

TWENTY SECOND ANNUAL REPORT 2016



FIRST IMROOZ MODARABA



FIRST IMROOZ MODARABA

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VISION / MISSION STATEMENT

IMROOZ is committed to:

- operate its business activities in accordance with Islamic Sharia'a in its true spirit and zeal.
- employ its funds in the best possible way and to promote and use human talents, to maximize the profit for its certificate holders.
- provide products and services that meet or preferably exceed the need and expectations of its customers in a cost effective manner and to provide satisfactory returns to its certificate holders, principals and stakeholders.
- its policies and performance that it hopes will positively contribute to society and help build a stronger and progressive Pakistan.

CODE OF CONDUCT

1. The objective of Imrooz is to engage efficiently, responsibly and profitably in its businesses. Imrooz seeks a high standard of performance and aims to maintain a long term position in its respective competitive environment.
2. Imrooz recognizes the responsibility:
 - to protect its certificate holder's investment and strive hard to provide them with better return;
 - to maintain and enhance its customer base by providing products and services which offer value in terms of price and quality.
 - to encourage growth of its employees, provide them with good working conditions and competitive terms and conditions of service and treat them without any discriminative policies on the basis of race, religion, gender or any other factor.
 - to conduct business as responsible corporate members of the society, and to comply with obligations enforced by regulatory agencies for improving corporate performance.
3. Imrooz insists on honesty, integrity and fairness in all aspects of their business.
4. Imrooz believes in free and fair business practices in open competitive markets.



FIRST IMROOZ MODARABA

MODARABA INFORMATION

Modaraba Management Company	:	A R Management Services (Private) Ltd.
Directors of Modaraba Company	:	Mr. Naveed Riaz Chief Executive Mrs. Saadat Ikram Mr. Ameer Riaz Mr. Omar Mohammad Khan
Chief Financial Officer	:	Mr. Ateed Riaz
Audit Committee	:	Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
Human Resource Committee	:	Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
Company Secretary	:	Mr. Shabbir Ahmed Jamsa
Chief Internal Auditor	:	Mr. Abbas Kerani
Auditors	:	M/s. Deloitte Yousuf Adil Chartered Accountants
Bankers	:	Soneri Bank Limited Bank AlFalah Limited
Legal Advisors	:	Mr. Altaf Hussain, Advocate M. Akram Zuberi & Company Advocates
Shariah Advisor	:	Mufti Abdul Qadir
Principal place of business	:	Room No. 405, 4th Floor Beaumont Plaza, Beaumont Road Civil Lines Quarters, Karachi.
Registered Office of the Modaraba Company	:	125-S, Small Industrial Area Kot Lakhpat, Lahore.
Certificate Registration Office	:	Technology Trade (Pvt.) Ltd. Dagja House 241-C, Block-2, PECHS, Karachi.

REPORT OF THE DIRECTORS

The Board of Directors of A R Management Services (Private) Limited, the management company of First Imrooz Modaraba, have pleasure in submitting Annual Report of First Imrooz Modaraba along with audited financial statements for the year ended June 30, 2016.

1. Operating Results

The financial results of the Modaraba are summarized below:

	(Rupees in million)	
	2016	2015
Profit before taxation	80.885	59.869
Taxation	<u>38.867</u>	<u>32.716</u>
Profit for the year	42.018	27.153
Appropriations		
Transfer to Statutory Reserve	2.101	1.358
Profit after appropriation	<u>39.917</u>	<u>25.795</u>
Earnings per certificate-basic & diluted	Rs. <u>14.01</u>	<u>9.05</u>

2. Review of Financial Performance

Alhamdulillah, the turnover of the Modaraba for the year ended 30 June 2016 increased to Rs.827.86 million as against Rs.730.55 million of the corresponding year. The Gross profit also increased to Rs.128.67 million as against Rs.106.03. The appreciation in the results is a result of growth in turnover, stable foreign currencies and above all favorable socio economic conditions prevailed in the country, especially in Karachi during FY 2015-16.

The other income for the year is Rs. 1.10 million as compared to Rs. 0.70 million of last year.

Resultantly, the Modaraba's annual profit increased to Rs.42.02 million as compared to Rs. 27.15 million of last year. We expect continued improvement in the coming years.

After considering these results, the Board of Directors have decided to transfer 5% of the profit to Statutory Reserve and to pay a final profit distribution @ 120% i.e. Rs.12/- per certificate to the Certificate holders.

3. Auditors

The present auditors M/s Deloitte Yousuf Adil, Chartered Accountants being due for retirement have offered themselves for re-appointment for the year ending June 30, 2017. The Directors have approved their appointment subject to approval of the Registrar, Modaraba Companies and Modaraba.

4. Corporate Governance

Your Directors are pleased to report that:

- the financial statements, prepared by the management company of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- proper books of account have been maintained.
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- approved International Accounting Standards, as applicable in Pakistan to Modarabas, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- the system of internal control is sound in design and has been effectively implemented and monitored.
- there are no significant doubts upon the Modaraba's ability to continue as a going concern.
- there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- statement summarizing key operating and financial data for the current year as well as for the last six years is given as under:

(Rupees in Million)

Particulars	2016	2015	2014	2013	2012	2011	2010
				Restated			
Fixed Assets	14.46	6.98	7.41	4.57	6.27	6.37	8.02
Working Capital	145.03	139.02	125.42	141.89	124.42	119.48	112.30
Certificate Holders Equity	140.17	129.63	117.47	130.97	117.56	116.95	112.18
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	827.86	730.55	624.10	641.67	711.42	681.36	628.53
Gross Profit	128.67	106.03	80.36	90.91	98.80	92.55	78.07
Profit after Taxation	80.88	27.15	16.52	32.75	24.60	27.57	28.57
Profit Distribution - Cash	120%	90%	50%	100%	65%	73.5%	76%
Earnings per Certificate-Rs.	14.01	9.05	5.51	10.92	8.20	9.19	9.52
Break-up value per Certificate-Rs.	46.72	43.21	39.16	43.66	39.19	38.98	37.39



- i) pattern of certificate holding of the Modaraba and certificate holders' information as required under the Modaraba Rules and the Listing Regulations of Pakistan Stock Exchange are included in this report.

5. Transfer Pricing

The Directors are pleased to report that the Modaraba has fully complied with the best practices on transfer pricing as contained in the listing regulations of Pakistan Stock Exchange.

6. Board Meetings

During the year, four (4) meetings of the Board of Directors were held. Attendance by each director is as follows.

	<u>Attended</u>
Mr. Naveed Riaz	4
Mr. Ameer Riaz	4
Mr. Omar Mohammad Khan	4
Mrs. Saadat Ikram	4

7. Acknowledgement

The Board wishes to express its thanks for continued guidance and support extended by the Registrar, Modaraba and other officials of Securities and Exchange Commission of Pakistan. The Board also wishes to thank its certificate holders, colleagues, investors, bankers and business associates for their continued support and co-operation and above all appreciates the dedication and hard work of each staff member of the Modaraba.

on behalf of the Board

Naveed Riaz
Chief Executive

19 September, 2016



ڈائریکٹرز کی رپورٹ

فرسٹ امروز مضاربہ کی انتظامی کمپنی اے آر اینجمنٹ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز مضاربہ کے سالانہ نتائج برائے 30 جون 2016 بمعدہ آڈٹ رپورٹ پیش کرتے ہیں۔

مالیاتی جھلکیاں

مضاربہ کے مالیاتی نتائج مندرجہ ذیل ہیں:

(ملین روپیوں میں)	
30-Jun-15	30-Jun-16
59.869	80.885
32.716	38.867
27.153	42.018
1.358	2.101
25.795	39.917
9.05	14.01

قبل از ٹیکس منافع

ٹیکس

بعد از ٹیکس منافع

قانون کے مطابق ذخائر میں منتقل

بعد از منتقلی منافع

فی کس شیر آمدنی (بنیادی اور تحلیل شدہ) روپے

کارکردگی کا جائزہ

الحمد للہ زیر غور حالیہ سال کے دوران مضاربہ کی فروخت 827.86 ملین روپے تک بڑھ گئی جبکہ اسکے مقابلے میں گذشتہ سال میں 730.55 ملین روپے تھی۔ اس کی مناسبت سے کل منافع 128.67 ملین روپے تک رہا، جب کہ اس کے مقابلے پچھلے سال کے دوران کل منافع 106.03 ملین روپے تھا۔ نتائج کی بہتری کی بڑی وجہ فروخت کا حجم بڑھنا، غیر ملکی کرنسیوں میں استحکام، بہتر ملکی سیاسی اور معاشی حالات خصوصاً کراچی کے پرامن حالات اس کا باعث ہیں۔

اس حالیہ سال میں دیگر آمدنی 1.10 ملین روپے رہی جب کہ گزشتہ سال میں یہ 0.70 ملین روپے تھی۔

نتیجاً سال کے اختتام مضاربہ کا منافع 42.02 ملین روپے رہا، جبکہ گزشتہ مقابل سال یہ 27.15 ملین روپے تھا۔ ہم امید کرتے ہیں کہ آئندہ سالوں میں اس کا تسلسل برقرار رہے گا۔

حالیہ نتائج کو مد نظر رکھتے ہوئے بعد بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ منافع کا 5% قانونی ذخائر میں منتقلی اور منافع فی سرٹیفیکٹ 12Rs یعنی 120 فیصد کے حساب سے سرٹیفیکٹ مالکان میں تقسیم کیا جائے۔

آڈیٹ

موجودہ آڈیٹرز ڈیلوئٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس ریٹائرمنٹ کے قریب ہونے کی وجہ سے جون 30، 2017 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کے لئے خود کو پیش کر رہے ہیں۔ ڈائریکٹرز نے ان کی تقرری کے لئے منظوری دے دی ہے جو کہ رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔



کارپوریٹ گورننس

ہمارے ڈائریکٹرز رپورٹ کرتے ہیں:

- (1) فرسٹ امروز مضاربہ کی انتظامی کمپنی اے آر مینجمنٹ سروسز (پرائیویٹ) لمیٹڈ کی انتظامیہ کے تیار کردہ مالی گوشواروں میں اسکے واضح امور، عملدرآمد کے نتائج، کیش فلواور ایکویٹی میں تبدیلیاں پیش کی گئی ہیں۔
- (2) مضاربہ کے اکاؤنٹ کی کتابوں کو باقاعدگی سے تیار کیا گیا ہے۔
- (3) مالی گوشواروں اور اکاؤنٹنگ تخمینوں کی تیاری میں متعلقہ موزوں اکاؤنٹنگ پالیسیاں بروئے کار لائی گئی ہیں اور یہ مناسب فیصلوں پر مبنی ہیں۔
- (4) بین الاقوامی اکاؤنٹنگ سٹینڈرڈز جو کہ پاکستان میں قابل عمل ہیں اور مالی گوشواروں کی تیاری میں باقاعدگی سے اس پہ عمل کیا جاتا ہے
- (5) انٹرنل کنٹرول کا نظام موجود ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے۔
- (6) جاری ادارہ کی حیثیت سے مضاربہ کے لئے کوئی اہم شکوک و شبہات نہیں ہیں۔
- (7) لسٹنگ کے ضابطے میں موجود کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی بے ضابطگی نہیں ہوئی ہے۔
- (8) گزشتہ چھ سال اور موجودہ سال کے اہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ حسب ذیل ہے:

(Rupees in 'Million)							
Particulars	2016	2015	2014	2013	2012	2011	2010
				Restated			
Fixed Assets	14.46	6.979	7.412	4.57	6.27	6.37	8.02
Working Capital	145.03	139.025	125.424	141.89	124.42	119.48	112.30
Certificate Holders Equity	140.17	129.628	117.475	130.97	117.56	116.95	112.18
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	827.86	730.551	624.105	641.673	711.42	681.36	628.53
Gross Profit	128.67	106.032	80.363	90.91	98.80	92.55	78.07
Profit after Taxation	80.885	27.153	16.516	32.75	24.60	27.57	28.57
Profit Distribution – Cash	120%	90%	50%	100%	65%	73.5%	76%
Earnings per Certificate-Rs.	14.01	9.05	5.51	10.92	8.20	9.19	9.52
Break-up value per Certificate-Rs.	46.72	43.21	39.16	43.66	39.19	38.98	37.39

- (9) پاکستان اسٹاک ایکسچینج کی فہرست سازی کے قواعد و ضابطے کے تحت خاکہ برائے مضاربہ سرٹیفکیٹ مالکان کی تفصیلی معلومات اس رپورٹ میں شامل ہیں۔



FIRST IMROOZ MODARABA

منتقلی کی قیمتوں کا تعین

آپ کے ڈائریکٹرز رپورٹ کرتے ہیں کہ پاکستان اسٹاک ایکسچینج لمیٹڈ کی اسٹنڈ ریگولیشن کے مطابق مضاربہ مکمل طور منتقلی کی قیمتوں کے تعین کے اصولوں پر بہترین طریقوں کے ساتھ عمل پیرا ہیں۔

بورڈ کے اجلاس

سال کے دوران، بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد کیے گئے تھے۔ ہر ایک ڈائریکٹر کی طرف سے حاضری مندرجہ ذیل ہے:

شرکت کی تعداد	
4	جناب نوید ریاض
4	جناب عمید ریاض
4	جناب عمر محمد خان
4	محترمہ سعادت اکرام

اعتراف نامہ

بورڈ اس موقع پر رجسٹرار مضاربہ اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے دیگر حکام کی مسلسل رہنمائی اور مدد کے لئے اپنے تشکر کا اظہار کرتا ہے۔ بورڈ اس کے علاوہ اپنے سرٹیفکیٹ مالکان، رفقاء کار، سرمایہ کاروں، بینکاروں اور کاروباری پارٹیوں کی رہنمائی اور خصوصاً مضاربہ کے تمام ملازمین کی شبانہ روز محنت اور لگن کے لئے ان سب کا شکر گزار ہے۔

منجانب بورڈ

نوید ریاض

چیف ایگزیکٹو

19 ستمبر، 2016



FIRST IMROOZ MODARABA

TEN YEARS AT A GLANCE

(Rupees in million)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	-----Restated-----									
Balance Sheet Information										
Authorized capital	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
Certificate capital	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Statutory reserve & surplus	110.173	99.628	87.475	100.971	87.565	86.950	82.178	72.508	62.442	66.776
Certificate holders' equity	140.173	129.628	117.475	130.971	117.565	116.950	112.178	102.508	92.442	96.776
Deferred liability - staff gratuity	19.429	16.376	15.362	15.493	13.125	8.900	8.140	6.820	4.861	3.574
Qard-e-Hasna from Modaraba management company	-	-	-	-	31.000	15.000	13.500	-	-	-
Short term borrowing - Morabaha finances	35.013	26.886	29.308	33.623	43.018	33.367	7.627	-	22.320	-
Current liabilities	180.340	146.238	140.708	162.152	217.317	190.541	104.671	76.989	110.573	45.296
Fixed Assets	14.459	6.979	7.413	4.575	6.274	6.368	8.023	5.439	6.746	5.054
Stock-in-trade	129.910	162.806	164.743	187.303	182.523	202.757	83.534	65.925	102.736	51.081
Trade debtors	129.336	107.237	75.593	81.998	122.180	82.969	122.261	59.763	36.461	37.612
Investments	-	-	-	-	1.104	1.213	1.275	0.796	2.476	4.613
Current assets	325.367	285.263	266.132	304.042	341.734	310.020	216.966	180.878	201.130	140.591
Operational Results										
Sales	827.864	730.551	624.104	641.673	711.425	681.364	628.533	474.517	429.742	402.845
Cost of sales	699.196	624.519	543.741	550.759	612.621	588.809	550.465	415.738	378.537	346.812
Gross profit	128.668	106.032	80.363	90.914	98.804	92.555	78.068	58.779	51.205	56.033
Other income	1.102	0.702	2.969	2.329	2.108	1.805	2.429	1.760	3.977	2.982
Murabaha charges	2.063	3.777	2.595	3.761	5.076	5.321	1.838	-	-	-
Workers welfare fund	-	-	-	-	-	-	1.072	-	-	-
Operating expenses	46.822	43.088	37.674	31.497	35.348	29.425	25.521	22.507	20.795	18.709
(Diminution) / unrealised appreciation on remeasurement of investment - net	-	-	-	-	(0.030)	(0.062)	0.479	(1.727)	(0.490)	1.563
Operating profit	81.846	62.944	42.689	59.417	63.456	63.130	52.547	36.272	30.410	37.324
Profit payable to the modaraba company as their remuneration	-	-	-	-	5.441	5.36	4.204	2.607	2.712	2.931
Profit before tax	80.885	59.869	43.063	57.985	55.017	54.192	48.341	29.982	31.185	38.938
Taxation	38.868	32.716	26.547	25.235	30.418	26.618	19.771	7.917	16.018	15.684
Profit after tax	42.017	27.153	16.516	32.750	24.599	27.574	28.570	22.065	15.167	23.254
Transfer to statutory reserve	2.101	1.357	0.826	1.637	4.920	5.515	5.714	2.206	3.030	4.651
	5%	5%	5%	5%	20%	20%	20%	10%	20%	20%
Profit Distribution										
Profit distribution	36.000	27.000	15.000	30.000	19.500	22.050	22.800	18.900	12.000	19.500
Rate per certificate	120.0%	90.0%	50.0%	100.0%	65.0%	73.5%	76.0%	63.0%	40.0%	65.0%
Financial Ratios										
Gross profit - % of sales	15.54%	14.51%	12.88%	14.17%	13.89%	13.58%	12.42%	12.39%	11.92%	13.91%
Operating expenses - % of sales	5.66%	5.90%	6.04%	4.91%	4.97%	4.32%	4.06%	4.74%	4.84%	4.64%
Operating profit - % of sales	9.89%	8.62%	6.84%	9.26%	8.92%	9.27%	8.36%	7.64%	7.08%	9.27%
Profit before tax - % of sales & other income	9.76%	8.19%	6.87%	9.00%	7.71%	7.93%	7.66%	6.30%	7.19%	9.58%
Profit after tax - % of sales & other income	5.07%	3.71%	2.63%	5.09%	3.45%	4.04%	4.53%	4.63%	3.50%	5.73%
Return to Certificate holders										
Return on equity - before tax	57.70%	46.19%	36.66%	44.27%	46.80%	46.34%	43.09%	29.25%	33.73%	40.24%
Return on equity - after tax	29.98%	20.95%	14.06%	25.01%	20.92%	23.58%	25.47%	21.53%	16.40%	24.03%
Earning per certificate - Rs.	14.01	9.05	5.51	10.92	8.20	9.19	9.52	7.36	5.06	7.75
Profit distribution per certificate - Rs.	12.00	9.00	5.00	10.00	6.50	7.35	7.60	6.30	4.00	6.50
Market price per certificate - Rs.	115.00	53.00	53.72	60.76	52.61	62.65	47.51	32.00	36.20	42.00
Break-up value per certificate - Rs.	46.72	43.21	39.16	43.66	39.19	38.98	37.39	34.17	30.81	32.26

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Imrooz Modaraba** (the Modaraba) as at June 30, 2016 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's [A R Management Services (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of the Modaraba required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and

- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended June 30, 2015 were audited by another firm of Chartered Accountants, who vide their report dated September 16, 2015 issued an unqualified opinion thereon.


Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Dated: September 19, 2016
Karachi



FIRST IMROOZ MODARABA

BALANCE SHEET AS AT JUNE 30, 2016

	Notes	2016 Rupees	2015 Rupees
NON CURRENT ASSETS			
Property and equipment	5	12,497,055	6,703,667
Intangible assets	6	1,961,711	275,738
Long term deposits	9	116,652	116,652
		<u>14,575,418</u>	<u>7,096,057</u>
CURRENT ASSETS			
Stock in trade	7	129,909,802	162,806,656
Trade debtors	8	129,336,163	107,237,065
Deposits, prepayments and other receivables	9	1,824,284	350,234
Taxation	10	2,995,820	4,783,931
Cash at banks	11	61,300,889	9,969,276
		<u>325,366,958</u>	<u>285,147,162</u>
TOTAL ASSETS		<u><u>339,942,376</u></u>	<u><u>292,243,219</u></u>
CAPITAL AND RESERVES			
Authorised capital			
10,000,000 Modaraba Certificates of Rs.10 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up certificate capital	12	30,000,000	30,000,000
Statutory reserve	13	71,399,574	69,298,719
Revenue reserve	14	38,773,071	30,329,434
		<u>140,172,645</u>	<u>129,628,153</u>
NON-CURRENT LIABILITY			
Defined benefit plan - Staff gratuity	15	19,429,784	16,376,541
CURRENT LIABILITIES			
Obligation under murabaha finances	16	35,013,364	26,885,708
Creditors, accrued and other liabilities	17	145,326,583	119,352,817
		<u>180,339,947</u>	<u>146,238,525</u>
CONTINGENCIES AND COMMITMENTS			
	18		
TOTAL EQUITY AND LIABILITIES		<u><u>339,942,376</u></u>	<u><u>292,243,219</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director



FIRST IMROOZ MODARABA

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016 Rupees	2015 Rupees
Sales		827,864,387	730,550,779
Cost of sales	19	(699,196,004)	(624,519,118)
Gross profit		128,668,383	106,031,661
Operating expenses	20	(46,822,304)	(43,087,929)
Operating profit		81,846,079	62,943,732
Murabaha charges		(2,062,754)	(3,777,394)
Other income	21	1,101,731	702,424
Profit before taxation		80,885,056	59,868,762
Taxation	22	(38,867,964)	(32,715,912)
Profit for the year*		42,017,092	27,152,850
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit liability		(4,472,600)	-
Total comprehensive income		37,544,492	27,152,850
Earnings per certificate - basic and diluted	23	14.01	9.05

*For more than 90% profit distribution please see note 14 and 29.

The annexed notes from 1 to 31 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

	2016 Rupees	2015 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	80,885,056	59,868,762
Adjustments for:		
Depreciation	2,701,559	2,053,958
Amortization	314,027	147,360
Gain on disposal of property and equipment	(748,262)	-
Murabaha charges	2,062,754	3,777,394
Provision for staff gratuity	2,232,499	3,074,173
Provision for doubtful debts	485,550	2,155,782
	<u>7,048,127</u>	<u>11,208,667</u>
	87,933,183	71,077,429
Changes in operating assets and liabilities		
Decrease / (Increase) in current assets		
Stock in trade	32,896,854	1,936,295
Trade debtors	(22,584,648)	(33,799,492)
Deposits, prepayments and other receivables	(1,474,050)	2,248,528
	8,838,156	(29,614,669)
Increase in current liabilities		
Creditors, accrued and other liabilities	25,178,790	7,916,389
Cash generated from operations	<u>121,950,129</u>	<u>49,379,149</u>
Murabaha charges paid	(2,148,920)	(3,912,230)
Income taxes paid	(37,079,853)	(34,188,012)
Staff gratuity paid	(3,651,856)	(2,059,380)
Net cash generated from operating activities	<u>79,069,500</u>	<u>9,219,527</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(8,561,685)	(1,767,800)
Purchase of intangible assets	(2,000,000)	-
Proceeds from disposal of property and equipment	815,000	-
Net cash used in investing activities	<u>(9,746,685)</u>	<u>(1,767,800)</u>



FIRST IMROOZ MODARABA

	2016 Rupees	2015 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(26,118,858)	(14,827,753)
Proceeds of Qard-e-Hasana from Modaraba Management Company	62,500,000	112,200,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(62,500,000)	(112,200,000)
Proceeds from murabaha finances	117,601,435	145,977,444
Repayment of murabaha finances	(109,473,779)	(148,400,542)
Net cash used in financing activities	<u>(17,991,202)</u>	<u>(17,250,851)</u>
Net increase / (decrease) in cash and cash equivalents (A+B+C)	51,331,613	(9,799,124)
Cash and cash equivalents at the beginning of the year	9,969,276	19,768,400
Cash and cash equivalents at the end of the year	<u>61,300,889</u>	<u>9,969,276</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director



FIRST IMROOZ MODARABA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid up certificate capital	Statutory reserve	Revenue reserve (Un- appropriated profit)	Total
	Rupees			
Balance as at July 01, 2014	30,000,000	67,941,076	19,534,227	117,475,303
Transaction with owners				
Profit distribution for the year ended June 30, 2014 at Rs. 5 per certificate	-	-	(15,000,000)	(15,000,000)
Total comprehensive income for the year				
Profit for the year	-	-	27,152,850	27,152,850
Other comprehensive income	-	-	-	-
	-	-	27,152,850	27,152,850
Transfer to statutory reserve @ 5% (Note 13)	-	1,357,643	(1,357,643)	-
Balance as at June 30, 2015	30,000,000	69,298,719	30,329,434	129,628,153
Transaction with owners				
Profit distribution for the year ended June 30, 2015 at Rs. 9 per certificate	-	-	(27,000,000)	(27,000,000)
Total comprehensive income for the year				
Profit for the year	-	-	42,017,092	42,017,092
Other comprehensive income	-	-	(4,472,600)	(4,472,600)
	-	-	37,544,492	37,544,492
Transfer to statutory reserve @ 5% (Note 13)	-	2,100,855	(2,100,855)	-
Balance as at June 30, 2016	30,000,000	71,399,574	38,773,071	140,172,645

The annexed notes from 1 to 31 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 First Imrooz Modaraba (the Modaraba) was formed on September 27, 1993 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Rules framed thereunder and is managed by A R Management Services (Private) Limited. The Modaraba commenced its commercial operations from March 01, 1994. The Modaraba is listed on the Pakistan Stock Exchange Limited.
- 1.2 It is a multi purpose, perpetual Modaraba and is mainly engaged in domestic and international trading activities.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the 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 (the Modaraba Regulations) together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas. Wherever the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for stock which is valued at lower of cost and net realizable value, revaluation of certain financial assets which are stated at fair value and recognition of employee retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving critical accounting estimates and significant assumptions concerning the future are mentioned below:

- a) Depreciation / amortization rates and useful life of assets (Note 4.1 and 4.2)
- b) Provision for doubtful debts (Note 4.4)
- c) Defined benefit plan (Note 4.8)

3. NEW STANDARDS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 New accounting standards and amendments that are effective for the year ended June 30, 2016

The following standards and amendments are effective for the year ended June 30, 2016. These standards and amendments are not expected to have significant impact on the Modaraba's financial statements other than additional disclosure as required by IFRS 13 - Fair Value Measurement which is disclosed in note 26.

Standards and Amendments	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015

3.2 New accounting standards and amendments that are not yet effective

There are certain new standards and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after January 1, 2016, but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are, therefore, not disclosed in these financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is charged to income at the rates specified in note 5 by using straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged for full month in which an asset is available for use while no depreciation is charged from the month in which an asset is disposed of.

Gains / (losses) on disposal of property and equipment are accounted for in the year in which they arise.

Subsequent costs are recognized as an asset, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

4.2 Intangible assets

Intangible assets are stated at cost less amortization. Cost of such assets are amortized on a straight line basis over a period of four years.

Amortization on additions is charged for full month in which an asset is acquired or capitalized, while no amortization is charged from the month in which an asset is disposed off.

4.3 Stock in trade

Stock-in-trade is stated at the lower of cost determined by first in first out method and net realizable value. The cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less cost to be incurred to make sale. Goods in transit are stated at invoice value plus other charges paid thereon till reporting date.

4.4 Trade debtors and other receivables

Trade debtors and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

4.5 Taxation

Provision for taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any. For items covered under presumptive tax regime, provision is made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001. The Modaraba has followed the recommendations of the Institute of Chartered Accountants of Pakistan, whereby the tax paid at import stage under Final Tax Regime is recognized as an expense in the period in which the related goods are sold and the portion of the tax paid pertaining to the unsold inventory is carried forward in the balance sheet as an advance tax.

4.6 Cash and bank balances

Cash and bank balances are carried at nominal value.

4.7 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purpose of cash flow statement, cash and cash equivalents consist of balances with banks.

4.8 Defined benefit plan - Staff gratuity

The Modaraba operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Modaraba's obligations under the scheme is determined on the basis of actuarial valuation. Most recent valuation was carried out by a qualified actuary in accordance with IAS 19 Employees Benefits on June 28, 2016 using the Projected Unit Credit Method.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for actuarial gains and losses. Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income.

4.9 Trade creditors and other payables

Liabilities for trade creditors and other payables are carried at fair value of the consideration to be paid in future for goods received and services obtained whether billed to the Modaraba or not.

4.10 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.11 Financial instruments

Financial assets and financial liabilities are recognized when the Modaraba becomes a party to the contractual provisions of the instrument and de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

4.12 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.13 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange prevailing at the reporting date, while those covered under forward exchange contracts are valued at the contractual rates. Exchange gains and losses are included in income currently.

4.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The Modaraba assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for other assets subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognised as income.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods provided in the normal course of business.

Revenue from sale of goods is recognized on dispatch of goods to customer and when title has passed.

Profit on Munafa account is recognized on accrual basis.

4.16 Segment

An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Modaraba's other components. The Modaraba has only one reportable segment.

	Note	2016 Rupees	2015 Rupees
5. PROPERTY AND EQUIPMENT			
Tangible assets	5.1	<u>12,497,055</u>	<u>6,703,667</u>



FIRST IMROOZ MODARABA

5.1 Tangible assets - owned

Particulars	2 0 1 6							
	Cost			Depreciation			Carrying value as at June 30, 2016	Rate of depreciation per annum
	As at July 01, 2015	Additions/ (disposals) during the year	As at June 30, 2016	As at July 01, 2015	Charge for the year / (adjustment)	As at June 30, 2016		
	----- Rupees -----							%
Leasehold improvements	2,400,125	-	2,400,125	480,026	240,011	720,037	1,680,088	10
Furniture and fittings	742,747	-	742,747	676,961	27,087	704,048	38,699	10
Vehicles	11,943,519	8,174,500 (1,136,000)	18,982,019	8,290,731	1,931,924 (1,135,998)	9,086,657	9,895,362	20
Office equipment	3,508,754	240,885 (77,000)	3,672,639	2,908,209	285,297 (10,264)	3,183,242	489,397	20
Electrical appliances	21,200	92,500	113,700	21,137	5,644	26,781	86,919	10
Computer equipment	3,642,983	53,800	3,696,783	3,178,597	211,596	3,390,193	306,590	25
Total	22,259,328	8,561,685 (1,213,000)	29,608,013	15,555,661	2,701,559 (1,146,262)	17,110,958	12,497,055	

Particulars	2 0 1 5							
	Cost			Depreciation			Carrying value as at June 30, 2015	Rate of depreciation per annum
	As at July 01, 2014	Additions/ (disposals) during the year	As at June 30, 2015	As at July 01, 2014	Charge for the year / (adjustment)	As at June 30, 2015		
	----- Rupees -----							%
Leasehold improvements	2,400,125	-	2,400,125	240,013	240,013	480,026	1,920,099	10
Furniture and fittings	742,747	-	742,747	647,368	29,593	676,961	65,786	10
Vehicles	10,421,519	1,522,000	11,943,519	7,084,128	1,206,603	8,290,731	3,652,788	20
Office equipment	3,422,154	111,250 (24,650)	3,508,754	2,614,790	318,068 (24,649)	2,908,209	600,545	20
Electrical appliances	21,200	-	21,200	19,013	2,124	21,137	63	10
Computer equipment	3,508,433	134,550	3,642,983	2,921,040	257,557	3,178,597	464,386	25
Total	20,516,178	1,767,800 (24,650)	22,259,328	13,526,352	2,053,958 (24,649)	15,555,661	6,703,667	

5.2 Cost of fully depreciated assets still in use is Rs. 10,426,651 (2015: Rs. 10,080,888).



FIRST IMROOZ MODARABA

5.3 The following tangible assets were disposed off during the year :

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser / Address
----- Rupees -----							
Vehicle	504,000	503,999	1	375,000	374,999	Negotiation	Mr. Abdul Wahid House # II, C-98, Gulshan-e-Iqbal, Block 4, Karachi.
Vehicle	632,000	631,999	1	400,000	399,999	Negotiation	Mr. Mohammed Taimoor House # 282, D-Cruise Road, Garden East, Karachi.
Office equipment	77,000	10,264	66,736	40,000	(26,736)	Trade in	NEXTEL Shop # G-28, Ground Floor, Star City mall, Saddar, Karachi.
2016	<u>1,213,000</u>	<u>1,146,262</u>	<u>66,738</u>	<u>815,000</u>	<u>748,262</u>		
2015	<u>24,650</u>	<u>24,649</u>	<u>1</u>	<u>-</u>	<u>-</u>		

6. INTANGIBLE ASSETS

Particulars	2016							
	Cost			Amortization			Carrying value as at June 30, 2016	Rate of amortization per annum
	As at July 01, 2015	Additions during the year	As at June 30, 2016	As at July 01, 2015	Charge for the year	As at June 30, 2016		
----- Rupees -----								%
Licensed computer software	2,118,880	-	2,118,880	1,843,142	147,360	1,990,502	128,378	25
Website	-	2,000,000	2,000,000	-	166,667	166,667	1,833,333	25
Total	<u>2,118,880</u>	<u>2,000,000</u>	<u>4,118,880</u>	<u>1,843,142</u>	<u>314,027</u>	<u>2,157,169</u>	<u>1,961,711</u>	
Particulars	2015							
	Cost			Amortization			Carrying value as at June 30, 2015	Rate of amortization per annum
	As at July 01, 2014	Additions during the year	As at June 30, 2015	As at July 01, 2014	Charge for the year	As at June 30, 2015		
----- Rupees -----								
Licensed computer software	2,118,880	-	2,118,880	1,695,782	147,360	1,843,142	275,738	25

6.1 Cost of fully amortized intangible assets still in use was Rs. 1,529,435 (2015: Rs. 1,529,435).

	Note	2016 Rupees	2015 Rupees
7. STOCK IN TRADE			
In hand		53,568,945	96,127,735
In bonded warehouse		34,043,025	22,049,960
In transit		42,297,832	44,628,961
		<u>129,909,802</u>	<u>162,806,656</u>
8. TRADE DEBTORS			
Unsecured - considered good		129,336,163	107,237,065
Unsecured - considered doubtful		4,020,701	3,535,151
		<u>133,356,864</u>	<u>110,772,216</u>
Less: Provision for doubtful debts	8.1	<u>(4,020,701)</u>	<u>(3,535,151)</u>
		<u>129,336,163</u>	<u>107,237,065</u>
8.1 Provision for doubtful debts			
Opening provision		3,535,151	1,379,369
Provision made during the year		485,550	2,155,782
		<u>4,020,701</u>	<u>3,535,151</u>
9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		1,596,652	176,652
Less: long term deposits shown under non current assets		(116,652)	(116,652)
		1,480,000	60,000
Prepayments		344,284	247,850
Other receivables		-	42,384
		<u>1,824,284</u>	<u>350,234</u>
10. TAXATION			
Opening balance		4,783,931	3,311,831
Paid during the year		37,079,853	34,188,012
Provision for taxation		(38,867,964)	(32,715,912)
		<u>2,995,820</u>	<u>4,783,931</u>
11. CASH AT BANKS			
Munafa account	11.1	51,107,755	1,421,052
Current accounts		10,193,134	8,548,224
		<u>61,300,889</u>	<u>9,969,276</u>

11.1 This carry profit at rate ranging from 2.0% to 4.5% (2015: 3.6% to 6.3%) per annum.

12. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2016	2015		2016 Rupees	2015 Rupees
<u>3,000,000</u>	<u>3,000,000</u>	Modaraba certificates of Rs. 10 each fully paid in cash	<u>30,000,000</u>	<u>30,000,000</u>

13. STATUTORY RESERVE

Balance as on July 01	69,298,719	67,941,076
Transferred during the year	<u>2,100,855</u>	<u>1,357,643</u>
	<u>71,399,574</u>	<u>69,298,719</u>

As per Regulation 2, Part III of the Prudential Regulations for Modarabas issued by SECP, vide Circular No. 4 of 2004 dated January 28, 2004 and subsequent amendments made therein requires a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profits is to be transferred. For the year, the Modaraba transferred 5% of its after tax profits to statutory reserve.

14. REVENUE RESERVE

Balance as on July 01	30,329,434	19,534,227
Profit distribution	(27,000,000)	(15,000,000)
Profit for the year	37,544,492	27,152,850
Transferred to statutory reserve during the year	<u>(2,100,855)</u>	<u>(1,357,643)</u>
	<u>38,773,071</u>	<u>30,329,434</u>

As per Rule 10, Part IV of the Prudential Regulations for Modarabas issued by the SECP vide Circular No. 4 of 2004 dated January 28, 2004, a Modaraba is required to distribute 90% of its net annual profits, after appropriation to reserves, amongst its certificate holders.

Accordingly, after the reporting date the Directors of the Modaraba Management Company have approved the final profit distribution out of available unappropriated profits at the rate of Rs. 12 per certificate (2015: Rs. 9 per certificate) totaling Rs. 36,000,000 (2015: Rs.27,000,000).

15. DEFINED BENEFIT PLAN - STAFF GRATUITY

Net liability in the balance sheet

Present value of defined benefit obligation	<u>19,429,784</u>	<u>16,376,541</u>
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Modaraba's obligation under the scheme is calculated by estimating the amount of future benefits that employees have earned in return for their services in the current and prior years. Modaraba's obligation under the scheme is determined by a qualified actuary using the projected unit credit method.

	2016 Rupees	2015 Rupees
15.1 Expense recognised in profit and loss account		
Current service cost	1,141,203	1,096,770
Finance cost	1,091,296	1,977,403
	<u>2,232,499</u>	<u>3,074,173</u>
15.2 Remeasurement loss recognised in other comprehensive income		
Experience adjustments	<u>4,472,600</u>	<u>-</u>
15.3 Movement in defined benefit obligation		
Opening defined benefit obligation	16,376,541	15,361,748
Current service cost	1,141,203	1,096,770
Finance cost	1,091,296	1,977,403
Actuarial loss	4,472,600	-
Benefits paid	<u>(3,651,856)</u>	<u>(2,059,380)</u>
	<u>19,429,784</u>	<u>16,376,541</u>
15.4 Movement in net liability in the balance sheet		
Balance as at July 01	16,376,541	15,361,748
Add: Charge for the year	2,232,499	3,074,173
Remeasurement loss recognised in other comprehensive income	4,472,600	-
Less: Payments made during the year	<u>(3,651,856)</u>	<u>(2,059,380)</u>
Balance as at June 30	<u>19,429,784</u>	<u>16,376,541</u>
15.5 The principal assumptions used in the valuation of gratuity		
	2016	2015
Discount rate	7.75% per annum	13% per annum
Expected increment rate	6.75% per annum	12% per annum
Mortality rate	Adjusted SLIC 2001 - 2005	SLIC 2001 - 2005
Average expected remaining working life time of employees	6 years	6 years

15.6 Sensitivity analysis

Particulars	Percentage change	PVDBO
Current liability		19,429,784
+1% Discount rate	-7.79%	17,881,219
-1% Discount rate	9.05%	21,188,832
+1% Salary increase rate	9.56%	21,287,846
-1% Salary increase rate	-8.54%	17,769,923
+10% Withdrawal rate	0.02%	19,433,593
-10% Withdrawal rate	-0.02%	19,425,953
1 year mortality age set back	0.03%	19,434,951
1 year mortality age set forward	-0.03%	19,424,593

15.7 The scheme exposes the Modaraba to the actuarial risks such as:

Salary risk - The risk that the final salary at the time of cessation of service is greater than what the Modaraba has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to market yields at the reporting date on high quality Government Bonds. A decrease in yields will increase plan liabilities.

Withdrawal risk - The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

15.8 The charge in respect of defined benefit plan for the year ending June 30, 2017 is estimated to be Rs. 2.675 million.

15.9 The weighted average duration of the defined benefit obligation is 8.51 years.

15.10 There are no plan assets against defined benefit obligation.

16. OBLIGATION UNDER MURABAHA FINANCES - SECURED

	2016 Rupees	2015 Rupees
Obligation under murabaha finances	<u>35,013,364</u>	<u>26,885,708</u>

The Modaraba has availed this facility from Soneri Bank Limited. Sanctioned limit is Rs. 40 million (2015: Rs. 40 million). The facility is secured against hypothecation of stock in trade of the Modaraba.

	Note	2016 Rupees	2015 Rupees
17. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Import bills payable		112,355,018	102,497,017
Creditors		523,271	378,386
Accrued liabilities	17.1	7,504,383	3,106,179
Sales tax payable		16,479,969	5,788,435
Unclaimed profit distribution		7,391,610	6,510,468
Workers' Welfare Fund	18.1.1	1,072,332	1,072,332
		<u>145,326,583</u>	<u>119,352,817</u>

17.1 It includes rent payable to related party amounting to Rs.3,243,600 (2015: nil).

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 Through the Finance Act, 2008 an amendment was made in Section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Modaraba was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court (SHC) has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before SHC challenging the vires of such amendments and stay has been granted by a Division Bench of SHC.

Besides this, the judgment of three member larger bench of SHC has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Modaraba is of the opinion that no provision is to be made till the outcome of these petitions.

In 2015, the Sindh Assembly, on June 04, 2015, passed The Sindh Workers Welfare Fund Act, 2014 (the WWF Act). As per Section 5(1) of the WWF Act, contributions are payable with effect from the date of closing of account on or after December 31, 2013, that corresponds to Modaraba's account year ended on June 30, 2014. As per definitions Section 2 (g) of the WWF Act, Modarabas do not fall within the meaning of 'Industrial Establishment' and therefore, no provision is required for the year ended June 30, 2014 and onwards.

18.1.2 Post dated cheques to Collector of Customs amounting to Rs. 23,824,431 (2015: Rs. 48,095,083).

18.2 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs. 7,035,446 (2015: Rs. 8,902,123).



FIRST IMROOZ MODARABA

	Note	2016 Rupees	2015 Rupees
19. COST OF SALES			
Opening stock at July 01		96,127,735	73,330,341
Purchases		656,637,214	647,316,512
Closing stock at June 30		(53,568,945)	(96,127,735)
		<u>699,196,004</u>	<u>624,519,118</u>
20. OPERATING EXPENSES			
Salaries and other staff benefits		23,247,573	20,287,668
Staff gratuity	15	2,232,499	3,074,173
Rent, rates and taxes		3,243,600	2,508,200
Travelling and conveyance		2,267,857	2,117,581
Depreciation	5.1	2,701,559	2,053,958
Amortization	6	314,027	147,360
Cartage		2,438,851	2,023,689
Provision of doubtful debts	8.1	485,550	2,155,782
Vehicles running and maintenance		1,310,077	1,417,585
Insurance		1,342,144	1,300,166
Legal and professional		1,460,891	1,083,323
Security charges		971,551	960,257
Fees and subscriptions		1,002,226	905,337
Repairs and maintenance		581,278	714,934
Postage and telephone		708,374	541,557
Bank charges		349,197	377,779
Auditors' remuneration	20.2	444,350	376,250
Electricity		93,284	279,888
Sales promotion		1,067,320	218,659
Entertainment		165,071	168,933
Printing and stationery		161,671	135,616
Packing material		101,707	133,469
Cleaning and washing		77,645	71,015
Advertisement and publicity		38,446	34,750
Staff training		15,556	-
		<u>46,822,304</u>	<u>43,087,929</u>

**20.1 Remuneration of officers and employees**

	2016			2015		
	Officers	Other employees	Total	Officers	Other employees	Total
	----- Rupees -----					
Remuneration	7,948,606	8,537,634	16,486,240	8,468,176	6,045,684	14,513,860
Allowances	1,826,021	3,512,997	5,339,018	2,051,485	2,392,081	4,443,566
Medical expenses	72,957	465,352	538,309	118,345	340,811	459,156
Provident fund	284,219	443,678	727,897	324,110	389,938	714,048
EOBI	19,800	95,290	115,090	18,800	67,200	86,000
SESSI	-	41,019	41,019	-	71,038	71,038
	<u>10,151,603</u>	<u>13,095,970</u>	<u>23,247,573</u>	<u>10,980,916</u>	<u>9,306,752</u>	<u>20,287,668</u>
Number of employees	4	17	21	5	14	19

In addition to above, some of the officers and other employees have been provided with vehicles maintained by the Modaraba.

	Note	2016 Rupees	2015 Rupees
20.2 Auditors' remuneration			
Annual audit		342,190	278,125
Half yearly review		55,650	55,125
Review of code of corporate governance		11,130	10,500
CDC certification		11,130	10,500
Out of pocket expenses		24,250	22,000
		<u>444,350</u>	<u>376,250</u>
21. OTHER INCOME			
Gain on disposal of property and equipment	5.3	748,262	-
Return on Munafa account		353,469	702,424
		<u>1,101,731</u>	<u>702,424</u>
22. TAXATION			
Tax for the year		<u>38,867,964</u>	<u>32,715,912</u>

Current tax

In view of recommendations of the Institute of Chartered Accountants of Pakistan, the proportionate tax paid at import stage attributable to closing stock is shown as advance tax at reporting date and shall be charged off as tax expense on sale of such stock.

As per Clause (18), Part II, Second Schedule to the Income Tax Ordinance, 2001, the income of the Modaraba is liable to be taxed at 25%. However, tax charge due to presumptive tax regime is significantly higher than normal tax basis. As per Clause 100, Part I of Second Schedule of Income Tax Ordinance, 2001, any income not being income from trading activity of a Modaraba is exempt provided that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve are distributed amongst the certificate holders. As management intends to distribute not less ninety per cent of its total profits during the year therefore no provision for taxation on non trading income has been made in these financial statements.

Reconciliation between tax expense and accounting profit has not been presented due to the fact that Modaraba's substantial income falls under presumptive tax regime.

Deferred

Deferred tax liability or asset is not provided on temporary differences as Modaraba's income is taxed under the presumptive tax regime and as per TR - 27 issued by the Institute of Chartered Accountants of Pakistan deferred tax asset / liability is not recorded.

	2016	2015
23. EARNINGS PER CERTIFICATE		
- BASIC AND DILUTED		
Profit for the year (Rupees)	42,017,092	27,152,850
Number of Modaraba certificates	3,000,000	3,000,000
Earnings per certificate (Rupees)	<u>14.01</u>	<u>9.05</u>

24. CAPITAL RISK MANAGEMENT

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue as a going concern in order to provide returns for certificate holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Modaraba's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

25. FINANCIAL RISK MANAGEMENT

25.1 The Modaraba's activities expose it to a variety of financial risks; market risk (including profit rate risk, currency risk, fair value interest rate risk, cash flow risk and price risk), credit risk and liquidity risk.

25.1.1 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

a) Profit rate risk management

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

The Modaraba has no significant profit-bearing assets apart from bank deposits in Munafa account. The Modaraba has availed murabaha finance on which repurchase price is fixed and does not vary, therefore profit rate sensitivity has not been computed.

b) Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba's exposure to the risk of changes in foreign exchange rates relates primarily to the Modaraba's operating activities. As at June 30, 2016, the total foreign currency risk exposure was Rs. 112,355,018 (2015: Rs. 102,497,017) in respect of import bills payable.

i) Foreign currency sensitivity analysis

At June 30, 2016, if the Rupee had weakened by 5% against the US dollar, Euro and UK pound with all other variables held constant, post-tax profit for the year would have decreased by Rs. 5,688,328 (2015: Rs. 5,100,572), mainly as a result of foreign exchange losses on translation of US dollar-denominated import bills payables if it could not be passed through customers.

c) Equity price risk management

Since there is no equity investment, therefore, the Modaraba is not exposed to any equity price risk

25.1.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Total financial assets of Rs. 192,233,704 (2015: Rs. 117,425,337) are subject to credit risk.

The Modaraba is exposed to credit risk from its operating activities (primarily trade debtors) and from its financing activities i.e. bank accounts.

a) Credit risk related to trade debtors

The Modaraba has adopted a policy of only dealing with creditworthy counterparties. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored. The Modaraba does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

At June 30, 2016, Modaraba had approximately 9 major customers (2015: 5 customers) that owed the Modaraba more than Rs. 6 million each and accounted for approximately 65% (2015: 44%) of all trade debtors. The Modaraba does not hold collateral as security against any trade debtors.

Ageing of debtors past due but not impaired are as follows:

	2016 Rupees	2015 Rupees
0-30 days	69,597,752	43,308,642
31-90 days	48,659,468	57,983,907
91-120 days	4,114,804	783,959
Over 120 days	6,964,139	5,160,557
	<u>129,336,163</u>	<u>107,237,065</u>

b) Credit risk related bank balances

Credit risk from balances with banks is managed by finance department in accordance with the Modaraba's policy. The analysis below summarizes the credit quality of the Modaraba's bank balances.

Banks	Short Term	Long Term	2016 Rupees	2015 Rupees
Bank Alfalah Limited	A1+	AA	2,757,098	2,309,793
Soneri Bank Limited	A1+	AA-	58,543,791	7,659,483

25.1.3 Liquidity risk management

Liquidity risk reflects the Modaraba's inability in raising funds to meet commitments. Management closely monitors the Modaraba's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

25.2 The Modaraba's senior management oversees the management of these risks.

25.3 The Modaraba's principal financial liabilities comprise import bills, trade and other payables and facility under murabaha finance. The main purpose of these financial liabilities and facility is to raise finance for the Modaraba's operations. The Modaraba has trade debtors and balances with banks that derive directly from its operations.

25.4 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

25.5 Financial assets and liabilities

June 30, 2016

Profit bearing			Non-Profit bearing			Total
Maturity upto one year	Maturity after one year upto five year	Subtotal	Maturity upto one year	Maturity after one year upto five year	Subtotal	

Rupees

Financial assets

Loans and receivables at amortized cost

Trade debtors	-	-	-	129,336,163	-	129,336,163	129,336,163
Deposits	-	-	-	1,596,652	-	1,596,652	1,596,652
Cash at banks	51,107,755	-	51,107,755	10,193,134	-	10,193,134	61,300,889
	51,107,755	-	51,107,755	141,125,949	-	141,125,949	192,233,704

Financial liabilities

Financial liabilities at amortized cost

Creditors, accrued and other liabilities	-	-	-	128,846,614	-	128,846,614	128,846,614
Obligation under murabaha finances	-	-	-	35,013,364	-	35,013,364	35,013,364
	-	-	-	163,859,978	-	163,859,978	163,859,978
On-balance sheet gap	51,107,755	-	51,107,755	(22,734,029)	-	(22,734,029)	28,373,726

June 30, 2015

Profit bearing			Non-Profit bearing			Total
Maturity upto one year	Maturity after one year upto five year	Subtotal	Maturity upto one year	Maturity after one year upto five year	Subtotal	

Rupees

Financial assets

Loans and receivables at amortized cost

Trade debtors	-	-	-	107,237,065	-	107,237,065	107,237,065
Deposit and other receivable	-	-	-	219,036	-	219,036	219,036
Cash at banks	1,421,052	-	1,421,052	8,548,224	-	8,548,224	9,969,276
	1,421,052	-	1,421,052	116,004,325	-	116,004,325	117,425,377

Financial liabilities

Financial liabilities at amortized cost

Creditors, accrued and other liabilities	-	-	-	113,564,382	-	113,564,382	113,564,382
Obligation under murabaha finances	-	-	-	26,885,708	-	26,885,708	26,885,708
	-	-	-	140,450,090	-	140,450,090	140,450,090
On-balance sheet gap	1,421,052	-	1,421,052	(24,445,765)	-	(24,445,765)	(23,024,713)

26. FAIR VALUE HIERARCHY

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price). Adoption of IFRS 13 has not affected these financial statements.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at year end, there are no financial instruments carried at fair value which require classification in the above mentioned levels.

	2016 Rupees	2015 Rupees
27. TRANSACTIONS WITH RELATED PARTIES		
Warehouse rent	-	2,101,200
Dividend paid to Modaraba Management Company	4,725,000	2,700,000
Dividend paid to key management personnel	5,929,088	3,388,050
Share of common expenses	1,780,259	1,320,014
Receipt of Qard-e-Hasana from Modaraba Management	62,500,000	112,200,000
Repayment of Qard-e-Hasana to Modaraba Management	62,500,000	112,200,000

28. MODARABA MANAGEMENT COMPANY'S FEE

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of Modaraba Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba which has been waived for the current year.

29. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Modaraba Management Company in its meeting held on 19-09-2016 approved a final profit distribution of Rs. 12.00 per certificate, amounting to Rs. 36,000,000 for the year ended June 30, 2016.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 19-09-2016.

31. GENERAL

31.1 Amounts have been presented and rounded off to the nearest Rupee.

31.2 These financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director



FIRST IMROOZ MODARABA

**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2016**

(on Form No. XII prescribed under Rule 14 of the Modaraba Companies & Modaraba Rules, 1981)

Number of Certificate Holders	:	Certificates Holding		:	Total Certificates Held	
		From	To			
114	:	1	:	100	:	8,495
184	:	101	:	500	:	90,210
12	:	501	:	1000	:	11,900
25	:	1001	:	5000	:	102,042
7	:	5001	:	10000	:	59,566
10	:	10001	:	100000	:	273,287
9	:	100001	:	above	:	2,454,500
361						3,000,000

Categories of Certificate Holders	:	Number	:	Certificates Held	:	Percentage
Individuals	:	358	:	2,398,000	:	79.93
Joint Stock Companies	:	1	:	500	:	0.02
Modaraba Company	:	2	:	601,500	:	20.05
	:	361	:	3,000,000	:	100.00



FIRST IMROOZ MODARABA

CERTIFICATE HOLDERS INFORMATION AS PER REQUIREMENT OF LISTING REGULATIONS OF THE PAKISTAN STOCK EXCHANGE

ASSOCIATED COMPANIES

SHARES HELD

A R Management Services (Pvt) Limited Modaraba Management Company	600,000
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DIRECTORS, CEO THEIR SPOUSE & MINOR CHILDREN

Mr. Ateed Riaz	Chief Financial Officer	271,900
Mr. Naveed Riaz	Chief Executive	240,300
Mrs. Ismat Riaz w/o Mr. Naveed Riaz		259,000
Mr. Ameer Riaz	Director	240,200
Mrs. Roqaiya Riaz w/o Mr. Ameer Riaz		259,200
Mr. Ikramul Haque		53,400

BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS, MUTUAL FUNDS, ETC.

First Alnoor Modaraba	1500
N H Securities (Pvt) Limited	500

EXECUTIVES OF THE MODARABA

Mr. Mohammad Amjad Khalid	500
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CERTIFICATE HOLDERS HOLDING 10% OR MORE

A R Management Services (Pvt) Limited

TRADES IN THE MODARABA CERTIFICATES

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor children has traded in the certificates of the Modaraba during the year.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No 5.19 of Rule Book of Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Modaraba Management Company [A.R. Management Services (Private) Limited] has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board. At present the Board includes:

Category	Names
Executive Director	Mr. Naveed Riaz
Non-Executive Directors	Mr. Ameer Riaz Mrs. Saadat Ikram Mr. Omar Mohammad Khan

There is no independent director on the Board being a private limited company.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs, or being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy occurred on the Board of Directors.
5. The Management Company has prepared a 'Code of Conduct', which has been disseminated throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. All of the Directors on the Board are having more than 14 years of education and more than 15 years of experience on the board of Modaraba Management Company, therefore they are exempted from the directors' training program as prescribed by the CCG.

10. There are no new appointments of CFO, Company secretary and head of internal audit were made during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully described the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members of whom two are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom one is executive director and two are non-executive directors including the chairman of the Committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba, and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide any other services except in accordance with the listing regulations. The auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material and price sensitive information has been disseminated at once among all market participants through stock exchange(s).
23. We confirm that material principles contained in the CCG have been complied with.

Annual Shari'ah Review Report of
First Imrooz Modaraba
For the year ended June 30, 2016

In the name of Allah, The Most Beneficent, The Most Merciful,
All praise is due to Allah, and Allah's Peace and Blessings be upon His Final
Messenger, his pure family, his noble Companions, and all those who follow them
with righteousness until the Day of Judgment.

I have conducted the Shari'ah review of First Imrooz Modaraba managed by A R Management Services (Pvt) Limited, the Modaraba Management Company for the year ended June 30, 2016 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. Following were the major developments took place during the year:

Training and Development:

The key staff of the First Imrooz Modaraba is fully equipped with Shari'ah compliant business modes and all relevant industry tools through training. During the year two staff members got apprentice training on corporate training and effective communication skills provided by Ms. Rashida Valika arranged in office premises.

iii. The agreement(s) entered into by the Modaraba are Shari'ah compliant and have been executed on the formats as approved by the Religious Board and all the related conditions have been met;

iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas



v. There have been no earnings that have been realized from the sources or by means prohibited by Shari'ah which could have been credited to charity accounts

Observations:

I have inquired and checked the system and mechanism of Modaraba and found it in line with the guidelines issued by SECP vide Circular No. 8 of 2012 dated 03-02-2012, whereby Shari'ah Compliance and Audit Mechanism (SCSAM) was introduced.

1. Munafa / saving account is being maintained with Islamic Bank. And the Murabaha Finance facility is also being availed from Islamic Banking Institution.
2. As regards insurance coverage, it has is observed that insurance coverage has been availed from conventional insurance company instead of any Takaful Insurance Company. On my query the Management informed that the Modaraba is currently availing insurance coverage facility from EFU. The Management of EFU has planned to open a Takaful Window for corporate sector. As soon as EFU Takaful is launched for corporate sector, all the insurance needs will be covered by them insha Allah.

Recommendations:


- 1) It is recommended to shift Insurance Coverage Facility to EFU Takaful as soon as it becomes functional for corporate sector.
- 2) The management should continue its endeavor to comply with the rulings of Shari'ah in its business operation and future transactions.

Conclusion:

Based on the above mentioned facts I am of the view that the business operations of First Imrooz Modaraba are Shari'ah Compliant, to the best of my knowledge.

May Allah make us successful in this world and hereafter and forgive our mistakes.

Signature:



Abdul Qadir
Shari'ah Advisor

Dated: September 19th, 2016.



REVIEW REPORT TO THE CERTIFICATE HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2016 prepared by the Board of Directors of **A. R. MANAGEMENT SERVICES (PRIVATE) LIMITED (the Modaraba Company)** in respect of **FIRST IMROOZ MODARABA (the Modaraba)** to comply with the requirements of the regulations of Pakistan Stock Exchange Limited where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Management Company for the year ended June 30, 2016.

There is no independent director on the Board of the Modaraba Management Company being a private limited company as disclosed in para 1 of the Statement.


Chartered Accountants

Date: September 19, 2016
Place: Karachi



FIRST IMROOZ MODARABA

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that seventeenth Annual Review Meeting of First Imrooz Modaraba will be held on Monday the 24 October, 2016 at 11:30 a.m. at Registered Office of the Modaraba Company at 125-S, Small Industrial Area, Kot Lakhpat, Lahore.

By order of the Board

September 19, 2016

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 12, 2016 to October 24, 2016 (both days inclusive)
2. Certificate holders are requested to inform promptly of any change in their address to our share Registrar, Technology Trade (Pvt.) Ltd, Dagia House 241-C, Block-2, P.E.C.H.S, Karachi.

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





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Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



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