

TWENTY FOURTH ANNUAL REPORT 2018



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	: F.D. Registrar Services(SMC-Pvt) Limited, 17th floor, Saima Trade Tower-A I.I. Chundrigar Road 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, 2018.

1. Operating Results

The financial results of the Modaraba are summarized below:

	(Rupees in million)	
	2018	2017
Profit before taxation	73.105	65.031
Taxation	42.554	31.732
Profit after taxation	<u>30.551</u>	<u>33.299</u>
Appropriations		
Transfer to Statutory Reserve @ 40% (2017: 5%)	12.220	1.665
Profit after appropriation	<u>18.331</u>	<u>31.634</u>
Earnings per certificate – basic & diluted	Rs. <u>10.18</u>	<u>11.10</u>

2. Review of Financial Performance

Alhamdulillah, the turnover of the Modaraba for the year ended 30 June 2018 increased to Rs.897.59 million as compared to Rs.734.22 million last year.

The Gross profit also increased to Rs.143.94 million as against Rs.118.61 million

However, the operating expenses have increased to Rs. 62.52 million as compared to Rs. 54.44 million of the corresponding period.

The other income for the year is Rs. 0.51 million as compared to Rs. 3.21 million of last year.

Resultantly, the Modaraba's annual profit decreased to Rs.30.55 million as compared to Rs. 33.30 million of last year.

After considering these results, the Board of Directors have decided to transfer 40% of the profit to the statutory reserves and to pay a final profit distribution @ 56.67% i.e. Rs.5.67 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, 2019. 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:

(Rupees in Million)

Particulars	2018	2017	2016	2015	2014	2013	2012
						Restated	
Fixed Assets	12.968	13.346	14.459	6.979	7.412	4.57	6.27
Working Capital	146.929	145.007	145.027	139.025	125.424	141.89	124.42
Certificate Holders Equity	134.860	137.472	140.173	129.628	117.475	130.97	117.56
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	897.590	734.216	827.864	730.551	624.105	641.673	711.42
Gross Profit	143.937	118.611	128.668	106.032	80.363	90.91	98.80
Profit before Taxation	73.104	65.031	80.885	27.153	16.516	32.75	24.60
Profit Distribution – Cash	56.67%	100%	120%	90%	50%	100%	65%
Earnings per Certificate-Rs.	10.18	11.10	14.01	9.05	5.51	10.92	8.20
Break-up value per Certificate-Rs.	44.95	45.82	46.72	43.21	39.16	43.66	39.19

- 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

24 September, 2018

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 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

24 ستمبر، 2018

آڈیٹر

موجودہ آڈیٹر ڈیلوٹس یوسف عادل چارٹرڈ اکاؤنٹنٹس ریٹائرمنٹ کے قریب ہونے کی وجہ سے جون 30، 2019 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 رجسٹرڈ مزاربہ کی منظوری سے مشروط ہے۔

کارپوریٹ گورننس

ہمارے ڈائریکٹرز رپورٹ کرتے ہیں:

- (1) فرسٹ امروزمزاربہ 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) مزاربہ کے اکاؤنٹ کی کتابوں کو باقاعدگی سے تیار کیا گیا 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 یہ 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 مزاربہ 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:

(ملین روپیوں میں)

Particulars	2018	2017	2016	2015	2014	2013	2012
						Restated	
Fixed Assets	12.968	13.346	14.459	6.979	7.412	4.57	6.27
Working Capital	146.929	145.007	145.027	139.025	125.424	141.89	124.42
Certificate Holders Equity	134.860	137.472	140.173	129.628	117.475	130.97	117.56
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	897.590	734.216	827.864	730.551	624.105	641.673	711.42
Gross Profit	143.937	118.611	128.668	106.032	80.363	90.91	98.80
Profit before Taxation	73.104	65.031	80.885	27.153	16.516	32.75	24.60
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Earnings per Certificate-Rs.	10.18	11.10	14.01	9.05	5.51	10.92	8.20
Break-up value per Certificate-Rs.	44.95	45.82	46.72	43.21	39.16	43.66	39.19

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

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 2018 بمعہ آڈٹ رپورٹ پیش کرتے ہیں۔

نمایاں مالیاتی نکات

مضاربہ کے مالیاتی نتائج مندرجہ ذیل ہیں:

(ملین روپیوں میں)		
30-Jun-17	30-Jun-18	
65.031	73.105	قبل از ٹیکس منافع
31.732	42.554	ٹیکس
33.299	30.551	بعد از ٹیکس منافع
1.665	12.220	قانون کے مطابق ذخائر میں منافع کا 40 فیصد منتقل (2017: 5 فیصد)
31.634	18.331	بعد از منتقلی منافع
11.10	10.18	نی کس شیر آمدنی (بنیادی اور تحلیل شدہ) روپے

کارکردگی کا جائزہ

الحمد للہ زیر غور حالیہ سال کے دوران مضاربہ کی فروخت 897.59 ملین روپے تک رہی جبکہ اسکے مقابلے میں گذشتہ سال میں 734.22 ملین روپے تھی۔ اس کی مناسبت سے کل منافع 143.94 ملین روپے تک رہا، جب کہ اسی کے مقابلے پچھلے سال کے دوران کل منافع 118.61 ملین روپے تھا۔ تاہم، آپرٹنگ اخراجات 62.52 ملین روپے تک رہے جبکہ اسکے مقابلے میں گذشتہ سال میں 54.44 ملین روپے تھے۔ اس حالیہ سال میں دیگر آمدنی 0.51 ملین روپے رہی جب کہ گذشتہ سال میں یہ 3.21 ملین روپے تھی۔ نتیجتاً سال کے اختتام پر مضاربہ کا منافع 30.55 ملین روپے رہا، جبکہ گذشتہ سال میں یہ 33.30 ملین روپے تھا۔ حالیہ نتائج کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ منافع کا 40 فیصد منتقلی کے بعد منافع فی سرٹیفیکٹ 5.67 روپے یعنی 56.67 فیصد کے حساب سے سرٹیفیکٹ مالکان میں تقسیم کیا جائے۔

TEN YEARS AT A GLANCE

(Rupees in million)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	-----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	104.861	107.472	110.173	99.628	87.475	100.971	87.565	86.950	82.178	72.508
Certificate holders' equity	134.861	137.472	140.173	129.628	117.475	130.971	117.565	116.950	112.178	102.508
Deferred liability - staff gratuity Qard-e-Hasna from Modaraba management company	25.037	21.263	19.429	16.376	15.362	15.493	13.125	8.900	8.140	6.820
Short term borrowing - Morabaha finances	120.000	34.300	-	-	-	-	31.000	15.000	13.500	-
Current liabilities	35.230	34.371	35.013	26.886	29.308	33.623	43.018	33.367	7.627	-
Fixed Assets	255.192	212.043	180.340	146.238	140.708	162.152	217.317	190.541	104.671	76.989
Stock-in-trade	12.969	13.347	14.459	6.979	7.413	4.575	6.274	6.368	8.023	5.439
Trade debtors	265.574	258.027	129.910	162.806	164.743	187.303	182.523	202.757	83.534	65.925
Investments	113.779	83.997	129.336	107.237	75.593	81.998	122.180	82.969	122.261	59.763
Current assets	-	-	-	-	-	-	1.104	1.213	1.275	0.796
	402.120	357.050	325.367	285.263	266.132	304.042	341.734	310.020	216.966	180.878
Operational Results										
Sales	897.589	734.216	827.864	730.551	624.104	641.673	711.425	681.364	628.533	474.517
Cost of sales	753.652	615.605	699.196	624.519	543.741	550.759	612.621	588.809	550.465	415.738
Gross profit	143.937	118.611	128.668	106.032	80.363	90.914	98.804	92.555	78.068	58.779
Other income	0.508	2.138	1.102	0.702	2.969	2.329	2.108	1.805	2.429	1.760
Murabaha charges	2.564	2.346	2.063	3.777	2.595	3.761	5.076	5.321	1.838	-
Workers welfare fund	6.254	(1.072)	-	-	-	-	-	-	1.072	-
Operating expenses	62.522	54.444	46.822	43.088	37.674	31.497	35.348	29.425	25.521	22.507
(Diminution) / unrealised appreciation on remeasurement of investment - net	-	-	-	-	-	-	(0.030)	(0.062)	0.479	(1.727)
Operating profit	81.415	64.167	81.846	62.944	42.689	59.417	63.456	63.130	52.547	36.272
Profit payable to the modaraba company as their remuneration	-	-	-	-	-	-	5.441	5.36	4.204	2.607
Profit before tax	73.105	65.031	80.885	59.869	43.063	57.985	55.017	54.192	48.341	29.982
Taxation	42.554	31.732	38.868	32.716	26.547	25.235	30.418	26.618	19.771	7.917
Profit after tax	30.551	33.299	42.017	27.153	16.516	32.750	24.599	27.574	28.570	22.065
Transfer to statutory reserve	12.220	1.665	2.101	1.357	0.826	1.637	4.920	5.515	5.714	2.206
	40%	5%	5%	5%	5%	5%	20%	20%	20%	10%
Profit Distribution										
Profit distribution	17.000	30.000	36.000	27.000	15.000	30.000	19.500	22.050	22.800	18.900
Rate per certificate	56.7%	100.0%	120.0%	90.0%	50.0%	100.0%	65.0%	73.5%	76.0%	63.0%
Financial Ratios										
Gross profit - % of sales	16.04%	16.15%	15.54%	14.51%	12.88%	14.17%	13.89%	13.58%	12.42%	12.39%
Operating expenses - % of sales	6.97%	7.42%	5.66%	5.90%	6.04%	4.91%	4.97%	4.32%	4.06%	4.74%
Operating profit - % of sales	9.07%	8.74%	9.89%	8.62%	6.84%	9.26%	8.92%	9.27%	8.36%	7.64%
Profit before tax - % of sales & other income	8.14%	8.83%	9.76%	8.19%	6.87%	9.00%	7.71%	7.93%	7.66%	6.30%
Profit after tax - % of sales & other income	3.40%	4.52%	5.07%	3.71%	2.63%	5.09%	3.45%	4.04%	4.53%	4.63%
Return to Certificate holders										
Return on equity - before tax	54.21%	47.30%	57.70%	46.19%	36.66%	44.27%	46.80%	46.34%	43.09%	29.25%
Return on equity - after tax	22.65%	24.22%	29.98%	20.95%	14.06%	25.01%	20.92%	23.58%	25.47%	21.53%
Earning per certificate - Rs.	10.18	11.10	14.01	9.05	5.51	10.92	8.20	9.19	9.52	7.36
Profit distribution per certificate - Rs.	5.67	10.00	12.00	9.00	5.00	10.00	6.50	7.35	7.60	6.30
Market price per certificate - Rs.	219.57	230.50	115.00	53.00	53.72	60.76	52.61	62.65	47.51	32.00
Break-up value per certificate - Rs.	44.95	45.82	46.72	43.21	39.16	43.66	39.19	38.98	37.39	34.17

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Imrooz Modaraba** (the Modaraba) as at June 30, 2018 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 as 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, 2018 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.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Dated: 24 SEP 2018
Karachi



FIRST IMROOZ MODARABA

BALANCE SHEET AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
NON CURRENT ASSETS			
Property and equipment	5	11,644,710	12,008,848
Intangible assets	6	833,327	1,337,993
Long term deposits	9	490,752	381,352
		<u>12,968,789</u>	<u>13,728,193</u>
CURRENT ASSETS			
Stock in trade	7	265,573,803	258,027,759
Trade debtors	8	113,779,339	83,996,800
Deposits, prepayments and other receivables	9	1,019,034	2,423,971
Taxation	10	7,678,131	5,174,807
Cash at banks	11	14,070,366	7,427,068
		<u>402,120,673</u>	<u>357,050,405</u>
TOTAL ASSETS		<u>415,089,462</u>	<u>370,778,598</u>
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	85,284,849	73,064,543
Revenue reserve	14	19,575,963	34,407,488
		<u>134,860,812</u>	<u>137,472,031</u>
NON-CURRENT LIABILITY			
Defined benefit plan - Staff gratuity	15	25,036,785	21,263,114
CURRENT LIABILITIES			
Obligation under murabaha finances - secure	16	35,230,606	34,371,227
Qard-e-Hasana from Modaraba Management Company		120,000,000	34,300,000
Creditors, accrued and other liabilities	17	99,961,259	143,372,226
		<u>255,191,865</u>	<u>212,043,453</u>
CONTINGENCIES AND COMMITMENTS	18		
TOTAL EQUITY AND LIABILITIES		<u>415,089,462</u>	<u>370,778,598</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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018**

	Notes	2018 Rupees	2017 Rupees
Sales		897,589,842	734,216,345
Cost of sales	19	(753,652,187)	(615,605,086)
Gross profit		143,937,655	118,611,259
Operating expenses	20	(62,522,445)	(54,444,056)
Operating profit		81,415,210	64,167,203
Sindh Workers' Welfare Fund	18.1	(6,254,592)	-
Murabaha charges		(2,564,394)	(2,346,026)
Other income	21	508,463	3,210,048
Profit before taxation		73,104,687	65,031,225
Taxation	22	(42,553,921)	(31,731,839)
Profit for the year*		30,550,766	33,299,386
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of defined benefit liability		(3,161,985)	-
Total comprehensive income		27,388,781	33,299,386
Earnings per certificate - basic and diluted	23	10.18	11.10

*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, 2018**

	2018 Rupees	2017 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	73,104,687	65,031,225
Adjustments for:		
Depreciation	3,882,191	3,541,099
Amortization	504,666	623,718
Gain on disposal of property and equipment	(421,215)	(1,902,111)
Murabaha charges	2,564,394	2,346,026
Provision for staff gratuity	3,246,313	2,606,610
	<u>9,776,349</u>	<u>7,215,342</u>
	82,881,036	72,246,567
Changes in operating assets and liabilities		
(Increase) / decrease in current assets		
Stock in trade	(7,546,044)	(128,117,957)
Trade debtors	(29,782,539)	45,339,363
Deposits, prepayments and other receivables	1,404,937	(599,687)
	<u>(35,923,646)</u>	<u>(83,378,281)</u>
(Decrease) / increase in current liabilities		
Creditors, accrued and other liabilities	(45,327,796)	1,471,568
Cash generated from/ (used in) operations	<u>1,629,594</u>	<u>(9,660,146)</u>
Murabaha charges paid	(2,228,370)	(2,319,743)
Income tax paid	(45,057,245)	(33,910,826)
Staff gratuity paid	(2,634,627)	(773,280)
Security deposit for Ijarah paid	(109,400)	(264,700)
Net cash used in operating activities	<u>(48,400,048)</u>	<u>(46,928,695)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,751,835)	(3,114,281)
Proceeds from disposal of property and equipment	655,000	1,963,500
Net cash used in investing activities	<u>(3,096,835)</u>	<u>(1,150,781)</u>

	2018 Rupees	2017 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(28,419,195)	(39,452,208)
Proceeds of Qard-e-Hasana from Modaraba Management Company	271,700,000	102,300,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(186,000,000)	(68,000,000)
Proceeds from murabaha finances	117,526,911	132,265,626
Repayment of murabaha finances	(116,667,535)	(132,907,763)
Net cash generated from/ (used in) financing activities	58,140,181	(5,794,345)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	6,643,298	(53,873,821)
Cash and cash equivalents at beginning of the year	7,427,068	61,300,889
Cash and cash equivalents at end of the year	14,070,366	7,427,068

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018**

	Issued, subscribed and paid-up certificate capital	Statutory reserve	Revenue reserve (Un- appropriated profit)	Total
----- Rupees -----				
Balance at July 01, 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	-	-	-	-
Transfer to statutory reserve @ 5% (Note 13)	-	1,664,969	(1,664,969)	-
Balance at July 01, 2017	30,000,000	73,064,543	34,407,488	137,472,031
Transaction with owners				
Profit distribution for the year ended June 30, 2017 at Rs. 10 per certificate	-	-	(30,000,000)	(30,000,000)
Total comprehensive income for the year				
Profit for the year	-	-	30,550,766	30,550,766
Other comprehensive income	-	-	(3,161,985)	-
	-	-	27,388,781	30,550,766
Transfer to statutory reserve @ 40% (Note 13)	-	12,220,306	(12,220,306)	-
Balance at June 30, 2018	30,000,000	85,284,849	19,575,963	134,860,812

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, 2018

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 Pakistan Stock Exchange.
- 1.2** The principal 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, Pakistan.
- 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 Act, 2017 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 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 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 4.8v)

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, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to Modaraba's operations or are not expected to have significant impact on Modaraba's financial statements other than certain additional disclosures.

- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative
- Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses

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 Modaraba's operations or are not expected to have significant impact on Modaraba's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
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FRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
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Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
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IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
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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 July 10, 2018 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 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 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 profit and loss account 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 reporting

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 segment at the reporting date.

	Notes	2018 Rupees	2017 Rupees
5. PROPERTY AND EQUIPMENT			
Tangible assets - owned	5.1	11,644,710	12,008,848

5.1 Tangible assets - owned

Particulars	2 0 1 8							
	COST			ACCUMULATED DEPRECIATION			Carrying value as at June 30, 2018	Rate of depreciation per annum
	As at July 01, 2017	Additions/ (disposals) during the year	As at June 30, 2018	As at July 01, 2017	Charge for the year / (adjustment)	As at June 30, 2018		
	----- Rupees -----							%
Leasehold improvements	2,400,125	-	2,400,125	960,049	240,012	1,200,061	1,200,064	10
Furniture and fittings	742,747	172,875	915,622	719,315	15,461	734,776	180,846	10
Vehicles	18,240,301	2,023,200 (1,076,000)	19,187,501	8,981,604	2,955,952 (858,889)	11,078,667	8,108,834	20
Office equipments	4,101,886	434,599 (120,000)	4,416,485	3,397,469	309,670 (103,329)	3,603,810	812,675	20
Electrical appliances	170,250	-	170,250	41,685	14,904	56,589	113,661	10
Computer equipments	4,068,108	1,121,161	5,189,269	3,614,447	346,192	3,960,639	1,228,630	25
Total	29,723,417	3,751,835 (1,196,000)	32,279,252	17,714,569	3,882,191 (962,218)	20,634,542	11,644,710	

Particulars	2 0 1 7							
	COST			ACCUMULATED 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 equipments	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 equipments	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	

5.2 Cost of fully depreciated assets still in use is Rs: 11,222,105 (2017: Rs. 10,717,503)

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	1,076,000	858,886	217,114	645,000	427,886	Negotiation	Muhammad Imtiaz Khan House # R-11, Block-A, Mustafa Abad, OGDC Society Karachi
Office Equipment	100,000	99,999	1	10,000	9,999	Negotiation	General Traders (Pvt) Ltd. Empress House, 28- Empress Road Lahore
Office Equipment	20,000	3,330	16,670	-	(16,670)	Theft	
2018	1,196,000	962,215	233,785	655,000	421,215		
2017	2,998,877	2,937,488	61,389	1,963,500	1,902,111		

6. INTANGIBLE ASSETS

Particulars	2018							
	Cost			Accumulated Amortization			Carrying value as at June 30, 2018	Rate of amortization per annum
	As at July 01, 2017	Additions during the year	As at June 30, 2018	As at July 01, 2017	Charge for the year	As at June 30, 2018		
-----Rupees-----								%
Licensed computer software	2,118,880	-	2,118,880	2,114,216	4,662	2,118,878	2	25
Website Development Cost	2,000,000	-	2,000,000	666,671	500,004	1,166,675	833,325	25
Total	4,118,880	-	4,118,880	2,780,887	504,666	3,285,553	833,327	
Particulars	2017							
	Cost			Accumulated Amortization			Carrying value as at June 30, 2017	Rate of amortization per annum
	As at July 01, 2016	Additions during the year	As at June 30, 2017	As at July 01, 2016	Charge for the year	As 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 Development Cost	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	

6.1 Cost of fully amortized intangible assets still in use is Rs. 2,118,880 (2017: Rs. 2,096,546).

	Notes	2018 Rupees	2017 Rupees
7. STOCK IN TRADE			
In hand		137,284,759	94,039,922
In bonded warehouse		75,620,341	78,289,410
In transit		52,668,703	85,698,427
		<u>265,573,803</u>	<u>258,027,759</u>
8. TRADE DEBTORS			
Unsecured - considered good		113,779,339	83,996,800
Unsecured - considered doubtful		4,020,701	4,020,701
		117,800,040	88,017,501
Less: Provision for doubtful debts	8.1	(4,020,701)	(4,020,701)
		<u>113,779,339</u>	<u>83,996,800</u>
8.1 Provision for doubtful debts			
Opening provision		4,020,701	4,020,701
Provision made during the year		-	-
		<u>4,020,701</u>	<u>4,020,701</u>
9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		1,200,752	1,606,352
Less: long term deposits shown under non current assets		(490,752)	(381,352)
		710,000	1,225,000
Prepayments and other receivables		309,034	316,197
Sales tax		-	882,774
		<u>1,019,034</u>	<u>2,423,971</u>
10. TAXATION			
Opening balance		5,174,807	2,995,820
Paid during the year		45,057,245	33,910,826
Provision for taxation		(42,553,921)	(31,731,839)
		<u>7,678,131</u>	<u>5,174,807</u>
11. CASH AT BANKS			
Munafa account	11.1	6,298,539	11,955,780
Current accounts		2,114,586	1,128,529
		<u>14,070,366</u>	<u>7,427,068</u>

11.1 This carry profit at rate ranging from 2.0% to 3.5% (2017: 2.0% to 2.9%) per annum.

12. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2018	2017		2018 Rupees	2017 Rupees
Issued, subscribed and paid-up certificate capital				
Number of certificates				
<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	73,064,543	71,399,574
Transferred during the year	12,220,306	1,664,969
	85,284,849	73,064,543

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. During the year, the Modaraba has transferred 40% of its after tax profits to statutory reserve.

	2018 Rupees	2017 Rupees
14. REVENUE RESERVE		
Balance as on July 01	34,407,488	38,773,071
Profit distribution	(30,000,000)	(36,000,000)
Total comprehensive income	27,388,781	33,299,386
Transferred to statutory reserve	(12,220,306)	(1,664,969)
	19,575,963	34,407,488

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. 5.67 per certificate (2017: Rs. 10 per certificate) totaling Rs.17,010,000 (2017: Rs.30,000,000).

15. DEFINED BENEFIT PLAN - STAFF GRATUITY	2018	2017
Net liability in the balance sheet	Rupees	Rupees
Present value of defined benefit obligation	25,036,785	21,263,114
<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	1,700,513	1,178,374
Finance cost	1,545,800	1,428,236
	3,246,313	2,606,610
15.2 Remeasurement loss recognized in other comprehensive income		
Experience adjustments	3,161,985	-
15.3 Movement in defined benefit obligation		
Opening defined benefit obligation	21,263,114	19,429,784
Current service cost	1,700,513	1,178,374
Finance cost	1,545,800	1,428,236
Actuarial loss	3,161,985	-
Benefits paid	(2,634,627)	(773,280)
	25,036,785	21,263,114
15.4 Movement in net liability in the balance sheet		
Balance as at July 01	21,263,114	19,429,784
Add:		
-Charge for the year	3,246,313	2,606,610
- Remeasurement loss recognised in other comprehensive income	3,161,985	-
Less: Payments made during the year	(2,634,627)	(773,280)
Balance as at June 30	25,036,785	21,263,114
15.5 The principal assumptions used in the valuation of gratuity		
	2018	2017
Discount rate	8.75% per annum	7.75% per annum
Expected increment rate	7.75% per annum	6.75% per annum
Mortality rate	SLIC 2001-2005	SLIC 2001 - 2005
Average expected remaining working life time of employees	7.25 Years	6 Years

15.6 Sensitivity analysis

Particulars	Percentage change	Present value of defined benefit obligation
Current liability		25,036,785
+1% Discount rate	-6.78%	23,339,127
-1% Discount rate	7.73%	26,970,976
+1% Salary increase rate	8.18%	27,084,650
-1% Salary increase rate	-7.29%	23,212,147
+10% Withdrawal rate	-0.04%	25,026,474
-10% Withdrawal rate	0.04%	25,047,139
1 year mortality age set back	-0.02%	25,031,664
1 year mortality age set forward	0.02%	25,041,879

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 7.25 years.

15.9 There are no plan assets against defined benefit obligation

	2018 Rupees	2017 Rupees
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16. OBLIGATION UNDER MURABAHA FINANCES - SECURED

Obligation under murabaha finances	35,230,606	34,371,227
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The Modaraba has availed this facility from Soneri Bank Limited. Sanctioned limit is Rs. 40 million (2017: Rs.40 million). The facility is secured against hypothecation of stock in trade and debts of the Modaraba.

	Notes	2018 Rupees	2017 Rupees
17. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Import bills payable		77,374,908	129,586,451
Creditors		894,868	654,669
Accrued liabilities		6,445,544	9,191,704
Sales tax		3,471,140	-
Unclaimed profit distribution		5,520,207	3,939,402
Sindh Workers' Welfare Fund	18.1	6,254,592	-
		99,961,259	143,372,226

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

The Supreme Court of Pakistan (SCP) has passed a judgment on November 10, 2016 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.

Accordingly the provision against Federal Workers Welfare Fund has been reversed in the accounts for the year ended 30 June 2017, based on the above Supreme Court's Judgment.

In the meantime, the Sindh Assembly, on June 04, 2015, passed The Sindh Workers Welfare Fund Act, 2014 (Sindh 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. Further the issue of apportionment of income relevant to the province of Sindh also needs to be clarified. The NBF & Modaraba Association of Pakistan is contemplating to file petition against such levy, as Sindh High Court has granted stay to various Banks and Financial Institutions in Suit No.610 of 2017. However, the management of the Modaraba in consultation with the legal advisor has decided to record a provision on prudent basis.

18.2 Post dated cheques to Collector of Customs amounting to Rs. 142,893,271 (2017: Rs. 103,857,573).

18.3 Commitments

There were no commitments in respect of outstanding letters of credit for trading stock (2017: Rs. 7,904,637).

	Notes	2018 Rupees	2017 Rupees
19. COST OF SALES			
Opening stock at July 01		94,039,922	53,568,945
Purchases		796,897,024	656,076,063
Closing stock at June 30		<u>(137,284,759)</u>	<u>(94,039,922)</u>
		753,652,187	615,605,086
20. OPERATING EXPENSES			
Salaries and other staff benefits	20.1	28,332,554	25,158,127
Staff gratuity	15.1	3,246,313	2,606,610
Rent, rates and taxes		3,681,000	3,786,650
Travelling and conveyance		4,802,347	5,148,542
Depreciation	5.1	3,882,191	3,541,099
Amortization	6	504,666	623,718
Cartage		2,924,436	2,624,348
Written off		12,316	-
Vehicles running and maintenance		1,575,948	1,213,731
Insurance		1,540,629	1,520,908
Legal and professional		1,864,731	2,236,581
Security charges		1,139,866	953,219
Fees and subscriptions		1,014,175	1,015,648
Repairs and maintenance		529,320	480,840
Postage and telephone		820,407	814,026
Lease / Ijarah		1,029,337	-
Bank charges		445,562	407,583
Auditors' remuneration	20.2	497,785	444,900
Electricity		104,288	108,543
Sample clearance		1,106,282	601,304
Entertainment		338,190	222,918
Printing and stationery		156,782	182,354
Packing material		93,132	93,277
Cleaning and washing		184,754	92,371
Newspaper Adds		37,020	23,235
Event participation		2,400,000	537,524
Staff training		258,414	6,000
		62,522,445	54,444,056

20.1 Remuneration of officers and employees

	2018			2017		
	Officers	Other employees	Total	Officers	Other employees	Total
	----- Rupees -----					
Remuneration	11,947,137	11,708,821	23,655,958	9,207,034	8,540,287	17,747,321
Allowances	1,193,492	1,716,487	2,909,979	2,024,816	3,540,167	5,564,983
Medical expenses	153,284	550,235	703,519	561,673	368,645	930,318
Provident fund	364,169	469,102	833,271	317,336	407,888	725,224
EOBI	47,450	132,490	179,940	33,150	126,015	159,165
SESSI	-	49,887	49,887	-	31,116	31,116
	13,705,532	14,627,022	28,332,554	12,144,009	13,014,118	25,158,127
Number of employees	8	22	30	5	19	24

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

	Notes	2018 Rupees	2017 Rupees
20.2 Auditors' remuneration			
Annual audit		330,685	324,000
Half yearly review		81,000	81,000
Review of code of corporate governance		16,200	16,200
CDC certification		16,200	16,200
Certificate for appointment of share registrar		16,200	-
Out of pocket expenses		37,500	7,500
		497,785	444,900
21. OTHER INCOME			
Gain on disposal of property and equipment	5.3	421,215	1,902,111
Return on Munafa account		87,248	235,605
Reversal of provision of worker welfare fund	21.1	-	1,072,332
		508,463	3,210,048

21.1 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 Supreme Court of Pakistan passed a judgement declaring the insertion of amendments introduced in the Finance Acts pertaining to Worker Welfare Fund Ordinance, 1971, as unlawful and thereby striking down such amendments. Pursuant to the Supreme Court judgement, the Modaraba reversed the entire provision held for WWF in the previous year.

22. TAXATION	2018 Rupees	2017 Rupees
Tax for the year	<u>42,553,921</u>	<u>31,731,839</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 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	2018 Rupees	2017 Rupees
Profit for the year (Rupees)	30,550,766	33,299,386
Number of Modaraba certificates	3,000,000	3,000,000
Earnings per certificate (Rupees)	<u>10.18</u>	<u>11.10</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, 2018, the total foreign currency risk exposure was Rs. 77,374,908 (2017: Rs. 129,586,451) in respect of import bills payable.

i) Foreign currency sensitivity analysis

At June 30, 2018, 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. 3,868,745 (2017: Rs. 6,426,613), 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. 128,950,457 (2017: Rs. 93,030,220) 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, 2018, Modaraba had approximately 5 major customers (2017: 4 customers) that owed the Modaraba more than Rs. 6 million each and accounted for approximately 47% (2017: 42%) 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:

	2018	2017
	Rupees	Rupees
0-30 days	22,652,008	21,925,539
31-90 days	71,644,741	55,293,018
91-120 days	14,344,185	6,384,800
Over 120 days	5,138,405	393,443
	<u>113,779,339</u>	<u>83,996,800</u>

A trade debt of Rs. 4,020,701 (2017: 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	2018	2017
			Rupees	Rupees
Bank Alfalah Limited	A1+	AA	389,697	1,175,482
Soneri Bank Limited	A1+	AA-	13,680,668	6,251,586

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, creditors, accrued 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, 2018							
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	-	-	113,779,339	-	113,779,339	113,779,339	
Deposits	-	-	710,000	490,752	1,200,752	1,200,752	
Cash at banks	11,955,780	-	11,955,780	2,114,586	2,114,586	14,070,366	
	11,955,780	-	11,955,780	116,603,925	490,752	117,094,677	129,050,457
Financial liabilities							
Financial liabilities at amortized cost							
Creditors, accrued and other liabilities	-	-	99,961,259	-	99,961,259	99,961,259	
Obligation under murabaha finances	-	-	35,230,606	-	35,230,606	35,230,606	
	-	-	135,191,865	-	135,191,865	135,191,865	
On-balance sheet gap	11,955,780	-	11,955,780	(18,587,940)	-	(18,097,188)	(6,141,408)
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)

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 holding company, subsidiaries and associated undertakings, other related group companies, directors of the Modaraba and key management personnel. The modaraba in the normal course of business carries out transactions with various related parties. Other significant transactions with related parties are as follows:

	2018	2017
	Rupees	Rupees
Warehouse rent	3,681,000	2,560,400
Dividend paid to Modaraba Management Company	6,000,000	7,200,000
Dividend paid to key management personnel	7,529,000	9,034,800
Share of common expenses	1,854,672	1,886,584
Receipt of Qard-e-Hasana from Modaraba Management Company	271,700,000	102,300,000
Repayment of Qard-e-Hasana to Modaraba Management Company	186,000,000	68,000,000

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 24-09-2018 approved a final profit distribution of Rs. 5.67 per certificate, amounting to Rs. 17,010,000 for the year ended June 30, 2018.

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 24-09-2018.

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

**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2018**

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

Number of Certificate Holders	:	Certificate Holding From	:	To	:	Total Certificates Held
113	:	1	:	100	:	8,315
188	:	101	:	500	:	91,021
9	:	501	:	1000	:	8,700
28	:	1001	:	5000	:	103,411
11	:	5001	:	10000	:	85,766
7	:	10001	:	100000	:	198,287
9	:	100001	:	above	:	2,504,500
365						3,000,000

Categories of Certificate Holders	:	Number	:	Certificates Held	:	Percentage
Individuals	:	362	:	2,396,500	:	79.88
Joint Stock Companies	:	1	:	500	:	0.02
Modaraba Company	:	2	:	603,000	:	20.10
	:	365	:	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 LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Company: First Imrooz Modaraba (the Modaraba) managed by AR Management Services (Private) Limited (the Management Company)

Year ended: June 30, 2018

- The Management Company has complied with the requirements of the Regulations in the following manner:

The total number of directors is 4 as per the following:

Male: 3

Female: 1

- The composition of board is as follows:

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

There are no independent directors in the Management Company.

- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Management Company.
- The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. 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 relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 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 has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The board remained fully compliant with the provision with regard to their directors' training program. All the directors of the Management Company have minimum of 14 years of education and 15 years of experience on the board of a listed Management Company and therefore are exempt from director's training program. Further, the Management Company is in process to arrange the orientation course in due course.
- There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.

11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

Committee	Name of members and Chairman
a) Audit Committee	Chairman : Mr. Omar Muhammad Khan Member : Mrs. Sadat Ikram Member : MR. Ameer Riaz
a) HR and Remuneration Committee	Chairman : Mr. Omar Muhammad Khan Member : Mrs. Sadat Ikram Member : Mr. Ameer Riaz

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee was as per following:

Committee	Frequency of meetings
a) Audit Committee	Four quarterly meetings during the financial year ended June 30, 2018
a) HR and Remuneration Committee	One meeting during the financial year ended June 30, 2018

15. The board has set up an effective internal audit function and its members are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
16. 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

AMEED RIAZ
Chairman
Karachi: September 24, 2018

Mufti Abdul Qadir

Shariah Advisor

Shahadatu Tahfeez-ul-Quran
Shahadat-ul-Aalamiyyah
Shahadat-ul-Takhassus fil Fiqh wal Ifta

MA (Islamic Studies), MA (Arabic)
PGD (Islamic Banking & Finance)
MIBF (Masters in Islamic Banking & Finance)

Ref: ASR-06-18

Date: 27-09-18

Annual Shari'ah Review Report of First Imrooz Modaraba For the year ended June 30, 2018

*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, 2018 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 one of the key staff member attended the program on "Finance for Non Finance Manager" organized by LUMS, Lahore. The other staff members of Modaraba attended the customized training program on "Making Imrooz a consistently high performing organization" conducted by KML Solutions, Karachi.

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

Abdul Qadir

Observations:

I have pointed out some issues to be settled in view of SECP Circular No. 8 of 2012 dated 03-02-2012, whereby Shari'ah Compliance and Audit Mechanism (SCSAM) was introduced.

With reference to the insurance coverage, it is observed that the Modaraba is currently availing insurance coverage facility from EFU General Insurance Ltd. On my query with reference to shift the insurance coverage to Takaful as EFU Hemaya Takaful becomes functional for the corporate sector, the management of Modaraba informed me that they are considering for shifting but certain difficulties arises with regard to products and monetary caps. However, they intend to initially shift their marine business.

Recommendations:

- 1) Being an Islamic Financial Institution it is highly desirable to shift their Marine Insurance Coverage to Takaful immediately and shift other insurance coverage on next renewal due in Jan-2019.
- 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 27th, 2018.



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of First Imrooz Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **A. R. MANAGEMENT SERVICES (PRIVATE) LIMITED (the Management Company) in respect of FIRST IMROOZ MODARABA (the Modaraba)** for the year ended June 30, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a 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 Management Company's corporate governance procedures and risks.

The Regulations require the Management 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Management Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Management Company for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Sr #	Paragraph reference	Description
1	2	There are no independent directors on the Board of Management Company.
2	12	The Chairman of the Audit Committee and HR and Remuneration Committee is not an independent director.


Chartered Accountants

Date: 24 September 2018
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that nineteenth Annual Review Meeting of certificate holders of First Imrooz Modaraba will be held on Thursday, 25 October, 2018 at 11:30 a.m. at Registered Office of the Modaraba Company at 125-S, Small Industrial Area, Kot Lakhpat, Lahore, to review the performance of the Modaraba for the year ended June 30, 2018.

The Certificate Holders whose names appear on the Register of Certificate Holders of First Imrooz Modaraba as on October 12, 2018 will be eligible to attend the Annual Review Meeting.

By order of the Board

September 24, 2018

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book will remain closed from October 12, 2018 to October 25, 2018 (both days inclusive) for the purpose of attending Annual Review Meeting. All transfer received in order up to close of business on October 12, 2018 at our Registrar's office M/s F.D. Registrar Services (SMC-Pvt) Limited, 17th floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi, will be considered in time.
2. CDC Certificate Holders desiring to attend the meeting are requested to bring their original CNIC, Account and participant's ID number for identification purpose.








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
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Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



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