

HALF YEARLY REPORT

For the period ended December 31, 2023
(Un-Audited)



FIRST IMROOZ MODARABA

Managed By
A R Management Services (Private) Limited



MODARABA INFORMATION

Modaraba Management Company	A R Management Services (Private) Ltd.
Directors of Modaraba Company	Mr. Naveed Riaz – Chief Executive Mrs. Saadat Ikram Mr. Ameer Riaz Mr. Omar Mohammad Khan Mr. Aliuddin Ahmed
Audit Committee	Mr. Aliuddin Ahmed (Chairman) Mr. Omar Mohammad Khan (Member) Mrs. Saadat Ikram (Member)
Human Resource Committee	Mr. Aliuddin Ahmed (Chairman) Mr. Omar Mohammad Khan (Member) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
Chief Financial Officer	Mr. Muhammad Ali Baig
Company Secretary	Mr. Shabbir Ahmed Jamsa
Chief Internal Auditor	Mr. Abbas Kerani
Auditors	M/s. BDO Ebrahim & Co. Chartered Accountants
Bankers	Soneri Bank Limited Bank Alfalah Limited Bank AL Habib Limited
Legal Advisors	Mr. Masood Aziz Advocate Masood Aziz & Associates
Shariah Advisor	Mufti Abdul Qadir
Principal place of business	Room No. 405, 4 th Floor Beaumont Plaza, Beaumont Road Civil Lines Quarters, Karachi.
Registered Office of the Modaraba Company	125-S, Small Industrial Area Kot Lakhpat, Lahore.
Certificate Registration Office	F.D. Registrar Services (Pvt) Limited 17 th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi.



REPORT OF THE DIRECTORS

The Board of Directors of A R Management Services (Private) Limited, the management company of First Imrooz Modaraba would like to present to its certificate holders the Directors' Report together with Unaudited Financial Statements of the Modaraba for the half year ended December 31, 2023, duly reviewed by the statutory auditors.

1. Key Financial Highlights

	(Rupees in million)	
	Six months ended	
	31-Dec-2023	31-Dec-2022
Sales	608.842	704.617
Gross profit	136.114	78.046
Operating expenses	38.414	40.577
Profit / (Loss) for the half year	53.368	(1.380)
Earnings per certificate - basic & diluted (Rupees)	17.79	(0.46)

2. Review of Operations

In the Financial statements for the year ended June 2023 exchange loss of Rs 60.6 million on unsold inventory was booked to comply with the International Financial Reporting Standards (IFRS); and as expected this loss has been recovered during the current year. Thus, despite a 14% decrease in Sales as compared to the previous half year the Gross profit has increased from Rs 78 to 136 million. The half year ended with an after-tax profit of Rs 53.3 million as compared to a loss of Rs 1.4 million in the corresponding period last year. All put together the Modaraba earned Rs 17.79 as compared to a loss of Rs 0.46 per certificate in the corresponding period last year.

The Board is optimistic that the Modaraba's Management will continue to improve performance in the remaining quarters.

3. Acknowledgement

The Board wishes to express its thanks for continued guidance and support extended by the Registrar Modaraba and other officials of Securities and Exchange Commission of Pakistan. The Board also wishes to thank its certificate holders, colleagues, investors, bankers and business partners for their continued support and co-operation.

For and on behalf of the Board

Naveed Riaz
Chief Executive

Omar Mohammad Khan
Director

February 28, 2024

ڈائریکٹرز کی رپورٹ

فرسٹ امروز مضاربہ کی انتظامی کمپنی اے آر مینجمنٹ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز اپنے سرٹیفکیٹ ہولڈرز کو ڈائریکٹرز رپورٹ بشمول مضاربہ کے غیر آڈٹ شدہ مالی حسابات ششماہی اختتام 31 دسمبر، 2023ء بعد از آڈیٹر کے جائزہ کے پیش کرتے ہیں۔

نمایاں مالیاتی نکات

ششماہی اختتام		
31-Dec-2022	31-Dec-2023	
(ملین روپوں میں)		
704.617	608.842	فروخت اشیاء
78.046	136.114	مجموعی منافع
40.577	38.414	انتظامی اخراجات
(1.380)	53.368	ششماہی منافع / (خسارہ)
(0.46)	17.79	فی کس سرٹیفکیٹ آمدنی / (بنیادی اور تحلیل شدہ) روپے

کارکردگی کا جائزہ

پچھلے مالی سال 2023ء کے مالیاتی گوشوارے میں غیر فروخت شدہ اشیاء پر 60.6 ملین روپے کے زرمبادلہ کے خسارے کو بین الاقوامی مالیاتی رپورٹنگ کے رہنما اصول کے مطابق اندراج کیا گیا جس کی رواں مالی سال میں توقع کے عین مطابق ان اشیاء کی فروخت سے نفع میں تلافی ہو گئی۔ اسی وجہ سے گزشتہ ششماہی کے مقابلے میں اشیاء کی فروخت میں 14 فیصد کمی کے باوجود مجموعی منافع 78 سے بڑھ کر 136 ملین روپے ہو گیا۔ ششماہی کا اختتام بعد از ٹیکس منافع 53.3 ملین روپے کے ساتھ ہوا جب کہ گزشتہ سال کی اسی مدت میں یہ خسارہ 1.4 ملین روپے کا تھا۔ نتیجتاً، مضاربہ کی فی کس سرٹیفکیٹ آمدنی 17.79 روپے رہی جبکہ اسکے مقابلے میں پچھلے دورانیے میں فی کس سرٹیفکیٹ نقصان 0.46 روپے تھا۔

بورڈ پر امید ہے کہ مضاربہ کی انتظامیہ موجودہ مالی سال کی آئیوا الی سہ ماہیوں میں کارکردگی میں بہتری کا تسلسل رکھے گی۔

اظہار تشکر

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

مخائب بورڈ

عمر محمد خان

نوید ریاض

ڈائریکٹر

چیف ایگزیکٹو

28 فروری، 2024ء

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **First Imrooz Modaraba** ("the Modaraba") as at December 31, 2023 and the related condensed Interim profit and loss account and other comprehensive Income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred as the "condensed interim financial statements"). The Modaraba Management Company (A R Management Services (Private) Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at and for the half year ended December 31, 2023 is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarter ended December 31, 2023 and December 31, 2022 in the condensed interim profit or loss account and other comprehensive income has not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 28 FEB 2024

UDIN:RR202310166AwVePuc1X


BDO EBRAHIM AND CO.
CHARTERED ACCOUNTANTS



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT DECEMBER 31, 2023**

	December 31, 2023 (Un-audited)	June 30, 2023 (Audited)
Note	----- (Rupees) -----	
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	4	12,405,639
Intangible assets		1,398,048
Long term deposits		598,202
		<u>14,141,889</u>
CURRENT ASSETS		
Stock in trade	5	287,502,131
Trade debtors	6	209,139,877
Advances, deposits, prepayments and other receivables		2,424,649
Taxation		16,125,676
Cash at banks	7	7,854,848
		<u>523,047,181</u>
		<u>767,157,113</u>
TOTAL ASSETS		<u><u>537,189,070</u></u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorized capital		
10,000,000 Modaraba certificates of Rs. 10/- each		<u>100,000,000</u>
Issued, subscribed and paid-up certificate capital		30,000,000
Statutory reserve		118,733,257
Revenue reserve		54,173,836
		<u>202,907,093</u>
<u>100,000,000</u>		<u>100,000,000</u>
		<u>30,000,000</u>
		<u>118,733,257</u>
		<u>54,173,836</u>
		<u>164,539,414</u>
NON-CURRENT LIABILITIES		
Defined benefit plan - Staff gratuity		6,719,947
Obligation under financing facilities - Secured	8	1,117,800
		<u>7,837,747</u>
		<u>6,719,947</u>
		<u>1,422,655</u>
		<u>8,142,602</u>
CURRENT LIABILITIES		
Obligation under financing facilities - Secured	8	148,010,557
Qard-e-Hasana from Modaraba Management Company		37,000,000
Creditors, accrued and other liabilities	9	141,433,673
		<u>326,444,230</u>
		<u>140,609,676</u>
		<u>-</u>
		<u>469,868,859</u>
		<u>610,478,535</u>
TOTAL EQUITY AND LIABILITIES		<u><u>537,189,070</u></u>
CONTINGENCIES AND COMMITMENTS	12	<u>783,160,551</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statement.

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

NAVEED RIAZ
CHIEF EXECUTIVE

OMAR MOHAMMAD KHAN
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM PROFIT OR LOSS ACCOUNT
AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2023**

	Half year ended		Quarter ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Note	----- (Rupees) -----		----- (Rupees) -----	
Revenue	608,842,474	704,617,329	257,029,189	481,967,820
Cost of sales	(472,728,496)	(626,571,174)	(189,883,609)	(400,050,011)
Gross profit	136,113,978	78,046,155	67,145,580	81,917,809
Operating expenses	(38,413,835)	(40,576,939)	(17,589,961)	(16,193,201)
Operating profit	97,700,143	37,469,216	49,555,619	65,724,608
Financial charges	10 (17,640,742)	(5,383,938)	(8,657,739)	(2,786,722)
Other income	332,996	3,782,859	67,804	2,502,091
	<u>80,392,397</u>	<u>35,868,137</u>	<u>40,965,684</u>	<u>65,439,977</u>
Provision for Sindh Workers' Welfare Fund	(1,607,848)	(717,363)	(819,314)	(717,363)
Profit before taxation	78,784,549	35,150,774	40,146,370	64,722,614
Taxation	11 (25,416,870)	(36,530,741)	(10,605,280)	(26,937,762)
Profit / (loss) for the period	53,367,679	(1,379,967)	29,541,090	37,784,852
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	<u>53,367,679</u>	<u>(1,379,967)</u>	<u>29,541,090</u>	<u>37,784,852</u>
Earnings / (Loss) per certificate - basic and diluted	<u>17.79</u>	<u>(0.46)</u>	<u>9.85</u>	<u>12.59</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statement.

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

**NAVEED RIAZ
CHIEF EXECUTIVE**

**OMAR MOHAMMAD KHAN
DIRECTOR**

**MRS. SAADAT IKRAM
DIRECTOR**

**MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER**



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

	Half year ended	
	December 31, 2023	December 31, 2022
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	78,784,549	35,150,774
Adjustments for non-cash and other items:		
Depreciation	1,925,051	1,345,150
Amortisation on intangible assets	260,448	163,798
Amortisation of deferred capital grant	-	(27,953)
Gain on disposal of assets	(15,000)	(1,203,499)
Financial charges	17,640,742	5,383,938
Provision for staff retirement gratuity	-	300,740
Reversal of provision for doubtful debts	-	(2,372,411)
	19,811,241	3,589,763
Operating profit before working capital changes	98,595,790	38,740,537
Changes in operating assets and liabilities		
Decrease / (Increase) in current assets		
Stock in trade	90,692,793	(213,487,397)
Trade debtors	102,072,798	(12,895,694)
Advances, deposits, prepayments and other receivables	6,339,928	(13,221,071)
	199,105,519	(239,604,162)
(Decrease) / Increase in current liabilities		
Creditors, accrued and other liabilities	(333,581,453)	257,324,121
Cash (used in) / generated from operations	(35,880,144)	56,460,496
Financial charges paid	(12,883,620)	(5,421,784)
Income Taxes paid	(24,813,589)	(40,473,378)
Staff gratuity paid	-	(3,300,616)
Net cash (used in) / generated from operating activities	(73,577,353)	7,264,718
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(323,950)	(262,135)
Proceeds from disposal of property and equipment	15,002	1,203,500
Net cash (used in) / generated from investing activities	(308,948)	941,365
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(14,610,856)	(16,010,605)
Receipts of Qard-e-Hasana from Modaraba Management Company	173,000,000	177,500,000
Repayment of Qard-e-Hasana to Modaraba Management Company	(136,000,000)	(232,500,000)
Repayment of Salam finances	-	(1,376,727)
Receipts from Musharaka finances	7,400,880	-
Repayment of Musharaka finances	(304,855)	(14,443,617)
Receipts from Musawamah finances	205,000,000	195,000,000
Repayment of Musawamah finances	(205,000,000)	(110,000,000)
Net cash generated from / (used in) financing activities	29,485,169	(1,830,949)
Net (decrease) / increase in cash and cash equivalents	(44,401,132)	6,375,134
Cash and cash equivalents at the beginning of the period	52,255,980	5,020,220
Cash and cash equivalents at the end of the period	7,854,848	11,395,354

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statement.

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

NAVEED RIAZ
CHIEF EXECUTIVE

OMAR MOHAMMAD KHAN
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

	Paid-up certificate	Statutory reserve	Revenue reserve Unappropriated profit	Total
	----- (Rupees) -----			
Balance as at July 01, 2022	30,000,000	118,733,257	35,003,813	183,737,070
Total comprehensive income for the period				
Loss for the period	-	-	(1,379,967)	(1,379,967)
Other comprehensive income	-	-	-	-
	-	-	(1,379,967)	(1,379,967)
Transaction with owners				
Profit distribution for the year ended June 30, 2022 @ Rs. 5.50 per certificate	-	-	(16,500,000)	(16,500,000)
Balance as at December 31, 2022	<u>30,000,000</u>	<u>118,733,257</u>	<u>17,123,846</u>	<u>165,857,103</u>
Balance as at July 01, 2023	30,000,000	118,733,257	15,806,157	164,539,414
Total comprehensive income for the period				
Profit for the period	-	-	53,367,679	53,367,679
Other comprehensive income	-	-	-	-
	-	-	53,367,679	53,367,679
Transaction with owners				
Profit distribution for the year ended June 30, 2023 @ Rs. 5 per certificate	-	-	(15,000,000)	(15,000,000)
Balance as at December 31, 2023	<u>30,000,000</u>	<u>118,733,257</u>	<u>54,173,836</u>	<u>202,907,093</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statement.

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

NAVEED RIAZ
CHIEF EXECUTIVE

OMAR MOHAMMAD KHAN
DIRECTOR

MRS. SAADAT IKRAM
DIRECTOR

MUHAMMAD ALI BAIG
CHIEF FINANCIAL OFFICER

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

1 NATURE AND STATUS OF BUSINESS

- 1.1 First Imrooz Modaraba (the Modaraba) was formed on September 27, 1993 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Rules framed there under and is managed by A R Management Services (Private) Limited (the Modaraba Management Company). The Modaraba commenced its commercial operations from March 01, 1994. The Modaraba is listed on Pakistan Stock Exchange.
- 1.2 The Modaraba has entered into rental agreements for the use of premises and warehouses of its associated companies, the details of which are as under;
- (i) Principal place of business of the Modaraba: Room No. 405, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Line Quarters, Karachi, Sindh, Pakistan.
 - (ii) Karachi warehouse: C-28, S.I.T.E, Karachi.
 - (iii) Lahore branch / warehouse: Plots # 125-S, Small Industries Area, Kot Lakhpat, Lahore.

Transaction-wise details of the above arrangements have been presented in note 14 to these financial statements.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1 This condensed interim financial statement has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34 - Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) ['the Modaraba Regulations'].

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

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

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

- 2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2023.
- 2.1.3 The comparative statement of balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2023, whereas the comparative condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2022.
- 2.1.4 These interim financial statements are unaudited but subject to limited scope review by the external auditors as required by the Code of Corporate Governance and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.
- 2.1.5 The figures of the condensed interim profit and loss account and other comprehensive income for the quarters ended December 31, 2022 and December 31, 2023 have not been reviewed.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

2.2 Basis of measurement

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

2.3 Functional and presentation currency

This condensed interim financial information is prepared in Pakistani Rupees which is the Modaraba's functional and presentation currency. The figures in this condensed interim financial information have been rounded off to the nearest rupee unless otherwise specified.

3 MATERIAL ACCOUNTING POLICIES AND CHANGES THEREIN

3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Modaraba for the year ended June 30, 2023.

3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use of judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2023.

3.4 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2023 which are not detailed here. These standards, interpretations and amendments are either not relevant to the Modaraba's operations or are not expected to have a significant effect on this condensed interim financial information.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

- 3.5 The company has adopted the narrow scope amendments to the International Accounting Standard (IAS1), Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they will impact the accounting policy information disclosed in the annual financial statements.

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policies'. The amendments also provide guidance under what circumstance the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments had no effect on the interim condensed financial statements of the Modaraba as they relate to disclosures of accounting policies in the annual financial statements rather than interim financial statements. The amendments are expected to be applicable for the accounting policy disclosures in the annual financial statements of the Modaraba.

- 3.6 The Modaraba's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Modaraba for the year ended June 30, 2023.

	December 31, 2023 (Un-audited)	June 30, 2023 (Audited)
Note	----- (Rupees) -----	-----

4 PROPERTY AND EQUIPMENT

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

Opening fixed assets (net book value)	14,006,740	8,061,008
Additions	323,950	8,993,610
Disposals	(42,850)	(2,216,259)
Depreciation charge	(1,925,051)	(2,866,155)
Depreciation on disposals	42,850	2,034,536
Closing fixed assets (net book value)	12,405,639	14,006,740

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

		December 31, 2023	June 30, 2023
		(Un-audited)	(Audited)
	Note	----- (Rupees) -----	
5. STOCK IN TRADE			
In hand		250,949,998	273,830,793
In bonded warehouse		39,368,535	106,579,668
Provision for slow moving and obsolete stock	5.1	<u>(2,816,402)</u>	<u>(2,215,537)</u>
		<u>287,502,131</u>	<u>378,194,924</u>
5.1 Provision for slow moving and obsolete stock			
Opening Balance		2,215,537	1,530,787
Provision for period /year		600,865	684,750
Closing Balance		<u>2,816,402</u>	<u>2,215,537</u>
6. TRADE DEBTORS			
(Unsecured)			
Considered good		213,936,492	315,528,774
Considered doubtful		4,020,701	4,020,701
		<u>217,957,193</u>	<u>319,549,475</u>
Less: Provision for expected credit losses	6.1	<u>(8,817,315)</u>	<u>(8,336,800)</u>
		<u>209,139,877</u>	<u>311,212,675</u>
6.1 Provision for expected credit losses			
Opening balance		8,336,800	9,193,911
Provision made during the period / year		480,515	-
Provision reversed during the period / year		-	(857,111)
		<u>480,515</u>	<u>(857,111)</u>
Closing balance		<u>8,817,315</u>	<u>8,336,800</u>
7. CASH AT BANKS			
Saving account		6,498,113	42,092,552
Current accounts		1,356,735	10,163,428
		<u>7,854,848</u>	<u>52,255,980</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

8. OBLIGATION UNDER FINANCING FACILITIES - SECURED	Note	December 31, 2023	June 30, 2023
		(Un-audited)	(Audited)
		----- (Rupees) -----	
Musharaka Financing Facility	8.1 & 8.2	9,128,357	2,032,331
Less: non-current portion under Musharaka financing facility		(1,117,800)	(1,422,655)
Current portion under Musharaka financing facility		8,010,557	609,676
Musawamah financing facility	8.3	140,000,000	140,000,000
		<u>148,010,557</u>	<u>140,609,676</u>

- 8.1 The Modaraba has availed Running Musharaka Financing facility from Bank AL Habib Limited with sanctioned limit of Rs. 30 million (June 30, 2023: Rs. 30 million). This facility has been obtained to finance working capital requirements of the Modaraba and carries profit at the rate of 1.5% (June 30, 2023: 1.5%) over 3 months average KIBOR.
- 8.2 The Modaraba obtained Diminishing Musharaka financing facility with a sanctioned limit of Rs. 10 million (June 30, 2023: Rs. 10 million) from Bank AL Habib Limited for the purchase of locally manufactured brand new / used commercial and non-commercial vehicles for Modaraba's / staff use. The facility carries profit at the rate of 2.25% over 1 year KIBOR and is repayable within 5 years from the date of delivery of vehicle(s).
- 8.3 The Modaraba has also availed Musawamah financing facility from Bank AL Habib Limited with a sanctioned limit of Rs. 230 million (June 30, 2023: Rs. 230 million) to finance sale of inventory owned by the Modaraba. The facility carries profit at the rate 1.5% (June 30, 2023: 1.5%) over 3 months average KIBOR.
- 8.4 Musharaka financing facility and Musawamah financing facility from Bank AL Habib Limited are secured against:
- Registered Hypothecation Charge over current assets, including stocks & book debts of the Modaraba amounting to Rs. 334 million (June 30, 2023: Rs. 334 million) (including 25% margin),
 - Registered Specific Hypothecation Charge over vehicle(s) amounting to Rs. 10 million
 - HPA marking over vehicle(s) in Excise and Taxation department in favour of Bank AL Habib Limited under Diminishing Musharaka arrangement and;

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

- Equitable mortgage charge over immoveable properties and personal guarantees of directors of the Modaraba Company for Rs. 334 million (June 30, 2023: Rs. 334 million) each.

		December 31, 2023 (Un-audited)	June 30, 2023 (Audited)
	Note	----- (Rupees) -----	-----
9 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Import bills payable		101,787,844	436,606,686
Creditors		418,779	1,732,023
Advance from customer		1,600,000	1,609,000
Accrued liabilities		11,310,937	6,096,334
Unclaimed profit distribution		10,054,706	9,665,562
Sindh Workers' Welfare Fund	9.1	15,767,109	14,159,254
Sales Tax Payable		494,298	-
		141,433,673	469,868,859

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

The Sindh Workers Welfare Fund Act, 2014 (Sindh WWF Act) was passed by the Sindh Assembly on June 04, 2015 and as per Section 5(1) of the Sindh WWF Act, contributions are payable with effect from the date of closing of account on or after December 31, 2013, that corresponds to Modaraba's account year ended on June 30, 2014. As per definitions Section 2(g) of the Sindh WWF Act, the Modarabas were considered to be an industrial establishment, despite the fact that even remotely they could not be considered as industrial establishment due to their nature of business. Further the issue of apportionment of income relevant to the province of Sindh also needs to be clarified. The NBFI & Modaraba Association of Pakistan is contemplating to file petition against such levy, as Sindh High Court has granted stay to various Banks and Financial Institutions in Suit No.610 of 2017. However, the management of the Modaraba in consultation with the legal advisor has decided to record a provision on prudent basis.

- 9.2 The Deputy Commissioner (DC) - Unit 37 of the Sindh Revenue Board (SRB) issued Show Cause Notices (SCNs) in October 2023 relating to the tax period ended June-2016 to June-2022 for recovery of Sindh Workers Welfare Fund (SWWF).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

The Modaraba has filed its responses to the said SCNs taking plea that Modaraba is not engaged in any kind of activity whatsoever related to banking or financial institution since its inception. It is engaged in the business of commercial imports of specialty chemicals. Therefore, provisions of SWWF are not applicable on the Modaraba.

The DC of SRB passed an order in Nov-2023 creating aggregate demand of Rs. 3,118,564/- , which includes Penalties Rs. 115,502/- and Additional amount @ 15% p.a. Rs. 693,014/-.

The Modaraba has filed appeals before Commissioner Appeals, SRB, Karachi where the matter is pending. The Commissioner Appeals has pleased to grant stay of disputed demand. The management of the Modaraba is hopeful of positive outcome.

	December 31, 2023 (Un-audited)	June 30, 2023 (Audited)
	----- (Rupees) -----	
10. FINANCIAL CHARGES		
Musharaka charges	1,380,796	524,530
Salam charges	-	43,567
Musawamah charges	16,259,946	4,815,842
	<u>17,640,742</u>	<u>5,383,938</u>
11 TAXATION		
Current tax for the period	<u>25,416,870</u>	<u>36,530,741</u>

Current tax

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The Collectorate of Customs (Adjudication-II), Karachi issued a show cause notice No. Adj-II/DC/SCN-296/MCC-East/ Cont.Rep/PDP-461/MEHTA BRO/2022 dated August 30, 2022 to the Modaraba for recovery of Customs Duty along with allied taxes in aggregate to Rs. 1.5237 million on the alleged grounds that declared value of specified imported goods were lower than the assessable value. Honorable Customs Excise and Sales Tax Appellate Tribunal, Karachi decided the appeal in our favor as per order dated October 09, 2023.

12.1.2 The Collectorate of Customs (Adjudication-II), Karachi passed an order on November 7, 2023 creating aggregate demand of Rs 0.340 million, which includes Customs Duty, Additional Customs Duty, Sales Tax, Income Tax and Penalty. Honorable Customs Excise and Sales Tax Appellate Tribunal, Karachi, decided the appeal in our favor as per order dated January 08, 2024.

12.2 Commitments

12.2.1 The Modaraba has issued post dated cheques to Collector of Customs amounting to Rs. 39.735 million (June 30, 2023: Rs.47.004 million) on account of custom dues and taxes on goods at bonded warehouse.

12.2.2 Commitments in respect of outstanding letters of credit for trading stock amounted to Rs. 16.23 Million (June 30, 2023 : Rs. NIL).

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

As at period ended December 31, 2023, the Modaraba does not hold any financial asset or liability measured at fair value. Therefore, fair value hierarchies have not been disclosed.

Further, carrying value of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair value.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

14 RELATED PARTY TRANSACTIONS

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

	December 31, 2023 (Un-audited)	December 31, 2022 (Un-audited)
	----- (Rupees) -----	
Dividend paid to Modaraba Management Company	3,000,000	3,300,000
Dividend paid to key management personnel	3,989,000	4,387,900
Share of common expenses to group companies	960,498	1,496,234
Warehouse / Office rent to group companies	2,910,000	3,368,800
Receipt of Qard-e-Hasana from Modaraba Management Company	173,000,000	177,500,000
Repayment of Qard-e-Hasana to Modaraba Management Company	136,000,000	232,500,000

15 GENERAL

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

16 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorised for issue on 28-Feb-2024 by the Board of Directors of the Modaraba Management Company M/s. A R Management Services (Private) Limited.

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

NAVEED RIAZ	OMAR MOHAMMAD KHAN	MRS. SAADAT IKRAM	MUHAMMAD ALI BAIG
CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHIEF FINANCIAL OFFICER