	-
	-	-	-	17,936,153	-	-

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 counter parties.

Awwal Modaraba**30 RELATED PARTY TRANSACTIONS**

The related parties of the Modaraba comprise of the Management Company and its Holding Company, Modarabas under common management (KASB Modaraba, First Prudential Modaraba and First Pak Modaraba), 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. Details of certificate holding of Holding Company, Management Company, Directors, Key Management Personnel and their family members are disclosed in pattern of certificate holding included in the annual report of the Modaraba.

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

	December 31, 2022 (Un-audited) Rupees	December 31, 2021 (Un-audited) Rupees
30.1 Details of the transactions with related parties		
Pak Brunei Investment Company Limited Holding Company of the Management company		
Modaraba Term Deposit	-	39,000,000
Profit earned from Modaraba Term Deposit during the year	-	(1,877,024)
Shared service expense	4,774,075	4,793,754
Other expenses	-	10,800
Awwal Modaraba Management Limited Management Company		
Management Company's remuneration	-	-
KASB Modaraba		
Sharing of common expenses	(551,262)	(378,217)
Other expenses	602,955	739,159
First Pak Modaraba		
Sharing of common expenses	(283,752)	(126,072)
First Prudential Modaraba		
Sharing of common expenses	(5,149,024)	(756,433)
Other expenses		10,000

Staff retirement benefits funds			
Contribution to staff provident fund		-	36,802
Contribution to staff gratuity fund		138,117	276,234
		<u> </u>	<u> </u>
Jubilee Life Insurance Co. Ltd.			
Takaful premium		-	31,440
		<u> </u>	<u> </u>
		December 31,	June 30, 2022
		2022	(Audited)
		(Un-audited)	(Audited)
Awwal Modaraba			
30.2 Amounts outstanding as at year end		Rupees	Rupees
Pak Brunei Investment Company Limited			
Holding Company of the Management company			
Payable in respect shared services		1,124,591	1,013,371
Receivable balance in respect of		<u> </u>	<u> </u>
Awwal Modaraba Management Limited			
Management Company			
Payable against Management Company's remuneration		9,916,609	14,429,747
		<u> </u>	<u> </u>
KASB Modaraba			
Receivable against Staff cost of deputed employee		-	-
Receivable against sharing of common expenses		305,416	16,415
		<u> </u>	<u> </u>
First Pak Modaraba			
Receivable against sharing of common expenses		141,876	448,058
		<u> </u>	<u> </u>
First Prudential Modaraba			
Receivable against Staff cost of deputed employee		1,764,019	3,730,397
Receivable against sharing of common expenses		1,099,691	1,344,539
		<u> </u>	<u> </u>
Staff retirement benefits funds			
Contribution payable to staff provident fund		<u> </u>	(27,822)
Contribution payable to staff gratuity fund		<u> </u>	(1,162,902)
		<u> </u>	<u> </u>

18.2	Amounts outstanding as at period / year end	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
	Pak Brunei Investment Company Limited Holding Company of the Management company Payable in respect shared services	<u>1,124,591</u>	<u>1,013,371</u>
	Awwal Modaraba Management Limited Management Company Payable against Management Company's remuneration	<u>9,916,609</u>	<u>14,429,747</u>
	KASB Modaraba Receivable against Staff cost of deputed employee	<u>-</u>	<u>-</u>
	Receivable against sharing of common expenses	<u>305,416</u>	<u>16,415</u>
	First Pak Modaraba Receivable against sharing of common expenses	<u>141,876</u>	<u>448,058</u>
	First Prudential Modaraba Receivable against Staff cost of deputed employee	<u>1,764,019</u>	<u>3,730,397</u>
	Receivable against sharing of common expenses	<u>1,099,691</u>	<u>1,344,539</u>
	Staff retirement benefits funds Contribution payable to staff provident fund	<u>-</u>	<u>(27,822)</u>
	Contribution payable to staff gratuity fund	<u>-</u>	<u>(1,162,902)</u>

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 these condensed interim financial statements.

20 DATE OF AUTHORISATION

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

21 GENERAL

Figures have been rounded off to nearest Rupee unless otherwise stated. *KM*

For Awwal Modaraba Management Limited
(Management Company)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

**AWWAL
MODARABA**

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**HALF YEARLY
REPORT
December , 2022**