

TWENTIETH ANNUAL REPORT 2014



FIRST IMROOZ MODARABA



FIRST IMROOZ MODARABA

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VISION / MISSION STATEMENT

IMROOZ is committed to:

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

CODE OF CONDUCT

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

MODARABA INFORMATION

Modaraba Management Company	:	A R Management Services (Private) Ltd.
Directors of Modaraba Company	:	Mr. Naveed Riaz Chief Executive Mrs. Saadat Ikram Mr. Ameer Riaz Mr. Omar Mohammad Khan
Chief Financial Officer	:	Mr. Ateed Riaz
Audit Committee	:	Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
Human Resource Committee	:	Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
Company Secretary	:	Mr. Shabbir Ahmed Jamsa
Chief Internal Auditor	:	Mr. Abbas Kerani
Auditors	:	M/s. BDO Ebrahim & Co. Chartered Accountants
Bankers	:	Soneri Bank Limited Bank Alfalah Limited
Legal Advisors	:	Mr. Altaf Hussain, Advocate M. Akram Zuberi & Company Advocates
Shariah Advisor	:	Mufti Abdul Qadir
Principal place of business	:	Room No. 405, 4th Floor Beaumont Plaza, Beaumont Road Civil Lines Quarters, Karachi.
Registered Office of the Modaraba Company	:	125-S, Small Industrial Area Kot Lakhpat, Lahore.
Certificate Registration Office	:	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, 2014.

1. Operating Results

The financial results of the Modaraba are summarized below:

	(Rupees in million)	
	2014	2013 Restated
Profit before taxation	43.063	57.985
Taxation	<u>26.547</u>	<u>25.235</u>
Profit for the year	16.516	32.750
Appropriations		
Transfer to Statutory Reserve	0.826	1.637
Profit after appropriation	<u>15.690</u>	<u>31.113</u>
Earnings per certificate-basic & diluted	Rs. <u>5.51</u>	<u>10.92</u>

2. Review of Financial Performance

For the year ended 30 June 2014, the depressed economic conditions along with foreign exchange loss caused decrease in Modaraba turnover to Rs.624.10 million as compared to last year's turnover of Rs.641.67 million.

As reported earlier, there has been severe devaluation of pak rupee, due to which foreign exchange loss of the Modaraba stood to Rs.9.69 million as compared to Rs.3.62 million last year. This unprecedented foreign exchange loss leads decrease in gross profit of the Modaraba to Rs.80.36 million as compared to Rs.90.91 million last year. We apprehend that present prolonged sit-ins protest by the two political parties would also affect the economy as well as Modaraba next results.

The operating expenses also increased to Rs.37.67 million as compared to Rs.31.50 million last year.

The other income of the Modaraba increased to Rs. 2.97 million as compared to Rs. 2.33 million last year. Resultantly, Modaraba's annual profit decreased to Rs.16.52 million as compared to Rs.32.75 million.

After considering these results, the Board of Directors have decided to transfer 5% of the profit to Statutory Reserve and a final profit distribution @ 50% i.e. Rs.5/- per certificate to the certificate holders.

3. Auditors

The present auditors M/s BDO Ebrahim & Co., Chartered Accountants being due for retirement and have offered themselves for re-appointment for the year ending June 30, 2015. The Directors have approved themselves for appointment subject to approval of the Registrar, Modaraba Companies and Modaraba.

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	2014	2013	2012	2011	2010	2009	2008
		Restated					
Fixed Assets	7.41	4.57	6.27	6.37	8.02	5.44	6.75
Working Capital	125.42	141.89	124.42	119.48	112.30	103.89	90.56
Certificate Holders Equity	117.47	130.97	117.56	116.95	112.18	102.51	92.44
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	624.10	641.67	711.42	681.36	628.53	474.52	429.74
Gross Profit	80.36	90.91	98.80	92.55	78.07	58.78	51.21
Profit after Taxation	16.52	32.75	24.60	27.57	28.57	22.07	15.17
Profit Distribution - Cash	50%	100%	65%	73.5%	76%	63%	40%
Earnings per Certificate-Rs.	5.51	10.92	8.20	9.19	9.52	7.36	5.06
Break-up value per Certificate-Rs.	39.16	43.66	39.19	38.98	37.39	34.17	30.81

- 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

10 September, 2014

TEN YEARS AT A GLANCE

(Rupees in million)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	-----Restated-----									
Balance Sheet Information										
Authorized capital	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
Certificate capital	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Statutory reserve & surplus	87.475	100.971	87.565	86.950	82.178	72.508	62.442	66.776	56.681	50.160
Certificate holders' equity	117.475	130.971	117.565	116.950	112.178	102.508	92.442	96.776	86.681	80.160
Deferred liability - staff gratuity	15.362	15.493	13.125	8.900	8.140	6.820	4.861	3.574	3.169	2.562
Qard-e-Hasna from Modaraba management company	-	-	31.000	15.000	13.500	-	-	-	-	-
Short term borrowing - Morabaha finances	29.308	33.623	43.018	33.367	7.627	-	22.320	-	40.955	61.063
Current liabilities	140.708	162.152	217.317	190.541	104.671	76.989	110.573	45.296	93.370	83.199
Fixed Assets	7.413	4.575	6.274	6.368	8.023	5.439	6.746	5.054	5.821	5.793
Stock-in-trade	164.743	187.303	182.523	202.757	83.534	65.925	102.736	51.081	108.794	121.430
Trade debtors	75.593	81.998	122.180	82.969	122.261	59.763	36.461	37.612	40.696	24.922
Investments	-	-	1.104	1.213	1.275	0.796	2.476	4.613	3.938	10.007
Current assets	266.132	304.042	341.734	310.020	216.966	180.878	201.130	140.591	177.397	160.128
Operational Results										
Sales	624.104	641.673	711.425	681.364	628.533	474.517	429.742	402.845	427.015	310.484
Cost of sales	543.741	550.759	612.621	588.809	550.466	415.738	378.537	346.812	366.781	265.199
Gross profit	80.363	90.914	98.804	92.554	78.067	58.779	51.205	56.033	60.234	45.285
Other income	2.969	2.329	2.108	1.805	2.429	1.760	3.977	2.982	3.725	3.097
Murabaha charges	2.595	3.761	5.076	5.321	1.838	-	-	-	-	-
Workers welfare fund	-	-	-	-	1.072	-	-	-	-	-
Operating expenses	37.674	31.497	35.347	29.425	25.521	22.507	20.795	18.709	20.639	14.392
(Diminution) / unrealised appreciation on remeasurement of investment - net	-	-	(0.030)	(0.062)	0.479	(1.727)	(0.490)	1.563	(0.503)	0.834
Operating profit	42.689	59.417	63.456	63.130	52.547	36.272	30.410	37.324	39.595	30.893
Profit payable to the modaraba company as their remuneration	-	-	5.441	5.360	4.204	2.607	2.712	2.931	2.997	2.438
Profit before tax	43.063	57.985	55.018	54.191	48.340	29.982	31.185	38.938	39.821	32.387
Taxation	26.547	25.235	30.418	26.618	19.771	7.917	16.018	15.684	19.200	17.074
Profit after tax	16.516	32.750	24.600	27.573	28.569	22.065	15.167	23.254	20.621	15.313
Transfer to statutory reserve	0.826	1.637	4.920	5.515	5.714	2.206	3.030	4.651	4.124	3.063
	5%	5%	20%	20%	20%	10%	20%	20%	20%	20%
Profit Distribution										
Profit distribution	15.000	30.000	19.500	22.050	22.800	18.900	12.000	19.500	15.600	14.100
Rate per certificate	50.0%	100.0%	65.0%	73.5%	76.0%	63.0%	40.0%	65.0%	52.0%	47.0%
Financial Ratios										
Gross profit - % of sales	12.88%	14.17%	13.89%	13.58%	12.42%	12.39%	11.92%	13.91%	14.11%	14.59%
Operating expenses - % of sales	6.04%	4.91%	4.97%	4.32%	4.06%	4.74%	4.84%	4.64%	4.83%	4.64%
Operating profit - % of sales	6.84%	9.26%	8.92%	9.27%	8.36%	7.64%	7.08%	9.27%	9.27%	9.95%
Profit before tax - % of sales & other income	6.87%	9.00%	7.71%	7.93%	7.66%	6.30%	7.19%	9.59%	9.24%	10.33%
Profit after tax - % of sales & other income	2.63%	5.09%	3.45%	4.04%	4.53%	4.63%	3.50%	5.73%	4.79%	4.88%
Return to Certificateholders										
Return on equity - before tax	36.66%	44.27%	46.80%	46.34%	43.09%	29.25%	33.73%	40.24%	45.94%	40.40%
Return on equity - after tax	14.06%	25.01%	20.92%	23.58%	25.47%	21.53%	16.40%	24.03%	23.79%	19.10%
Earning per certificate - Rs.	5.51	10.92	8.20	9.19	9.52	7.36	5.06	7.75	6.87	5.10
Profit distribution per certificate - Rs.	5.00	10.00	6.50	7.35	7.60	6.30	4.00	6.50	5.20	4.70
Market price per certificate - Rs.	53.72	60.76	52.61	62.65	47.51	32.00	36.20	42.00	35.50	58.25
Break-up value per certificate - Rs.	39.16	43.66	39.19	38.98	37.39	34.17	30.81	32.26	28.89	26.72

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST IMROOZ MODARABA** (the Modaraba) as at June 30, 2014 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 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 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 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 except for the change as stated in note 4.1 with which we concur;

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

- 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, 2014 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: 10 SEP 2014



CHARTERED ACCOUNTANTS

 Engagement partner: Zulfikar Ali Causer



FIRST IMROOZ MODARABA

BALANCE SHEET
AS AT JUNE 30, 2014

	Notes	2014 Rupees	2013 Rupees	2012 Rupees
		 Restated	
NON CURRENT ASSETS				
Property and equipment	5	6,989,826	3,955,977	6,089,851
Intangible assets	6	423,098	618,842	183,792
		7,412,924	4,574,819	6,273,643
CURRENT ASSETS				
Stock in trade	7	164,742,951	187,302,955	182,523,263
Trade debtors - unsecured, considered good		75,593,355	81,998,550	122,180,389
Advances, deposits, prepayments and other receivables	8	2,715,414	1,628,622	4,395,526
Investments		-	-	1,104,182
Taxation	9	3,311,831	3,347,584	3,127,085
Cash at bank	10	19,768,400	29,763,921	28,403,992
		266,131,951	304,041,632	341,734,437
		273,544,875	308,616,451	348,008,080
CAPITAL AND RESERVES				
Authorised capital				
10,000,000 Modaraba Certificates of Rs.10/- each		100,000,000	100,000,000	100,000,000
Issued, subscribed and paid-up certificate capital	11	30,000,000	30,000,000	30,000,000
Statutory reserve	12	67,941,076	67,115,294	65,477,797
Revenue reserve	13	19,534,227	33,855,621	22,087,616
		117,475,303	130,970,915	117,565,413
NON-CURRENT LIABILITY				
Staff gratuity	14	15,361,748	15,492,984	13,125,242
CURRENT LIABILITIES				
Obligation under murabaha finances	15	29,308,807	33,622,539	43,018,771
Qard-e-Hasana from modaraba management company		-	-	31,000,000
Creditors, accrued and other liabilities	16	111,399,017	128,530,013	143,298,654
		140,707,824	162,152,552	217,317,425
CONTINGENCIES AND COMMITMENTS				
	17			
		273,544,875	308,616,451	348,008,080

The annexed notes from 1 to 28 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director



FIRST IMROOZ MODARABA

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Notes	2014 Rupees	2013 Rupees Restated
Sales		624,104,524	641,673,442
Cost of sales	18	543,741,224	550,759,731
Gross profit		80,363,300	90,913,711
Operating expenses	19	37,674,317	31,497,554
Operating profit		42,688,983	59,416,157
Murabaha charges		(2,595,169)	(3,761,064)
Other income	20	2,969,188	2,329,373
Profit before taxation		43,063,002	57,984,466
Taxation	21	(26,547,365)	(25,234,529)
Profit for the year*		16,515,637	32,749,937
Other comprehensive (loss) / income			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit liability		(11,249)	155,565
Total comprehensive income for the year carried to equity		16,504,388	32,905,502
Earnings per certificate - basic and diluted	22	5.51	10.92

*For more than 90% profits distribution please see note 13 and 26.

The annexed notes from 1 to 28 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, 2014**

	2014 Rupees	2013 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	43,063,002	57,984,466
Adjustments for:		
Depreciation on property and equipment	2,073,432	1,919,720
Amortization of intangible assets	218,077	132,062
Gain on disposal of property and equipment	(1,787,378)	(704,586)
Gain on sale of investments	-	(587,350)
Dividend income	-	(70,158)
Murabaha charges	2,595,169	3,761,064
Provision for staff gratuity	2,831,895	2,735,467
	<u>5,931,195</u>	<u>7,186,219</u>
	48,994,197	65,170,685
Changes in operating assets and liabilities		
Decrease / (increase) in current assets		
Stock in trade	22,560,004	(4,779,692)
Trade debtors	6,405,195	40,181,839
Advances, deposits, prepayments and other receivables	(1,086,792)	2,766,904
	<u>27,878,407</u>	<u>38,169,051</u>
Decrease in current liabilities		
Creditors, accrued and other liabilities	(18,167,424)	(15,275,926)
	<u>58,705,180</u>	<u>88,063,810</u>
Taxes paid	(26,511,612)	(25,455,028)
Murabaha charges paid	(2,651,624)	(3,775,290)
Gratuity paid	(2,974,380)	(212,160)
Net cash generated from operating activities	<u>26,567,564</u>	<u>58,621,332</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,534,447)	(236,260)
Purchase of intangible assets	(22,333)	(567,112)
Proceeds from disposal of property and equipment	2,214,544	1,155,000
Investments - net	-	1,691,532
Dividend received	-	70,158
Net cash (used in) / generated from investing activities	<u>(3,342,236)</u>	<u>2,113,318</u>



FIRST IMROOZ MODARABA

	2014 Rupees	2013 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(28,907,117)	(18,978,489)
Receipt of Qard-e-Hasana from Modaraba Management Company	69,500,000	33,000,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(69,500,000)	(64,000,000)
Proceeds from murabaha finances	95,234,243	115,223,639
Repayment of murabaha finances	(99,547,975)	(124,619,871)
Net cash used in financing activities	<u>(33,220,849)</u>	<u>(59,374,721)</u>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(9,995,521)	1,359,929
Cash and cash equivalents at the beginning of the year	29,763,921	28,403,992
Cash and cash equivalents at the end of the year	<u>19,768,400</u>	<u>29,763,921</u>

The annexed notes from 1 to 28 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, 2014**

	Issued, subscribed and paid up certificate capital	Statutory reserve	Revenue reserve (Un- appropriated profit)	Total
 Rupees			
Balance as at July 01, 2012 as reported	30,000,000	65,477,797	24,022,403	119,500,200
Effect of change in accounting policy (Note 4.1.1)	-	-	(1,934,787)	(1,934,787)
Balance as at July 01, 2012 (Restated)	30,000,000	65,477,797	22,087,616	117,565,413
Profit distribution for the year ended June 30, 2012 at Rs. 6.50 per certificate	-	-	(19,500,000)	(19,500,000)
Total comprehensive income for the year				
Profit for the year	-	-	32,749,937	32,749,937
Other comprehensive income				
Remeasurement of defined benefit liability	-	-	155,565	155,565
	-	-	32,905,502	32,905,502
Transfer to statutory reserve	-	1,637,497	(1,637,497)	-
Balance as at June 30, 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)
Total comprehensive income for the year				
Profit for the year	-	-	16,515,637	16,515,637
Other comprehensive income				
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

The annexed notes from 1 to 28 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, 2014

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 14 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 The impact of amendments to IAS 19 'Employee benefits', which became effective during the year, have been explained under note 4.1.1. The other accounting standards, amendments and interpretations of approved accounting standards becoming effective during the year do not have a significant impact on the Modaraba's financial statements.

3.2 Standards, amendments and interpretations to existing accounting standards relevant to the Modaraba that are not yet effective and have not been early adopted by the Modaraba are as follows:

		Effective date (annual periods beginning on or after)
IAS 16	Property, Plant and Equipment	July 01, 2014
IAS 16	Property, Plant and Equipment	January 01, 2016



		Effective date (annual periods beginning on or after)
IAS 19	Employee Benefits	July 01, 2014
IAS 36	Impairment assets	January 01, 2014
IAS 38	Intangible Assets	July 01, 2014
IAS 38	Intangible Assets	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2014
IFRS 8	Operating Segments	July 01, 2014
IFRS 9	Financial Instruments	January 01, 2015
IFRS 13	Fair Value Measurement	July 01, 2014

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in accounting policy

4.1.1 The accounting policies adopted and methods of computation followed in the preparation of this financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2013 except as described below:

In accordance with IAS 19 (revised) - "Employee Benefits" (effective for annual period beginning on or after January 1, 2013), the Modaraba has changed its accounting policy for recognition of the actuarial / rereasurement gains and losses on employees' retirement benefit plans. The rereasurement gains / losses as per actuarial valuation done at financial year end will now be recognized in other comprehensive income. Previously, these gains / losses in excess of the corridor limit are recognized in profit and loss account over the remaining service life of the employees.

The change in accounting policy has been accounted for retrospectively and the comparative figures have been restated. The effect on comparative figures of all prior period is presented as follows:

	Cumulative effect up to June 30, 2013	Effect for the year ended June 30, 2013	Cumulative effect up to July 01, 2012
Balance sheet			
Decrease/(increase) in unappropriated profit			
Actuarial loss / (gain) on retirement benefit plans	1,779,222	(155,565)	1,934,787
Increase/(decrease) in trade and Gratuity payable	1,779,222	(155,565)	1,934,787

	Cumulative effect up to June 30, 2013	Effect for the year ended June 30, 2013	Cumulative effect up to July 01, 2012
Profit and loss account			
Increase in profit after taxation			
Actuarial gain on retirement benefit	-	-	-
Statement of comprehensive income			
Increase in other comprehensive income			
Remeasurement of defined benefit liability - net	155,565	155,565	-

4.1.2 The other standards, amendments and interpretations of approved accounting standards that became effective during the period do not have a significant impact on the Modaraba's financial statements.

4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 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".

4.7 Cash and bank balances

Cash and bank balances are carried at nominal value.

4.8 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.

4.9 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 unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

Capital gains or losses arising on sale of investments are taken to income in the year in which they arise.

Dividend income from investments is recognized when the right to receive payment has been established.

Profit on Munafa account is recognized on receipt basis.

4.17 Segment reporting

The Modaraba has only one reportable segment.

	2014 Rupees	2013 Rupees
5. PROPERTY AND EQUIPMENT		
Tangible assets	<u>6,989,826</u>	<u>3,955,977</u>



FIRST IMROOZ MODARABA

5.1 PROPERTY AND EQUIPMENT - OWNED

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 (3,636,215)	10,421,519	9,138,159	1,157,985 (3,212,016)	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 (9,500)	3,508,433	2,610,817	316,756 (6,533)	2,921,040	587,393	25%
Total	18,627,446	5,534,447 (3,645,715)	20,516,178	14,671,469	2,073,432 (3,218,549)	13,526,352	6,989,826	

Particulars	2013							
	Cost			Depreciation			Carrying value as at June 30, 2013	Rate of depreciation per annum
	As at July 01, 2012	Additions/ (disposals) during the year	As at June 30, 2013	As at July 01, 2012	Charge for the year / (adjustment)	As at June 30, 2013		
	Rupees							
Furniture and fixtures	720,202	-	720,202	560,131	43,092	603,223	116,979	10%
Vehicles	13,348,559	- (1,585,000)	11,763,559	9,057,978	1,214,767 (1,134,586)	9,138,159	2,625,400	20%
Office equipment and appliances	2,913,954	108,200	3,022,154	1,971,649	347,621	2,319,270	702,884	20%
Computer equipment	2,993,471	128,060	3,121,531	2,296,577	314,240	2,610,817	510,714	25%
Total	19,976,186	236,260 (1,585,000)	18,627,446	13,886,335	1,919,720 (1,134,586)	14,671,469	3,955,977	

5.2 Cost of fully depreciated assets still in use was Rs. 9,508,070 (2013: Rs. 10,055,197).



FIRST IMROOZ MODARABA

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

	Cost	Accumulated depreciation	Carrying value Rupees	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of purchaser
Vehicles - Motor car	590,000	589,999	1	515,000	514,999	Negotiation	Muhammad Ikram Mohyuddin House # II,C-98, Gulshan e Iqbal, Block 4, Karachi.
Vehicles - Motor car	616,715	616,714	1	500,000	499,999	Negotiation	Muhammad Taimoor Dyer House # 282, D' Cruze Road, Garden East, Karachi.
Vehicles - Motor car	390,000	389,999	1	305,000	304,999	Negotiation	Muhammad Amin Flat # B-2, Platinum Society, Garden East, Karachi.
Vehicles - Motor car	1,414,000	989,806	424,194	424,194	-	On WDV	Muhammad Amjad Khalid B-122, Block C, North Nazimabad, Karachi.
Vehicles - Motor car	590,000	589,999	1	450,000	449,999	Negotiation	Asif Karim House # 20, Chamberlane Road, Guruargen Nagar, Lahore.
Vehicles - Motor cycle	35,500	35,499	1	20,000	19,999	Negotiation	Muhammad Imran House # 205, M Block, Sabzazar Scheme, Lahore.
Computer equipment	9,500	6,533	2,967	350	(2,617)	Scrap	-
2014	3,645,715	3,218,549	427,166	2,214,544	1,787,378		
2013	1,585,000	1,134,586	450,414	1,155,000	704,586		

6 INTANGIBLE ASSETS

	2014						
	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	
Licensed computer software	2,096,547	22,333	2,118,880	1,477,705	218,077	1,695,782	423,098
Total	2,096,547	22,333	2,118,880	1,477,705	218,077	1,695,782	423,098
	2013						
	Cost			Amortization			Carrying value as at June 30, 2013
	As at July 01, 2012	Additions during the year	As at June 30, 2013	As at July 01, 2012	Charge for the year	As at June 30, 2013	
Licensed computer software	1,529,435	567,112	2,096,547	1,345,643	132,062	1,477,705	618,842
Total	1,529,435	567,112	2,096,547	1,345,643	132,062	1,477,705	618,842

6.1 Cost of fully amortized intangible assets still in use was Rs. 1,529,435 (2013: Rs. 1,150,166).



FIRST IMROOZ MODARABA

	2014 Rupees	2013 Rupees	
7. STOCK IN TRADE			
In hand	73,330,341	83,302,748	
In bonded warehouse	68,811,963	53,712,089	
In transit	22,600,647	50,288,118	
	<u>164,742,951</u>	<u>187,302,955</u>	
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances	495,000	-	
Deposits	1,421,652	756,652	
Prepayments	798,762	838,870	
Other receivables	-	33,100	
	<u>2,715,414</u>	<u>1,628,622</u>	
9. TAXATION			
Opening balance	3,347,584	3,127,085	
Paid during the year	26,511,612	25,455,028	
Provision for tax	(26,547,365)	(25,234,529)	
	<u>3,311,831</u>	<u>3,347,584</u>	
10. CASH AT BANK			
Cash at bank in			
Munafa account	6,909,193	24,054,792	
Current accounts	12,859,207	5,709,129	
	<u>19,768,400</u>	<u>29,763,921</u>	
11. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL			
	2014	2013	
	Number of certificates		Modaraba certificates of Rs. 10/- each fully paid in cash
	<u>3,000,000</u>	<u>3,000,000</u>	<u>30,000,000</u>
			<u>30,000,000</u>
12. STATUTORY RESERVE			
Balance at the beginning of the year	67,115,294	65,477,797	
Transferred during the year	825,782	1,637,497	
	<u>67,941,076</u>	<u>67,115,294</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.

13. REVENUE RESERVE	2014 Rupees	2013 Rupees
Balance at the beginning of the year (restated)	33,855,621	22,243,181
Profit for the year	16,504,388	32,749,937
Transferred to statutory reserve during the year	(825,782)	(1,637,497)
	<u>49,534,227</u>	<u>53,355,621</u>
Profit distribution	(30,000,000)	(19,500,000)
	<u>19,534,227</u>	<u>33,855,621</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. 5.00 per certificate (2013: Rs. 10.00 per certificate)	<u>15,000,000</u>	<u>30,000,000</u>
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14. 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, based on the following assumptions:

Discount rate	13% per annum	12.5% per annum
Expected rate of eligible salary increase	12% per annum	11.5% per annum
Average expected remaining working life time of employees	6 years	6 years



	2014 Rupees	2013 Rupees Restated
Movement in defined benefit obligation		
Opening balance of defined benefit obligation as at July 01	15,492,984	11,190,455
Charge for the year		
Current service cost	1,081,171	954,470
Actuarial loss	11,249	1,934,787
Financing cost	1,750,724	1,625,432
	2,843,144	4,514,689
Benefits paid during the year	(2,974,380)	(212,160)
Closing balance of defined benefit obligation as at June 30	<u>15,361,748</u>	<u>15,492,984</u>
Represented by		
Present value of defined benefit obligation as at June 30	15,361,748	15,492,984
Present value of defined benefit obligation liability		
Present value of defined benefit obligation as at July 01	15,492,984	13,125,242
Current service cost	1,081,171	954,470
Financing cost	1,750,724	1,625,432
Benefit paid during the year	(2,974,380)	(212,160)
Unrecognized actuarial loss	11,249	-
Present value of defined benefit obligation as at June 30	<u>15,361,748</u>	<u>15,492,984</u>

2014 2013 2012 2011 2010
-----Rupees-----

Comparisons with past years:

As at June 30

Present value of defined benefit	<u>15,361,748</u>	<u>15,492,984</u>	<u>13,125,242</u>	<u>9,972,986</u>	<u>9,248,060</u>
Experience adjustments on obligation	<u>-</u>	<u>-</u>	<u>873,624</u>	<u>-</u>	<u>51,789</u>

Expected charge for the year ending June 30, 2015

The expected gratuity cost charge for the year ending June 30, 2015 is Rs. 3,074,173.

15. OBLIGATION UNDER MURABAHA FINANCES - SECURED

The Modaraba has availed this facility from a financial institution. Sanctioned limit is Rs. 40 million (2013: Rs. 35 million). The facility is secured against pledge of stock in trade of the Modaraba.



16. CREDITORS, ACCRUED AND OTHER LIABILITIES	2014 Rupees	2013 Rupees
Import bills payable	93,899,402	115,332,692
Creditors	435,822	31,208
Accrued liabilities	4,085,484	6,360,538
Sales tax payable	5,567,756	487,905
Unclaimed profit distribution	6,338,221	5,245,338
Workers' Welfare Fund	1,072,332	1,072,332
	<u>111,399,017</u>	<u>128,530,013</u>

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 Post dated cheques to Collector of Customs amounting to Rs. 92,342,943/- (2013: Rs. 26,196,312).

17.1.2 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. Had this provision been made since July 01, 2010 it would amount to Rs. 4.205 million.

17.2 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs. 21,125,169 (2013: Rs. 5,741,761).

18. COST OF SALES

Opening stock at July 01	83,302,748	77,079,069
Purchases	533,768,817	556,983,410
Closing stock at June 30	(73,330,341)	(83,302,748)
	<u>543,741,224</u>	<u>550,759,731</u>



19. OPERATING EXPENSES	Note	2014 Rupees	2013 Rupees
Salaries and other staff benefits	19.1	17,556,236	14,909,350
Depreciation	5.1	2,073,432	1,919,720
Amortization of intangible assets	6	218,077	132,062
Staff gratuity	14	2,831,895	2,735,467
Rent, rates and taxes		2,216,289	1,644,348
Vehicles running and maintenance		1,668,355	1,639,822
Cartage and collies		1,824,789	1,571,138
Electricity		240,565	272,891
Security charges		904,904	837,529
Travelling and conveyance		950,046	1,107,043
Fees and subscriptions		795,876	799,076
Postage and telephone		556,743	441,427
Repairs and maintenance		444,755	439,630
Insurance		1,176,068	1,354,184
Printing and stationery		156,908	128,307
Auditors' remuneration	19.2	365,025	343,750
Entertainment		192,781	152,979
Bank charges		378,465	417,068
Legal and professional		1,418,018	471,152
Advertisement and publicity		34,750	36,010
Sales promotion		74,005	24,185
Packing material		104,593	71,458
Provision of doubtful debts		1,379,369	-
Cleaning and washing		77,373	36,958
Staff training		35,000	12,000
		37,674,317	31,497,554

19.1 Remuneration of officers and employees.

	2014			2013		
	Officers	Other employees	Total	Officers	Other employees	Total
	----- Rupees -----					
Remuneration	6,144,861	5,329,557	11,474,418	5,322,116	4,142,187	9,464,303
Allowances	2,486,942	2,144,150	4,631,092	2,428,364	1,834,482	4,262,846
Medical expenses	129,475	469,095	598,570	136,105	255,806	391,911
Provident Fund	414,351	343,805	758,156	404,567	288,923	693,490
EOBI Contribution	19,600	67,200	86,800	24,000	65,600	89,600
SESSI Contribution	-	7,200	7,200	-	7,200	7,200
	9,195,229	8,361,007	17,556,236	8,315,152	6,594,198	14,909,350

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



19.2	Auditors' remuneration	Note	2014 Rupees	2013 Rupees
	Annual audit fee		262,500	250,000
	Half yearly review fee		52,500	50,000
	Code of Corporate Governance review fee		10,500	10,000
	CDC certification fee		10,500	10,000
	Out of pocket expenses		29,025	23,750
			<u>365,025</u>	<u>343,750</u>
20.	OTHER INCOME			
	Dividend income		-	70,158
	Gain on disposal of property and equipment	5.3	1,787,378	704,586
	Gain on sale of investments		-	587,350
	Return on Munafa account		1,181,810	967,279
			<u>2,969,188</u>	<u>2,329,373</u>
21.	TAXATION			
	For the year		<u>26,547,365</u>	<u>25,234,529</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 Taxation 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.

**22. EARNINGS PER CERTIFICATE
- BASIC AND DILUTED**

Profit for the year (Rupees)	<u>16,515,637</u>	<u>32,749,937</u>
Number of Modaraba certificates	<u>3,000,000</u>	<u>3,000,000</u>
Earnings per certificate (Rupees)	<u>5.51</u>	<u>10.92</u>

23. 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.

24. 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.

24.1 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. 98,162,778 (2013: Rs. 112,552,223), the financial assets which are subject to credit risk amounted to Rs. 78,394,376 (2013: Rs. 82,788,302).

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+.

24.1.1 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, 2014, Modaraba had approximately 5 major customers (2013: 8 customers) that owed the Modaraba more than Rs. 4 million each and accounted for approximately 49% of all receivables (2013: 68%). The Modaraba does not hold collateral as security against any trade debtors.

24.2 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.

24.3 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.

24.3.1 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 munafa 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.

24.3.2 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, 2014, the total foreign currency risk exposure was Rs. 93,899,402 (2013: Rs. 115,332,692) in respect of bills payable.

24.3.2.1 Foreign currency sensitivity analysis

At June 30, 2014, if the Rupee had weakened by 5% against the US dollar and UK pound with all other variables held constant, post-tax profit for the year would have decreased by Rs. 4,504,396 (2013: Rs. 5,752,270), 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.

24.3.3 Equity price risk management

The Modaraba's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Reports on the equity portfolio are submitted to the Modaraba's senior management on a regular basis.

24.4 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.

24.5 Financial assets and liabilities

	Profit bearing			Non-Profit bearing			Total
	Maturity upto one year	Maturity after one year upto five year	Subtotal	Maturity upto one year	Maturity after one year upto five year	Subtotal	
Rupees							
Financial assets							
Loans and receivables at a amortized cost							
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	-	12,859,207	19,768,400
	6,909,193	-	6,909,193	89,874,214	-	89,874,214	96,783,407
Financial liabilities							
Financial liabilities at a amortized cost							
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)	-	(45,265,854)	(38,356,661)

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS	2014 Rupees	2013 Rupees
Sale of vehicle	-	700,000
Share of common expenses	638,860	1,171,238
Payment of Modaraba Company's Management fee	-	5,441,328
Receipt of Qard-e-Hasana from Modaraba Company	69,500,000	33,000,000
Repayment of Qard-e-Hasana to Modaraba Company	69,500,000	64,000,000

26. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in its meeting held on 10-09-2014 approved a final profit distribution of Rs.5.00 per certificate, amounting to Rs.15,000,000 for the year ended June 30, 2014.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 10-09-2014.

28. GENERAL

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

28.2 These financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director



FIRST IMROOZ MODARABA

**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2014**

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

Number of Certificate Holders	:	Certificates Holding		:	Total Certificates Held
		From	To		
110	:	1	100	:	8,263
195	:	101	500	:	95,217
9	:	501	1000	:	8,900
24	:	1001	5000	:	100,267
7	:	5001	10000	:	59,566
10	:	10001	100000	:	273,287
9	:	100001	above	:	2,454,500
364					3,000,000

Categories of Certificate Holders	:	Number	:	Certificates Held	:	Percentage
Individuals	:	361	:	2,399,000	:	79.97
Joint Stock Companies	:	1	:	500	:	0.02
Modaraba Company	:	2	:	600,500	:	20.01
Others	:	-	:	-	:	-
	:	364	:	3,000,000	:	100.00



FIRST IMROOZ MODARABA

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

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

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

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, 2014

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:	Mrs. Sadat Ikaram Mr. Omar Mohammad Khan
Executive Director:	Mr. Naveed Riaz Mr. Ameer 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 NBF. 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. Most 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.



FIRST IMROOZ MODARABA



Shari'ah Review Report of
First Imrooz Modaraba
For the year ended June 30, 2014

الحمد لله رب العالمين، والصلوة والسلام على سيد الانبياء والمرسلين، وعلى آله
واصحابه اجمعين، ومن تبعهم باحسان الى يوم الدين، وبعد:

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, 2014 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 all relevant industry tools through training. During the year, two representatives from the Modaraba have attended the training on Negotiation Skills arranged by Pakistan Institute of Management and SMEDA. Two representatives have attended the training on Effective Work Management arranged by Professional Management Solution and another one representative has attended training on Code of Corporate Governance arranged by NBFI & Modaraba Association of Pakistan.

- iii. The agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) 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 as of 02/02/2013, they have no investment 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 under preparation and will be ready for presentation by next 30th June. It is assured that all Shari'ah principles will be followed while finalizing the Policy Manual.
4. As regards insurance coverage, it has been observed that insurance coverage has been availed from conventional insurance company instead of any renowned Takaful Insurance Company. On my query the Management informed that the Modaraba is currently availing insurance coverage facility from EFU. The Management of EFU is planning to open a Takaful Window for which necessary steps are being taken. As soon as EFU Takaful Window is opened, all the insurance needs will be covered by them.

Recommendations:

- asit
- 1) It is recommended to shift Insurance Coverage Facility to EFU Takaful Window as soon becomes functional.
 - 2) The management should continue its endeavor to comply with the rulings of Shari'ah in its business operation and future transactions.
 - 3) The Modaraba should focus on new innovations and explore the possibility of entering into more specialized Shari'ah compliant business modes.

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



Mufti Abdul Qadir
Shari'ah Advisor

Dated: September 15th, 2014.



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, 2014 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, 2014.

KARACHI**DATED: SEPTEMBER 10, 2014****CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causer



FIRST IMROOZ MODARABA

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 22 October, 2014 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 10, 2014

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 10, 2014 to October 22, 2014 (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.

Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



FIRST IMROOZ MODARABA

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