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## **VISION / MISSION STATEMENT**

IMROOZ is committed to:

- operate its business activities in accordance with Islamic Sharia'a in its true spirit and zeal.
- employ its funds in the best possible way and to promote and use human talents, to maximize the profit for its certificate holders.
- provide products and services that meet or preferably exceed the need and expectations of its customers in a cost effective manner and to provide satisfactory returns to its certificate holders, principals and stakeholders.
- its policies and performance that it hopes will positively contribute to society and help build a stronger and progressive Pakistan.

## **CODE OF CONDUCT**

1. The objective of Imrooz is to engage efficiently, responsibly and profitably in its businesses. Imrooz seeks a high standard of performance and aims to maintain a long term position in its respective competitive environment.
2. Imrooz recognizes the responsibility:
  - to protect its certificate holder's investment and strive hard to provide them with better return;
  - to maintain and enhance its customer base by providing products and services which offer value in terms of price and quality.
  - to encourage growth of its employees, provide them with good working conditions and competitive terms and conditions of service and treat them without any discriminative policies on the basis of race, religion, gender or any other factor.
  - to conduct business as responsible corporate members of the society, and to comply with obligations enforced by regulatory agencies for improving corporate performance.
3. Imrooz insists on honesty, integrity and fairness in all aspects of their business.
4. Imrooz believes in free and fair business practices in open competitive markets.

## MODARABA INFORMATION

<b>Modaraba Management Company</b>	:	A R Management Services (Private) Ltd.
<b>Directors of Modaraba Company</b>	:	Mr. Naveed Riaz Chief Executive Mrs. Saadat Ikram Mr. Ameer Riaz Mr. Omar Mohammad Khan
<b>Chief Financial Officer</b>	:	Mr. Ateed Riaz
<b>Audit Committee</b>	:	Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
<b>Human Resource Committee</b>	:	Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
<b>Company Secretary</b>	:	Mr. Shabbir Ahmed Jamsa
<b>Chief Internal Auditor</b>	:	Mr. Abbas Kerani
<b>Auditors</b>	:	M/s. BDO Ebrahim & Co. Chartered Accountants
<b>Bankers</b>	:	Soneri Bank Limited Bank Alfalah Limited
<b>Legal Advisors</b>	:	Mr. Altaf Hussain, Advocate M. Akram Zuberi & Company Advocates
<b>Shariah Advisor</b>	:	Mufti Abdul Qadir
<b>Principal place of business</b>	:	Room No. 405, 4th Floor Beaumont Plaza, Beaumont Road Civil Lines Quarters, Karachi.
<b>Registered Office of the Modaraba Company</b>	:	125-S, Small Industrial Area Kot Lakhpat, Lahore.
<b>Certificate Registration Office</b>	:	Technology Trade (Pvt.) Ltd. Dagia House 241-C, Block-2, PECHS, 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, 2015.

### 1. Operating Results

The financial results of the Modaraba are summarized below:

	(Rupees in million)	
	2015	2014
Profit before taxation	59.869	43.063
Taxation	<u>32.716</u>	<u>26.547</u>
Profit for the year	27.153	16.516
Appropriations		
Transfer to Statutory Reserve	1.358	0.826
Profit after appropriation	<u>25.795</u>	<u>15.690</u>
Earnings per certificate-basic & diluted	Rs. <u>9.05</u>	<u>5.51</u>

### 2. Review of Financial Performance

Alhamdulillah, the turnover of your Modaraba for the year ended 30 June 2015 increased to Rs.730.55 million as against Rs. 624.10 million of the corresponding year. The Gross profit also increased to Rs.106.03 million as against Rs.80.36 million. The appreciation in the results is mainly attributed to increase in turnover, economic stability and lesser fluctuation of foreign currencies during FY 2014-15.

The other income for the year is Rs. 0.70 million as compared to Rs. 2.97 million last year.

Resultantly, Modaraba's annual profit increased to Rs.27.15 million as compared to Rs. 16.52 million of the last year.

After considering these results, the Board of Directors have decided to transfer 5% of the profit to Statutory Reserve and a final profit distribution @ 90% i.e. Rs.9/- per certificate to the Certificate holders.

### 3. Auditors

The present auditors M/s BDO Ebrahim & Co., Chartered Accountants, retired. As per requirement of clause xxxvii of Code of Corporate Governance, Modarabas have to change their external auditor every five year. As BDO Ebrahim & Co., Chartered Accountants has been appointed as auditors of the Modaraba in 2010 therefore on the recommendation of Audit Committee, the Board has approved the appointment of Deloitte Yousuf Adil Chartered Accountants as auditors for the year ending June 30, 2016, subject to approval of the Registrar, Modaraba Companies and Modarabas.

### 4. Corporate Governance

Your Directors are pleased to report that:

- 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.
- proper books of account of the Modaraba have been maintained.
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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.
- the system of internal control is sound in design and has been effectively implemented and monitored.
- there are no significant doubts upon the Modaraba's ability to continue as a going concern.
- there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 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	2015	2014	2013	2012	2011	2010	2009
			Restated				
Fixed Assets	6.98	7.41	4.57	6.27	6.37	8.02	5.44
Working Capital	139.02	125.42	141.89	124.42	119.48	112.30	103.89
Certificate Holders Equity	129.63	117.47	130.97	117.56	116.95	112.18	102.51
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	730.55	624.10	641.67	711.42	681.36	628.53	474.52
Gross Profit	106.03	80.36	90.91	98.80	92.55	78.07	58.78
Profit after Taxation	27.15	16.52	32.75	24.60	27.57	28.57	22.07
Profit Distribution - Cash	90%	50%	100%	65%	73.5%	76%	63%
Earnings per Certificate-Rs.	9.05	5.51	10.92	8.20	9.19	9.52	7.36
Break-up value per Certificate-Rs.	43.21	39.16	43.66	39.19	38.98	37.39	34.17

- i) pattern of certificate holding of the Modaraba and certificate holders' information as required under the Modaraba Rules and the Listing Regulations of Karachi Stock Exchange are included in this report.

## 5. Transfer Pricing

Your 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 Karachi Stock Exchange.

## 6. Board Meetings

During the year, four (4) meetings of the Board of Directors were held. Attendance by each director is as follows.

	<u>Attended</u>
Mr. Naveed Riaz	4
Mr. Ameer Riaz	4
Mr. Omar Mohammad Khan	4
Mrs. Saadat Ikram	4

## 7. Acknowledgement

The Board wishes to express its thanks for continued guidance and support extended by the Registrar, Modaraba and other officials of Securities and Exchange Commission of Pakistan. The Board also wishes to thank its certificate holders, colleagues, investors, bankers and business associates for their continued support and co-operation and above all appreciates the dedication and hard work of each staff member of the Modaraba.

on behalf of the Board

**Naveed Riaz**  
Chief Executive

16 September, 2015

## TEN YEARS AT A GLANCE

(Rupees in million)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
			Restated							
<b>Balance Sheet Information</b>										
Authorized capital	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
Certificate capital	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Statutory reserve & surplus	99.628	87.475	100.971	87.565	86.950	82.178	72.508	62.442	66.776	56.681
Certificate holders' equity	129.628	117.475	130.971	117.565	116.950	112.178	102.508	92.442	96.776	86.681
Deferred liability - staff gratuity	16.376	15.362	15.493	13.125	8.900	8.140	6.820	4.861	3.574	3.169
Qard-e-Hasna from Modaraba management company	-	-	-	31.000	15.000	13.500	-	-	-	-
Short term borrowing - Morabaha finances	26.886	29.308	33.623	43.018	33.367	7.627	-	22.320	-	40.955
Current liabilities	146.238	140.708	162.152	217.317	190.541	104.671	76.989	110.573	45.296	93.370
Fixed Assets	6.979	7.413	4.575	6.274	6.368	8.023	5.439	6.746	5.054	5.821
Stock-in-trade	162.806	164.743	187.303	182.523	202.757	83.534	65.925	102.736	51.081	108.794
Trade debtors	107.237	75.593	81.998	122.180	82.969	122.261	59.763	36.461	37.612	40.696
Investments	-	-	-	1.104	1.213	1.275	0.796	2.476	4.613	3.938
Current assets	285.263	266.132	304.042	341.734	310.020	216.966	180.878	201.130	140.591	177.397
<b>Operational Results</b>										
Sales	730.551	624.104	641.673	711.425	681.364	628.533	474.517	429.742	402.845	427.015
Cost of sales	624.519	543.741	550.759	612.621	588.809	550.465	415.738	378.537	346.812	366.781
Gross profit	106.032	80.363	90.914	98.804	92.555	78.068	58.779	51.205	56.033	60.234
Other income	0.702	2.969	2.329	2.108	1.805	2.429	1.760	3.977	2.982	3.725
Murabaha charges	3.777	2.595	3.761	5.076	5.321	1.838	-	-	-	-
Workers welfare fund	-	-	-	-	-	1.072	-	-	-	-
Operating expenses	43.088	37.674	31.497	35.348	29.425	25.521	22.507	20.795	18.709	20.639
(Diminution) / unrealised appreciation on remeasurement of investment - net	-	-	-	(0.030)	(0.062)	0.479	(1.727)	(0.490)	1.563	(0.503)
Operating profit	62.944	42.689	59.417	63.456	63.130	52.547	36.272	30.410	37.324	39.595
Profit payable to the modaraba company as their remuneration	-	-	-	5.441	5.36	4.204	2.607	2.712	2.931	2.997
Profit before tax	59.869	43.063	57.985	55.017	54.192	48.341	29.982	31.185	38.938	39.821
Taxation	32.716	26.547	25.235	30.418	26.618	19.771	7.917	16.018	15.684	19.200
Profit after tax	27.153	16.516	32.750	24.599	27.574	28.570	22.065	15.167	23.254	20.621
Transfer to statutory reserve	1.357	0.826	1.637	4.920	5.515	5.714	2.206	3.030	4.651	4.124
	5%	5%	5%	20%	20%	20%	10%	20%	20%	20%
<b>Profit Distribution</b>										
Profit distribution	27.000	15.000	30.000	19.500	22.050	22.800	18.900	12.000	19.500	15.600
Rate per certificate	90.0%	50.0%	100.0%	65.0%	73.5%	76.0%	63.0%	40.0%	65.0%	52.0%
<b>Financial Ratios</b>										
Gross profit - % of sales	14.51%	12.88%	14.17%	13.89%	13.58%	12.42%	12.39%	11.92%	13.91%	14.11%
Operating expenses - % of sales	5.90%	6.04%	4.91%	4.97%	4.32%	4.06%	4.74%	4.84%	4.64%	4.83%
Operating profit - % of sales	8.62%	6.84%	9.26%	8.92%	9.27%	8.36%	7.64%	7.08%	9.27%	9.27%
Profit before tax - % of sales & other income	8.19%	6.87%	9.00%	7.71%	7.93%	7.66%	6.30%	7.19%	9.59%	9.24%
Profit after tax - % of sales & other income	3.71%	2.63%	5.09%	3.45%	4.04%	4.53%	4.63%	3.50%	5.73%	4.79%
<b>Return to Certificate holders</b>										
Return on equity - before tax	46.19%	36.66%	44.27%	46.80%	46.34%	43.09%	29.25%	33.73%	40.24%	45.94%
Return on equity - after tax	20.95%	14.06%	25.01%	20.92%	23.58%	25.47%	21.53%	16.40%	24.03%	23.79%
Earning per certificate - Rs.	9.05	5.51	10.92	8.20	9.19	9.52	7.36	5.06	7.75	6.87
Profit distribution per certificate - Rs.	9.00	5.00	10.00	6.50	7.35	7.60	6.30	4.00	6.50	5.20
Market price per certificate - Rs.	53.00	53.72	60.76	52.61	62.65	47.51	32.00	36.20	42.00	35.50
Break-up value per certificate - Rs.	43.21	39.16	43.66	39.19	38.98	37.39	34.17	30.81	32.26	28.89

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST IMROOZ MODARABA (the Modaraba) as at June 30, 2015 and the related statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 Management Company 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;



- ii) the expenditure incurred during the year was for the purpose of the Modaraba's business, and
  - iii) the business conducted, investments made and 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the 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, 2015 and of the comprehensive income, 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.

KARACHI

DATED: 16 SEP 2015



CHARTERED ACCOUNTANTS

Engagement partner: Zulfikar Ali Causer



FIRST IMROOZ MODARABA

## BALANCE SHEET AS AT JUNE 30, 2015

	Notes	2015 Rupees	2014 Rupees
<b>NON CURRENT ASSETS</b>			
Property and equipment	5	6,703,667	6,989,826
Intangible assets	6	275,738	423,098
		<u>6,979,405</u>	<u>7,412,924</u>
<b>CURRENT ASSETS</b>			
Stock in trade	7	162,806,656	164,742,951
Trade debtors	8	107,237,065	75,593,355
Advances, deposits, prepayments and other receivables	9	466,886	2,715,414
Taxation	10	4,783,931	3,311,831
Cash at bank	11	9,969,276	19,768,400
		<u>285,263,814</u>	<u>266,131,951</u>
		<u>292,243,219</u>	<u>273,544,875</u>
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
10,000,000 Modaraba Certificates of Rs.10/- each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up certificate capital	12	30,000,000	30,000,000
Statutory reserve	13	69,298,719	67,941,076
Revenue reserve	14	30,329,434	19,534,227
		<u>129,628,153</u>	<u>117,475,303</u>
<b>NON-CURRENT LIABILITY</b>			
Staff gratuity	15	16,376,541	15,361,748
<b>CURRENT LIABILITIES</b>			
Obligation under murabaha finances	16	26,885,708	29,308,807
Creditors, accrued and other liabilities	17	119,352,817	111,399,017
		<u>146,238,525</u>	<u>140,707,824</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	18	<u>292,243,219</u>	<u>273,544,875</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**Naveed Riaz**  
Chief Executive

**Ameed Riaz**  
Director

**Mrs. Saadat Ikram**  
Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Notes</b>	<b>2015 Rupees</b>	<b>2014 Rupees</b>
Sales		730,550,779	624,104,524
Cost of sales	19	624,519,118	543,741,224
Gross profit		106,031,661	80,363,300
Operating expenses	20	43,087,929	37,674,317
Operating profit		62,943,732	42,688,983
Murabaha charges		( 3,777,394)	( 2,595,169)
Other income	21	702,424	2,969,188
Profit before taxation		59,868,762	43,063,002
Taxation	22	( 32,715,912)	( 26,547,365)
Profit for the year*		27,152,850	16,515,637
Other comprehensive (loss) / income			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit liability		-	(11,249)
Total comprehensive income for the year carried to equity		27,152,850	16,504,388
Earnings per certificate - basic and diluted	23	9.05	5.51

\*For more than 90% profits distribution please see note 14 and 27.

The annexed notes from 1 to 29 form an integral part of these financial statements.

**Naveed Riaz**  
Chief Executive

**Ameed Riaz**  
Director

**Mrs. Saadat Ikram**  
Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	2015 Rupees	2014 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	59,868,762	43,063,002
Adjustments for:		
Depreciation on property and equipment	2,053,958	2,073,432
Amortization of intangible assets	147,360	218,077
Gain on disposal of property and equipment	-	(1,787,378)
Murabaha charges	3,777,394	2,595,169
Provision for staff gratuity	3,074,173	2,831,895
	<u>9,052,885</u>	<u>5,931,195</u>
	68,921,647	48,994,197
Changes in operating assets and liabilities		
(Increase) / decrease in current assets		
Stock in trade	1,936,295	22,560,004
Trade debtors	(31,643,710)	6,405,195
Advances, deposits, prepayments and other receivables	2,248,528	(1,086,792)
	<u>(27,458,887)</u>	<u>27,878,407</u>
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	7,916,389	(18,167,424)
	<u>49,379,149</u>	<u>58,705,180</u>
Taxes paid	(34,188,012)	(26,511,612)
Murabaha charges paid	(3,912,230)	(2,651,624)
Gratuity paid	(2,059,380)	(2,974,380)
Net cash generated from operating activities	<u>9,219,527</u>	<u>26,567,564</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,767,800)	(5,534,447)
Purchase of intangible assets	-	(22,333)
Proceeds from disposal of property and equipment	-	2,214,544
Net cash used in investing activities	<u>(1,767,800)</u>	<u>(3,342,236)</u>

	<b>2015</b> <b>Rupees</b>	<b>2014</b> <b>Rupees</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution	(14,827,753)	(28,907,117)
Receipt of Qard-e-Hasana from Modaraba Management Company	112,200,000	69,500,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(112,200,000)	(69,500,000)
Proceeds from murabaha finances	145,977,444	95,234,243
Repayment of murabaha finances	(148,400,542)	(99,547,975)
Net cash used in financing activities	<u>(17,250,851)</u>	<u>(33,220,849)</u>
Net decrease in cash and cash equivalents (A+B+C)	(9,799,124)	(9,995,521)
Cash and cash equivalents at the beginning of the year	19,768,400	29,763,921
Cash and cash equivalents at the end of the year	<u>9,969,276</u>	<u>19,768,400</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**Naveed Riaz**  
Chief Executive

**Ameed Riaz**  
Director

**Mrs. Saadat Ikram**  
Director



FIRST IMROOZ MODARABA

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid up certificate capital	Statutory reserve	Revenue reserve (Un- appropriated profit)	Total
	..... Rupees .....			
Balance as at July 01, 2013 (Restated)	30,000,000	67,115,294	33,855,621	130,970,915
Profit distribution for the year ended June 30, 2013 at Rs. 10.00 per certificate	-	-	(30,000,000)	(30,000,000)
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	16,515,637	16,515,637
Remeasurement of defined benefit liability	-	-	(11,249)	(11,249)
	-	-	16,504,388	16,504,388
Transfer to statutory reserve	-	825,782	(825,782)	-
Balance as at June 30, 2014	30,000,000	67,941,076	19,534,227	117,475,303
Profit distribution for the year ended June 30, 2014 at Rs. 5.00 per certificate	-	-	(15,000,000)	(15,000,000)
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	27,152,850	27,152,850
Transfer to statutory reserve	-	1,357,643	(1,357,643)	-
Balance as at June 30, 2015	<u>30,000,000</u>	<u>69,298,719</u>	<u>30,329,434</u>	<u>129,628,153</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**Naveed Riaz**  
Chief Executive

**Ameed Riaz**  
Director

**Mrs. Saadat Ikram**  
Director

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 First Imrooz Modaraba (the Modaraba) was formed on September 27, 1993 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Rules framed thereunder and is managed by A R Management Services (Private) Limited. The Modaraba commenced its commercial operations from March 01, 1994. The Modaraba is listed on the Karachi Stock Exchange.
- 1.2 It is a multi purpose, perpetual Modaraba and is mainly engaged in domestic and international trading activities.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan ["the Modaraba Regulations"] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas. Wherever the requirements of "the Modaraba Regulations" differ from the requirements of these standards, the requirements of "the Modaraba Regulations" take precedence.

#### **2.2 Basis of measurement**

These financial statements have been prepared under the "historical cost convention" except for the revaluation of certain financial assets which are stated at fair value and recognition of employee retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

#### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:

**a) Defined benefit plan**

Certain actuarial assumptions have been adopted as disclosed in note 15 of these financial statements for valuation of present value of defined benefit obligation and fair value of planned assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

**b) Provision for doubtful debts**

Management has made estimates for realizable amount of unsecured debts to determine provision for doubtful debts. Any future change in the estimated realizable amounts might affect carrying amount of trade debts with corresponding effect on amounts recognized in profit and loss account as provision / reversal.

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

**3.1** There is a new Standard, certain amendments to the approved accounting standards and interpretations issued by International Accounting Standards Board (IASB) which became effective during the year but are considered not to be relevant or have any significant effect on the Modaraba's operations and are, therefore, not disclosed in these financial statements.

**3.2 New standards and amendments to approved accounting standards that are not yet effective and have not been early adopted by the Modaraba:**

There are certain new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan. The Modaraba expects that the adoption of these 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.

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Property and equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is charged to income at the rates specified in note 5 by applying the straight line method whereby the cost of an asset is written off over its estimated useful life. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet 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 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 are stated at the lower of cost determined by first in first out method and net realizable value. The cost includes expenditure incurred in acquiring the stock items and other costs incurred in bringing them to use. 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, wherever applicable.

#### **4.4 Trade debtors and other receivables**

Trade debtors and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

#### **4.5 Taxation**

Provision for taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any. For items covered under presumptive tax regime, provision was made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001. The Modaraba followed the recommendations of the Institute of Chartered Accountants of Pakistan, that "tax paid at import stage under Final Tax Regime should be recognized as a tax expense in the period in which the related goods are sold. Accordingly, the portion of the tax paid that pertains to the unsold inventory is carried forward in the balance sheet as taxation".

#### **4.6 Cash and bank balances**

Cash and bank balances are carried at nominal value.

#### **4.7 Cash and cash equivalent**

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purpose of cash flow statement, cash and cash equivalents consist of balances with banks.

#### **4.8 Staff retirement benefits**

The Modaraba operates an unfunded defined benefit plan comprising of 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 and are charged to income. Most recent valuation was carried out by a qualified actuary in accordance with IAS 19 "Employees Benefits" on June 30, 2014 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for actuarial gains and losses and as reduced by the fair value of plan assets.

#### **4.9 Trade creditors and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods received and services rendered whether billed to the Modaraba or not.

#### **4.10 Provisions**

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **4.11 Financial instruments**

Financial assets and liabilities are recognized when the Modaraba becomes a party to the contractual provisions of the instrument and de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

#### **4.12 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.13 Foreign currency transactions**

Transactions in foreign currencies are translated into Pak Rupees at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date, while those covered under forward exchange contracts are valued at the contractual rates. Exchange gains and losses are included in income currently.

#### 4.14 Impairment

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

##### Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for other assets subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognised as income.

#### 4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business.

Revenue from sale of goods is recognized on dispatch of goods to customer and when title has passed.

Profit on Munafa account is recognized on accrual basis.

#### 4.16 Segment reporting

An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Modaraba's other components. The Modaraba has only one reportable segment.

	Note	2015 Rupees	2014 Rupees
<b>5. PROPERTY AND EQUIPMENT</b>			
Tangible assets	5.1	<u>6,703,667</u>	<u>6,989,826</u>



FIRST IMROOZ MODARABA

5.1 PROPERTY AND EQUIPMENT - OWNED

Particulars	2015							
	Cost			Depreciation			Carrying value as at June 30, 2015	Rate of depreciation per annum
	As at July 01, 2014	Additions/ (disposals) during the year	As at June 30, 2015	As at July 01, 2014	Charge for the year / (adjustment)	As at June 30, 2015		
Rupees								
Improvements to warehouse premises	2,400,125	-	2,400,125	240,013	240,013	480,026	1,920,099	10%
Furniture and fixtures	742,747	-	742,747	647,368	29,593	676,961	65,786	10%
Vehicles	10,421,519	1,522,000	11,943,519	7,084,128	1,206,603	8,290,731	3,652,788	20%
Office equipment and appliances	3,443,354	111,250	3,529,954	2,633,803	320,192	2,929,346	600,608	20%
Computer equipment	3,508,433	134,550	3,642,983	2,921,040	257,557	3,178,597	464,386	25%
<b>Total</b>	<b>20,516,178</b>	<b>1,767,800</b>	<b>22,259,328</b>	<b>13,526,352</b>	<b>2,053,958</b>	<b>15,555,661</b>	<b>6,703,667</b>	
		(24,650)			(24,649)			
Particulars	2014							
	Cost			Depreciation			Carrying value as at June 30, 2014	Rate of depreciation per annum
	As at July 01, 2013	Additions/ (disposals) during the year	As at June 30, 2014	As at July 01, 2013	Charge for the year / (adjustment)	As at June 30, 2014		
Rupees								
Improvements to warehouse premises	-	2,400,125	2,400,125	-	240,013	240,013	2,160,112	10%
Furniture and fixtures	720,202	22,545	742,747	603,223	44,145	647,368	95,379	10%
Vehicles	11,763,559	2,294,175	10,421,519	9,138,159	1,157,985	7,084,128	3,337,391	20%
Office equipment and appliances	3,022,154	421,200	3,443,354	2,319,270	314,533	2,633,803	809,551	20%
Computer equipment	3,121,531	396,402	3,508,433	2,610,817	316,756	2,921,040	587,393	25%
<b>Total</b>	<b>18,627,446</b>	<b>5,534,447</b>	<b>20,516,178</b>	<b>14,671,469</b>	<b>2,073,432</b>	<b>13,526,352</b>	<b>6,989,826</b>	
		(3,645,715)			(3,218,549)			

5.2 Cost of fully depreciated assets still in use was Rs. 10,080,888 (2014: Rs. 9,508,070).

5.3 The following assets were disposed off during the year: -

	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain / Loss on disposal	Mode of disposal
	Rupees					
Mobile Phone - Blackberry	24,650	24,649	1	-	-	Stolen
<b>2015</b>	24,650	24,649	1	-	-	
<b>2014</b>	3,645,715	3,218,549	427,166	2,214,544	1,787,378	

## 6 INTANGIBLE ASSETS

	2 0 1 5						
	Cost			Amortization			Carrying value as at June 30, 2015
	As at July 01, 2014	Additions during the year	As at June 30, 2015	As at July 01, 2014	Charge for the year	As at June 30, 2015	
	Rupees						
Licensed computer software	2,118,880	-	2,118,880	1,695,782	147,360	1,843,142	275,738
<b>Total</b>	<b>2,118,880</b>	<b>-</b>	<b>2,118,880</b>	<b>1,695,782</b>	<b>147,360</b>	<b>1,843,142</b>	<b>275,738</b>
	2 0 1 4						
	Cost			Amortization			Carrying value as at June 30, 2014
	As at July 01, 2013	Additions during the year	As at June 30, 2014	As at July 01, 2013	Charge for the year	As at June 30, 2014	
	Rupees						
Licensed computer software	2,096,547	22,333	2,118,880	1,477,705	218,077	1,695,782	423,098
<b>Total</b>	<b>2,096,547</b>	<b>22,333</b>	<b>2,118,880</b>	<b>1,477,705</b>	<b>218,077</b>	<b>1,695,782</b>	<b>423,098</b>

6.1 Cost of fully amortized intangible assets still in use was Rs. 1,529,435 (2014: Rs. 1,529,435).

	2015 Rupees	2014 Rupees
<b>7. STOCK IN TRADE</b>		
In hand	96,127,735	73,330,341
In bonded warehouse	22,049,960	68,811,963
In transit	44,628,961	22,600,647
	<u>162,806,656</u>	<u>164,742,951</u>

	Note	2015 Rupees	2014 Rupees
<b>8. TRADE DEBTORS</b>			
Unsecured - considered good		107,237,065	75,593,355
Unsecured - considered doubtful		3,535,151	1,379,369
		<u>110,772,216</u>	<u>76,972,724</u>
Less: Provision for doubtful debts		(3,535,151)	(1,379,369)
		<u><u>107,237,065</u></u>	<u><u>75,593,355</u></u>
<b>9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances		-	495,000
Deposits		176,652	1,421,652
Prepayments		247,850	798,762
Other receivables		42,384	-
		<u>466,886</u>	<u>2,715,414</u>
<b>10. TAXATION</b>			
Opening balance		3,311,831	3,347,584
Paid during the year		34,188,012	26,511,612
Provision for taxation		(32,715,912)	(26,547,365)
		<u>4,783,931</u>	<u>3,311,831</u>
<b>11. CASH AT BANK</b>			
Cash at bank in			
Munafa account	11.1	1,421,052	6,909,193
Current accounts		8,548,224	12,859,207
		<u>9,969,276</u>	<u>19,768,400</u>
11.1	This carry profit at rates ranging from 3.6% to 6.3% (2014: 3.6% to 6.3%) per annum.		
<b>12. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL</b>			
		<b>2015</b>	<b>2014</b>
		<b>Number of certificates</b>	<b>Modaraba certificates of Rs. 10/- each fully paid in cash</b>
		<u>3,000,000</u>	<u>3,000,000</u>
		<u>30,000,000</u>	<u>30,000,000</u>
<b>13. STATUTORY RESERVE</b>			
Balance at the beginning of the year		67,941,076	67,115,294
Transferred during the year		1,357,643	825,782
		<u>69,298,719</u>	<u>67,941,076</u>

Statutory reserve represents profits set aside to comply with the Prudential Regulations for Modarabas issued by the SECP, vide Circular No. 4 of 2004 dated January 28, 2004 and subsequent amendments made therein. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profits is to be transferred. For the year, the Modaraba transferred 5% of its after tax profits to statutory reserve.

	<b>2015</b> <b>Rupees</b>	<b>2014</b> <b>Rupees</b>
<b>14. REVENUE RESERVE</b>		
Balance at the beginning of the year	19,534,227	33,855,621
Profit for the year	27,152,850	16,504,388
Transferred to statutory reserve during the year	(1,357,643)	(825,782)
	<u>45,329,434</u>	<u>49,534,227</u>
Profit distribution	(15,000,000)	(30,000,000)
	<u><u>30,329,434</u></u>	<u><u>19,534,227</u></u>

As per Rule 10, Part IV of the Prudential Regulations for Modarabas issued by the SECP vide Circular No. 4 of 2004 dated January 28, 2004, a Modaraba is required to distribute 90% of its net annual profits, after appropriation to reserves, amongst its certificate holders.

Accordingly, after the balance sheet date the Directors of the Modaraba Management Company have approved the following final profit distribution out of available unappropriated profits:

Profit distribution @ Rs. 9.00 per certificate (2014: Rs. 5.00 per certificate)	<u>27,000,000</u>	<u>15,000,000</u>
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#### **15. STAFF GRATUITY**

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.

The Modaraba faces the following risks on account of gratuity:

**Final 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 balance sheet date on high quality Government Bonds. A decrease in yields will increase plan liabilities.

## 15.1 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

Discount rate	13% per annum	13% per annum
Expected rate of eligible salary increase	12% per annum	12% per annum
Average expected remaining working life time of employees	6 years	6 years

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Movement in defined benefit obligation</b>		
Opening balance of defined benefit obligation as at July 01	15,361,748	15,492,984
<b>Charge for the year</b>		
Current service cost	1,096,770	1,081,171
Actuarial loss	-	11,249
Financing cost	1,977,403	1,750,724
	3,074,173	2,843,144
Benefits paid during the year	(2,059,380)	(2,974,380)
Closing balance of defined benefit obligation as at June 30	<u>16,376,541</u>	<u>15,361,748</u>

### Represented by

Present value of defined benefit obligation as at June 30	16,376,541	15,361,748
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### Present value of defined benefit obligation

Present value of defined benefit obligation as at July 01	15,361,748	15,492,984
Current service cost	1,096,770	1,081,171
Financing cost	1,977,403	1,750,724
Benefit paid during the year	(2,059,380)	(2,974,380)
Actuarial loss	-	11,249
Present value of defined benefit obligation as at June 30	<u>16,376,541</u>	<u>15,361,748</u>

15.2 The disclosures relating to sensitivity analysis for each significant actuarial assumption and information about the maturity profile of the defined benefit obligation has not been presented in these financial statements as the same were not available.

15.3 The charge in respect of defined benefit plan for the year ending June 30, 2016 is estimated to be Rs. 3.100 million.

## 16. OBLIGATION UNDER MURABAHA FINANCES - SECURED

The Modaraba has availed this facility from a financial institution. Sanctioned limit is Rs. 40 million (2014: Rs. 40 million). The facility is secured against hypothecation of stock in trade of the Modaraba.



	Note	2015 Rupees	2014 Rupees
<b>17. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Import bills payable		102,497,017	93,899,402
Creditors		378,386	435,822
Accrued liabilities		3,106,179	4,085,484
Sales tax payable		5,788,435	5,567,756
Unclaimed profit distribution		6,510,468	6,338,221
Workers' Welfare Fund	18.1.2	1,072,332	1,072,332
		<u>119,352,817</u>	<u>111,399,017</u>

## 18. CONTINGENCIES AND COMMITMENTS

### 18.1 Contingencies

18.1.1 Post dated cheques to Collector of Customs amounting to Rs. 48,095,083/- (2014: Rs. 92,342,943).

18.1.2 Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Modaraba was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Modaraba is of the opinion that no provision is to be made till the outcome of these petitions.

During the year, the Sindh Assembly, on June 04, 2015, passed The Sindh Workers Welfare Fund Act, 2014 (the WWF Act). As per Section 5(1) of the WWF Act, contributions are payable with effect from the date of closing of account on or after December 31, 2013, that corresponds to Modaraba's account year ended on June 30, 2014. Moreover, as per definitions Section 2(g) of the WWF Act, the Modaraba does not fall within the meaning of 'Industrial Establishment'. Therefore, the Modaraba has not disclosed contingency in respect of WWF for the year ended June 30, 2015. Further, since the Modaraba does not fall within the meaning of 'Industrial Establishment', therefore, the contingency in respect of WWF for the year ended June 30, 2014 amounting to Rs. 0.861 million has not been disclosed in the financial statements as the same is no longer a contingency after the applicability and enforcement of WWF Act. However, contingency in respect of WWF under the repealed WWF Ordinance for the period from July 01, 2010 till June 30, 2013 has been disclosed in the financial statements amounting to Rs. 3.344 million.

## 18.2 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs. 8,902,123 (2014: Rs. 21,125,169).

	Note	2015 Rupees	2014 Rupees
<b>19. COST OF SALES</b>			
Opening stock at July 01		73,330,341	83,302,748
Purchases		647,316,512	533,768,817
Closing stock at June 30		(96,127,735)	(73,330,341)
		<u>624,519,118</u>	<u>543,741,224</u>
<b>20. OPERATING EXPENSES</b>			
Salaries and other staff benefits	20.1	20,287,668	18,606,236
Staff gratuity	15	3,074,173	2,831,895
Rent, rates and taxes		2,508,200	2,216,289
Travelling and conveyance		2,117,581	950,046
Depreciation	5.1	2,053,958	2,073,432
Cartage and coolies		2,023,689	1,824,789
Provision of doubtful debts		2,155,782	1,379,369
Vehicles running and maintenance		1,417,585	1,668,355
Insurance		1,300,166	1,176,068
Legal and professional		1,083,323	368,018
Security charges		960,257	904,904
Fees and subscriptions		905,337	795,876
Repairs and maintenance		714,934	444,755
Postage and telephone		541,557	556,743
Bank charges		377,779	378,465
Auditors' remuneration	20.2	376,250	365,025
Electricity		279,888	240,565
Sales promotion		218,659	74,005
Entertainment		168,933	192,781
Amortization of intangible assets	6	147,360	218,077
Printing and stationery		135,616	156,908
Packing material		133,469	104,593
Cleaning and washing		71,015	77,373
Advertisement and publicity		34,750	34,750
Staff training		-	35,000
		<u>43,087,929</u>	<u>37,674,317</u>

20.1 Remuneration of officers and employees.

	2015			2014		
	Officers	Other employees	Total	Officers	Other employees	Total
	----- Rupees -----					
Remuneration	8,468,177	6,045,684	14,513,861	7,194,861	5,329,557	12,524,418
Allowances	2,051,485	2,392,081	4,443,566	2,486,942	2,144,150	4,631,092
Medical expenses	118,345	340,811	459,156	129,475	469,095	598,570
Provident Fund	324,110	389,938	714,048	414,351	343,805	758,156
EOBI Contribution	18,800	67,200	86,000	19,600	67,200	86,800
SESSI Contribution	-	71,038	71,038	-	7,200	7,200
	<u>10,980,917</u>	<u>9,306,752</u>	<u>20,287,668</u>	<u>10,245,229</u>	<u>8,361,007</u>	<u>18,606,236</u>

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

20.2 Auditors' remuneration	Note	2015	2014
		Rupees	Rupees
Annual audit fee		278,125	262,500
Half yearly review fee		55,125	52,500
Code of Corporate Governance review fee		10,500	10,500
CDC certification fee		10,500	10,500
Out of pocket expenses		22,000	29,025
		<u>376,250</u>	<u>365,025</u>
<b>21. OTHER INCOME</b>			
Gain on disposal of property and equipment	5.3	-	1,787,378
Return on Munafa account		702,424	1,181,810
		<u>702,424</u>	<u>2,969,188</u>
<b>22. TAXATION</b>			
For the year		<u>32,715,912</u>	<u>26,547,365</u>

**Current**

In view of recommendations of the Institute of Chartered Accountants of Pakistan, the proportionate tax paid at import stage attributable to closing stock is shown as advance tax at balance sheet date and shall be charged off as tax expense on sale of such stock.

As per Clause (18), Part II, Second Schedule to the Income Tax Ordinance, 2001, the income of the Modaraba is liable to be taxed at 25%. However, tax charge due to presumptive tax regime is significantly higher than on a normal tax basis.

Reconciliation between tax expense and accounting profit has not been presented due to the fact that Modaraba's substantial income falls under presumptive tax regime.

## Deferred

Deferred tax liability or asset is not provided on temporary differences as Modaraba's income is taxed under the presumptive tax regime and as per TR - 27 issued by the Institute of Chartered Accountants of Pakistan deferred tax assets / liabilities are not recorded.

	Note	2015 Rupees	2014 Rupees
<b>23. EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>			
Profit for the year (Rupees)		27,152,850	16,515,637
Number of Modaraba certificates		3,000,000	3,000,000
Earnings per certificate (Rupees)		9.05	5.51

## 24. CAPITAL RISK MANAGEMENT

The Modaraba's objectives, policies and processes for managing capital are as follows:

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue as a going concern in order to provide returns for certificate holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Modaraba's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

## 25. FINANCIAL RISK MANAGEMENT

The Modaraba's principal financial liabilities comprise import bills, trade and other payables and facility under murabaha finance. The main purpose of these financial liabilities and facility is to raise finance for the Modaraba's operations. The Modaraba has trade debtors and balances with banks that derive directly from its operations.

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow risk, profit rate risk and price risk), credit risk and liquidity risk.

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

### 25.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs. 117,651,773 (2014: Rs. 98,162,778), the financial assets which are subject to credit risk amounted to Rs. 117,651,773 (2014: Rs. 98,162,778).

The Modaraba is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including bank account and other financial instruments. The rating of the bank is A1+.

### **25.1.1 Credit risk related to receivables**

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, 2015, Modaraba had approximately 5 major customers (2014: 5 customers) that owed the Modaraba more than Rs. 6 million each and accounted for approximately 44% of all receivables (2014: 49%). The Modaraba does not hold collateral as security against any trade debtor.

### **25.2 Liquidity risk management**

Liquidity risk reflects the Modaraba's inability in raising funds to meet commitments. Management closely monitors the Modaraba's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

### **25.3 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. Financial instruments affected by market risk include held-for-trading investments.

#### **25.3.1 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 savings accounts. The Modaraba has also availed murabaha finance during the year on which repurchase price is fixed and does not vary, therefore profit rate sensitivity has not been computed.

#### **25.3.2 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, 2015, the total foreign currency risk exposure was Rs. 102,497,017 (2014: Rs. 93,899,402) in respect of bills payable.

### 25.3.2.1 Foreign currency sensitivity analysis

At June 30, 2015, 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. 5,100,572 (2014: Rs. 4,504,396), mainly as a result of foreign exchange losses on translation of US dollar denominated import bills payables if it could not be passed through customers.

### 25.3.3 Equity price risk management

Since there is no equity investment, therefore, the Modaraba is not exposed to any equity price risk

### 25.4 Determination of fair values

#### Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

### 25.5 Financial assets and liabilities

June 30, 2015						
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						
<b>Financial assets</b>						
<b>Loans and receivables at amortized cost</b>						
Trade debtors	-	-	107,237,065	-	107,237,065	107,237,065
Deposit and other receivables	-	-	219,036	-	219,036	219,036
Bank balances	1,421,052	-	1,421,052	8,548,224	-	9,969,276
	1,421,052	-	1,421,052	116,004,325	-	117,425,377
<b>Financial liabilities</b>						
<b>Financial liabilities at amortized cost</b>						
Creditors, accrued and other liabilities	-	-	113,564,382	-	113,564,382	113,564,382
Obligation under murabaha finances	-	-	26,885,708	-	26,885,708	26,885,708
	-	-	140,450,090	-	140,450,090	140,450,090
On-balance sheet gap	1,421,052	-	1,421,052	(24,445,765)	-	(23,024,713)

June 30, 2014						
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						
<b>Financial assets</b>						
<b>Loans and receivables at amortized cost</b>						
Trade debtors	-	-	75,593,355	-	75,593,355	75,593,355
Deposit and other receivables	-	-	1,421,652	-	1,421,652	1,421,652
Bank balances	6,909,193	-	6,909,193	12,859,207	-	19,768,400
	6,909,193	-	6,909,193	89,874,214	-	96,783,407
<b>Financial liabilities</b>						
<b>Financial liabilities at amortized cost</b>						
Creditors, accrued and other liabilities	-	-	105,831,261	-	105,831,261	105,831,261
Obligation under murabaha finances	-	-	29,308,807	-	29,308,807	29,308,807
	-	-	135,140,068	-	135,140,068	135,140,068
On-balance sheet gap	6,909,193	-	6,909,193	(45,265,854)	-	(38,356,661)

	<b>2015 Rupees</b>	<b>2014 Rupees</b>
<b>26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>		
Share of common expenses	1,320,014	638,860
Receipt of Qard-e-Hasana from Modaraba Company	112,200,000	69,500,000
Repayment of Qard-e-Hasana to Modaraba Company	112,200,000	69,500,000
<b>27. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE</b>		
<p>The Board of Directors of the Modaraba Management Company in its meeting held on 16-09-2015 approved a final profit distribution of Rs. 9.00 per certificate, amounting to Rs. 27,000,000 for the year ended June 30, 2015.</p>		
<b>28. APPROVAL OF FINANCIAL STATEMENTS</b>		
<p>These financial statements were approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 16-09-2015</p>		
<b>29. GENERAL</b>		
29.1	Amounts have been presented and rounded off to the nearest Rupee.	
29.2	These financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.	
29.3	Figures of prior year have been rearranged and reclassified, wherever necessary for the purpose of comparison, the effect of which is not material.	

Naveed Riaz  
Chief Executive

Ameed Riaz  
Director

Mrs. Saadat Ikram  
Director



FIRST IMROOZ MODARABA

**PATTERN OF HOLDINGS OF THE CERTIFICATES  
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2015**

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

<b>Number of Certificate Holders</b>	<b>:</b>	<b>Certificates Holding</b>		<b>:</b>	<b>Total Certificates Held</b>
		<b>From</b>	<b>To</b>		
109	:	1	100	:	8,253
187	:	101	500	:	91,194
11	:	501	1000	:	10,900
25	:	1001	5000	:	102,300
7	:	5001	10000	:	59,566
10	:	10001	100000	:	273,287
9	:	100001	above	:	2,454,500
<b>358</b>					<b>3,000,000</b>

<b>Categories of Certificate Holders</b>	<b>:</b>	<b>Number</b>	<b>:</b>	<b>Certificates Held</b>	<b>:</b>	<b>Percentage</b>
Individuals	:	355	:	2,399,000	:	79.97
Joint Stock Companies	:	1	:	500	:	0.02
Modaraba Company	:	2	:	600,500	:	20.01
Others	:	-	:	-	:	-
	:	<b>358</b>	:	<b>3,000,000</b>	:	<b>100.00</b>



**CERTIFICATE HOLDERS INFORMATION  
AS PER REQUIREMENT OF LISTING REGULATIONS  
OF THE KARACHI STOCK EXCHANGE**

<b>ASSOCIATED COMPANIES</b>	<b>SHARES HELD</b>
A R Management Services (Pvt) Limited Modaraba Management Company	600,000

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

Mr. Ateed Riaz	Chief Financial Officer	271,900
Mr. Naveed Riaz	Chief Executive	240,300
Mrs. Ismat Riaz w/o Mr. Naveed Riaz		259,000
Mr. 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 Alnoor Modaraba	500
N H Securities (Pvt) Limited	500

**EXECUTIVES OF THE MODARABA**

Mr. Mohammad Amjad Khalid	500
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**CERTIFICATE HOLDERS HOLDING 10% OR MORE**

A R Management Services (Pvt) Limited

**TRADES IN THE MODARABA CERTIFICATES**

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor children has traded in the certificates of the Modaraba during the year.

## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of the Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

Regardless of the fact that A R Management Services (Private) Limited, the management company of First Imrooz Modaraba, is a Private Limited Company, the Board of Directors are pleased to confirm that the Modaraba complied with all material principles contained in the CCG.

**The Modaraba Management Company has applied the principles contained in the CCG in the following manner:**

1. The Management Company encourages representation of independent non-executive directors on its Board. At Present the board includes:

<u>Category</u>	<u>Name</u>
Non-Executive Directors:	Mr. Aameed Riaz Mrs. Sadat Ikaram Mr. Omar Mohammad Khan
Executive Director:	Mr. Naveed Riaz

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs. No director is a member of any stock exchange.
4. During the year no casual vacancy occurred on the Board of Directors.
5. The Management Company has prepared a 'Code of Conduct', which has been disseminated throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. All of the Directors on the Board are having more than 14 years of education and more than 16 years of business experience therefore they are exempted from the directors' training program as prescribed by the CCG
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully described the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has already formed an Audit Committee. It comprises of three members of whom two are non-executive directors, including the chairman.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the CCG. The terms of reference of the committee have been framed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom one is executive director and two are non-executive directors including the chairman of the Committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba, and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide any other services except in accordance with the listing regulations. The auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material and price sensitive information has been disseminated at once among all market participants through stock exchange(s).
23. We confirm that material principles contained in the CCG have been complied with.

Annual Shari'ah Review Report of  
**First Imrooz Modaraba**  
For the year ended June 30, 2015

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, 2015 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. Following were the major developments took place during the year:

**Training and Development:** The key staff of the First Imrooz Modaraba is fully equipped with Shari'ah compliant business modes and all relevant industry tools through training. During the year no training session attended by the staff.

- iii. The agreement(s) entered into by the Modaraba are Shari'ah compliant and have been executed on the formats as approved by the Religious Board and all the related conditions have been met;

iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas

- v. There have been no earnings that have been realized from the sources or by means prohibited by Shari'ah which could have been credited to charity accounts



### Observations:

I have inquired and checked the system and mechanism of Modaraba and found it in line with the guidelines issued by SECP vide Circular No. 8 of 2012 dated 03-02-2012, whereby Shari'ah Compliance and Audit Mechanism (SCSAM) was introduced.

1. It is confirmed that there are no investments in shares of any company.
2. Munafa / saving account is being maintained with Islamic Bank. And the Murabaha Finance facility is also being availed from Islamic Banking Institution.
3. As regards IMROOZ Policy Manual, it has been informed that it is still under preparation. However it is confirmed that all Shari'ah principles are being followed.
4. As regards insurance coverage, it has been observed that insurance coverage has been availed from conventional insurance company instead of any Takaful Insurance Company. On my query the Management informed that the Modaraba is currently availing insurance coverage facility from EFU. The Management of EFU has planned to open a Takaful Window. Initially, EFU has launched First Window Family Takaful Operations with the name Hemayah Takaful. As soon as EFU Takaful is launched for business sector, all the insurance needs will be covered by them insha Allah.

### Recommendations

- 1) It is recommended to shift Insurance Coverage Facility to EFU Takaful as soon as it becomes functional for business sector.
- 2) The management should continue its endeavor to comply with the rulings of Shari'ah in its business operation and future transactions.

### Conclusion

Based on the above mentioned facts I am of the view that the business operations of First Imrooz Modaraba are Shari'ah Compliant, to the best of my knowledge.

May Allah make us successful in this world and hereafter and forgive our mistakes.

### Signature



Abdul Qadir  
Shari'ah Advisor

Dated: September 16th, 2015.



## REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2015 prepared by the Board of Directors of A. R. MANAGEMENT SERVICES (PRIVATE) LIMITED (the Modaraba Company) in respect of FIRST IMROOZ MODARABA (the Modaraba) to comply with the Listing Regulations of the Karachi Stock Exchange, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code of Corporate Governance.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the code requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2015.

KARACHI

DATED: SEPTEMBER 16, 2015



CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ati Causer



## **NOTICE OF ANNUAL REVIEW MEETING**

Notice is hereby given to the certificate holders that fifteenth Annual Review Meeting of First Imrooz Modaraba will be held on Wednesday the 26 October, 2015 at 11:30 a.m. at Registered Office of the Modaraba Company at 125-S, Small Industrial Area, Kot Lakhpat, Lahore.

By order of the Board

September 16, 2015

Shabbir Ahmed Jamsa  
COMPANY SECRETARY

**Note:**








1. The Certificate Transfer Book of the Modaraba will remain closed from October 14, 2015 to October 26, 2015 (both days inclusive)
2. Certificate holders are requested to inform promptly of any change in their address to our share Registrar, Technology Trade (Pvt.) Ltd, Dagia House 241-C, Block-2, P.E.C.H.S, Karachi.










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