

HALF YEARLY REPORT

For the period ended December 31, 2018
(Un-Audited)



FIRST IMROOZ MODARABA

Managed By
A R Management Services (Private) Limited



FIRST IMROOZ MODARABA

MODARABA INFORMATION

Modaraba Management Company

A R Management Services (Private) Ltd.

Directors of Modaraba Company

Mr. Naveed Riaz—Chief Executive

Mrs. Saadat Ikram

Mr. Ameer Riaz

Mr. Omar Mohammad Khan

Chief Financial Officer

Mr. Ateed Riaz

Audit Committee

Mr. Omar Mohammad Khan (Chairman)

Mrs. Saadat Ikram (Member)

Mr. Ameer Riaz (Member)

Human Resource Committee

Mr. Omar Mohammad Khan (Chairman)

Mrs. Saadat Ikram (Member)

Mr. Ameer Riaz (Member)

Company Secretary

Mr. Shabbir Ahmed Jamsa

Chief Internal Auditor

Mr. Abbas Kerani

Auditors

M/s. Deloitte Yousuf Adil

Chartered Accountants

Bankers

Soneri Bank Limited

Bank Al falah Limited

Legal Advisors

Aatif Awan, Advocate

Shariah Advisor

Mufti Abdul Qadir

Principal place of business

Room No. 405, 4th Floor

Beaumont Plaza, Beaumont Road

Civil Lines Quarters, Karachi.

Registered Office of the Modaraba Company

125-S, Small Industrial Area

Kot Lakhpat, Lahore.

Certificate Registration Office

F.D. Registrar Services (SMC-Pvt.)

Limited 17th Floor, Saima Trade Tower-A,

I.I. Chundrigar Road Karachi



FIRST IMROOZ MODARABA

REPORT OF THE DIRECTORS

The Board of Directors of A R Management Services (Private) Limited, the management company of First Imrooz Modaraba are pleased to present their half yearly report alongwith un-audited condensed financial statements for the period ended December 31, 2018, which were duly reviewed by the statutory auditors.

1. Financial Highlights

Financial results of the Modaraba are summarized as under: -

	(Rupees in million)	
	Six months ended	
	31-Dec-18	31-Dec-17
Sales	371.664	422.382
Gross profit	55.192	75.854
Operating expenses	38.490	30.562
Other income	0.092	0.479
Profit before taxation	14.331	44.713
Taxation	19.167	18.636
(Loss) / Profit for the half year	(4.835)	26.077
Earnings per certificate - basic & diluted (Rupees)	(1.61)	8.69

2. Review of Operations

The turnover for the half year ended December 31, 2018 is decreased to Rs. 371.664 million as compared to Rs. 422.382 million of the corresponding period.

Gross profit also decreased to Rs. 55.192 million compared to Rs. 75.854 of the corresponding period. Such decrease is due to slow down of the economy and severe devaluation of Pak rupee against foreign currencies. Due to continuous devaluation of Pak rupee and volatility in global commodities market, the Modaraba is expecting challenging times ahead.

In addition to above, there has been increase in Morabaha / Musharaka charges, which is due to the fact that during this period, the Modaraba obtained Running Musharaka facility from the bank for its working capital requirement.

The operating expenses have increased to Rs. 38.490 million as compared to Rs. 30.562 million of the corresponding period.

As a result, the Modaraba recorded a loss of Rs. 4.835 million as against profit of Rs. 26.077 million of the corresponding period.

The earnings per certificate of the Modaraba worked out to Rs. (1.61) as against earning per certificate of Rs. 8.69 of the corresponding period.

3. 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 accounts for their continued support and co-operation.

on behalf of the Board

Naveed Riaz
Chief Executive
February 21, 2019



FIRST IMROOZ MODARABA

ڈائریکٹرز کی رپورٹ

فرسٹ امروز مضاربہ کی انتظامی کمپنی اے آر مینجمنٹ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز مضاربہ کی غیر آڈٹ شدہ ششماہی رپورٹ چھ ماہ اختتام 31 دسمبر 2018 کے مالی حسابات بشمول آڈیٹر کے جائزہ کے ساتھ پیش کرتے ہیں۔

نمایاں مالیاتی نکات

مضاربہ کے مالیاتی نتائج مندرجہ ذیل ہیں:

ششماہی اختتام		
31-Dec-17	31-Dec-18	
(ملین روپوں میں)		
422.382	371.664	فروخت اشیاء
75.854	55.192	مجموعی منافع
30.562	38.490	انتظامی اخراجات
0.479	0.092	دیگر آمدنی
44.713	14.331	قبل از ٹیکس منافع
18.636	19.167	ٹیکس
26.077	(4.835)	بعد از ٹیکس (نقصان) / منافع
8.69	(1.61)	نی کس سرٹیفکیٹ آمدنی / (بنیادی اور تحلیل شدہ) روپے

کارکردگی کا جائزہ

اس ششماہی میں مضاربہ کی اشیاء کی فروخت 371.664 ملین روپے تک رہی جبکہ اسکے مقابلے میں پچھلے دورانیے میں یہ فروخت 422.382 ملین روپے تھی۔ اسی مناسبت سے خام منافع 55.192 ملین روپے تک رہا، جب کہ اس کے مقابلے پچھلی مدت کے دوران خام منافع 75.854 ملین روپے تھا۔ اس کمی کا بنیادی سبب نا موافق معاشی حالات اور پاکستانی روپے کی قدر میں شدید کمی ہے۔ روپے کی قدر میں مسلسل کمی اور عالمی منڈی میں خام مال کی قیمتوں کے اتار چڑھاؤ کی وجہ سے مضاربہ کے لئے آنے والا وقت کٹھن لگ رہا ہے۔

اس کے علاوہ، مضاربہ نے اپنے ورکنگ کیپیٹل کی ضروریات کے لیے بینک سے جاری مشارکہ کی سہولت بھی لی ہے جسکی وجہ سے مراعات / مشارکہ کے خرچے بھی بڑھے۔

انتظامی اخراجات بڑھ کر 38.490 ملین روپے رہے جب کہ گزشتہ مدت میں یہ 30.562 ملین روپے تھے۔

نتیجتاً مضاربہ کا خالص نقصان ششماہی اختتام پہ 4.835 ملین روپے رہا، جبکہ گزشتہ مقابل مدت پہ خالص منافع 26.077 ملین روپے تھا۔

مضاربہ کی نی کس سرٹیفکیٹ آمدنی (1.61) روپے رہی جبکہ اسکے مقابلے میں پچھلے دورانیے میں نی کس سرٹیفکیٹ آمدنی 3.25 روپے تھی۔

اعتراف نامہ

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

منجانب بورڈ

نوید ریاض

چیف ایگزیکٹو

21 فروری، 2019

AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Imrooz Modaraba** (the Modaraba) as at December 31, 2018 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the condensed interim financial information) for the half year then ended. Management Company of the Modaraba (A R Management Services (Private) Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim cash flow statement for the quarter ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year then ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Dated: 27 FEB 2019
Place: Karachi



FIRST IMROOZ MODARABA

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2018**

	Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
		----- Rupees -----	
NON CURRENT ASSETS			
Property and equipment	3	10,415,113	11,644,710
Intangible assets		583,325	833,327
Long term deposits		490,752	490,752
		11,489,190	12,968,789
CURRENT ASSETS			
Stock in trade		233,515,173	265,573,803
Trade debtors - unsecured, considered good		96,471,035	113,779,339
Advances, deposits, prepayments and other receivables		1,608,132	1,019,034
Taxation		4,624,817	7,678,131
Cash and bank balances		11,669,639	14,070,366
		347,888,796	402,120,673
		359,377,986	415,089,462
CAPITAL AND RESERVES			
Authorised capital 10,000,000 Modaraba certificates of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid-up certificate capital		30,000,000	30,000,000
Statutory reserve		85,284,849	85,284,849
Revenue reserve		(2,270,000)	19,575,963
		113,014,849	134,860,812
NON CURRENT LIABILITY			
Defined benefit plan - Staff gratuity		26,911,347	25,036,785
CURRENT LIABILITIES			
Obligation under financing facilities	4	87,570,566	35,230,606
Qard-e-Hasana from Modaraba Management Company		4,100,000	120,000,000
Creditors, accrued and other liabilities		127,781,224	99,961,259
		219,451,790	255,191,865
CONTINGENCIES AND COMMITMENTS			
	5		
		359,377,986	415,089,462

The annexed notes from 1 to 9 form an integral part of these condensed interim financial information.

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER



FIRST IMROOZ MODARABA

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

Note	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- Rupees -----			
Sales - net	371,664,218	422,381,654	189,859,222	232,937,438
Cost of sales	(316,471,906)	(346,527,392)	(161,610,298)	(192,401,110)
Gross profit	55,192,312	75,854,262	28,248,924	40,536,328
Operating expenses	(38,490,623)	(30,561,920)	(21,802,960)	(14,820,142)
Operating profit	16,701,689	45,292,342	6,445,964	25,716,186
Murabaha / Musharaka charges	(2,170,086)	(1,058,614)	(1,490,982)	(371,943)
Other income	92,231	479,443	42,804	14,354
Sindh Workers' Welfare Fund	(292,476)	-	(99,955)	-
Profit before taxation	14,331,358	44,713,171	4,897,831	25,358,597
Taxation	(19,167,321)	(18,636,329)	(9,465,285)	(10,292,070)
(Loss)/profit for the period	(4,835,963)	26,076,842	(4,567,454)	15,066,527
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/ income for the period	(4,835,963)	26,076,842	(4,567,454)	15,066,527
Earnings per certificate - basic and diluted	(1.61)	8.69	(1.52)	5.02

The annexed notes from 1 to 9 form an integral part of these condensed interim financial information.

**NAVEED RIAZ
CHIEF EXECUTIVE**

**AMEED RIAZ
DIRECTOR**

**ATEED RIAZ
CHIEF FINANCIAL OFFICER**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
-----Rupees-----				
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	14,331,358	44,713,171	4,897,831	25,358,597
Adjustments for:				
Depreciation	2,009,127	1,856,151	988,394	957,139
Amortization	250,002	252,792	125,001	126,396
Loss / (gain) on disposal of equipment	3,415	(437,886)	10,414	-
Murabaha / Musharaka charges	2,170,086	1,058,620	1,490,982	371,949
Provision for staff retirement gratuity	1,874,562	1,337,478	937,281	668,739
Provision for doubtful debt	1,158,085	-	1,158,085	-
	7,465,277	4,067,155	4,710,157	2,124,223
	21,796,635	48,780,326	9,607,988	27,482,820
Changes in operating assets and liabilities				
Decrease / (increase) in current assets				
Stock in trade	32,058,630	(73,834,879)	34,149,379	35,596,109
Trade debtors	16,150,219	(30,737,334)	(5,194,890)	(37,004,470)
Advances, deposits, prepayments and other receivables	(589,098)	808,179	459,618	1,262,905
	47,619,751	(103,764,034)	29,414,107	(145,456)
Increase/ (decrease) in current liabilities				
Creditors, accrued and other liabilities	26,718,686	44,065,757	2,592,251	(29,138,984)
Cash generated from / (used in) operating activities	96,135,072	(10,917,951)	41,614,346	(1,801,620)
Murabaha / Musharaka charges paid	(1,867,136)	(1,232,532)	(898,740)	(594,586)
Taxes paid	(16,114,007)	(17,782,288)	(6,951,189)	(9,463,086)
Staff gratuity paid	-	(2,634,627)	-	-
Security deposit for Ijarah paid	-	(109,400)	-	(109,400)
Net cash generated from / (used in) operating activities	78,153,929	(32,676,798)	33,764,417	(11,968,692)
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(803,945)	(2,435,745)	(329,485)	(1,959,701)
Proceeds from disposal of property and equipment	21,000	655,000	14,000	-
Net cash used in investing activities	(782,945)	(1,780,745)	(315,485)	(1,959,701)
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(27,608,196)	-	(27,608,196)
Proceeds of Qard-e-Hasana from Modaraba Management Company	75,200,000	132,500,000	51,200,000	75,500,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(191,100,000)	(63,500,000)	(113,100,000)	(25,500,000)
Proceeds from Morabaha and Musharaka facilities	126,062,927	55,061,582	122,801,174	-
Repayment of Morabaha facility	(73,722,967)	(66,127,942)	(73,722,967)	(37,692,991)
Net cash (used in) / generated from financing activities	(63,560,040)	30,325,444	(12,821,793)	8,003,681
Net (decrease)/increase in cash and cash equivalents (A+B+C)	13,810,944	(4,132,099)	20,627,139	(5,924,712)
Cash and cash equivalents at the beginning of the period	14,070,366	7,427,068	7,254,171	9,219,681
Cash and cash equivalents at the end of the period	27,881,310	3,294,969	27,881,310	3,294,969

The annexed notes from 1 to 9 form an integral part of these condensed interim financial information.

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER



FIRST IMROOZ MODARABA

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	Issued, subscribed and paid-up certificate capital	Statutory reserve	Revenue reserve <u>Unappropriated profit / Accumulated loss</u>	Total
	----- Rupees -----			
Balance as at June 30, 2017	30,000,000	73,064,543	34,407,488	137,472,031
Transaction with owners				
Profit distribution for the year ended June 30, 2017 at Rs. 10 per certificate	-	-	(30,000,000)	(30,000,000)
Total comprehensive income for the half year ended December 31, 2017				
Profit for the period	-	-	26,076,842	26,076,842
Other comprehensive income	-	-	-	-
	-	-	26,076,842	26,076,842
Balance as at December 31, 2017	30,000,000	73,064,543	30,484,330	133,548,873
Total comprehensive income for the half year ended June 30, 2018				
Profit for the period	-	-	4,473,924	4,473,924
Other comprehensive income	-	-	(3,161,985)	(3,161,985)
	-	-	1,311,939	1,311,939
Transfer to statutory reserve	-	12,220,306	(12,220,306)	-
Balance as at June 30, 2018	30,000,000	85,284,849	19,575,963	134,860,812
Transaction with owners				
Profit distribution for the year ended June 30, 2018 at Rs. 5.67 per certificate	-	-	(17,010,000)	(17,010,000)
Total comprehensive income for the half year ended December 31, 2018				
Loss for the period	-	-	(4,835,963)	(4,835,963)
Other comprehensive income	-	-	-	-
	-	-	(4,835,963)	(4,835,963)
Balance as at December 31, 2018	30,000,000	85,284,849	(2,270,000)	113,014,849

The annexed notes from 1 to 9 form an integral part of these condensed interim financial information.

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** First Imrooz Modaraba (the Modaraba) was formed on September 27, 1993 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Rules framed 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 Limited.
- 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** This condensed interim financial information of the Modaraba has been prepared in accordance with:

- International Accounting Standard 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017,
- The requirements of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981; and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP).

In case where requirements differ, the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP shall prevail.

- 2.2** The SECP through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018. However, effective date of IFRS 9 has been modified as "Reporting period / year ending on or after June 30, 2019" vide SRO 229 (I)/2019 dated February 14, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.
- 2.3** The disclosures made in this condensed interim financial information have been limited, based on the requirements of International Accounting Standard 34 - Interim Financial Reporting. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the published annual financial statements of the Modaraba for the year ended June 30, 2018.
- 2.4** This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements under Section 237(1) of Companies Act 2017 and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.
- 2.5** This condensed interim financial information has been prepared under the historical cost convention except for defined benefit plan - staff gratuity which is carried as per actuarial valuation.
- 2.6** This condensed interim financial information is prepared in Pakistani Rupees which is the Modaraba's functional and presentation currency. The figures in this condensed interim financial information have been rounded off to the nearest rupee unless otherwise specified.
- 2.7 Significant accounting**

The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Modaraba for the year ended June 30, 2018 except for the following:

2.7.1 IFRS 15 – Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. It establishes a five-step model to account for revenue arising from contracts. Henceforth revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Modaraba has assessed that significant performance obligation in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Modaraba has concluded that it is in compliance with the requirements of the new accounting standard.

3. PROPERTY AND EQUIPMENT

Following additions and disposals, at cost, were made during the period / year :

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	----- Rupees -----	
Opening fixed assets (Net book value)	11,644,710	12,008,848
Additions	803,945	3,751,835
Disposals	(127,700)	(1,196,000)
Depreciation charge for the period / year	(2,009,127)	(3,882,191)
Depreciation on disposal of fixed assets	103,285	962,218
Closing fixed assets (Net book value)	<u>10,415,113</u>	<u>11,644,710</u>

4. OBLIGATION UNDER FINANCING FACILITIES

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		----- Rupees -----	
Modaraba facility	4.1	24,773,974	35,230,606
Musharika facility	4.2	62,796,592	-
		<u>87,570,566</u>	<u>35,230,606</u>

4.1 The Modaraba has availed this facility from Soneri Bank Limited. Sanctioned limit is Rs.40 million (June 2018: Rs. 40 million).

4.2 The Modaraba has availed running musharika facility from the Soneri Bank Limited under Running Musharika Arrangement with a sanctioned limit of Rs. 90 million in order to meet working capital requirement. This facility carries profit margin at 3 months KIBOR + 1.5%.

4.3 All facilities are secured against first hypothecation charge of Rs. 200 million on current assets (stock in trade and debts of Modaraba).

5. CONTINGENCIES AND COMMITMENTS

5.1 CONTINGENCIES

There are no contingencies other than those disclosed in annual financial statement for the year ended June 30, 2018, except the following:

The Collectorate of Customs (Adjudication-II) 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. 4,266,611 on the grounds that declared value of imported goods were lower than the assessable value.

The Modaraba, through its legal advisor, M/s Masood Aziz & Associates, filed its response to said show cause notice stating that the Directorate 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.

Since the matter is pending and the management is confident of favorable outcome, the management has not recorded any provision for the said amount in these condensed interim financial information.

5.2 Commitments

The Modaraba has issued post dated cheques to Collector of Customs amounting to Rs. 81,981,059 (June 30, 2018 : Rs.142,893,271) on account of custom dues / taxes on goods at bonded warehouse.

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs. 10,256,400 (June 30, 2018 : Nil).

6. TAXATION

Provision for taxation is provisional on the basis of presumptive tax regime. Final tax liability would be determined on the basis of annual results.

7. TRANSACTIONS WITH RELATED PARTIES

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:

	(Unaudited) December 31, 2018	(Unaudited) December 31, 2017
	----- Rupees -----	
Dividend paid to Modaraba Management Company	3,402,000	6,000,000
Dividend paid to key management personnel	4,268,943	7,529,000
Share of common expenses to group companies	508,029	821,793
Warehouse rent to group companies	1,840,500	1,840,500
Receipt of Qard-e-Hasana from Modaraba Management Company	75,200,000	132,500,000
Repayment of Qard-e-Hasana to Modaraba Management Company	191,100,000	63,500,000

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at period ended December 31, 2018, the Modarba does not hold any financial assets 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 the condensed interim financial information approximate their fair value.

9. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 21 February 2019.

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

ATEED RIAZ
CHIEF FINANCIAL OFFICER