

HALF YEARLY REPORT

For the period ended December 31, 2022
(Un-Audited)



FIRST IMROOZ MODARABA

Managed By
A R Management Services (Private) Limited



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 Mr. Aliuddin Ahmed
Audit Committee	Mr. Aliuddin Ahmed (Chairman) Mr. Omar Mohammad Khan (Member) Mrs. Saadat Ikram (Member)
Human Resource Committee	Mr. Aliuddin Ahmed (Chairman) Mr. Omar Mohammad Khan (Member) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
Chief Financial Officer	Mr. Muhammad Ali Baig
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 Bank AL Habib 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 would like to present to its certificate holders the Directors' Report together with Unaudited Financial Statements of the Modaraba for the half year ended December 31, 2022, duly reviewed by the statutory auditors.

1. Key Financial Highlights

	(Rupees in million)	
	Six months ended	
	31-Dec-2022	31-Dec-2021
Sales	704.617	741.780
Gross profit	78.046	135.035
Operating expenses	40.577	52.367
(Loss) / Profit for the half year	(1.380)	50.346
Earnings per certificate - basic & diluted (Rupees)	(0.46)	16.78

2. Review of Operations

During the half year ended December 31, 2022, turnover decreased to Rs. 704.617 million as compared to Rs. 741.780 million of the corresponding period.

Similarly, gross profit also decreased to Rs. 78.046 million as compared to Rs. 135.035 of the corresponding period i.e. by 42.20%.

The decline in the sale at Agro, Pharma, Textile, Construction and Automotive Industry is mainly due to the uncertain economic conditions and the effects of the climatic catastrophe faced by Pakistan.

Resultantly, the Modaraba incurred a loss of Rs. 1.380 million as compared to profit of Rs. 50.346 million for the corresponding period last year.

The earnings per certificate of the Modaraba worked out to Rs. (0.46) as compared to Rs. 16.78 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 partners for their continued support and co-operation.

For and on behalf of the Board

Naveed Riaz
Chief Executive

Ameed Riaz
Director

February 23, 2023

ڈائریکٹرز کی رپورٹ

فرسٹ امروز مضاربہ کی انتظامی کمپنی اے آر مینجمنٹ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز اپنے سرٹیفکیٹ ہولڈرز کو ڈائریکٹرز رپورٹ بشمول مضاربہ کے غیر آڈٹ شدہ مالی حسابات ششماہی اختتام 31 دسمبر، 2022ء بعد از آڈیٹر کے جائزہ کے پیش کرتے ہیں۔

نمایاں مالیاتی نکات

ششماہی اختتام		
31-Dec-2021	31-Dec-2022	
(ملین روپوں میں)		
741.780	704.617	فروخت اشیاء
135.035	78.046	مجموعی منافع
52.367	40.577	انتظامی اخراجات
50.346	(1.380)	ششماہی (خسارہ) / منافع
16.78	(0.46)	فی کس سرٹیفکیٹ آمدنی / (بنیادی اور تحلیل شدہ) روپے

کارکردگی کا جائزہ

نصف سال، 31 دسمبر، 2022ء کو ختم ہونے والی مدت کے دوران میں اشیاء کی فروخت کم ہو کر 704.617 ملین روپے رہی جبکہ اسکے مقابلے میں پچھلے دورانیے میں یہ فروخت 741.780 ملین روپے تھی۔

اسی طرح، مجموعی منافع بھی 42.20 فیصد کمی سے 78.046 ملین روپے رہا، جب کہ اس کے مقابلے پچھلی مدت کے دوران مجموعی منافع 135.035 ملین روپے تھا۔

غیر یقینی معاشی حالات اور پاکستان کو درپیش تباہ کن موسمی اثرات کے باعث مضاربہ کی زرعی، دواسازی، کپڑا سازی، تعمیراتی اور گاڑیوں کی صنعت کو ہونیوالی فروخت میں نمایاں کمی رہی۔

نتیجتاً ششماہی اختتام پہ مضاربہ کا خسارہ 1.380 ملین روپے رہا، جبکہ گزشتہ سال مقابل مدت پر یہ منافع 50.346 ملین روپے تھا۔

مضاربہ کی فی کس سرٹیفکیٹ آمدنی (0.46) روپے رہی جبکہ اسکے مقابلے میں پچھلے دورانیے میں فی کس سرٹیفکیٹ آمدنی 16.78 روپے تھی۔

اظہار تشکر

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

منجانب بورڈ

عمید ریاض

ڈائریکٹر

نوید ریاض

چیف ایگزیکٹو

23 فروری، 2023ء



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE CERTIFICATE HOLDERS OF FIRST IMROOZ MODARABA

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Imrooz Modaraba** ("the Modaraba") as at December 31, 2022 and the related condensed Interim profit and loss account and other comprehensive Income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred as the "condensed interim financial statements"). The Modaraba Management Company (A R Management Services (Private) Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

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 condensed interim financial statements 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 statements as at and for the half year ended December 31, 2022 are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the quarters ended December 31, 2022 and December 31, 2021 in the condensed interim profit and loss account and other comprehensive income have not been reviewed and we do not express a conclusion on them.

KARACHI

DATED: 28 FEB 2023

UDIN: RR202210166hip6MnEr4

CHARTERED ACCOUNTANTS

Engagement Partner: Tariq Feroz Khan



**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2022**

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	----- (Rupees) -----	
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	4	6,977,992
Intangible assets		853,527
Long term deposits		598,202
		<u>8,429,721</u>
CURRENT ASSETS		
Stock in trade		861,962,454
Trade debtors	5	215,435,549
Advances, deposits, prepayments and other receivables		29,436,909
Taxation		13,295,987
Cash and bank balances		11,395,354
		<u>1,131,526,253</u>
TOTAL ASSETS		<u><u>1,139,955,974</u></u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorized capital		
10,000,000 Modaraba certificates of Rs. 10/- each		100,000,000
		<u>100,000,000</u>
Issued, subscribed and paid-up certificate capital		30,000,000
Statutory reserve		118,733,257
Revenue reserve		17,123,846
		<u>165,857,103</u>
NON-CURRENT LIABILITIES		
Defined benefit plan - Staff gratuity		9,737,573
Obligation under financing facilities - Secured	6	1,727,509
		<u>11,465,082</u>
CURRENT LIABILITIES		
Obligation under financing facilities - Secured	6	141,571,707
Current portion of Deferred capital grant		-
Qard-e-Hasana from Modaraba Management Company		-
Creditors, accrued and other liabilities	7	821,062,082
		<u>962,633,789</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,139,955,974</u></u>
CONTINGENCIES AND COMMITMENTS	8	<u><u>888,908,444</u></u>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

**NAVEED RIAZ
CHIEF EXECUTIVE**

**AMEED RIAZ
DIRECTOR**

**ALIUDDIN AHMED
DIRECTOR**

**MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER**



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022**

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Note	----- (Rupees) -----		----- (Rupees) -----	
Sales	704,617,329	741,779,534	481,967,820	527,282,596
Cost of sales	(626,571,174)	(606,744,123)	(400,050,011)	(417,631,891)
Gross profit	78,046,155	135,035,411	81,917,809	109,650,705
Operating expenses	(40,576,939)	(52,366,560)	(16,193,201)	(29,052,439)
Operating profit	37,469,216	82,668,851	65,724,608	80,598,266
Financial charges	(5,383,938)	(3,305,554)	(2,786,722)	(1,417,684)
Other income	3,782,859	10,783,382	2,502,091	157,109
	35,868,137	90,146,679	65,439,977	79,337,691
Provision for Modaraba Management				
Company's fee	-	(4,507,334)	-	(3,426,435)
Provision for Sindh Workers' Welfare Fund	(717,363)	(1,712,787)	(1,308,800)	(1,518,225)
Profit before taxation	35,150,774	83,926,558	64,131,177	74,393,031
Taxation	(36,530,741)	(33,580,782)	(26,937,762)	(24,338,699)
(Loss) / profit for the period	(1,379,967)	50,345,776	37,193,415	50,054,332
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(1,379,967)	50,345,776	37,193,415	50,054,332
(Loss) / earnings per certificate - basic and diluted	(0.46)	16.78	12.40	16.68

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

**NAVEED RIAZ
CHIEF EXECUTIVE**

**AMEED RIAZ
DIRECTOR**

**ALIUDDIN AHMED
DIRECTOR**

**MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER**



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	Half year ended	
	December 31, 2022	December 31, 2021
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	35,150,774	83,926,558
Adjustments for non-cash and other items:		
Depreciation	1,345,150	1,212,238
Amortisation on intangible assets	163,798	78,798
Amortisation of deferred capital grant	(27,953)	(169,037)
Gain on disposal of assets	(1,203,499)	-
Financial charges	5,383,938	3,305,554
Provision for staff retirement gratuity	300,740	-
Reversal of provision for doubtful debts	(2,372,411)	(10,471,621)
	3,589,763	(6,044,068)
Operating profit before working capital changes	38,740,537	77,882,490
Changes in operating assets and liabilities		
Increase in current assets		
Stock in trade	(213,487,397)	(79,592,329)
Trade debtors	(12,895,694)	91,409,388
Advances, deposits, prepayments and other receivables	(13,221,071)	(16,329,358)
	(239,604,162)	(4,512,299)
Increase in current liabilities		
Creditors, accrued and other liabilities	257,324,121	149,842,313
Cash generated from operations	56,460,496	223,212,504
Financial charges paid	(5,421,784)	(3,581,372)
Income Taxes paid	(40,473,378)	(38,633,509)
Staff gratuity paid	(3,300,616)	-
Net cash generated from operating activities	7,264,718	180,997,623
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(262,135)	(2,079,963)
Proceeds from disposal of property and equipment	1,203,500	-
Net cash generated from / (used in) investing activities	941,365	(2,079,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(16,010,605)	(44,702,401)
Receipts of Qard-e-Hasana from Modaraba Management Company	177,500,000	92,800,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(232,500,000)	(92,800,000)
Repayment of Salam finances	(1,376,727)	(4,711,537)
Repayment of Musharaka finances	(14,443,617)	(8,244,169)
Receipts from Musawamah finances	195,000,000	175,000,000
Repayment of Musawamah finances	(110,000,000)	(225,000,000)
Net cash used in financing activities	(1,830,949)	(107,658,107)
Net increase in cash and cash equivalents	6,375,134	71,259,554
Cash and cash equivalents at the beginning of the period	5,020,220	11,718,112
Cash and cash equivalents at the end of the period	11,395,354	82,977,665

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

ALIUDDIN AHMED
DIRECTOR

MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	Paid-up certificate	Statutory reserve	Revenue reserve	Total
			Unappropriated profit	
----- (Rupees) -----				
Balance as at July 01, 2021	30,000,000	117,514,820	54,867,344	202,382,164
Total comprehensive income for the period				
Profit for the period	-	-	50,345,776	50,345,776
Other comprehensive income	-	-	-	-
	-	-	50,345,776	50,345,776
Transaction with owners				
Profit distribution for the year ended				
June 30, 2021 @ Rs. 15.50 per certificate	-	-	(46,500,000)	(46,500,000)
Balance as at December 31, 2021	<u>30,000,000</u>	<u>117,514,820</u>	<u>58,713,120</u>	<u>206,227,940</u>
Balance as at July 01, 2022	30,000,000	118,733,257	35,003,813	183,737,070
Total comprehensive income for the period				
Loss for the period	-	-	(1,379,967)	(1,379,967)
Other comprehensive income	-	-	-	-
	-	-	(1,379,967)	(1,379,967)
Transaction with owners				
Profit distribution for the year ended				
June 30, 2022 @ Rs. 5.50 per certificate	-	-	(16,500,000)	(16,500,000)
Balance as at December 31, 2022	<u>30,000,000</u>	<u>118,733,257</u>	<u>17,123,846</u>	<u>165,857,103</u>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

ALIUDDIN AHMED
DIRECTOR

MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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 Management Company). The Modaraba commenced its commercial operations from March 01, 1994. The Modaraba is listed on Pakistan Stock Exchange.
- 1.2 The Modaraba has entered into rental agreements for the use of premises and warehouses of its associated companies, the details of which are as under;
- (i) Principal place of business of the Modaraba: Room No. 405, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Line Quarters, Karachi, Sindh, Pakistan.
 - (ii) Karachi warehouse: C-28, S.I.T.E, Karachi.
 - (iii) Lahore branch / warehouse: Plots # 125-S, Small Industries Area, Kot Lakhpat, Lahore.

Transaction-wise details of the above arrangements have been presented in note 11 to these financial statements.

- 1.3 It is a multi purpose, perpetual Modaraba and is mainly engaged in domestic and international trading activities. The Modaraba primarily trades in industrial raw materials, catering to numerous industries like paint, coatings, pharmaceuticals, food, agriculture, personal care, household, textile etc.

2 BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1 This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34 - Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, 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 (SECP) ['the Modaraba Regulations'].



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, requirements of 'the Modaraba Regulations' have been followed.

Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 1827 (I)/2022 dated September 29, 2022 has deferred the effective date for applicability of International Financial Reporting Standard (IFRS) 9 - 'Financial Instruments' for Non-Banking Finance Companies and Modarabas. The said standard has superseded International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement'. IFRS 9 is now effective for reporting period / year ending on or after June 30, 2024. The Modaraba has already adopted IFRS 9 from the year ended June 30, 2019.

- 2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS 34. 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 annual published audited financial statements of the Modaraba for the year ended June 30, 2022.
- 2.1.3 The comparative statement of balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2022, whereas the comparative condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2021.
- 2.1.4 These interim financial statements are unaudited but subject to limited scope review by the external auditors as required by the Code of Corporate Governance and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.
- 2.1.5 The figures of the condensed interim profit and loss account and other comprehensive income for the quarters ended December 31, 2021 and December 31, 2022 have not been reviewed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention and have been prepared following accrual basis of accounting except for cash flow statement.



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

2.3 Functional and presentation currency

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.

**3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES,
ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN**

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Modaraba for the year ended June 30, 2022.
- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use of judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2022.
- 3.4 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2022. These standards, interpretations and amendments are either not relevant to the Modaraba's operations or are not expected to have a significant effect on this condensed interim financial information.
- 3.5 The Modaraba's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Modaraba for the year ended June 30, 2022.



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	-----	-----
	(Rupees)	
4	PROPERTY AND EQUIPMENT	
	Following additions and disposals, at cost, were made during the period / year :	
	8,061,008	4,687,975
Opening fixed assets (net book value)		
Additions	262,135	5,984,163
Disposals	(1,883,450)	(328,126)
Depreciation charge for the period / year	(1,345,150)	(2,559,954)
Depreciation on disposals during the period / year	1,883,449	276,950
Closing fixed assets (net book value)	<u>6,977,992</u>	<u>8,061,008</u>
5	TRADE DEBTORS	
	(Unsecured)	
Considered good	218,235,848	203,994,868
Considered doubtful	4,021,201	5,366,487
	<u>222,257,049</u>	<u>209,361,355</u>
Less: Provision for expected credit losses	5.1 (6,821,500)	(9,193,911)
	<u>215,435,549</u>	<u>200,167,444</u>
5.1	Provision for expected credit losses	
	9,193,911	15,416,798
Opening balance	-	4,248,734
Provision made during the period / year	(2,372,411)	(10,471,621)
Provision reversed during the period / year	(2,372,411)	(6,222,887)
Written off	-	-
Closing balance	<u>6,821,500</u>	<u>9,193,911</u>
6	OBLIGATION UNDER FINANCING FACILITIES - SECURED	
Musharaka Financing Facility	6.1 & 6.2 3,299,216	17,742,833
Less: non-current portion under Musharaka financing facility	(1,727,509)	(2,032,364)
Current portion under Musharaka financing facility	1,571,707	15,710,469



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

		(Un-audited)	(Audited)
		December 31,	June 30,
		2022	2022
Note		----- (Rupees) -----	
Salam financing facility	6.3 & 6.6	-	1,348,774
Less: non-current portion under Salam financing facility		-	-
Current portion under Salam financing facility		-	1,348,774
Musawamah financing facility	6.4	140,000,000	55,000,000
		<u>141,571,707</u>	<u>72,059,243</u>

- 6.1 The Modaraba has availed Running Musharaka Financing facility from Bank AL Habib Limited with sanctioned limit of Rs. 30 million (June 30, 2022: Rs. 15 million). This facility has been obtained to finance working capital requirements of the Modaraba and carries profit at the rate of 1.5% (June 30, 2022: 1.5%) over 3 months average KIBOR.
- 6.2 The Modaraba has obtained Diminishing Musharaka financing facility with a sanctioned limit of Rs. 10 million (June 30, 2022: Rs. 10 million) from Bank AL Habib Limited for the purchase of locally manufactured brand new / used commercial and non-commercial vehicles for Modaraba's / staff use. The facility carries profit at the rate 2.25% over 1 year KIBOR and is repayable within 5 years from the date of delivery of vehicle(s).
- 6.3 The Modaraba availed Salam financing facility from Soneri Bank Limited offered by State Bank of Pakistan under the name of "Islamic SBP Refinance" for payment of wages and salaries for six months from April 2020 to September 2020 to cater the economic turmoil due to COVID-19. The tenor of the financing was nineteen months inclusive of the grace period and were repayable in eight equal quarterly installments starting from March 2021 and going till December 2022.
- 6.4 The Modaraba has also availed Musawamah financing facility from Bank AL Habib Limited with a sanctioned limit of Rs. 230 million (June 30, 2022: Rs. 130 million) to finance sale of inventory owned by the Modaraba. The facility carries profit at the rate 1.5% (June 30, 2022: 1.5%) over 3 months average KIBOR.
- 6.5 Musharaka financing facility and Musawamah financing facility from Bank AL Habib Limited are secured against:
- Registered Hypothecation Charge over current assets, including stocks & book debts of the Modaraba amounting to Rs. 334 million (June 30, 2022: Rs. 267 million) (including 25% margin),



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

- Registered Specific Hypothecation Charge over vehicle(s) amounting to Rs. 10 million
- HPA marking over vehicle(s) in Excise and Taxation department in favour of Bank AL Habib Limited under Diminishing Musharaka arrangement and;
- Equitable mortgage charge over immoveable properties and personal guarantees of directors of the Modaraba for Rs. 334 million (June 30, 2022: Rs. 267 million) each.

6.6 Salam financing facility was secured against equitable mortgage charge over immoveable properties and personal guarantees of directors.

	(Un-audited)	(Audited)
	December 31,	June 30,
	2022	2022
Note	-----	(Rupees) -----

7 CREDITORS, ACCRUED AND OTHER LIABILITIES

Import bills payable		786,493,210	527,430,689
Creditors		5,074,958	2,473,348
Accrued liabilities		6,467,511	7,018,019
Unclaimed profit distribution		9,667,362	9,177,967
Sindh Workers' Welfare Fund	7.1	13,359,041	12,641,678
Management fee payable to Modaraba Management Company		-	4,572,664
		<u>821,062,082</u>	<u>563,314,365</u>

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

The Sindh Workers Welfare Fund Act, 2014 (Sindh WWF Act) was passed by the Sindh Assembly 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 NBFi & 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.



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 There is no change in the status of matter of show cause notice issued to the Modaraba by the Collectorate of Customs, Karachi for recovery of Customs Duty, Additional Customs Duty, Sales Tax and Income Tax as disclosed in note 22.1.1 of the annual audited financial statements of the Modaraba for the year ended June 30, 2022.

8.1.2 The Modaraba has issued post dated cheques to Collector of Customs amounting to Rs. 337.739 million (June 30, 2022: Rs.157.335 million) on account of custom dues and taxes on goods at bonded warehouse.

8.2 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounted to Rs. 5.037 million (June 30, 2022 : Rs. 10.658 million).

9 TAXATION

Under Division II, Part I of the First Schedule to the Income Tax Ordinance, 2001, the income of the Modaraba is liable to be taxed at 29%. However, tax charge due to minimum tax regime is significantly higher than normal.

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

As at period ended December 31, 2022, 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 the condensed interim financial information approximate their fair value.

11 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:



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	(Un-audited) December 31, 2022	(Un-audited) December 31, 2021
	----- (Rupees) -----	
Dividend paid to Modaraba Management Company	3,300,000	9,300,000
Dividend paid to key management personnel	4,387,900	11,677,700
Share of common expenses to group companies	1,496,234	1,090,702
Warehouse / Office rent to group companies	3,368,800	3,471,800
Receipt of Qard-e-Hasana from Modaraba Management Company	177,500,000	92,800,000
Repayment of Qard-e-Hasana to Modaraba Management Company	232,500,000	92,800,000

12 GENERAL

- 12.1 Figures in these condensed interim financial statements have been rounded off to the nearest Rupees, unless otherwise stated.
- 12.2 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, there are no material reclassifications to report.

13 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorised for issue on 28-Feb-2023 by the Board of Directors of the Modaraba Management Company M/s. A R Management Services (Private) Limited.

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

NAVEED RIAZ
CHIEF EXECUTIVE

AMEED RIAZ
DIRECTOR

ALIUDDIN AHMED
DIRECTOR

MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER