

TWENTY SIXTH ANNUAL REPORT 2020



FIRST IMROOZ MODARABA



CONTENTS

Vision / Mission Statement	1
Code of Conduct	1
Modaraba Information	2
Directors' Report (English)	3
Directors' Report (Urdu)	7
Ten Years at a Glance	12
Auditors' Report to the Certificate Holders	13
Balance Sheet	15
Statement of Comprehensive Income	16
Cash Flow Statement	17
Statement of changes in Equity	18
Notes to the Financial Statements	19
Statement of Compliance with best practices of Code of Corporate Governance	46
Auditors Review Report on Compliance of Code of Corporate Governance	49
Shariah Review Report	50
Pattern of Certificate Holding	52
Certificate Holders information	53
Notice of Annual Review Meeting	54



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. BDO Ebrahim & Co. Chartered Accountants
Bankers	Soneri Bank Limited Bank Alfalah Limited
Legal Advisors	Mr. Masood Aziz Advocate Masood Aziz & Associates
Shariah Advisor	Mufti Abdul Qadir
Principal place of business	Room No. 405, 4 th 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 (Pvt) Limited 17 th 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, 2020.

1. COVID – 19 Effects and Measures

Pakistan's already fragile economy had only just been moving towards stability when the COVID 19 crisis struck. This pandemic's economic fallout considerably derailed the country's recovery process. Major victims of the COVID-19 outbreak are micro, small, and medium-sized enterprises (MSMEs). Government of Pakistan had enacted protection measures against COVID-19 and a lockdown was implemented on major sectors of the economy starting from 23rd March 2020. Complete and semi-lockdowns resulted in negative GDP growth in FY 2019-20, spreading over to the first quarter till next fiscal FY 2020-21.

In this crucial financial condition, State Bank of Pakistan has played its valuable role and brought the cumulative reduction in interest/markup rates to provide debt servicing relief and maintaining financial stability of business sector. Economic activity gained some momentum as nationwide lockdown measures were eased from May 2020.

The Modaraba continued with limited operations serving healthcare and pharmaceutical sectors and had implemented all necessary Standard Operating Procedures. Your management approved the plan for employees to work remotely from home. The management of Modaraba ensures and continues safety measures for employees and will continue to implement these measures till the pandemic is fully eliminated.

2. Operating Results

The financial results of the Modaraba are summarized below:

	(Rupees in million)	
	2020	2019
Profit before taxation	56.646	58.568
Taxation	21.531	33.258
Profit after taxation	<u>35.115</u>	<u>25.310</u>
Appropriations		
Transfer to Statutory Reserve @ 30% (2019 : 35%)	10.534	8.859
Profit after appropriation	<u>24.581</u>	<u>16.451</u>
Earnings per certificate – basic & diluted	<u>Rs. 11.70</u>	<u>8.44</u>

3. Review of Financial Performance

During the year our business performance remained under pressure due to overall economic and business slowdown in the country. The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is hard predicting at this stage. As reported earlier, continued slowdown of world economy due to spread of Corona virus COVID-19, we faced a difficult period. The turnover of the Modaraba for the year ended 30 June 2020 decreased to Rs. 555.12 million as compared to Rs. 705.65 million last year.

The Gross profit also decreased to Rs.126.37 million as against Rs.132.78 million.

Operating expenses decreased to Rs. 63.03 million as compared to Rs. 64.83 million of last year.

Other income for the year is Rs. 1.11 million as compared to Rs. 1.54 million of last year.

Despite COVID-19 negative impact, we were able to manage expenses at last year's level, the Modaraba's annual profit stood to Rs. 35.11 million as compared to Rs. 25.31 million of last year.

After considering these results, the Board of Directors have decided to transfer 30% of the profit to the statutory reserve and to pay a final profit distribution @ 75% i.e. Rs.7.50 per certificate to the certificate holders.

4. Auditors

The present auditors M/s BDO Ebrahim & Co., Chartered Accountants being due for retirement have offered themselves for re-appointment for the year ending June 30, 2021. The Directors have approved their appointment subject to approval of the Registrar, Modaraba Companies and Modaraba.

5. 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	2020	2019	2018	2017	2016	2015	2014
Fixed Assets	6.898	10.118	12.968	13.346	14.459	6.979	7.412
Working Capital	191.934	159.261	146.929	145.007	145.027	139.025	125.424
Certificate Holders Equity	161.259	138.183	134.860	137.472	140.173	129.628	117.475
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	555.117	705.649	897.590	734.216	827.864	730.551	624.105
Gross Profit	126.368	132.777	143.937	118.611	128.668	106.032	80.363
Profit before Taxation	56.646	58.569	73.104	65.031	80.885	27.153	16.516
Profit Distribution – Cash	75%	50%	56.67%	100%	120%	90%	50%
Earnings per Certificate-Rs.	11.70	8.44	10.18	11.10	14.01	9.05	5.51
Break-up value per Certificate-Rs.	53.75	46.39	44.95	45.82	46.72	43.21	39.16

- 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.

6. 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.

7. Composition of board

The composition of board is as follows:

Category	Names
A) Non-Executive Directors	Mr. Ameer Riaz Mrs. Saadat Ikram Mr. Omar Muhammad Khan
B) Executive Directors	Mr. Naveed Riaz

8. Remuneration Policy of Chief Executive and Directors

No remuneration is paid to Chief Executive and Directors.

9. 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. Aameed Riaz	4
Mr. Omar Mohammad Khan	4
Mrs. Saadat Ikram	4

10. 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.

For and on behalf of the Board of Directors

Naveed Riaz
Chief Executive

Aameed Riaz
Director

01 October, 2020

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، 2020ء بمعہ آڈٹ رپورٹ پیش کرتے ہیں۔

کوویڈ-19 کے اثرات اور اقدامات

پاکستان کی نازک معیشت اس وقت استحکام کی طرف گامزن تھی جب کوویڈ-19 کا بحران پیدا ہوا۔ یہ وبائی مرض ملک کی معاشی بحالی کے عمل میں رکاوٹ کا باعث بنا۔ کوویڈ-19 کے پھیلنے سے بڑے، چھوٹے اور درمیانے اور چھوٹے درجے کے کاروباری ادارے متاثر ہوئے ہیں۔ حکومت پاکستان نے کوویڈ-19 کے خلاف حفاظتی اقدامات نافذ کیے اور 23 مارچ 2020ء سے معیشت کے بڑے شعبوں پر لاک ڈاؤن نافذ کیا گیا۔ مکمل اور نیم لاک ڈاؤن کے نتیجے میں مالی سال 2019-20 میں جی ڈی پی کی شرح منفی رہی، جس کے اثرات اگلے مالی سال 2020-21 کی پہلی سہ ماہی تک رہے۔

ان نازک مالی حالات میں اسٹیٹ بینک آف پاکستان نے اپنا اہم کردار ادا کیا اور شرح سود میں مجموعی طور پر کمی کی تاکہ قرضوں کی فراہمی اور کاروباری شعبے کے مالی استحکام کو برقرار رکھا جاسکے۔ معاشی سرگرمی نے اس وقت کچھ رفتار پکڑی جب ملک بھر میں لاک ڈاؤن کے اقدامات میں مئی 2020ء سے نرمی کی گئی۔

مضاربہ نے حفظانِ صحت کے اصولوں کو نافذ کرتے ہوئے صحت عامہ اور دو اسازی کے شعبوں کے ساتھ محدود کاروبار جاری رکھا۔ آپ کی انتظامیہ نے ملازمین کو گھر سے آن لائن کام کرنے کی منظوری دی۔ مضاربہ کی انتظامیہ نے ملازمین کے لئے حفاظتی اقدامات کو جاری رکھا اور ان کو وبائی بیماری کے مکمل خاتمے تک جاری رکھا جائیگا۔

نمایاں مالیاتی نکات

مضاربہ کے مالیاتی نتائج مندرجہ ذیل ہیں:

(ملین روپیوں میں)		
30-Jun-19	30-Jun-20	
58.568	56.646	قبل از ٹیکس منافع
33.258	21.531	ٹیکس
25.310	35.115	بعد از ٹیکس منافع
8.859	10.534	قانون کے مطابق دستوری ذخائر میں منافع کی 30 فیصد منتقلی (2019:35 فیصد)
16.451	24.581	بعد از منتقلی منافع
8.44	11.70	نی کس شیر آمدنی (بنیادی اور تحلیل شدہ) روپے

کارکردگی کا جائزہ

سال کے دوران ملک میں معاشی اور کاروباری ست روی کی وجہ سے ہماری کاروباری کارکردگی دباؤ کا شکار رہی۔ کورونا وائرس کو ویڈ-19 کے بعد سے اس کی حالت بدستور خراب ہوتی جا رہی ہے۔ پاکستان سمیت بہت سے ممالک نے اس وبا کے خلاف حفاظتی اقدامات نافذ کیے ہیں، جس سے ان ممالک کی معاشی سرگرمیوں پر گہرے اثرات پڑے ہیں۔ کو ویڈ-19 کے پھیلنے کے ساتھ ساتھ عالمی اور مقامی معیشت پر اس مرحلے میں مشکل حالات کی پیش گوئی کی جا رہی ہے۔ جیسا کہ پہلے بتایا گیا ہے کہ عالمی معیشت میں مسلسل ست روی اور کو ویڈ-19 کے پھیلاؤ کی وجہ سے ہمیں کٹھن دور کا سامنا کرنا پڑا۔ حالیہ سال کے دوران مضاربہ کی فروخت 555.12 ملین روپے تک رہی جبکہ اسکے مقابلے میں گذشتہ سال میں 705.65 ملین روپے تھی۔

کل منافع بھی 132.78 ملین روپے سے کم ہو کر 126.37 ملین روپے رہا۔

آپریٹنگ اخراجات کم ہو کر 63.03 ملین روپے رہے جبکہ اسکے مقابلے میں گذشتہ سال 64.83 ملین روپے تھے۔

اس حالیہ سال میں دیگر آمدنی 1.11 ملین روپے رہی جب کہ گذشتہ سال میں یہ 1.54 ملین روپے تھی۔

کوویڈ-19 کے منفی اثرات کے باوجود، ہم اخراجات گذشتہ سال کے برابر منظم کر پائے، سال کے اختتام پر مضاربہ کا منافع 35.11 ملین روپے رہا، جبکہ گزشتہ مقابل سال یہ 25.31 ملین روپے تھا۔

حالیہ نتائج کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ منافع کا 30 فیصد دستوری ذخائر میں منتقل کیا جائے اور اس منتقلی کے بعد نقد منافع بحساب 7.50 روپے فی سرٹیفکیٹ یعنی 75 فیصد کے حساب سے سرٹیفکیٹ مالکان میں تقسیم کیا جائے۔

آڈیٹر

موجودہ آڈیٹر زی ڈی او ابراہیم اینڈ کو۔ چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہونے کے بعد 30 جون، 2021ء 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 مضاربہ کی منظوری سے مشروط ہے۔

کارپوریٹ گورننس

ہمارے ڈائریکٹرز رپورٹ کرتے ہیں:

- (1) فرسٹ امروز مضاربہ کی انتظامی کمپنی اسے آرٹھیٹمنٹ سروسز (پرائیویٹ) لمیٹڈ کی انتظامیہ کے تیار کردہ مالی گوشواروں میں اسکے واضح امور، عملدرآمد کے نتائج، کیش فلو اور 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 بروئے کار لائی گئی ہیں اور یہ مناسب فیصلوں پر مبنی ہیں۔
- (4) بین الاقوامی اکاؤنٹنگ سٹینڈرڈز جو کہ پاکستان میں قابل عمل ہیں اور مالی گوشواروں کی تیاری میں باقاعدگی سے اس پر عمل کیا جاتا ہے
- (5) انٹرنل کنٹرول کا نظام موجود ہے اور اسے موثر طریقے سے لاگو کیا گیا ہے۔
- (6) جاری ادارہ کی حیثیت سے مضاربہ کے لئے کوئی اہم شکوک و شبہات نہیں ہیں۔
- (7) لسٹنگ کے ضابطے میں موجود کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی بے ضابطگی نہیں ہوئی ہے۔

(8) گزشتہ چھ سال اور موجودہ سال کے اہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ حسب ذیل ہے:

(Rupees in Million)							
Particulars	2020	2019	2018	2017	2016	2015	2014
Fixed Assets	6.898	10.118	12.968	13.346	14.46	6.979	7.412
Working Capital	191.934	159.261	146.929	145.007	145.03	139.025	125.424
Certificate Holders Equity	161.259	138,183	134.860	137.472	140.17	129.628	117.475
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	555.117	705.649	897.590	734.216	827.86	730.551	624.105
Gross Profit	126.368	132.777	143.937	118.611	128.67	106.032	80.363
Profit after Taxation	56.646	58.015	73.104	65.031	80.885	27.153	16.516
Profit Distribution – Cash	75%	50%	56.67%	100%	120%	90%	50%
Earnings per Certificate-Rs.	11.70	8.44	10.18	11.10	14.01	9.05	5.51
Break-up value per Certificate-Rs.	53.75	46.39	44.95	45.82	46.72	43.21	39.16

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

منتقلی کی قیمتوں کا تعین

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

بورڈ کے مرکب

قسم	نام
نان ایگزیکٹو ڈائریکٹرز	جناب عمید ریاض محترمہ سعادت اکرام جناب عمر محمد خان
ایگزیکٹو ڈائریکٹرز	جناب نوید ریاض

ڈائریکٹرز کا مشاہرہ

چیف ایگزیکٹو آفیسر اور ڈائریکٹرز کو کوئی معاوضہ نہیں دیا جاتا ہے۔

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 رجسٹرڈ مضماریہ 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، رفقائے کار، سرمایہ کاروں، بینکاروں اور کاروباری پارٹیوں کی رہنمائی اور خصوصاً مضماریہ کے تمام ملازمین کی شبانہ روز محنت اور لگن کے لئے ان سب کا شکر گزار ہے۔

منجانب بورڈ

عمید ریاض
ڈائریکٹر

نوید ریاض
چیف ایگزیکٹو آفیسر

01 اکتوبر، 2020ء

First Imrooz Modaraba

TEN YEARS AT A GLANCE

(Rupees in million)

	2020	2019	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	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	30.000	30.000
Statutory reserve & surplus	131.259	109.163	104.861	107.472	110.173	99.628	87.475	100.971	87.565	86.950	82.178	72.508
Certificate holders' equity	161.259	139.163	134.861	137.472	140.173	129.628	117.475	130.971	117.565	116.950	112.178	102.508
Deferred liability - staff gratuity	34.840	30.196	25.037	21.263	19.429	16.376	15.362	15.493	13.125	8.900	8.140	6.820
Qard-e-Hasna from Modaraba management company	15.800	-	120.000	34.300	-	-	-	-	31.000	15.000	13.500	-
Morabaha and Mosharaka financing	88.664	74.637	35.230	34.371	35.013	26.886	29.308	33.623	43.018	33.367	7.627	-
Current liabilities	166.173	171.869	255.192	212.043	180.340	146.238	140.708	162.152	217.317	190.541	104.671	76.989
Fixed Assets	6.898	10.119	12.969	13.347	14.459	6.979	7.413	4.575	6.274	6.368	8.023	5.439
Stock-in-trade	215.103	212.679	265.574	258.027	129.910	162.806	164.743	187.303	182.523	202.757	83.534	65.925
Trade debtors	116.713	98.603	113.779	83.997	129.336	107.237	75.593	81.998	122.180	82.969	122.261	59.763
Investments	-	-	-	-	-	-	-	-	1.104	1.213	1.275	0.796
Current assets	358.107	331.110	402.120	357.050	325.367	285.263	266.132	304.042	341.734	310.020	216.966	180.878
Operational Results												
Sales	555.117	705.649	897.589	734.216	827.864	730.551	624.104	641.673	711.425	681.364	628.533	474.517
Cost of sales	428.749	572.872	753.652	615.605	699.196	624.519	543.741	550.759	612.621	588.809	550.465	415.738
Gross profit	126.368	132.777	143.937	118.611	128.668	106.032	80.363	90.914	98.804	92.555	78.068	58.779
Other income	1.110	1.541	0.508	2.138	1.102	0.702	2.969	2.329	2.108	1.805	2.429	1.760
Murabaha & Musharaka Charges	7.303	8.101	2.564	2.346	2.063	3.777	2.595	3.761	5.076	5.321	1.838	-
Workers welfare fund	1.156	1.195	6.254	(1.072)	-	-	-	-	-	-	1.072	-
Operating expenses	62.373	66.453	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	63.995	66.324	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	56.646	58.568	73.105	65.031	80.885	59.869	43.063	57.985	55.017	54.192	48.341	29.982
Taxation	21.531	33.259	42.554	31.732	38.868	32.716	26.547	25.235	30.418	26.618	19.771	7.917
Profit after tax	35.115	25.310	30.551	33.299	42.017	27.153	16.516	32.750	24.599	27.574	28.570	22.065
Transfer to statutory reserve	10.534	8.858	12.220	1.665	2.101	1.357	0.826	1.637	4.920	5.515	5.714	2.206
	30%	35%	40%	5%	5%	5%	5%	5%	20%	20%	20%	10%
Profit Distribution												
Profit distribution	22.500	15.000	17.010	30.000	36.000	27.000	15.000	30.000	19.500	22.050	22.800	18.900
Rate per certificate	75.0%	50.0%	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	22.76%	18.82%	16.04%	16.15%	15.54%	14.51%	12.88%	14.17%	13.89%	13.58%	12.42%	12.39%
Operating expenses - % of sales	11.24%	9.42%	6.97%	7.42%	5.66%	5.90%	6.04%	4.91%	4.97%	4.32%	4.05%	4.74%
Operating profit - % of sales	11.53%	9.40%	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	10.18%	8.28%	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	6.31%	3.58%	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	35.13%	42.09%	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	21.78%	18.19%	22.65%	24.22%	29.98%	20.95%	14.06%	25.01%	20.92%	23.58%	25.47%	21.53%
Earning per certificate - Rs.	11.70	8.44	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.	7.50	5.00	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.	89.36	155.59	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.	53.75	46.39	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, 2020 and the related profit and loss account, the cash flow statement and the 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 purpose 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 in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 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 the 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 account and are further in agreement with accounting policies consistently applied except for the changes as mentioned in notes 4.11 and 4.22, with which we concur;
 - 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, 2020 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 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended June 30, 2019 were audited by another firm of Chartered Accountants, who vide their report dated October 04, 2019 issued an unqualified opinion thereon.

KARACHI

DATED: **01 OCT 2020**

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

**FIRST IMROOZ MODARABA
BALANCE SHEET
AS AT JUNE 30, 2020**

	Note	June 30, 2020 (Rupees)	June 30, 2019 (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	6,413,376	9,294,441
Intangible assets	6	-	333,323
Long term deposits	7	484,802	490,752
		<u>6,898,178</u>	<u>10,118,516</u>
CURRENT ASSETS			
Stock in trade	8	215,103,436	212,679,008
Trade debtors	9	116,713,196	98,602,686
Advances, deposits, prepayments and other receivables	10	884,919	1,031,467
Taxation	11	6,434,904	7,450,310
Cash at banks	12	18,970,744	11,346,950
		<u>358,107,199</u>	<u>331,110,421</u>
TOTAL ASSETS		<u><u>365,005,377</u></u>	<u><u>341,228,937</u></u>
EQUITY AND LIABILITIES			
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	13	30,000,000	30,000,000
Statutory reserve	14	104,677,757	94,143,390
Revenue reserve	15	26,580,965	15,020,145
		<u>161,258,722</u>	<u>139,163,535</u>
NON-CURRENT LIABILITIES			
Defined benefit plan - Staff gratuity	16	34,840,085	30,196,633
Deferred capital grant	17	130,570	-
Obligation under financing facilities - Secured	19	2,602,678	-
Deferred taxation	18	-	-
		<u>37,573,333</u>	<u>30,196,633</u>
CURRENT LIABILITIES			
Obligation under financing facilities - Secured	19	88,664,280	74,637,490
Qard-e-Hasana from Modaraba Management Company	20	15,800,000	-
Creditors, accrued and other liabilities	21	61,709,042	97,231,279
		<u>166,173,322</u>	<u>171,868,769</u>
TOTAL EQUITY AND LIABILITIES		<u><u>365,005,377</u></u>	<u><u>341,228,937</u></u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 37 form an integral part of this financial statements.

**For A R Management Services (Private) Limited
(Modaraba Management Company)**

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER

**FIRST IMROOZ MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
		(Rupees)	
Sales	23	555,117,368	705,649,411
Cost of sales	24	(428,749,272)	(572,871,795)
Gross profit		126,368,096	132,777,616
Provision reversed / (made)	9.1	652,715	(1,626,916)
Operating expenses	25	(63,025,876)	(64,826,520)
Operating profit		63,994,935	66,324,180
Murabaha charges		(1,696,999)	(3,626,626)
Musharaka charges		(5,605,671)	(4,474,365)
Other income	26	1,109,572	1,540,650
Provision for Sindh Workers' Welfare Fund		(1,156,037)	(1,195,277)
Profit before taxation		56,645,800	58,568,562
Taxation	27	(21,531,245)	(33,258,445)
Profit for the year		35,114,555	25,310,117

Other comprehensive income

Items that will not be subsequently reclassified to profit or loss:

Remeasurement of defined benefit liability		1,980,632	(3,997,394)
Taxation thereon		-	-
Total comprehensive income for the year		1,980,632	(3,997,394)
		37,095,187	21,312,723
Earnings per certificate - basic and diluted	28	11.70	8.44

*For more than 90% distribution of profit after transfer to statutory reserve see notes 14 and 35.

The annexed notes from 1 to 37 form an integral part of this financial statements.

**For A R Management Services (Private) Limited
(Modaraba Management Company)**

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER



FIRST IMROOZ MODARABA

**FIRST IMROOZ MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

	June 30, 2020	June 30, 2019
	—— (Rupees) ——	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	56,645,800	58,568,562
Adjustments for non-cash and other items:		
Depreciation	3,863,922	3,930,381
Amortisation on intangible assets	333,323	500,004
(Gain) on disposal of assets	(926,877)	(1,337,563)
Murabaha charges	1,696,999	3,626,626
Musharaka charges	5,605,671	4,474,365
Provision for staff retirement gratuity	8,493,864	3,650,954
Doubtful debts written off	(49,725)	-
Provision for doubtful debts	(652,715)	1,626,916
	<u>18,364,462</u>	<u>16,471,683</u>
Operating profit before working capital changes	75,010,262	75,040,245
Changes in operating assets and liabilities		
(Increase) / Decrease in current assets		
Stock in trade	(2,424,428)	52,894,795
Trade debtors	(17,408,070)	13,549,737
Advances, deposits, prepayments and other receivables	152,498	(12,433)
	<u>(19,680,000)</u>	<u>66,432,099</u>
Decrease in current liabilities		
Creditors, accrued and other liabilities	(35,930,274)	(4,964,662)
Cash generated from operating activities	19,399,988	136,507,682
Murabaha charges paid	(1,830,507)	(3,495,101)
Musharaka charges paid	(5,684,848)	(2,924,444)
Income Taxes paid	(20,515,839)	(33,030,624)
Staff gratuity paid	(1,869,780)	(2,488,500)
Net cash (used in) / generated from operating activities	(10,500,986)	94,569,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,022,980)	(1,883,549)
Proceeds from disposal of property and equipment	967,000	1,641,000
Net cash used in investing activities	(55,980)	(242,549)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(14,379,278)	(16,456,764)
Proceeds of Qard-e-Hasana from Modaraba Management Company	101,000,000	104,700,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(85,200,000)	(224,700,000)
Receipts from Murabaha finances	35,906,476	134,399,366
Repayment of Murabaha finances	(51,603,921)	(138,045,180)
Receipts from Salam finances	5,508,667	-
Receipts of Musharaka finances	26,948,816	43,052,698
Net cash generated from / (used in) financing activities	18,180,760	(97,049,880)
Net increase/ (decrease) in cash and cash equivalents	7,623,794	(2,723,416)
Cash and cash equivalents at the beginning of the year	11,346,950	14,070,366
Cash and cash equivalents at the end of the year	<u>18,970,744</u>	<u>11,346,950</u>

The annexed notes from 1 to 37 form an integral part of this financial statements.

**For A R Management Services (Private) Limited
(Modaraba Management Company)**

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER

**FIRST IMROOZ MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020**

	Paid-up certificate	Statutory reserve	Revenue reserve Unappropriated profit	Total
----- (Rupees) -----				
Balance as at July 01, 2018	30,000,000	85,284,849	19,575,963	134,860,812
Profit for the year	-	-	25,310,117	25,310,117
Other comprehensive income	-	-	(3,997,394)	(3,997,394)
Total comprehensive income for the year	-	-	21,312,723	21,312,723
Transaction with owners				
Profit distribution for the year ended June 30, 2018 @ Rs. 5.67 per certificate	-	-	(17,010,000)	(17,010,000)
Transfer to statutory reserve @ 35% (Note 14)		8,858,541	(8,858,541)	
Balance as at June 30 2019	<u>30,000,000</u>	<u>94,143,390</u>	<u>15,020,145</u>	<u>139,163,535</u>
Balance as at July 01, 2019	30,000,000	94,143,390	15,020,145	139,163,535
Profit for the year	-	-	35,114,555	35,114,555
Other comprehensive income	-	-	1,980,632	1,980,632
Total comprehensive income for the year	-	-	37,095,187	37,095,187
Transaction with owners				
Profit distribution for the year ended June 30, 2019 at Rs. 5 per certificate	-	-	(15,000,000)	(15,000,000)
Transfer to statutory reserve @ 30% (Note 14)	-	10,534,367	(10,534,367)	-
Balance as at June 30, 2020	<u>30,000,000</u>	<u>104,677,757</u>	<u>26,580,965</u>	<u>161,258,722</u>

The annexed notes from 1 to 37 form an integral part of this financial statements.

**For A R Management Services (Private) Limited
(Modaraba Management Company)**

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER

**FIRST IMROOZ MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1 NATURE AND STATUS 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 there under 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 Lines 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

- 2.1.1 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 defined benefit plan - staff gratuity at present value. These financial statements have been prepared following accrual basis of accounting except for cash flow statement.

2.3 Functional and presentation currency

Items included in the financial statements of the Modaraba are measured using the currency of the primary economic environment in which the Modaraba operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

3.1 Standards / amendments that are effective in current year and relevant to the Modaraba

The Modaraba has adopted the standards / amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 8	Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16	Leases - Original issue	January 01, 2019

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', and IFRIC 4 'Determining whether an Arrangement contains a Lease' The Modaraba applied IFRS 16 with a date of initial application of January 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Modaraba does not have any impact of IFRS 16 due to either short term lease contracts or finance lease contracts.

The Modaraba decided to apply recognition exemption to short term leases of office premises, as lessor can get these premises vacated by serving short notice.

**Effective date
(annual periods
beginning on or
after)**

IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year.

3.2 Annual improvements to IFRSs (2015 – 2017) Cycle:

IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

3.3 Amendments that are effective in current year and not relevant to the Modaraba:

IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019

3.4 Amendments not yet effective:

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023

		Effective date (annual periods beginning on or after)
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	January 01, 2020
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a Modaraba from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Modaraba is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

3.5 Annual improvements to IFRSs (2018 – 2020) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022

The Modaraba expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Modaraba's financial statements in the period of initial application.

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

The preparation of financial statements in conformity with the approved accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

Estimates of residual values, useful lives and depreciation methods of Tangible assets - owned in own use and Ijarah assets (notes 4.1 and 5);
Provision for taxation (note 4.5, 11, 18 and 27);
Provision for doubtful debt (note 4.16.1 and 9).

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 off.

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 accumulated 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 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 as per Prudential Regulations for Modarabas and using expected credit losses model (ECL) as required by IFRS 9 as at year end date. Balances considered bad and irrecoverable are written off when identified.

4.5 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case, the related tax expense is also recognized in other comprehensive income or directly in equity, respectively.

4.5.1 Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable / receivable in respect of previous years.

4.5.2 Deferred

Deferred tax is recognized using the balance sheet method, providing for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

4.5.3 Assumption

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 minimum tax regime (MTR), the management compared it with normal tax regime (NTR), alternate corporate tax (ACT) and turnover tax and record tax on the basis of which ever is higher. The Modaraba has followed a policy for tax recognition, whereby the tax paid at import stage is recognized as an expense in the year 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.

Deferred tax asset is recognized for available credits to the extent that it is probable that sufficient taxable temporary differences and taxable profits will be available against which credits can be utilized. Significant judgement is exercised to determine the amount of deferred tax asset to be recognized.

4.6 Cash at banks

Cash at banks is carried at nominal value.

4.6.1 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.

4.7 Statutory reserve

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 certificate capital. Thereafter, a sum not less than 5% of the after tax profits is to be transferred.

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 30, 2020 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 other comprehensive income.

4.9 Murabaha Financing

Murabaha transactions are reflected as payable at the invoiced amount by the facility provider. Actual sales and purchases are not reflected as the goods are purchased by the Modaraba as agent of the facility provider and all documents relating to purchase are in name of the Modaraba. However, the profit on that sale revenue not due for payment is deferred by recording a debit to "Deferred Murabaha Profit" account.

4.10 Musharaka Financing

Modaraba enters into financing with facility providers based on Shirkat-ul-aqd (contractual partnership) in its' operating business. Under this mechanism, the Modaraba can withdraw and return funds to the facility provider subject to Running Musharaka Financing limit during the Musharaka period. The Modaraba pays the provisional profit which is subject to final settlement based on the actual results of the business / transaction.

4.11 Leases

The Modaraba has only short term leases of godown premises, as lessor can get these premises vacated by serving short notice. Payments associated with short-term leases of godown premises are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

4.12 Ijarah

Ijarah rentals are recognized as expense on an accrual basis, as and when rentals become due to pay.

4.13 Qard-e-Hasana

A loan not carrying any markup and contracted between the Modaraba and other party for short-term period is recognized in current liability as qard-e-hasana.

4.14 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.

4.15 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.

4.16 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.

4.16.1 Financial assets

The Modaraba classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Modaraba as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Provision for doubtful debts

The Modaraba recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Modaraba measures loss allowance at an amount equal to lifetime ECLs or Prudential Regulations for Modarabas whichever is higher.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Modaraba is exposed to credit risk.

At each reporting date, the Modaraba assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

4.16.2 Financial liabilities

All financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Modaraba loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

4.17 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.

4.18 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.

4.19 Impairment

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.

4.20 Revenue recognition

Revenue from sale of goods 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 following the below steps.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the Modaraba satisfies a performance obligation

For each sale transaction, purchase order forms a contract between the Modaraba and a customer and the goods to be delivered under that contract are the Modaraba's identified performance obligation, the contract contains determined and allocated transaction price. The Modaraba satisfies a performance obligation on delivery of goods to the customer and recognizes the revenue.

Profit on Munafa account is recognized on accrual basis.

IFRS 15 requires disaggregation of recognized revenue in such categories which depict that how the nature, amount, timing and uncertainty of the revenue and cash flows are affected by the economic factors. As complete revenue of the Modaraba come from local trading of imported chemicals, therefore disclosure of this single category can be used to assess the effects of economic factors.

4.21 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.

4.22 Deferred Capital Grant

The Deferred Capital Grant is measured upon initial recognition as the difference between fair value of the loan and loan proceeds. The fair value of the loan is the present value of the loan proceed received, discounted using the prevailing market rates of interest for a similar instrument. Subsequently, the grant is recognized in statement of profit or loss, in line with the recognition of interest expenses with which the grant is compensating.

	Note	June 30, 2020 (Rupees)	June 30, 2019 (Rupees)
5 PROPERTY AND EQUIPMENT			
Tangible assets - owned	5.1	6,413,376	9,294,441

5.1 Tangible assets - owned

2 0 2 0								
Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2020	Rate of depreciation per annum
	As at July 01, 2019	Additions/ (disposals) during the year	As at June 30, 2020	As at July 01, 2019	Charge for the year / (adjustment)	As at June 30, 2020		
								Rupees
								%
Leasehold improvements	2,400,125	-	2,400,125	1,440,073	240,012	1,680,085	720,040	10
Furniture and fittings	915,622	-	915,622	757,823	19,548	777,371	138,251	10
Vehicles	17,762,501	-	15,991,526	11,901,797	2,651,784	12,782,609	3,208,917	20
		(1,770,975)			(1,770,972)			
Office equipments	4,752,711	18,500	4,720,711	3,923,667	267,457	4,180,744	539,967	20
		(50,500)			(10,380)			
Electrical appliances	429,050	70,210	499,260	75,303	47,592	122,895	376,365	10
		-			-			
Computer equipments	5,549,092	934,270	6,483,362	4,415,997	637,529	5,053,526	1,429,836	25
		-			-			
Total	31,809,101	1,022,980	31,010,606	22,514,660	3,863,922	24,597,230	6,413,376	
		(1,821,475)			(1,781,352)			
2 0 1 9								
Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2019	Rate of depreciation per annum
	As at July 01, 2018	Additions/ (disposals) during the year	As at June 30, 2019	As at July 01, 2018	Charge for the year / (adjustment)	As at June 30, 2019		
								Rupees
								%
Leasehold improvements	2,400,125	-	2,400,125	1,200,061	240,012	1,440,073	960,052	10
Furniture and fittings	915,622	-	915,622	734,776	23,047	757,823	157,799	10
Vehicles	19,187,501	867,500	17,762,501	11,078,667	2,836,610	11,901,797	5,860,704	20
		(2,292,500)			(2,013,480)			
Office equipments	4,416,485	362,226	4,752,711	3,603,810	322,887	3,923,667	829,044	20
		(26,000)			(3,030)			
Electrical appliances	170,250	280,000	429,050	56,589	39,912	75,303	353,747	10
		(21,200)			(21,198)			
Computer equipments	5,189,269	373,823	5,549,092	3,960,639	467,913	4,415,997	1,133,095	25
		(14,000)			(12,555)			
Total	32,279,252	1,883,549	31,809,101	20,634,542	3,930,381	22,514,660	9,294,441	
		(2,353,700)			(2,050,263)			

	Note	June 30, 2020 (Rupees)	June 30, 2019 (Rupees)
6			
INTANGIBLE ASSETS			
Opening (Book value)		333,323	837,989
Addition		-	-
Deletion (NBV)		-	-
Amortization		(333,323)	(504,666)
Closing		<u>-</u>	<u>333,323</u>
Intangible included Licensed computer software and website development cost both of which are amortized at 25% per annum.			
7			
LONG TERM DEPOSITS			
Deposits		<u>484,802</u>	<u>490,752</u>
8			
STOCK IN TRADE			
In hand		126,112,324	143,231,062
In bonded warehouse		80,600,325	51,154,121
In transit		8,390,787	18,293,825
		<u>215,103,436</u>	<u>212,679,008</u>
9			
TRADE DEBTORS			
Unsecured - considered good		116,713,196	98,602,686
Unsecured - considered doubtful		4,945,177	5,647,617
		<u>121,658,373</u>	<u>104,250,303</u>
Less: Provision for doubtful debts	9.1	(4,945,177)	(5,647,617)
		<u>116,713,196</u>	<u>98,602,686</u>
9.1			
Provision for doubtful debts			
Opening provision		5,647,617	4,020,701
(Reversal of provision) / Provision made		(652,715)	1,626,916
Write off		(49,725)	-
		<u>4,945,177</u>	<u>5,647,617</u>
10			
ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		280,000	705,000
Prepayments		196,919	249,907
Other receivables		-	76,560
Advances		408,000	-
		<u>884,919</u>	<u>1,031,467</u>

	Note	June 30, 2020 (Rupees)	June 30, 2019 (Rupees)
11 TAXATION			
Opening balance		7,450,310	7,678,131
Paid during the year		20,515,839	33,030,624
Provision for taxation		(21,531,245)	(33,258,445)
		<u>6,434,904</u>	<u>7,450,310</u>
12 CASH AT BANKS			
Munafa account	12.1	16,060,439	9,195,112
Current accounts		2,910,305	2,151,838
		<u>18,970,744</u>	<u>11,346,950</u>
12.1	This carry profit at rate ranging from 2.75% to 6% (2019 : 3.5% to 5.75%) per annum.		
13 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL			
		2020	2019
		2020	2019
Issued, subscribed and paid-up certificate capital			
Number of certificates			
		Modaraba certificates of Rs.10 each fully paid in cash	
<u>3,000,000</u>	<u>3,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
The Modaraba Management Company holds 600,000 certificates (2019 : 600,000)			
14 STATUTORY RESERVE			
Balance as on July 01		94,143,390	85,284,849
Transferred during the year		10,534,367	8,858,541
		<u>104,677,757</u>	<u>94,143,390</u>
During the year, the Modaraba has transferred 30% (2019 : 35%) of its after tax profits to statutory reserve.			
15 REVENUE RESERVE			
Balance as on July 01		15,020,145	19,575,963
Profit distribution		(15,000,000)	(17,010,000)
Total comprehensive income		37,095,187	21,312,723
Transferred to statutory reserve		(10,534,367)	(8,858,541)
		<u>26,580,965</u>	<u>15,020,145</u>

15.1 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.

15.2 The Modaraba intends to distribute 90% of its net annual profits, after appropriation to reserves, amongst its certificate holders.

	June 30, 2020 (Rupees)	June 30, 2019 (Rupees)
16 DEFINED BENEFIT PLAN - STAFF GRATUITY		
Net liability in the balance sheet		
Present value of defined benefit obligation	<u>34,840,085</u>	<u>30,196,633</u>
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.		
16.1 Expense recognized in profit and loss account		
Current service cost	4,324,066	1,569,107
Finance cost	<u>4,169,798</u>	<u>2,081,847</u>
	<u>8,493,864</u>	<u>3,650,954</u>
16.2 Remeasurement loss recognized in other comprehensive income		
Actuarial (gain) / loss	<u>(1,980,632)</u>	<u>3,997,394</u>
16.3 Movement in defined benefit obligation		
Opening defined benefit obligation	30,196,633	25,036,785
Current service cost	4,324,066	1,569,107
Finance cost	4,169,798	2,081,847
Actuarial gain	(1,980,632)	3,997,394
Benefits paid	<u>(1,869,780)</u>	<u>(2,488,500)</u>
	<u>34,840,085</u>	<u>30,196,633</u>
16.4 Movement in net liability in the balance sheet		
Balance as at July 01	30,196,633	25,036,785
Add:		
Charge for the year	8,493,864	3,650,954
Remeasurement loss recognized in other comprehensive income	(1,980,632)	3,997,394
Less: Payments made during the year	<u>(1,869,780)</u>	<u>(2,488,500)</u>
Balance as at June 30	<u>34,840,085</u>	<u>30,196,633</u>

16.5 The principal assumptions used in the valuation of gratuity

	2020	2019
Discount rate	8.5% per annum	14.25% per annum
Expected increment rate	14.25% per annum	8.75% per annum
Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
Average expected remaining working life time of employees	4.54 years	5.24 years

16.6 Sensitivity analysis

Particulars	Percentage change	Present value of defined benefit obligation
Current liability		34,840,085
+1% Discount Rate	-4.33%	33,332,042
-1% Discount Rate	4.74%	36,493,080
+1% Salary Increase Rate	5.23%	36,662,422
-1% Salary Increase Rate	-4.85%	33,149,709
+10% Withdrawal Rates	0.00%	34,838,740
-10% Withdrawal Rates	0.00%	34,841,511
1 Year Mortality age set back	0.01%	34,843,826
1 Year Mortality age set forward	-0.01%	34,836,829

16.7 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.

16.8 The weighted average duration of the defined benefit obligation is 4.54 years.

	Note	June 30, 2020 (Rupees)	June 30, 2019 (Rupees)
17 DEFERRED CAPITAL GRANT			
Capital grant		130,570	-

During the year, the Modaraba received Salam financing facility from Soneri Bank Limited under Refinancing scheme of the State Bank of Pakistan amounting Rs. 5.545 million (Availed Rs. 5.509 million) specifically for payment of salaries and wages of Modaraba's employees. The tenor of the financing is nineteen months inclusive of the grace period and are repayable in four equal quarterly installments starting from January 2021 and going till October 2021. Subsequent to the year end, ICAP issued the guidance for accounting of the said financing through circular No. 11/2020, and based on this, the Modaraba recognized the deferred capital grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

18 DEFERRED TAXATION

18.1 The deferred tax balance as at June 30, 2020 comprise of the following:

	Balance as at July 1, 2018	Recognised in profit and loss account	Balance as at June 30, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at June 30, 2020
(Rupees)						
Deferred tax liability on:						
Accelerated tax depreciation and amortization (Credit balance)	-	-	-	60,275	-	60,275
	-	-	-	60,275	-	60,275
Deferred tax assets on:						
Accelerated tax depreciation and amortization (Debit balance)	-	-	-	60,275	-	60,275
Provision for gratuity	-	-	-	-	-	-
Provision for doubtful debts	-	-	-	-	-	-
	-	-	-	60,275	-	60,275
	-	-	-	-	-	-

18.2 As at June 30, 2020, the Modaraba has aggregated deferred tax debits amounting to Rs. 11.525 million (2019 : Nil) out of which deferred tax asset amounting to Rs. 0.060 million (2019 : Nil) has been recognized and remaining balance of Rs. 11.464 million (2019 : Nil) remains unrecognized.

	Note	June 30, 2020 (Rupees)	June 30, 2019 (Rupees)
19 OBLIGATION UNDER FINANCING FACILITIES - SECURED			
Murabaha Financing Facility	19.1	15,887,347	31,584,792
Musharaka Financing Facility	19.2	70,001,514	43,052,698
Salam Financing Facility	19.3	5,378,097	-
Non-current portion under Salam Financing Facility	19.3	(2,602,678)	-
Current portion under Salam Financing Facility	19.3	2,775,419	-
		<u>88,664,280</u>	<u>74,637,490</u>

- 19.1 The Modaraba has availed this facility from Soneri Bank Limited. Sanctioned limit is Rs. 40 million (2019 : Rs. 40 million).
- 19.2 The Modaraba has also availed Running Musharaka Facility from the Soneri Bank Limited with a sanctioned limit of Rs. 90 million (2019 : Rs. 90 million) in order to meet working capital requirement.
- 19.3 During the year, the Modaraba has availed Salam Financing Facility from Soneri Bank Limited under a sanctioned limit of Rs. 5.5 million (2019 : NIL) for a period of nineteen months. The Modaraba has taken this facility offered by State Bank of Pakistan under the name of "Islamic SBP Refinance" for payment of wages and salaries for the months of April, May and June 2020 to cater the economic turmoil due to COVID-19.
- 19.4 All facilities are secured against hypothecation charge on current assets (stock in trade and trade debts) of Modaraba.

20 QARD-E-HASANA FROM MODARABA MANAGEMENT COMPANY

Qard-e- Hasana	<u>15,800,000</u>	<u>-</u>
----------------	-------------------	----------

During the year the Modaraba obtained the Qard-e-Hasana from its management company, A R Management Services (Private) Limited.

21 CREDITORS, ACCRUED AND OTHER LIABILITIES

Import bills payable		31,592,755	68,061,915
Creditors		360,298	240,618
Accrued liabilities		6,047,078	9,890,746
Sales tax payable		8,408,840	5,514,688
Unclaimed profit distribution		6,694,165	6,073,443
Sindh Workers' Welfare Fund	21.1	8,605,906	7,449,869
		<u>61,709,042</u>	<u>97,231,279</u>

- 21.1 This represents the provision for Sindh Workers' Welfare Fund for the periods from June 30, 2014 till year end date.

The Sindh Assembly passed The Sindh Workers Welfare Fund Act, 2014 (Sindh WWF Act) on June 04, 2015 and as per Section 5(1) of the Sindh 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 Sindh 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.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

- 22.1.1 The Collectorate of Customs (Adjudication-II), Karachi issued a show cause notice No. Adj-II/Coll/SCN-370/DIT-KHI/ Cont.Rep/ 188-Appg-I/ First Imrooz Modaraba/2018 dated September 03, 2018 to the Modaraba for recovery of Customs Duty, Additional Customs Duty, Sales Tax and Income Tax in aggregate to Rs. 4.267 million on the grounds that declared value of specified imported goods were lower than the assessable value.

The Modaraba has filed its response to said show cause notice stating that the Collectorate has no legal jurisdiction to deal with the cases at post clearance stage and valuation ruling is not applicable where the goods were assessed and released.

However, The Collectorate of Customs (Adjudication-II), Karachi passed the Order-in-Original on March 28, 2019 and created aggregate demand of Rs. 5.267 million, which includes Customs Duty, Additional Customs Duty, Sales Tax, Income Tax and Penalty.

The Modaraba has filed an appeal before the Honorable Custom Excise and Sales Tax Appellate Tribunal, Karachi Branch. The Appellate Tribunal has been requested to stay the disputed demand.

Since the matter is pending before the Appellate Tribunal and the management is confident of favorable outcome, therefore the management has not recorded any provision for the said amount in these financial statement.

- 22.1.2 The Modaraba has issued post dated cheques to Collector of Customs amounting to Rs. 51.232 million (2019 : Rs.54.585 million) on account of custom dues and taxes on goods at bonded warehouse.

22.2 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounted to Rs. 14.591 million (2019 : 29.504 million).

		2020 (Rupees)	2019 (Rupees)
23 SALES			
Sales		<u>555,117,368</u>	<u>705,649,411</u>
Sales tax of Rs. 99.723 million (2019 : Rs. 123.618 million) has been charged and deposited on these sales.			
24 COST OF SALES			
Opening stock at July 01		143,231,062	137,284,759
Purchases		411,630,534	578,818,098
Closing stock at June 30		<u>(126,112,324)</u>	<u>(143,231,062)</u>
		<u>428,749,272</u>	<u>572,871,795</u>
25 OPERATING EXPENSES			
Salaries and other staff benefits	25.1	28,819,893	35,090,858
Staff gratuity		8,493,864	3,650,954
Rent, rates and taxes		3,717,260	3,717,260
Travelling and conveyance		3,318,232	4,226,828
Depreciation	5	3,863,922	3,930,381
Amortization		333,323	500,004
Cartage		1,539,690	1,713,502
Vehicles running and maintenance		1,577,392	1,812,771
Insurance		1,586,868	1,909,105
Legal and professional		3,019,188	1,666,425
Security charges		831,421	935,252
Fees and subscriptions		1,114,673	1,083,661
Repairs and maintenance		433,365	485,717
Postage and telephone		1,157,910	593,476
Lease / Ijarah		1,448,676	1,440,548
Bank charges		362,243	448,406
Auditors' remuneration	25.2	525,690	526,590
Electricity		81,133	61,852
Sample clearance		329,462	484,581
Entertainment		196,833	268,658
Printing and stationery		113,382	118,685
Packing material		58,358	68,051
Cleaning and washing		26,127	49,755
Newspaper Ads		39,875	43,200
Other		37,096	-
		<u>63,025,876</u>	<u>64,826,520</u>

25.1 Remuneration of officers and employees

	2020			2019		
	Officers	Other employees	TOTAL	Officers	Other employees	TOTAL
	----- Rupees -----					
Remuneration	13,408,852	5,202,447	18,611,299	15,628,224	13,167,439	28,795,663
Allowances	5,111,354	2,823,426	7,934,780	2,396,942	1,748,882	4,145,824
Medical expenses	512,675	471,452	984,127	202,724	644,760	847,484
Provident fund	765,107	291,674	1,056,781	585,349	484,644	1,069,993
EOBI	50,700	131,950	182,650	46,800	121,550	168,350
SESSI	-	50,256	50,256	-	63,544	63,544
	<u>19,848,688</u>	<u>8,971,205</u>	<u>28,819,893</u>	<u>18,860,039</u>	<u>16,230,819</u>	<u>35,090,858</u>
Number of employees	7	16	23	7	15	22

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

	Note	2020 (Rupees)	2019 (Rupees)
25.2 Auditors' remuneration			
Annual audit		330,000	330,000
Half yearly review		82,500	82,500
Review of code of corporate governance		16,500	16,500
CDC certification		16,500	16,500
Out of pocket expenses		41,250	42,083
		<u>486,750</u>	<u>487,583</u>
Sales tax		38,940	39,007
		<u>525,690</u>	<u>526,590</u>
26 OTHER INCOME			
Gain on disposal of property and equipment		926,877	1,337,563
Return on Munafa Account		182,695	203,087
		<u>1,109,572</u>	<u>1,540,650</u>
27 TAXATION			
Current tax charge		<u>21,531,245</u>	<u>33,258,445</u>

Current tax

After Finance Act, 2019, the tax collected on import stage as per Section 148 of Income Tax Ordinance, 2001, with respect to commercial importer has now been changed from final tax regime to minimum tax regime.

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 minimum tax regime is significantly higher than normal.

As per Clause 100 of Part I of Second Schedule of the Income Tax Ordinance, 2001, any income not being income from trading activity of a Modaraba is exempt from tax, provided that not less than ninety per cent of the total profit for the year as reduced by the amount transferred to statutory reserve is distributed amongst the certificate holders. The Management intends to distribute not less ninety per cent of its total profit for the year as reduced by transferred to statutory reserve, therefore no provision for taxation on non trading income of the Modaraba has been made for the year.

Reconciliation between tax expense and accounting profit has not been presented due to the fact that Modaraba's substantial income falls under minimum tax regime and minimum tax is higher than normal, alternate corporate tax and turnover tax.

	Note	2020 (Rupees)	2019 (Rupees)
28 EARNINGS PER CERTIFICATE (EPC) - BASIC AND DILUTED			
Profit for the year (Rupees)		35,114,555	25,310,117
Number of Modaraba certificates		3,000,000	3,000,000
Earnings per certificate (Rupees)		<u>11.70</u>	<u>8.44</u>

Diluted EPC is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificate.

29 CHANGES ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Modaraba's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cashflows will be, classified in the Modaraba's cash flows as cash flow statement from financing activities.

	July 01, 2019	Financing cash inflow	Financing cash outflow	Non cash changes-transfer current account	June 30, 2020
Obligation Qard-e-Hasana from Modaraba Management Company	74,637,490	68,363,959	(51,603,921)	-	91,397,528
Unclaimed profit distribution	-	101,000,000	(85,200,000)	-	15,800,000
	<u>6,073,443</u>	<u>-</u>	<u>(14,379,278)</u>	<u>15,000,000</u>	<u>6,694,165</u>
	July 01, 2018	Financing cash inflow	Financing cash outflow	Non cash changes-transfer current account	June 30, 2019
Obligation Qard-e-Hasana from Modaraba Management Company	35,230,606	177,452,064	(138,045,180)	-	74,637,490
Unclaimed profit distribution	120,000,000	104,700,000	(224,700,000)	-	-
	<u>5,520,207</u>	<u>-</u>	<u>(16,456,764)</u>	<u>17,010,000</u>	<u>6,073,443</u>

30 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.

31 FINANCIAL RISK MANAGEMENT

31.1 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.

31.1.1 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, 2020, the total foreign currency risk exposure was Rs. 31.593 million (2019 : Rs. 68.062 million) in respect of import bills payable.

Foreign currency sensitivity analysis

At June 30, 2020, 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. 1.580 million (2019 : Rs. 3.403 million), 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.

31.1.2 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. 136.455 million (2019 : Rs. 111.930 million) 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, 2020, Modaraba had approximately 5 major customers (2019 : 4 customers) that owed the Modaraba more than Rs. 6 million each and accounted for approximately 71.2% (2019 : 56.5%) 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:

	2020 Rupees	2019 Rupees
0-30 days	39,015,579	18,504,592
31-90 days	7,470,036	33,225,493
91-120 days	28,592,103	29,060,488
Over 120 days	41,635,478	17,812,113
	<u>116,713,196</u>	<u>98,602,686</u>

Trade debtors of Rs. 4.945 million (2019 : 5.647 million) are 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	2020 Rupees	2019 Rupees
Bank Alfalah Limited	A1+	AA+	709,333	519,577
Soneri Bank Limited	A1+	AA-	18,261,411	10,827,373

31.1.3 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.

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

31.3 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.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

As at year ended June 30, 2020, the Modaraba does not hold any financial asset or liability measured at fair value. Therefore, fair value hierarchies have not been disclosed.

Further, carrying value of all financial assets and liabilities reflected in financial statements approximate their fair value.

32.1 Financial assets and liabilities

June 30, 2020						
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	-	-	116,713,196	-	116,713,196	116,713,196
Deposits	-	-	280,000	484,802	764,802	764,802
Cash at banks	16,060,439	-	2,910,305	-	2,910,305	18,970,744
	16,060,439	16,060,439	119,903,501	484,802	120,388,303	136,448,742
Financial liabilities						
Financial liabilities at amortized cost						
Creditors, accrued and other liabilities	-	-	44,694,296	-	44,694,296	44,694,296
Murabaha Financing Facility	-	-	15,887,347	-	15,887,347	15,887,347
Musharaka Financing Facility	-	-	70,001,514	-	70,001,514	70,001,514
Sakm Financing Facility	-	-	2,775,419	2,602,678	5,378,097	5,378,097
	-	-	133,358,576	2,602,678	135,961,254	135,961,254
On-balance sheet gap	16,060,439	16,060,439	(13,455,075)	(2,117,876)	(15,572,951)	487,488
June 30, 2019						
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	-	-	98,602,686	-	98,602,686	98,602,686
Deposits	-	-	705,000	490,752	1,195,752	1,195,752
Cash at banks	9,195,112	-	2,151,838	-	2,151,838	11,346,950
	9,195,112	9,195,112	101,459,524	490,752	101,950,276	111,145,388
Financial liabilities						
Financial liabilities at amortized cost						
Creditors, accrued and other liabilities	-	-	84,266,722	-	84,266,722	84,266,722
Murabaha Financing Facility	-	-	31,584,792	-	31,584,792	31,584,792
Musharaka Financing Facility	-	-	43,052,698	-	43,052,698	43,052,698
	-	-	158,904,212	-	158,904,212	158,904,212
On-balance sheet gap	9,195,112	9,195,112	(57,444,688)	490,752	(56,953,936)	(47,758,824)

33 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba include the management company, associated undertakings, directors of the management company and key management personnel. Significant transactions with related parties are as follows:

	2020	2019
	Rupees	Rupees
Dividend paid to Modaraba Management Company	3,000,000	3,400,200
Dividend paid to key management personnel	3,764,500	4,268,943
Share of common expenses to group companies	1,535,049	624,279
Warehouse rent to group companies	3,681,000	3,681,000
Receipt of Qard-e-Hasana from Modaraba Management Company	101,000,000	104,700,000
Repayment of Qard-e-Hasana to Modaraba Management Company	85,200,000	224,700,000

34 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.

35 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Modaraba Management Company in its meeting held on 01 October 2020 approved a final profit distribution of Rs. 7.50 per certificate, amounting to Rs. 22,500,000 for the year ended June 30, 2020.

36 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 01 October 2020.



FIRST IMROOZ MODARABA

37 GENERAL

37.1 Significant event during the year

The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the outbreak “Public Health Emergency of International Concern”. Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is hard predicting at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Modaraba’s financial condition or results of operations except those disclosed in notes to the financial statements.

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

**For A R Management Services (Private) Limited
(Modaraba Management Company)**

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

**First Imrooz Modaraba (the Modaraba) managed by A R Management Services (Private) Limited (the Management Company)
Year ended June 30, 2020**

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

1. The total number of directors are 4 as per the following:
 - a. Male: 3 (Three)
 - b. Female: 1 (One)
2. The composition of board is as follows:

Category	Names
A) Other Non-Executive Directors	Mr. Ameer Riaz Mrs. Saadat Ikram Mr. Omar Muhammad Khan
B) Executive Directors	Mr. Naveed Riaz

The Management is in process of having independent director on the Board of the Management Company.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company.
4. 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.
5. 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.
6. 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.
7. 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.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All the directors of the Management Company have minimum of 14 years of education and 16 years of experience on the board of a listed Management Company and therefore are exempted from director's training program.
10. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.
11. The 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
b) HR and Remuneration Committee	Chairman : Mr. Omar Muhammad Khan Member : Mrs. Sadat Ikram Member : Mr. Ameer Riaz

The management is in process of ensuring that the chairmen of both the above committees be independent director.

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

Committee	Frequency of meetings
a) Audit Committee	Four quarterly meetings during the financial year ended June 30, 2020
b) HR and Remuneration Committee	One meeting held during the year

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 Management Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company 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 Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
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 requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:
- a. The Board of Directors of the Modaraba Management Company is in process of finalizing a formal mechanism for replacing senior executives and overseeing succession planning, as required under Regulation 10(4)(ii) of the Regulations. The process shall be completed during the year ending June 30, 2021.
 - b. The Board of Directors of the Modaraba Management Company has finalized major significant policies and is also in process of finalization of remaining significant policies and maintaining complete record of particulars of such policies along with their dates of approval and updates, as required under Regulation 10(4) of the Regulations. The process shall be completed during the year ending June 30, 2021.

AMEED RIAZ

Chairman

Karachi: October 01, 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF FIRST IMROOZ MODARABA ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of A R Management Services (Private) Limited (the Modaraba Management Company) for and on behalf of First Imrooz Modaraba (the Modaraba) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba'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 Modaraba's personnel and review of various documents prepared by the Modaraba 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 Modaraba's corporate governance procedures and risks.

The Regulations require the Modaraba 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. 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.

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 Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2020.

KARACHI
DATED; OCTOBER 01, 2020



CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer



FIRST IMROOZ MODARABA

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: ASRR-20

Date: 29-09-2020

Annual Shari'ah Review Report of
First Imrooz Modaraba
For the year ended June 30, 2020

*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, 2020 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. However no any training session has been attended by staff members of the Modaraba during the period.

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.

- 1) With reference to the insurance coverage, it was observed that the Modaraba was availing insurance coverage facility from EFU General Insurance Ltd. On my query the management showed their willingness to shift the insurance coverage to EFU Takaful Window as soon as it became functional for corporate sector. Finally, they have shifted their marine insurance coverage and all other insurance coverage to EFU Takaful Window as it became functional.
- 2) It has been noticed that all the surplus funds in the Modaraba are always and invariably placed with Islamic Banking Institutions.

Recommendations:

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 29, 2020



**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2020**

(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	
111	1	:	100	8,304
190	101	:	500	92,121
12	501	:	1000	11,700
28	1001	:	5000	96,822
11	5001	:	10000	88,266
7	10001	:	100000	198,287
9	100001	:	above	2,504,500
368				3,000,000

Categories of Certificate Holders	Number	Certificates Held	Percentage
Individuals	365	2,396,500	79.88
Joint Stock Companies	1	500	0.02
Modaraba Company	2	603,000	20.10
	368	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 Monagement Company	600,000
--	---------

**DIRECTORS, CEO THEIR
SPOUSE & MINOR CHILDREN**

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

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

First Al Noor Modaraba	3,000
N H Securities (Pvt) Limited	500

EXECUTIVES OF THE MODARABA

Mr. Mohammad Amjad Khalid	500
---------------------------	-----

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.

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that Annual Review Meeting of certificate holders of First Imrooz Modaraba will be held on Wednesday, 28 October, 2020 at 11:30 a.m. at Registered Office of the Modaraba Company situated at 125-S, Small Industrial Area, Kot Lakhpat, Lahore, to review the performance of the Modaraba for the year ended June 30, 2020.

The Certificate Holders whose names appear on the Register of Certificate Holders of First Imrooz Modaraba as on October 15, 2020 will be eligible to attend the Annual Review Meeting.

By order of the Board

October 01, 2020

Shabbir Ahmed Jamsa

COMPANY SECRETARY

Note:

1. The Certificate Transfer Book will remain closed from October 15, 2020 to October 28, 2020 (both days inclusive) for the purpose of attending Annual Review Meeting. All transfer received in order up to close of business on October 14, 2020 at our Registrar's office M/s F.D. Registrar Services (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.

www.jamapunji.pk










سرمایہ کاری سمجھداری کے ساتھ










Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:


-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



FIRST IMROOZ MODARABA

Room No. 405, 4th Floor, Beaumont Plaza, Beaumont Road,
Civil Lines Quarters, Karachi-75530, Pakistan.

Tel: (+92-21) 3522 2743-5

Fax: (+92-21) 3522 2668

e-mail: enquiries@imrooz.com

Website: www.firstimrooz.com