

Mufti Abdul Qadir

Shariah Advisor

Shahadatu Tahfeez-ul-Quran
Shahadat-ul-Aalamiyyah
Shahadat-ul-Takhassus fil Fiqh wal Ifta

MA (Islamic Studies), MA (Arabic)
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Ref: ASRR-06-19

Date: 4-10-19

Annual Shari'ah Review Report of **First Equity Modaraba (FEM)** **For the year ended June 30, 2019**

In the name of Allah, The Most Beneficent, The Most Merciful, All praise is due to Allah, and Allah's Peace and Blessings be upon His Final Messenger, his pure family, his noble Companions, and all those who follow them with righteousness until the Day of Judgment.

I have conducted the Shari'ah review of First Equity Modaraba (FEM), managed by Premier Financial Services (Private) Limited, the Modaraba Management Company for the year ended June 30, 2019 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism (SCSAM) 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 that took place during the year:

Training and Development:

The key staff of the FEM is fully equipped with Islamic finance tools and industry requirements through training. However no training session has been attended by any staff member during the period.

iii. The agreements entered into by the Modaraba are Shari'ah compliant and the financing / facility agreements 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 information provided to me 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. The external auditors of the Modaraba after extensive testing have also not reported any diversion from the Shari'ah guideline.

vi. The earnings that have been realized from the sources or by means of prohibited by Shari'ah have been credited to charity accounts.

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Charity:

An amount of Rs. 6,875/- was collected in charity account but no payment made on account of charity during the period.

Observations:

I have pointed out some issues to be settled in view of SECP Circular No. 8 of 2012 dated 03-02-2012, whereby Shari'ah Compliance and Audit Mechanism (SCSAM) was introduced.

With reference to the settlement of the issues:

1. As regard to the investment in shares and securities, it has been confirmed that First Equity Modaraba has only Shari'ah Compliant Shares in its portfolio except the shares of the companies turned non Shari'ah compliant as per their last accounts due to non-compliance with screening criteria. On my query, the management has confirmed that such non Shari'ah compliant shares have been disposed of on the reporting date except the shares of JOV & Co. whose trading is still suspended.
2. It has been observed that the Modaraba has placed his funds with Islamic Banking institutions or in Islamic Windows of Conventional Banks and has succeeded to close all saving accounts at conventional banks and shifted the funds in their Islamic windows during the period.
3. As regards, Musharakah agreements, they are on the formats as approved by the Religious Board. It is noticed that no any Musharakah investment agreement is matured during the year.

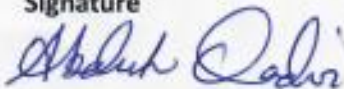
Recommendations:

1. The Non Shari'ah Compliant suspended shares should be disposed of at the earliest.
2. The charity amount should be fully distributed to the approved charitable organizations within the ideal time frame as specified in SCSAM.
3. The management should continue its endeavor to comply with the rulings of Shari'ah in its business operation and future transactions.

Conclusion:

Based on the above mentioned facts, I am of the view that the business operations of First Equity 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: October 04, 2019

