

TWENTY THIRD ANNUAL REPORT 2017



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.

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	: Aatif Awan, Advocate
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. Dagia House 241-C, PECHS, Block-2 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, 2017.

1. Operating Results

The financial results of the Modaraba are summarized below:

	(Rupees in million)	
	2017	2016
Profit before taxation	65.031	80.885
Taxation	<u>31.732</u>	<u>38.867</u>
Profit after taxation	33.299	42.018
Appropriations		
Transfer to Statutory Reserve @ 5%	1.665	2.101
Profit after appropriation	<u><u>31.634</u></u>	<u><u>39.917</u></u>
Earnings per certificate – basic & diluted	Rs. <u><u>11.10</u></u>	<u><u>14.01</u></u>

2. Review of Financial Performance

For the year under review the Modaraba's turnover decreased to Rs.734.22 million as compared to Rs.827.86 million last year. The Gross profit also decreased to Rs.118.61 million as against Rs.128.67 million. Such decrease is attributed to various reasons including uncertain political conditions due to court cases and market competition.

Resultantly, the Modaraba's annual profit decreased to Rs.33.30 million as compared to Rs. 42.02 million of last year.

However, the other income for the year is Rs. 3.21 million as compared to Rs. 1.10 million of last year.

After considering these results, the Board of Directors have decided to pay a final profit distribution @ 100% i.e. Rs.10/- 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, 2018. 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:

- a) 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.
- b) proper books of account have been maintained.
- c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) 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.
- e) the system of internal control is sound in design and has been effectively implemented and monitored.
- f) there are no significant doubts upon the Modaraba's ability to continue as a going concern.
- g) there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) statement summarizing key operating and financial data for the current year as well as for the last six years is given as under:

Particulars	2017	2016	2015	2014	2013		2012	2011
					Restated			
Fixed Assets	13.346	14.459	6.979	7.412	4.57	6.27		6.37
Working Capital	145.007	145.027	139.025	125.424	141.89	124.42		119.48
Certificate Holders Equity	137.472	140.173	129.628	117.475	130.97	117.56		116.95
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00		30.00
Sales	734.216	827.864	730.551	624.105	641.673	711.42		681.36
Gross Profit	118.611	128.668	106.032	80.363	90.91	98.80		92.55
Profit after Taxation	65.031	80.885	27.153	16.516	32.75	24.60		27.57
Profit Distribution - Cash	100%	120%	90%	50%	100%	65%		73.5%
Earnings per Certificate-Rs.	11.10	14.01	9.05	5.51	10.92	8.20		9.19
Break-up value per Certificate-Rs.	45.82	46.72	43.21	39.16	43.66	39.19		38.98

- 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 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, 2017



FIRST IMROOZ MODARABA

ڈائریکٹرز کی رپورٹ

فرسٹ امروز مضاربہ کی انتظامی کمپنی اے آر مینجمنٹ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز مضاربہ کے سالانہ نتائج برائے 30 جون 2017 بمعہ آڈٹ رپورٹ پیش کرتے ہیں۔

مالیاتی نتائج

مضاربہ کے مالیاتی نتائج مندرجہ ذیل ہیں:

(ملین روپیوں میں)		
30-Jun-16	30-Jun-17	
80.885	65.031	قبل از ٹیکس منافع
38.867	31.732	ٹیکس
42.018	33.299	بعد از ٹیکس منافع
2.101	1.665	قانون کے مطابق ذخائر میں منافع کا 5% منتقل
39.917	31.634	بعد از منتقلی منافع
14.01	11.10	فی کس شیئر آمدنی (بنیادی اور تحلیل شدہ) روپے

کارکردگی کا جائزہ

زیر غور حالیہ سال کے دوران مضاربہ کی فروخت 734.22 ملین روپے تک رہی جبکہ اسکے مقابلے میں گزشتہ سال میں 827.86 ملین روپے تھی۔ اس کی مناسبت سے کل منافع 118.61 ملین روپے تک رہا، جب کہ اسی کے مقابلے پچھلے سال کے دوران کل منافع 128.67 ملین روپے تھا۔ اس کمی کی متعدد وجوہات میں غیر یقینی سیاسی صورتحال اور مارکیٹ کا مسابقتی ماحول شامل ہے۔

نتیجتاً سال کے اختتام پر مضاربہ کا منافع 33.30 ملین روپے رہا، جبکہ گزشتہ مقابل سال یہ 42.02 ملین روپے تھا۔ اس حالیہ سال میں دیگر آمدنی 3.21 ملین روپے رہی جب کہ گزشتہ سال میں یہ 1.10 ملین روپے تھی۔

حالیہ نتائج کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ منافع فی سرٹیفیکٹ 10 روپے یعنی 100 فیصد کے حساب سے سرٹیفیکٹ مالکان میں تقسیم کیا جائے۔

آڈیٹر

موجودہ آڈیٹرز ڈیلوئٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس ریٹائرمنٹ کے قریب ہونے کی وجہ سے جون 30، 2018 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۔



FIRST IMROOZ MODARABA

کارپوریٹ گورننس

ہمارے ڈائریکٹرز رپورٹ کرتے ہیں:

- (1) فرسٹ امروزمضاربہ کی انتظامی کمپنی اے آر اینجمنٹ سروسز (پرائیویٹ) لمیٹڈ کی انتظامیہ کے تیار کردہ مالی گوشواروں میں اسکے واضح امور، عملدرآمد کے نتائج، کیش فلواور ایکونٹی میں تبدیلیاں پیش کی گئی ہیں۔
- (2) مضاربہ کے اکاؤنٹ کی کتابوں کو باقاعدگی سے تیار کیا ہے۔
- (3) مالی گوشواروں اور اکاؤنٹنگ تخمینوں کی تیاری میں متعلقہ موزوں اکاؤنٹنگ پالیسیاں بروے 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:

Particulars	2017	2016	2015	2014	2013		2012	2011
					Restated			
Fixed Assets	13.346	14.459	6.979	7.412	4.57	6.27	6.37	
Working Capital	145.007	145.027	139.025	125.424	141.89	124.42	119.48	
Certificate Holders Equity	137.472	140.173	129.628	117.475	130.97	117.56	116.95	
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Sales	734.216	827.864	730.551	624.105	641.673	711.42	681.36	
Gross Profit	118.611	128.668	106.032	80.363	90.91	98.80	92.55	
Profit after Taxation	65.031	80.885	27.153	16.516	32.75	24.60	27.57	
Profit Distribution - Cash	100%	120%	90%	50%	100%	65%	73.5%	
Earnings per Certificate-Rs.	11.10	14.01	9.05	5.51	10.92	8.20	9.19	
Break-up value per Certificate-Rs.	45.82	46.72	43.21	39.16	43.66	39.19	38.98	

- (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 لسٹنگ 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

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۔

مخانب بورڈ

نوید ریاض

چیف ایگزیکٹو

19 ستمبر، 2017

TEN YEARS AT A GLANCE

(Rupees in million)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
					-----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	107.472	110.173	99.628	87.475	100.971	87.565	86.950	82.178	72.508	62.442
Certificate holders' equity	137.472	140.173	129.628	117.475	130.971	117.565	116.950	112.178	102.508	92.442
Deferred liability - staff gratuity	21.263	19.429	16.376	15.362	15.493	13.125	8.900	8.140	6.820	4.861
Qard-e-Hasna from Modaraba management company	-	-	-	-	-	31.000	15.000	13.500	-	-
Short term borrowing - Morabaha finances	34.371	35.013	26.886	29.308	33.623	43.018	33.367	7.627	-	22.320
Current liabilities	212.043	180.340	146.238	140.708	162.152	217.317	190.541	104.671	76.989	110.573
Fixed Assets	13.347	14.459	6.979	7.413	4.575	6.274	6.368	8.023	5.439	6.746
Stock-in-trade	258.027	129.910	162.806	164.743	187.303	182.523	202.757	83.534	65.925	102.736
Trade debtors	83.997	129.336	107.237	75.593	81.998	122.180	82.969	122.261	59.763	36.461
Investments	-	-	-	-	-	1.104	1.213	1.275	0.796	2.476
Current assets	357.050	325.367	285.263	266.132	304.042	341.734	310.020	216.966	180.878	201.130
Operational Results										
Sales	734.216	827.864	730.551	624.104	641.673	711.425	681.364	628.533	474.517	429.742
Cost of sales	615.605	699.196	624.519	543.741	550.759	612.621	588.809	550.465	415.738	378.537
Gross profit	118.611	128.668	106.032	80.363	90.914	98.804	92.555	78.068	58.779	51.205
Other income	2.138	1.102	0.702	2.969	2.329	2.108	1.805	2.429	1.760	3.977
Murabaha charges	2.346	2.063	3.777	2.595	3.761	5.076	5.321	1.838	-	-
Workers welfare fund	(1.072)	-	-	-	-	-	-	1.072	-	-
Operating expenses	54.444	46.822	43.088	37.674	31.497	35.348	29.425	25.521	22.507	20.795
(Diminution) / unrealised appreciation on remeasurement of investment - net	-	-	-	-	-	(0.030)	(0.062)	0.479	(1.727)	(0.490)
Operating profit	64.167	81.846	62.944	42.689	59.417	63.456	63.130	52.547	36.272	30.410
Profit payable to the modaraba company as their remuneration	-	-	-	-	-	5.441	5.36	4.204	2.607	2.712
Profit before tax	65.031	80.885	59.869	43.063	57.985	55.017	54.192	48.341	29.982	31.185
Taxation	31.732	38.868	32.716	26.547	25.235	30.418	26.618	19.771	7.917	16.018
Profit after tax	33.299	42.017	27.153	16.516	32.750	24.599	27.574	28.570	22.065	15.167
Transfer to statutory reserve	1.665	2.101	1.357	0.826	1.637	4.920	5.515	5.714	2.206	3.030
	5%	5%	5%	5%	5%	20%	20%	20%	10%	20%
Profit Distribution										
Profit distribution	30.000	36.000	27.000	15.000	30.000	19.500	22.050	22.800	18.900	12.000
Rate per certificate	100.0%	120.0%	90.0%	50.0%	100.0%	65.0%	73.5%	76.0%	63.0%	40.0%
Financial Ratios										
Gross profit - % of sales	16.15%	15.54%	14.51%	12.88%	14.17%	13.89%	13.58%	12.42%	12.39%	11.92%
Operating expenses - % of sales	7.42%	5.66%	5.90%	6.04%	4.91%	4.97%	4.32%	4.06%	4.74%	4.84%
Operating profit - % of sales	8.74%	9.89%	8.62%	6.84%	9.26%	8.92%	9.27%	8.36%	7.64%	7.08%
Profit before tax - % of sales & other income	8.83%	9.76%	8.19%	6.87%	9.00%	7.71%	7.93%	7.66%	6.30%	7.19%
Profit after tax - % of sales & other income	4.52%	5.07%	3.71%	2.63%	5.09%	3.45%	4.04%	4.53%	4.63%	3.50%
Return to Certificate holders										
Return on equity - before tax	47.30%	57.70%	46.19%	36.66%	44.27%	46.80%	46.34%	43.09%	29.25%	33.73%
Return on equity - after tax	24.22%	29.98%	20.95%	14.06%	25.01%	20.92%	23.58%	25.47%	21.53%	16.40%
Earning per certificate - Rs.	11.10	14.01	9.05	5.51	10.92	8.20	9.19	9.52	7.36	5.06
Profit distribution per certificate - Rs.	10.00	12.00	9.00	5.00	10.00	6.50	7.35	7.60	6.30	4.00
Market price per certificate - Rs.	230.50	115.00	53.00	53.72	60.76	52.61	62.65	47.51	32.00	36.20
Break-up value per certificate - Rs.	45.82	46.72	43.21	39.16	43.66	39.19	38.98	37.39	34.17	30.81

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Imrooz Modaraba** (the Modaraba) as at June 30, 2017 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, 2017 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.


Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Dated: September 19, 2017
Karachi



FIRST IMROOZ MODARABA

BALANCE SHEET AS AT JUNE 30, 2017

	Notes	2017 Rupees	2016 Rupees
NON CURRENT ASSETS			
Property and equipment	5	12,008,848	12,497,055
Intangible assets	6	1,337,993	1,961,711
Long term deposits	9	381,352	116,652
		<u>13,728,193</u>	<u>14,575,418</u>
CURRENT ASSETS			
Stock in trade	7	258,027,759	129,909,802
Trade debtors	8	83,996,800	129,336,163
Deposits, prepayments and other receivables	9	2,423,971	1,824,284
Taxation	10	5,174,807	2,995,820
Cash at banks	11	7,427,068	61,300,889
		<u>357,050,405</u>	<u>325,366,958</u>
		<u>370,778,598</u>	<u>339,942,376</u>
TOTAL ASSETS			
CAPITAL AND RESERVES			
Authorized 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	73,064,543	71,399,574
Revenue reserve	14	34,407,488	38,773,071
		<u>137,472,031</u>	<u>140,172,645</u>
NON-CURRENT LIABILITY			
Defined benefit plan - Staff gratuity	15	21,263,114	19,429,784
CURRENT LIABILITIES			
Obligation under murabaha finances	16	34,371,227	35,013,364
Qard-e-Hasana from Modaraba Management Company		34,300,000	-
Creditors, accrued and other liabilities	17	143,372,226	145,326,583
		<u>212,043,453</u>	<u>180,339,947</u>
CONTINGENCIES AND COMMITMENTS			
	18		
		<u>370,778,598</u>	<u>339,942,376</u>
TOTAL EQUITY AND LIABILITIES			

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	Notes	2017 Rupees	2016 Rupees
Sales		734,216,345	827,864,387
Cost of sales	19	<u>(615,605,086)</u>	<u>(699,196,004)</u>
Gross profit		118,611,259	128,668,383
Operating expenses	20	<u>(54,444,056)</u>	<u>(46,822,304)</u>
Operating profit		64,167,203	81,846,079
Murabaha charges		<u>(2,346,026)</u>	<u>(2,062,754)</u>
Other income	21	<u>3,210,048</u>	<u>1,101,731</u>
Profit before taxation		65,031,225	80,885,056
Taxation	22	<u>(31,731,839)</u>	<u>(38,867,964)</u>
Profit for the year*		<u>33,299,386</u>	<u>42,017,092</u>
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit liability		<u>-</u>	<u>(4,472,600)</u>
Total comprehensive income		<u>33,299,386</u>	<u>37,544,492</u>
Earnings per certificate - basic and diluted	23	<u>11.10</u>	<u>14.01</u>

*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



FIRST IMROOZ MODARABA

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	65,031,225	80,885,056
Adjustments for:		
Depreciation	3,541,099	2,701,559
Amortization	623,718	314,027
Gain on disposal of property and equipment	(1,902,111)	(748,262)
Murabaha charges	2,346,026	2,062,754
Provision for staff gratuity	2,606,610	2,232,499
Provision for doubtful debts	-	485,550
	<u>7,215,342</u>	<u>7,048,127</u>
	72,246,567	87,933,183
Changes in operating assets and liabilities		
Decrease / (increase) in current assets		
Stock in trade	(128,117,957)	32,896,854
Trade debtors	45,339,363	(22,584,648)
Deposits, prepayments and other receivables	(599,687)	(1,474,050)
	<u>(83,378,281)</u>	8,838,156
Increase in current liabilities		
Creditors, accrued and other liabilities	1,471,568	25,178,790
	<u>1,471,568</u>	<u>25,178,790</u>
Cash (used in) / generated from operations	<u>(9,660,146)</u>	121,950,129
Murabaha charges paid	(2,319,743)	(2,148,920)
Income tax paid	(33,910,826)	(37,079,853)
Staff gratuity paid	(773,280)	(3,651,856)
Security deposit for Ijarah paid	(264,700)	-
Net cash (used in)/ generated from operating activities	<u>(46,928,695)</u>	<u>79,069,500</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,114,281)	(8,561,685)
Purchase of intangible assets	-	(2,000,000)
Proceeds from disposal of property and equipment	1,963,500	815,000
Net cash used in investing activities	<u>(1,150,781)</u>	<u>(9,746,685)</u>

	2017	2016
	Rupees	Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(39,452,208)	(26,118,858)
Proceeds of Qard-e-Hasana from Modaraba Management Company	102,300,000	62,500,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(68,000,000)	(62,500,000)
Proceeds from murabaha finances	132,265,626	117,601,435
Repayment of murabaha finances	(132,907,763)	(109,473,779)
Net cash used in financing activities	(5,794,345)	(17,991,202)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(53,873,821)	51,331,613
Cash and cash equivalents at beginning of the year	61,300,889	9,969,276
Cash and cash equivalents at end of the year	7,427,068	61,300,889

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, 2017

	Issued, subscribed and paid-up certificate capital	Statutory reserve	Revenue reserve (Un- appropriated profit)	Total
----- Rupees -----				
Balance at July 01, 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 at June 30, 2016	30,000,000	71,399,574	38,773,071	140,172,645
Transaction with owners				
Profit distribution for the year ended June 30, 2016 at Rs. 12 per certificate	-	-	(36,000,000)	(36,000,000)
Total comprehensive income for the year				
Profit for the year	-	-	33,299,386	33,299,386
Other comprehensive income	-	-	-	-
	-	-	33,299,386	33,299,386
Transfer to statutory reserve @ 5% (Note 13)	-	1,664,969	(1,664,969)	-
Balance at June 30, 2017	30,000,000	73,064,543	34,407,488	137,472,031

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, 2017

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.
- 1.2 The principle place of the business of the Modaraba is situated at room No. 405, 4th floor, Beaumont Plaza, Beaumont Road, Civil Line Quarters, Karachi, in the province of Sindh.
- 1.3 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.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 17 dated July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the requirements of the repealed Companies Ordinance 1984.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for 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, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (accounting periods beginning on or after)
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs.

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 16 – Leases
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

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 Final 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 recognized 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 recognized immediately and presented in statement of other 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 recognized 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 recognized 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 recognized for the asset in prior years. Reversal of impairment loss is recognized 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.

	Notes	2017 Rupees	2016 Rupees
5. PROPERTY AND EQUIPMENT			
Tangible assets	5.1	12,008,848	12,497,055

5.1 Tangible assets - owned

Particulars	2 0 1 7							
	COST			DEPRECIATION			Carrying value as at June 30, 2017	Rate of depreciation per annum
	As at July 01, 2016	Additions/ (disposals) during the year	As at June 30, 2017	As at July 01, 2016	Charge for the year / (adjustment)	As at June 30, 2017		
	----- Rupees -----							%
Leasehold improvements	2,400,125	-	2,400,125	720,037	240,012	960,049	1,440,076	10
Furniture and fittings	742,747	-	742,747	704,048	15,267	719,315	23,432	10
Vehicles	18,982,019	2,257,159 (2,998,877)	18,240,301	9,086,657	2,832,435 (2,937,488)	8,981,604	9,258,697	20
Office equipment	3,672,639	429,247	4,101,886	3,183,242	214,227	3,397,469	704,417	20
Electrical appliances	113,700	56,550	170,250	26,781	14,904	41,685	128,565	10
Computer equipment	3,696,783	371,325	4,068,108	3,390,193	224,254	3,614,447	453,661	25
Total	29,608,013	3,114,281 (2,998,877)	29,723,417	17,110,958	3,541,099 (2,937,488)	17,714,569	12,008,848	
	----- Rupees -----							
	2 0 1 6							
Particulars	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	

5.2 Cost of fully depreciated assets still in use is Rs. 10,717,503 (2016: Rs. 10,426,651).

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	616,715	616,714	1	565,000	564,999	Negotiation	Syed Rizwan House # A-836, Street #7 Block H, North Nazimabad Karachi.
Vehicle	621,762	621,761	1	300,000	299,999	Negotiation	Mr. Mohsin Qureshi Plot # R-111, Gulshan-e-Jamal, Block D, Karachi
Vehicle	1,574,000	1,573,999	1	1,000,000	999,999	Negotiation	Mr. Shuja-uddin Plot # 5-A-9/42, Nazimabad, Karachi
Vehicle	60,000	59,999	1	10,000	9,999	Negotiation	Mr. Mohammad Arshad Hussain House # A-11, Mullah Shor Bagh Shah, Shah Faisal Colony, No 5, Karachi
Vehicle	62,900	62,899	1	25,000	24,999	Negotiation	Mr. Fazal Karim House # KESC-2922, Street # 5, Muslimabad, Orangi Town, Karachi
Vehicle	63,500	2,116	61,384	63,500	2,116	Insurance claim	EFU General Insurance Limited EFU House, M.A.Jinnah Road, Karachi
2017	2,998,877	2,937,488	61,389	1,963,500	1,902,111		
2016	1,213,000	1,146,262	66,738	815,000	748,262		

6. INTANGIBLE ASSETS

Particulars	2017							Rate of amortization per annum
	Cost		As at		Amortization	Carrying value as at		
	As at July 01, 2016	Additions during the year	June 30, 2017	July 01, 2016	Charge for the year	As at June 30, 2017	at June 30, 2017	
-----Rupees-----								%
Licensed computer software	2,118,880	-	2,118,880	1,990,502	123,714	2,114,216	4,664	25
Website	2,000,000		2,000,000	166,667	500,004	666,671	1,333,329	25
Total	4,118,880	-	4,118,880	2,157,169	623,718	2,780,887	1,337,993	
-----Rupees-----								%
2016								
Particulars	Cost		As at		Amortization	Carrying value as at		
	As at July 01, 2015	Additions during the year	June 30, 2016	July 01, 2015	Charge for the year	As at June 30, 2016	at June 30, 2016	
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	2,118,880	2,000,000	4,118,880	1,843,142	314,027	2,157,169	1,961,711	

6.1 Cost of fully amortized intangible assets still in use is Rs. 2,096,546 (2016: Rs. 1,529,435).

	Notes	2017 Rupees	2016 Rupees
7. STOCK IN TRADE			
In hand		94,039,922	53,568,945
In bonded warehouse		78,289,410	34,043,025
In transit		85,698,427	42,297,832
		<u>258,027,759</u>	<u>129,909,802</u>
8. TRADE DEBTORS			
Unsecured - considered good		83,996,800	129,336,163
Unsecured - considered doubtful		4,020,701	4,020,701
		<u>88,017,501</u>	<u>133,356,864</u>
Less: Provision for doubtful debts	8.1	<u>(4,020,701)</u>	<u>(4,020,701)</u>
		<u>83,996,800</u>	<u>129,336,163</u>
8.1 Provision for doubtful debts			
Opening provision		4,020,701	3,535,151
Provision made during the year		-	485,550
		<u>4,020,701</u>	<u>4,020,701</u>
9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		1,606,352	1,596,652
Less: long term deposits shown under non current assets		(381,352)	(116,652)
		<u>1,225,000</u>	<u>1,480,000</u>
Prepayments and other receivables		316,197	344,284
Sales tax		882,774	-
		<u>2,423,971</u>	<u>1,824,284</u>
10. TAXATION			
Opening balance		2,995,820	4,783,931
Paid during the year		33,910,826	37,079,853
Provision for taxation		(31,731,839)	(38,867,964)
		<u>5,174,807</u>	<u>2,995,820</u>
11. CASH AT BANKS			
Munafa account	11.1	6,298,539	51,107,755
Current accounts		1,128,529	10,193,134
		<u>7,427,068</u>	<u>61,300,889</u>

11.1 This carry profit at rate ranging from 2.0% to 2.9% (2016: 2.0% to 4.5%) per annum.

12. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2017	2016		2017 Rupees	2016 Rupees
Number of certificates				
3,000,000	3,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	<u>30,000,000</u>	<u>30,000,000</u>

13. STATUTORY RESERVE

Balance on July 01			71,399,574	69,298,719
Transferred during the year			1,664,969	2,100,855
			<u>73,064,543</u>	<u>71,399,574</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

	2017 Rupees	2016 Rupees
Balance as on July 01	38,773,071	30,329,434
Profit distribution	(36,000,000)	(27,000,000)
Profit for the year	33,299,386	37,544,492
Transferred to statutory reserve	(1,664,969)	(2,100,855)
	<u>34,407,488</u>	<u>38,773,071</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.10 per certificate (2016: Rs. 12 per certificate) totaling Rs.30,000,000 (2016: Rs.36,000,000).

15. DEFINED BENEFIT PLAN - STAFF GRATUITY	2017	2016
Net liability in the balance sheet	Rupees	Rupees
Present value of defined benefit obligation	21,263,114	19,429,784
<p>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.</p>		
15.1 Expense recognized in profit and loss account		
Current service cost	1,178,374	1,141,203
Finance cost	1,428,236	1,091,296
	2,606,610	2,232,499
15.2 Remeasurement loss recognized in other comprehensive income		
Experience adjustments	-	4,472,600
15.3 Movement in defined benefit obligation		
Opening defined benefit obligation	19,429,784	16,376,541
Current service cost	1,178,374	1,141,203
Finance cost	1,428,236	1,091,296
Actuarial loss	-	4,472,600
Benefits paid	(773,280)	(3,651,856)
	21,263,114	19,429,784
15.4 Movement in net liability in the balance sheet		
Balance as at July 01	19,429,784	16,376,541
Add: Charge for the year	2,606,610	2,232,499
Remeasurement loss recognized in other comprehensive income	-	4,472,600
Less: Payments made during the year	(773,280)	(3,651,856)
Balance as at June 30	21,263,114	19,429,784
15.5 The principal assumptions used in the valuation of gratuity		
	2017	2016
Discount rate	7.75% per annum	7.75% per annum
Expected increment rate	6.75% per annum	6.75% per annum
Mortality rate	Adjusted SLIC 2001 - 2005	SLIC 2001 - 2005
Average expected remaining working life time of employees	6 Years	6 Years
<p>There is no change of assumption used for the calculation of defined benefit plan - staff gratuity.</p>		

15.6 Sensitivity analysis

Particulars	Percentage change	Present value of defined benefit obligation
Current liability		21,263,114
+1% Discount rate	-7.79%	19,669,739
-1% Discount rate	9.05%	23,261,957
+1% Salary increase rate	9.56%	23,370,748
-1% Salary increase rate	-8.54%	19,509,753
+10% Withdrawal rate	0.02%	21,335,726
-10% Withdrawal rate	-0.02%	21,327,194
1 year mortality age set back	0.03%	21,337,859
1 year mortality age set forward	-0.03%	21,325,061

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

15.9 There are no plan assets against defined benefit obligation.

16. OBLIGATION UNDER MURABAHA FINANCES - SECURED

	2017 Rupees	2016 Rupees
Obligation under murabaha finances	<u>34,371,227</u>	<u>35,013,364</u>

The Modaraba has availed this facility from Soneri Bank Limited. Sanctioned limit is Rs. 40 million (2016: Rs.40 million). The facility is secured against hypothecation of stock in trade of the Modaraba.

	Notes	2017 Rupees	2016 Rupees
17. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Import bills payable		129,586,451	112,355,018
Creditors		654,669	523,271
Accrued liabilities		9,191,704	7,504,383
Sales tax payable		-	16,479,969
Unclaimed profit distribution		3,939,402	7,391,610
Workers' Welfare Fund	18.1	-	1,072,332
		143,372,226	145,326,583

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

The matter relating to Federal Workers Welfare Fund was described in the note 18.1.1 of the annual financial statements for the year ended June 30, 2016. On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. It has been learnt that Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending. However, management of the Modaraba decided to reverse the provision made at Rs. 1,072,332/- (note 21).

In the meantime, 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, the Modarabas were considered to be an industrial establishment, despite the fact that even remotely they could not be considered as industrial establishment due to their nature of business. Few Modarabas have filed petitions against such levy, Sindh High Court has granted stay to various Banks and Financial Institutions in Suit No.610 of 2017. The Modaraba is also considering to join the petitioners on this matter. Therefore the management of the Modaraba is of the opinion that no provision is required for the year ended June 30, 2014 and onwards. Had this provision been made since July 01, 2013 it would amounting to Rs. 4,976,760/-.

18.2 Post dated cheques to Collector of Customs amounting to Rs. 103,857,573 (2016: Rs. 23,824,431).

18.3 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs. 7,904,637 (2016: Rs. 7,035,446).

	Notes	2017 Rupees	2016 Rupees
19. COST OF SALES			
Opening stock at July 01		53,568,945	96,127,735
Purchases		656,076,063	656,637,214
Closing stock at June 30		<u>(94,039,922)</u>	<u>(53,568,945)</u>
		615,605,086	699,196,004
20. OPERATING EXPENSES			
Salaries and other staff benefits	20.1	25,158,127	23,247,573
Staff gratuity	15.1	2,606,610	2,232,499
Rent, rates and taxes		3,786,650	3,243,600
Travelling and conveyance		5,148,542	2,267,857
Depreciation	5.1	3,541,099	2,701,559
Amortization	6	623,718	314,027
Cartage		2,624,348	2,438,851
Provision of doubtful debts	8.1	-	485,550
Vehicles running and maintenance		1,213,731	1,310,077
Insurance		1,520,908	1,342,144
Legal and professional		2,236,581	1,460,891
Security charges		953,219	971,551
Fees and subscriptions		1,015,648	1,002,226
Repairs and maintenance		480,840	581,278
Postage, telephone and internet		814,026	708,374
Bank charges		407,583	349,197
Auditors' remuneration	20.2	444,900	444,350
Electricity		108,543	93,284
Samples clearance		601,304	504,844
Entertainment		222,918	165,071
Printing and stationery		182,354	161,671
Packing material		93,277	101,707
Cleaning and washing		92,371	77,645
Newspaper ads		23,235	38,446
Event participation expenses		537,524	562,476
Staff training		6,000	15,556
		54,444,056	46,822,304

20.1 Remuneration of officers and employees

	2017			2016		
	Officers	Other employees	Total	Officers	Other employees	Total
	----- Rupees -----					
Remuneration	9,207,034	8,540,287	17,747,321	7,948,606	8,537,634	16,486,240
Allowances	2,024,816	3,540,167	5,564,983	1,826,021	3,512,997	5,339,018
Medical expenses	561,673	368,645	930,318	72,957	465,352	538,309
Provident fund	317,336	407,888	725,224	284,219	443,678	727,897
EOBI	33,150	126,015	159,165	19,800	95,290	115,090
SESSI	-	31,116	31,116	-	41,019	41,019
	12,144,009	13,014,118	25,158,127	10,151,603	13,095,970	23,247,573
Number of employees	5	19	24	4	17	21

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

	Notes	2017 Rupees	2016 Rupees
20.2 Auditors' remuneration			
Annual audit		324,000	324,000
Half yearly review		81,000	55,650
Review of code of corporate governance		16,200	11,130
CDC certification		16,200	11,130
Out of pocket expenses		7,500	42,440
		444,900	444,350
21. OTHER INCOME			
Gain on disposal of property and equipment	5.3	1,902,111	748,262
Return on Munafa account		235,605	353,469
Reversal of provision of worker welfare fund	18.1	1,072,332	-
		3,210,048	1,101,731
22. TAXATION			
Tax for the year		31,731,839	38,867,964

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 than 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 final tax regime.

Deferred tax

No temporary differences arisen as Modaraba's income is taxed under the final tax regime and as per TR - 27 issued by the Institute of Chartered Accountants of Pakistan deferred tax asset / liability is not recorded.

23. EARNINGS PER CERTIFICATE - BASIC AND DILUTED	2017	2016
Profit for the year (Rupees)	33,299,386	42,017,092
Number of Modaraba certificates	3,000,000	3,000,000
Earnings per certificate (Rupees)	<u>11.10</u>	<u>14.01</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, 2017, the total foreign currency risk exposure was Rs. 129,586,451 (2016: Rs. 112,355,018) in respect of import bills payable.

i) Foreign currency sensitivity analysis

At June 30, 2017, 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. 6,426,613 (2016: Rs. 5,688,328), mainly as a result of foreign exchange losses on translation of US dollars 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 recognized at the reporting date if counter party to the financial instrument fails to perform as contracted. Total financial assets of Rs. 93,030,220 (2016: Rs. 192,233,704) 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, 2017, Modaraba had approximately 4 major customers (2016: 9 customers) that owed the Modaraba more than Rs. 6 million each and accounted for approximately 42% (2016: 65%) 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:

	2017	2016
	Rupees	Rupees
0-30 days	21,925,539	69,597,752
31-90 days	55,293,018	48,659,468
91-120 days	6,384,800	4,114,804
Over 120 days	393,443	6,964,139
	<u>83,996,800</u>	<u>129,336,163</u>

A trade debt of Rs. 4,020,701 (2016: 4,020,701) is past due for over 180 days and full provision has been booked as required under Prudential Regulation for Modarabas.

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	2017	2016
			Rupees	Rupees
Bank Alfalah Limited	A1+	AA	1,175,482	2,757,098
Soneri Bank Limited	A1+	AA-	6,251,586	58,543,791

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, 2017

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	-	-	-	83,996,800	-	83,996,800	83,996,800
Deposits	-	-	-	1,225,000	381,352	1,606,352	1,606,352
Cash at banks	6,298,539	-	6,298,539	1,128,529	-	1,128,529	7,427,068
	6,298,539	-	6,298,539	86,350,329	381,352	86,731,681	93,030,220

Financial liabilities

Financial liabilities at amortized cost

Creditors, accrued and other liabilities	-	-	-	143,372,226	-	143,372,226	143,372,226
Obligation under murabaha finances	-	-	-	34,371,227	-	34,371,227	34,371,227
	-	-	-	177,743,453	-	177,743,453	177,743,453

On-balance sheet gap

	6,298,539	-	6,298,539	(91,393,124)	-	(91,011,772)	(84,713,233)
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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
Deposit and other receivable	-	-	-	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
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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.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies, directors of the management company and key management personnel. Significant transactions with related parties are as follows:

	2017	2016
	Rupees	Rupees
Warehouse rent to group companies	2,560,400	3,243,600
Dividend paid to Modaraba Management Company	7,200,000	4,725,000
Dividend paid to key management personnel	9,034,800	5,929,088
Share of common expenses to group companies	1,886,584	1,780,259
Receipt of Qard-e-Hasana from Modaraba Management Company	102,300,000	62,500,000
Repayment of Qard-e-Hasana to Modaraba Management Company	68,000,000	62,500,000

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 by the management company.

29. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Modaraba Management Company in its meeting held on 19-09-2017 approved a final profit distribution of Rs.10 per certificate, amounting to Rs.30,000,000 for the year ended June 30, 2017.

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 19-09-2017

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, 2017**

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

Number of Certificate Holders	:	Certificate Holding			:	Total Certificates Held
		From	:	To		
115	:	1	:	100	:	8,326
185	:	101	:	500	:	89,710
10	:	501	:	1000	:	9,700
27	:	1001	:	5000	:	104,911
11	:	5001	:	10000	:	84,566
7	:	10001	:	100000	:	198,287
9	:	100001	:	above	:	2,504,500
364						3,000,000

Categories of Certificate Holders	:	Number	:	Certificates Held	:	Percentage
Individuals	:	361	:	2,396,500	:	79.88
Joint Stock Companies	:	1	:	500	:	0.02
Modaraba Company	:	2	:	603,000	:	20.10
	:	364	:	3,000,000	:	100.00

**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

**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. Aameed Riaz	Director	240,200
Mrs. Roqaiya Riaz w/o Mr. Aameed Riaz		259,200
Mr. Ikramul Haque		53,400

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

First Al Noor Modaraba	3,000
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, 2017

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 for the purpose of establishing a framework of good governance, whereby a listed entity 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:

- 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.

- The directors have confirmed that none of them is serving as a director in more than seven listed companies including this company.
- 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.
- During the year no casual vacancy occurred on the Board of Directors.
- The Management Company has prepared a 'Code of Conduct', which has been disseminated throughout the Modaraba along with its supporting policies and procedures.
- 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.
- 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.
- 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.
- 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.



FIRST IMROOZ MODARABA

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 certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
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 certificates 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 certificates, 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 Pakistan Stock Exchange.
23. The Modaraba has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including listing basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that material principles contained in the CCG have been complied with.

NAVEED RIAZ
Chief Executive Officer

September 19, 2017

Annual Shari'ah Review Report of
First Imrooz Modaraba
For the year ended June 30, 2017

*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, 2017 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 of Modaraba attended the training sessions on "Build Bonds -Break Barriers and Customer relations".

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 accounts are being maintained with Islamic Windows of Banks and Murabaha Finance facility is also being availed from Islamic Banking Institution.
2. As regards IMROOZ Policy Manual, it has been informed that it is ready on the basis of PSX Regulations.
3. As regards insurance coverage, it is observed that the Modaraba is currently availing insurance coverage facility from EFU. On my query, management of Modaraba informed me that they want to continue relationship with them in order to safeguard the interest of their certificate holders. And the Management of EFU already 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 in sha 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 22nd, 2017.



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, 2017 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.

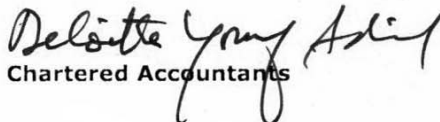
The responsibility for compliance with the Code is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions 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, 2017.

We draw attention to the paragraph 1 of the Statement that there is no independent director on the Board of the Modaraba Management Company.


Chartered Accountants

Date: September 21, 2017
Place: Karachi



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that eighteenth Annual Review Meeting of First Imrooz Modaraba will be held on Wednesday the 24 October 2017 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, 2017

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:















1. The Certificate Transfer Book of the Modaraba will remain closed from October 12, 2017 to October 24, 2017 (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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Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



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