

THIRTEENTH ANNUAL REPORT 2007



FIRST IMROOZ MODARABA



FIRST IMROOZ MODARABA

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FIRST IMROOZ MODARABA

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.

STATEMENT OF ETHICS & BUSINESS PRACTICES

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 member 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.



FIRST IMROOZ MODARABA

MODARABA INFORMATION

Modaraba Management Company	: A R Management Services (Private) Ltd.
Directors of Modaraba Company	: Mr. Naveed Riaz - Chief Executive Mrs. Saadat Ikram Mr. Aameed Riaz Mr. Omar Mohammad Khan
Chief Financial Officer	: Mr. Ateed Riaz
Audit Committee	: Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Aameed Riaz (Member)
Company Secretary	: Mr. Shabbir Ahmed Jamsa
Chief Internal Auditor	: Mr. Abbas Kerani
Auditors	: M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants
Bankers	: Soneri Bank Limited
Legal Advisors	: Mr. Akram Zuberi Advocate, Supreme Court of Pakistan
Principal place of business	: 119-120, Qamar House M. A. Jinnah Road Karachi.
Registered Office of the Modaraba Company	: 33-C, Behind Mall Mansion Shahrah-e-Quaid-e-Azam The Mall, Lahore.
Share Registration Office	: Progressive Management Services (Pvt.) Limited 10th Floor, Mehdi Tower A-115, S.M.C.H.S., Shahrah-e-Faisal Karachi.



FIRST IMROOZ MODARABA

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 the thirteenth Annual Report of First Imrooz Modaraba along with audited financial statements for the year ended June 30, 2007.

Operating Results

The financial results of the Modaraba are summarized below:

	<i>(Rupees in million)</i>	
	<i>2007</i>	<i>2006</i>
Profit before taxation	38.938	39.821
Taxation	13.955	19.200
Profit for the year	<u>24.983</u>	<u>20.621</u>
Unappropriated profit brought forward	<u>17.588</u>	<u>15.191</u>
	<u>42.571</u>	<u>35.812</u>
Appropriations		
Transfer to statutory reserve	<u>4.997</u>	<u>4.124</u>
Profit distribution	<u>15.600</u>	<u>14.100</u>
	<u>20.597</u>	<u>18.224</u>
Balance unappropriated profit available	<u>21.974</u>	<u>17.588</u>
Earning per certificate - basic & diluted	<u>Rs. 8.33</u>	<u>Rs. 6.87</u>

Review of Financial Performance

During the year ended June 30, 2007, the Modaraba's performance was satisfactory despite tough competition, fluctuation in key product prices and unavailability of credit facilities, as reported earlier in the fiscal year. Even with a Rs. 24 million decline in turnover, the Modaraba's net profit after tax improved to Rs. 24.983 million.

With these results, the Board of Directors have decided to transfer 20% of profit to Statutory Reserve and to pay a final cash dividend @ 65% i.e. Rs. 6.50 per certificate to the certificate holders.



FIRST IMROOZ MODARABA

Auditors

The present auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants being due for retirement and have offered themselves for re-appointment for the year ending June 30, 2008. The Directors have approved themselves for appointment subject to consent of the Registrar, Modaraba Companies and Modaraba.

Corporate governance

Your Directors are pleased to report that:

- a) 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.
- b) proper books of account of the Modaraba have been maintained.
- c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) approved International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) the system of internal control is sound in design and has been effectively implemented and monitored.
- f) there are no significant doubts upon the Modaraba's ability to continue as a going concern.
- g) there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) statement summarizing key operating and financial data for the last six years is given as under:

(Rupees in million)

Particulars	2007	2006	2005	2004	2003	2002	2001
Fixed Assets	5.054	5.821	5.793	5.656	4.613	4.369	5.979
Working Capital	94.584	84.028	76.930	61.287	60.937	55.788	50.145
Certificate holders Equity	96.064	86.681	80.160	64.847	63.612	58.484	54.381
Paid-up Capital	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Sales	402.845	427.015	310.484	366.790	332.556	300.083	395.804
Gross Profit	56.033	60.234	45.285	48.207	42.614	45.161	54.930
Profit after Taxation	24.983	20.621	15.313	10.985	20.128	19.104	15.951
Dividend – Cash	65%	52%	47%	32.5%	50%	50%	46%
Earnings per Certificate - Rs.	8.33	6.87	5.10	3.66	6.71	6.37	5.32
Break-up value per Certificate - Rs.	32.02	28.89	26.72	21.62	21.20	19.49	18.13

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



FIRST IMROOZ MODARABA

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.

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	3
Mrs. Saadat Ikram	4

Acknowledgment

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

September 04, 2007

TEN YEARS AT A GLANCE

(Rupees in million)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
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
Paid up capital	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Statutory reserve & surplus	66.064	56.681	50.160	34.847	33.612	28.484	24.380	22.229	21.446	20.723
Certificate holders' equity	96.064	86.681	80.160	64.847	63.612	58.484	54.380	52.229	51.446	50.723
Deferred liability - staff gratuity	3.574	3.169	2.562	2.096	1.938	1.673	1.744	1.557	-	-
Qard-e-Hasna from Modaraba management company	-	-	-	0.500	-	-	-	6.300	1.000	4.225
Short term borrowing - Morabaha finances	-	40.955	61.063	20.165	25.157	-	-	15.439	-	5.078
Current liabilities	45.296	93.370	83.199	67.659	90.974	89.200	52.383	99.283	77.246	58.896
Fixed Assets	5.054	5.821	5.793	5.656	4.613	4.369	5.979	5.298	3.359	1.751
Deferred Costs	-	-	-	-	-	-	-	-	-	0.197
Stock-in-trade	51.081	108.794	121.430	88.685	109.660	79.761	52.065	113.668	75.565	56.979
Trade debtors	37.612	40.696	24.922	24.344	22.633	18.219	17.586	17.729	21.242	5.641
Investments	4.613	3.938	10.007	9.524	9.290	8.875	3.366	2.254	1.126	0.709
Current assets	139.880	177.397	160.128	128.946	151.911	144.988	102.528	147.771	125.333	107.671
Operational Results										
Sales	402.845	427.015	310.484	366.790	332.556	300.083	395.804	399.927	339.033	379.498
Cost of sales	346.812	366.781	265.199	318.583	289.942	254.922	340.873	357.843	304.212	342.982
Gross profit	56.033	60.234	45.285	48.207	42.614	45.161	54.931	42.084	34.821	36.516
Other income	2.982	3.725	3.097	1.289	6.784	4.608	0.755	1.026	1.268	0.371
Operating expenses	18.709	20.639	14.392	15.204	12.243	11.486	13.196	12.431	10.891	10.767
(Diminution)/unrealised appreciation on remeasurement of investments	1.563	(0.503)	0.834	1.484	4.872	0.920	(0.151)	0.383	0.089	(0.730)
Operating profit	41.869	42.818	34.825	35.776	42.027	39.203	42.339	31.062	25.287	25.390
Modaraba company's management fee	2.931	2.997	2.438	2.504	2.942	2.744	2.117	2.174	2.299	2.308
Profit before tax	38.938	39.821	32.387	33.272	39.085	36.459	40.222	28.888	22.988	23.082
Taxation	13.955	19.200	17.074	22.288	18.957	17.355	24.271	19.105	17.016	3.100
Profit after tax	24.983	20.621	15.313	10.984	20.128	19.104	15.951	9.783	5.972	19.982
Transfer to statutory reserve	4.997	4.124	3.063	2.197	4.026	3.821	1.595	0.978	1.194	3.996
	20%	20%	20%	20%	20%	20%	10%	10%	20%	20%
Profit Distribution										
Cash dividend	19.500	15.600	14.100	9.750	15.000	15.000	13.800	9.000	5.250	15.000
Rate per certificate	65%	52%	47%	32.5%	50%	50%	46%	30%	17.5%	50%
Financial Ratios										
Gross profit - % of sales	13.91%	14.11%	14.59%	13.14%	12.81%	15.05%	13.88%	10.52%	10.27%	9.62%
Operating expenses - % of sales	4.64%	4.83%	4.64%	4.15%	3.68%	3.83%	3.33%	3.11%	3.21%	2.84%
Operating profit - % of sales	10.39%	10.03%	11.22%	9.75%	12.64%	13.06%	10.70%	7.77%	7.46%	6.69%
Profit before tax - % of sales & other income	9.59%	9.24%	10.33%	9.04%	11.52%	11.97%	10.14%	7.20%	6.76%	6.08%
Profit after tax - % of sales & other income	6.16%	4.79%	4.88%	2.98%	5.93%	6.27%	4.02%	2.44%	1.75%	5.26%
Return to Certificateholders										
Return on equity - before tax	40.53%	45.94%	40.40%	51.31%	61.44%	62.34%	73.96%	55.31%	44.68%	45.51%
Return on equity - after tax	26.01%	23.79%	19.10%	16.94%	31.64%	32.67%	29.33%	18.73%	11.61%	39.39%
Earning per certificate - Rs.	8.33	6.87	5.10	3.66	6.71	6.37	5.32	3.26	1.99	6.66
Profit distribution per certificate - Rs.	6.50	5.20	4.70	3.25	5.00	5.00	4.60	3.00	1.75	5.00
Market price per certificate - Rs.	42.00	35.50	58.25	42.75	37.50	28.25	33.00	36.00	27.75	31.75
Break-up value per certificate - Rs.	32.02	28.89	26.72	21.62	21.20	19.49	18.13	17.41	17.15	16.91

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

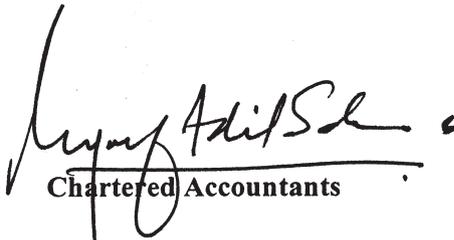
We have audited the annexed Balance Sheet of **First Imrooz Modaraba** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then 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 purposes 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 **First Imrooz 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 accounts and are further in agreement with accounting policies consistently applied;

- ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
- iii. the business conducted, investments made and expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2007 and of the profit, 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 Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



Chartered Accountants

Karachi

Date: September 04, 2007



FIRST IMROOZ MODARABA

BALANCE SHEET AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
NON CURRENT ASSETS			
Tangible fixed assets	3	5,041,285	5,802,874
Intangible assets	4	12,949	18,500
		5,054,234	5,821,374
CURRENT ASSETS			
Stock-in-trade	5	51,081,318	108,794,065
Trade debtors	6	37,611,575	40,695,984
Investments	7	4,612,984	3,937,893
Advances, deposits, prepayments and other receivables	8	1,237,222	1,382,341
Taxation	9	156,379	20,651
Cash at bank	10	45,180,399	22,566,604
		139,879,877	177,397,538
		<u>144,934,111</u>	<u>183,218,912</u>
CAPITAL AND RESERVES			
Authorised capital 10,000,000 Modaraba Certificates of Rs. 10/- each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paidup capital			
Statutory reserve	11	30,000,000	30,000,000
Unappropriated profit	12	44,089,366	39,092,680
		21,974,723	17,587,979
		96,064,089	86,680,659
DEFERRED LIABILITY			
Staff Gratuity	13	3,573,990	3,168,743
CURRENT LIABILITIES			
Obligation under murabaha finances	14	–	40,955,290
Creditors, accrued and other liabilities	15	45,296,032	52,414,220
		45,296,032	93,369,510
CONTINGENCIES AND COMMITMENTS			
	16	<u>144,934,111</u>	<u>183,218,912</u>

The annexed notes form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director



FIRST IMROOZ MODARABA

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007**

	Note	2007 Rupees	2006 Rupees
Sales		402,844,912	427,014,888
Cost of goods sold	17	346,811,911	366,780,657
Gross profit		56,033,001	60,234,231
Operating expenses	18	18,709,023	20,638,835
Operating profit		37,323,978	39,595,396
Other income	19	2,982,266	3,725,487
Unrealised appreciation/(diminution) on remeasurement of investments		1,563,036	(502,801)
		41,869,280	42,818,082
Modaraba Company's management fee		2,930,850	2,997,266
Profit before taxation		38,938,430	39,820,816
Taxation	20	13,955,000	19,200,021
Profit for the year*		24,983,430	20,620,795
Earning per certificate - basic & diluted	21	8.33	6.87

* For more than 90% profits distribution please see note 28.

The annexed notes form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director



FIRST IMROOZ MODARABA

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

	2007 Rupees	2006 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	38,938,430	39,820,816
Adjustments:		
Depreciation on tangible fixed assets	2,337,710	2,195,173
Amortization of intangible assets	5,551	225,449
(Gain) on disposal of fixed assets	(1,038,831)	(1,318,986)
(Gain) on sale of investment	(567,291)	(1,747,643)
(Dividend) income	(692,701)	(407,000)
(Unrealised appreciation)/diminution on remeasurement of investments	(1,563,036)	502,801
Provision for staff gratuity	799,004	606,937
	(719,594)	56,731
	38,218,836	39,877,547
Changes in operating assets and liabilities		
Decrease/(Increase) in operating assets		
Stock-in-trade	57,712,747	12,635,856
Trade debtors	3,084,409	(15,773,831)
Dividend receivable	122,886	-
Advances, deposits, prepayments and other receivables	145,119	(670,725)
	61,065,161	(3,808,700)
(Decrease)/Increase in current liabilities creditors, accrued and other liabilities	(7,762,923)	29,429,334
<i>Cash generated from operations</i>	91,521,074	65,498,181
Gratuity paid	(393,757)	-
Taxes paid	(14,090,728)	(18,286,844)
Dividend paid	(14,955,265)	(13,251,509)
<i>Net cash generated from operating activities</i>	62,081,324	33,959,828
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(2,083,990)	(2,441,627)
Purchase of intangible assets	-	(22,200)
Proceeds from disposal of tangible assets	1,546,700	1,333,300
Dividend received	569,815	407,000
Investments - net	1,455,236	7,314,449
<i>Net cash generated from investing activities</i>	1,487,761	6,590,922



FIRST IMROOZ MODARABA

	2007 Rupees	2006 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of obligation under murabaha finances	<u>(40,955,290)</u>	<u>(20,107,785)</u>
<i>Net cash used in financing activities</i>	<u>(40,955,290)</u>	<u>(20,107,785)</u>
Net increase in cash and bank balances A+B+C	22,613,795	20,442,965
Bank balances at the beginning of the year	22,566,604	2,123,639
Bank balances at the end of the year	<u><u>45,180,399</u></u>	<u><u>22,566,604</u></u>

The annexed notes form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director



FIRST IMROOZ MODARABA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paid-up capital	Statutory reserve	Un- appropriated profit	Total
 Rupees			
Balance at June 30, 2005	30,000,000	34,968,521	15,191,343	80,159,864
Profit distribution for the year ended June 30, 2005 @ Rs. 4.70 per certificate	–	–	(14,100,000)	(14,100,000)
Profit for the year ended June 30, 2006	–	–	20,620,795	20,620,795
Transfer to statutory reserve @ 20%	–	4,124,159	(4,124,159)	–
Balance at June 30, 2006	30,000,000	39,092,680	17,587,979	86,680,659
Profit distribution for the year ended June 30, 2006 @ Rs. 5.20 per certificate	–	–	(15,600,000)	(15,600,000)
Profit for the year ended June 30, 2007	–	–	24,983,430	24,983,430
Transfer to statutory reserve @ 20%	–	4,996,686	(4,996,686)	–
Balance at June 30, 2007	30,000,000	44,089,366	21,974,723	96,064,089

The annexed notes form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director



FIRST IMROOZ MODARABA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1. LEGAL STATUS AND NATURE OF BUSINESS

First Imrooz Modaraba (the Modaraba) was formed on 27 September 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 Karachi Stock Exchange.

It is a multi purpose, perpetual Modaraba and is mainly engaged in domestic and international trading activities.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies & Modaraba (Floatation & Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities & 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 Accounting Standards as 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 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after November 1, 2006 / January 1, 2007 are either not relevant to Modaraba's operations or are not expected to have significant impact:-

IAS 1	"Presentation of financial statements - amendments relating to capital disclosures" - effective from January 1, 2007
IFRS 2	"Share based payment" - effective from January 1, 2007
IFRS 5	"Non-current assets held for sale and discontinued operations" - effective from January 1, 2007
IFRS 6	"Exploration for and evaluation of mineral resources" - effective from January 1, 2007



- IFRIC 10 "Interim financial reporting and impairment"
- effective from November 1, 2006
- IFRIC 11 "Group and treasury share transactions"
- effective from March 1, 2007
- IFRIC 12 "Services concession arrangements"
- effective from January 1, 2008

2.3 Basis of preparation

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.

2.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income at the rates specified in Note 3 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 acquired or capitalized while no depreciation is charged from the month in which an asset is disposed off.

Gains / losses on disposal of tangible assets 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.

2.5 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.

2.6 Stock-in-trade

These are stated at the lower of cost determined by first in first out method and net realizable value. Net realizable value signifies the selling price in the ordinary course of business less cost to be incurred to make sale. Goods in transit and in bonded warehouse are stated at invoice value plus other charges paid thereon, wherever applicable.



2.7 Trade debtors and other receivables

Trade debts 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.

2.8 Investments

Investment in securities are recognized on a trade-date basis and are initially measured at cost. In respect of investments held for trading and available for sale, subsequent measurement is made at fair value. Unrealized gains and losses are included in the profit and loss account for held for trading investments and in equity in case of available for sale investments. Held to maturity investments are valued on subsequent measurement date at the amortized value in accordance with the International Accounting Standard 39 "Financial instruments: Recognition and measurement".

2.9 Taxation

Provision for taxation is based on taxable income of 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 is made according to the current presumptive tax rates provided in the Income Tax Ordinance, 2001.

2.10 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. The most recent valuation was carried out by a qualified actuary in accordance with IAS 19 "Employees Benefits" on May 15, 2006 using the "Project 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.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Modaraba's gratuity is amortized over the average expected remaining working lives of the employees.

2.11 Trade Creditors and other payables

Liability for trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods received and services rendered.

2.12 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.

2.13 Financial instruments

Financial assets and liabilities are recognized when the Modaraba becomes a party to the contractual provision 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.

2.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount reported in the balance sheet when there is legally enforceable right to set off the recognized amount and the Modaraba intends to either settle on a net basis, or realize the asset and settle the liability simultaneously.

2.15 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.

2.16 Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that the 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 amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized 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 subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an assets represented by the difference between the sale proceed and the carrying amount of the asset is recognized as an income or expense.



FIRST IMROOZ MODARABA

2.17 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 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 have been established.

Profit on PLS savings account is recognized on accrual basis.

3. TANGIBLE FIXED ASSETS

	C o s t			D e p r e c i a t i o n			Net Book value as at June 30, 2007	Rate of Depreciation per annum
	As at July 01, 2006	Additions/ (disposals) during the year	As at June 30, 2007	As at July 01, 2006	For the year/ (disposals)	As at June 30, 2007		
 Rupees							
Furniture and fixtures	495,602	164,600	660,202	228,056	54,799	282,855	377,347	10%
Office equipment and appliances	1,727,098	60,623 (131,860)	1,655,861	1,144,478	193,451 (111,234)	1,226,695	429,166	20%
Computer equipments	2,493,093	172,030	2,665,123	2,001,697	238,880	2,240,577	424,546	25%
Vehicles	10,362,242	1,686,737 (2,002,220)	10,046,759	5,900,930	1,850,580 (1,514,977)	6,236,533	3,810,226	20%
2007	15,078,035	2,083,990 (2,134,080)	15,027,945	9,275,161	2,337,710 (1,626,211)	9,986,660	5,041,285	
2006	15,459,058	2,441,627 (2,822,650)	15,078,035	9,888,324	2,195,173 (2,808,336)	9,275,161	5,802,874	



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

	Cost	Accumulated depreciation	Net book value	Gain/(loss) on disposal	Mode of disposal	Particulars of Purchasers
	Rupees					
Office equipment	7,500	1,125	6,375	1,125	Insurance Claim	Asia Insurance Co. Ltd. 18-E-III, Model Town, Lahore,
Office equipment	39,900	39,899	1	5,599	Board Resolution	Scrap Sale
Office equipment	55,960	55,960	-	2,800	Board Resolution	Scrap Sale
Office equipment	28,500	14,250	14,250	(11,450)	Board Resolution	Scrap Sale
Vehicle	818,195	818,194	1	562,999	Negotiation	Mr. Muhammad Taimmur Dyer House No. D-282 D' Cruise Road, Garden East, Karachi
Vehicle	360,085	360,083	2	189,998	Negotiation	Mr. Abdul Ghaffar Sitti House No. 120-E, Ahmedabad Dhamial Camp. Rawalpindi.
Vehicle	54,500	54,498	2	144,998	Negotiation	Mr. Zafar Ali Khan House No. B-147, Block 13-D-I Gulshan-e-Iqbal, Karachi.
Vehicle	374,440	255,867	118,573	126,427	Negotiation	Syed Ali Raza House No. L-59, Sector 5-A-2, North Karachi.
Vehicle	395,000	26,335	368,665	16,335	Insurance Claim	Asia Insurance Co. Ltd. 18-E-III, Model Town, Lahore.
2007	2,134,080	1,626,211	507,869	1,038,831		
2006	2,822,650	2,808,336	14,314	1,318,986		

4. INTANGIBLE ASSETS

Cost of software licenses

At July 01

**2007
Rupees**

**2006
Rupees**

909,200

887,000

Additions

—

22,200

At June 30

909,200

909,200

Amortization

At July 01

890,700

665,251

Charge for the year

5,551

225,449

At June 30

896,251

890,700

Carrying Amount

At July 01

18,500

221,749

At June 30

12,949

18,500



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	2007 Rupees	2006 Rupees
5. STOCK-IN-TRADE		
In hand	26,719,470	44,580,186
In bonded warehouse	18,181,466	48,135,039
In transit	6,180,382	16,078,840
	<u>51,081,318</u>	<u>108,794,065</u>
6. TRADE DEBTORS		
Unsecured - considered good	<u>37,611,575</u>	<u>40,695,984</u>
7. INVESTMENTS - held for trading		
	Fair Value Rupees	Fair Value Rupees
Crescent Steel & Allied Products Limited 52,856 Shares of Rs. 10/- each (2006: 63,720 Shares)	3,752,782	2,768,634
UTP Growth Fund 61,443 Certificates of Rs. 10/- each (2006: 89,943 Certificates)	860,202	1,169,259
	<u>4,612,984</u>	<u>3,937,893</u>
	2007 Rupees	2006 Rupees
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances	504,000	-
Deposits	332,000	368,450
Prepayments	235,416	299,127
Sales tax	-	521,789
Dividend receivable	122,886	-
Other receivables - considered good	42,920	192,975
	<u>1,237,222</u>	<u>1,382,341</u>
9. TAXATION		
Opening balance	20,651	933,828
Add: Paid during the year	14,090,728	18,286,823
Less: Provision for tax	(13,955,000)	(19,200,000)
	<u>156,379</u>	<u>20,651</u>



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	2007 Rupees	2006 Rupees
10. CASH AT BANK		
Cash at bank in		
– PLS savings account	43,210,577	20,564,253
– Current accounts	1,969,822	2,002,351
	<u>45,180,399</u>	<u>22,566,604</u>
11. ISSUED SUBSCRIBED AND PAID-UP CAPITAL		
3,000,000 Modaraba Certificates of Rs. 10/- each fully paid in cash (2006: 3,000,000 Modaraba Certificates)	<u>30,000,000</u>	<u>30,000,000</u>
12. STATUTORY RESERVE		
Balance at the beginning of the year	39,092,680	34,968,521
Transferred during the year	4,996,686	4,124,159
	<u>44,089,366</u>	<u>39,092,680</u>

Statutory Reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that 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 Modaraba transferred 20% of its after tax profits to statutory reserve.

After the balance sheet date the directors of the management company have approved the following final profit distribution:

Cash dividend @ Rs. 6.50 per Certificate (2006: Rs. 5.20 per Certificate)	<u>19,500,000</u>	<u>15,600,000</u>
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13. 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	9% per annum
Expected rate of eligible salary increase	9% per annum
Average expected remaining working life time of employees	10 years



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	2007 Rupees	2006 Rupees
Movement in defined benefit obligation		
Opening balance of defined benefit obligation as at July 01	3,168,743	2,561,806
Charge for the year		
Current service cost	473,665	386,156
Financing cost	325,339	220,781
	799,004	606,937
Benefits paid during the year	(393,757)	–
Closing balance of defined benefit obligation as at June 30	<u>3,573,990</u>	<u>3,168,743</u>
Represented by		
Present value of defined benefit obligations as at June 30	4,020,126	3,614,879
Unrecognized actuarial (losses)	(446,136)	(446,136)
	<u>3,573,990</u>	<u>3,168,743</u>
Present value of defined benefit obligations liability		
Present value of defined benefit obligations as at July 01		
Current service cost	3,614,879	2,759,760
Financing cost	473,665	386,156
Benefits paid during the year	325,339	220,781
Unrecognized actuarial losses	(393,757)	–
	–	248,182
Present value of defined benefit obligations as at June 30	<u>4,020,126</u>	<u>3,614,879</u>
14. OBLIGATION UNDER MURABAHA FINANCES		
Soneri Bank Limited	–	<u>40,955,290</u>

The Modaraba has a murabaha facility of Rs. 60 million.



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	2007 Rupees	2006 Rupees
15. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	282,132	98,656
Import bills payable	35,501,731	47,819,751
Accrued liabilities (Note 15.1)	486,131	338,150
Management fee payable to Modaraba Company	2,930,850	2,997,266
Sales tax	4,290,056	–
Unclaimed profit distribution	1,805,132	1,160,397
	<u>45,296,032</u>	<u>52,414,220</u>

15.1 Accrued liabilities includes Rs. Nil (2006: Rs. 5,400) payable to an associated undertaking.

16. CONTINGENCIES AND COMMITMENTS

Contingencies

Post dated cheques to Collector of Customs amounting to Rs. 4,920,349 (2006: Rs. 32,684,145).

Commitments

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs. 1,227,952 (2006: Rs. 5,451,879).

	2007 Rupees	2006 Rupees
17. COST OF GOODS SOLD		
Opening stock as at July 01	44,580,186	22,386,029
Add: Purchases	328,951,195	388,974,814
Less: Closing stock as at June 30	(26,719,470)	(44,580,186)
	<u>346,811,911</u>	<u>366,780,657</u>



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	2007 Rupees	2006 Rupees
18. OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries and other staff benefits (Note 18.1)	8,339,161	8,148,256
Staff gratuity (Note 13)	799,004	606,937
Rent, rates and taxes	515,881	430,810
Postage and telephone	498,763	540,070
Printing and stationery	200,779	169,002
Fees and subscriptions	416,341	368,200
Staff training	31,800	169,457
Travelling and conveyance	869,164	984,711
Entertainment	160,656	107,977
Repairs and maintenance	695,345	1,033,729
Vehicle running and maintenance	828,736	897,832
Electricity	773,321	549,954
Depreciation	2,337,710	2,195,173
Amortization of intangible asset	5,551	225,449
Advertisement and publicity	54,403	160,193
Sales promotion	98,420	659,195
Packing material	31,265	64,828
Insurance	392,221	300,041
Security charges	465,000	415,000
Cleaning and washing	4,445	5,995
Freight and forwarding	872,943	909,784
Auditors remuneration (Note 18.2)	170,000	160,000
Legal and professional	43,375	154,500
Consultancy	-	954,000
Bank charges	93,776	138,067
Donation (Note 18.3)	10,963	289,675
	<u>18,709,023</u>	<u>20,638,835</u>

18.1 Remuneration of officers and employees

	2007			2006		
	Officers	Employees	Total	Officers	Employees	Total
	Rupees					
Remuneration	3,242,902	2,363,607	5,606,509	3,042,093	2,478,831	5,520,924
Allowances	1,099,421	986,792	2,086,213	1,193,304	1,063,205	2,256,509
Medical	101,950	142,119	244,069	199,302	95,946	295,248
Provident Fund	181,470	138,940	320,410	-	-	-
EOBI	18,480	50,880	69,360	-	40,680	40,680
SESSI	-	12,600	12,600	16,020	18,875	34,895
	<u>4,644,223</u>	<u>3,694,938</u>	<u>8,339,161</u>	<u>4,450,719</u>	<u>3,697,537</u>	<u>8,148,256</u>

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



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	2007 Rupees	2006 Rupees
18.2 Auditors' remuneration		
Annual audit fee	125,000	125,000
Half yearly review fee	25,000	25,000
Review of Code of Corporate Governance	10,000	10,000
CDC certification fee	10,000	–
	170,000	160,000
18.3 Donation		
The Citizens Foundation	10,963	266,175
Modaraba Association of Pakistan	–	23,500
	10,963	289,675

None of the directors of the Management Company of the Modaraba or their spouses had any interest in the donee's fund.

	2007 Rupees	2006 Rupees
19. OTHER INCOME		
Dividend Income	692,701	407,000
Gain on sale of investments	567,291	1,747,643
Gain on disposal of tangible assets	1,038,831	1,318,986
Other	683,443	251,858
	2,982,266	3,725,487
20. TAXATION		
For the year	13,955,000	19,200,000
For prior year	–	21
	13,955,000	19,200,021

Current

The trading income of the Modaraba is taxed under presumptive tax regime under Section 169 of the Income Tax Ordinance, 2001.

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

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



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Deferred

Deferred tax liability or asset does not arise on temporary differences since 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.

	2007 Rupees	2006 Rupees
21. EARNINGS PER CERTIFICATE - Basic & diluted		
Profit for the year (Rupees)	24,983,430	20,620,795
Number of modaraba certificates	3,000,000	3,000,000
Earnings per certificate (Rupees)	8.33	6.87

22. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

22.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Policies and procedures have been established by the Modaraba with the objective of protecting against unacceptable credit losses by monitoring credit worthiness of counter parties. The modaraba does not have significant exposure to any individual customer.

The financial assets in which the Modaraba is exposed to credit risk are as follows:-

	2007 Rupees	2006 Rupees
Trade debtors	37,611,575	40,695,984
Other receivables	497,806	561,425
	38,109,381	41,257,409

22.2 Concentration of credit risk

Concentration of credit risk may arise from exposures to a single debtor or group of debtors engaged in similar business activities. The Modaraba manages concentration of credit risk through diversification of activities among individuals, groups and industry segment. An analysis of the Modaraba's credit risk exposure as at the year-end is as follows:



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	2007		2006	
	Rupees	%	Rupees	%
Chemicals & Textile	23,190,970	61	27,956,612	68
Health, Consumer & Pharmaceuticals	14,420,605	38	12,739,372	31
Others	497,806	1	561,425	1
	<u>38,109,381</u>	<u>100</u>	<u>41,257,409</u>	<u>100</u>

23. CURRENCY RISK

Currency risk is the risk that the value of financial liability will fluctuate due to changes in foreign exchange rates.

Modaraba covers its currency risk by monitoring foreign currency fluctuations and by obtaining forward exchange cover, if deemed necessary.

Following is the detail of currency risk of the Modaraba at the balance sheet date:

	2007	2006
US Dollars	562,724	649,114
British Pound Sterling	11,380	76,862

24. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Modaraba matches availability of liquid funds before committing for liabilities and also on a timely basis perform analysis of liquid funds with maturities of liabilities. Modaraba also has a murabaha facility.



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25. PROFIT RATE RISK EXPOSURE

The information about modaraba's exposure to profit rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

	2007				2006			
	Profit bearing		Non profit bearing	Total	Profit bearing		Non profit bearing	Total
	Less than one month	One month to one year			Less than one month	One month to one year		
	Rupees							
Financial Assets								
Trade debtors	-	-	37,611,575	37,611,575	-	-	40,695,984	40,695,984
Investments	-	-	4,612,984	4,612,984	-	-	3,937,893	3,937,893
Deposit & other receivables	-	-	497,806	497,806	-	-	561,425	561,425
Bank balances	43,210,577	-	1,969,822	45,180,399	20,564,253	-	2,002,351	22,566,604
	43,210,577	-	44,692,187	87,902,764	20,564,253	-	47,197,653	67,761,906
Financial Liabilities								
Creditors, accrued and other liabilities	-	-	41,005,977	41,005,977	-	-	52,414,220	52,414,220
Obligation under murabaha finances	-	-	-	-	-	-	40,955,290	40,955,290
	-	-	41,005,977	41,005,977	-	-	93,369,510	93,369,510
On-balance sheet gap (a)	43,210,577	-	3,686,210	46,896,787	20,564,253	-	(46,171,857)	(25,607,604)
Total profit rate sensitivity gap	43,210,577	-	-	-	20,564,253	-	-	-

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

26. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount at which an asset could be exchanged or liability settled between knowledgeable willing parties in an arms length transaction. The carrying value of financial assets and liabilities approximates their fair values as reflected in respective notes to the financial statements.

	2007 Rupees	2006 Rupees
27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sale of goods	7,158,962	2,656,915
Share of common expenses	465,613	210,740
Payment of Modaraba Company's Management fee	2,997,266	2,437,742
Receipts of Qard-e-Hasna from Modaraba Company	17,000,000	38,500,000
Repayments of Qard-e-Hasna to Modaraba Company	17,000,000	38,500,000



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28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in its meeting held on 04-09-2007 approved a final profit distribution / dividend of Rs. 6.50 per certificate, amounting to Rs. 19,500,000 for the year ended June 30, 2007.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 04-09-2007.

30. GENERAL

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

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

30.3 Corresponding figures have been rearranged / reclassified, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director



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**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2007**

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

Number of Certificate Holders	:	Certificate Holding From	:	To	:	Total Certificates Held
—	:	1	:	50	:	—
6	:	51	:	100	:	500
308	:	101	:	500	:	152,900
8	:	501	:	1000	:	8,000
22	:	1001	:	5000	:	89,500
6	:	5001	:	10000	:	43,100
18	:	10001	:	above	:	2,706,000
368						3,000,000

Categories of Certificate Holders	:	Number	:	Certificates Held	:	Percentage
Individuals	:	365	:	2,398,000	:	79.93
Investment Companies	:	—	:	—	:	—
Insurance Companies	:	—	:	—	:	—
Joint Stock Companies	:	1	:	500	:	00.02
Financial Institutions	:	1	:	1,500	:	00.05
Modaraba Company	:	1	:	600,000	:	20.00
Others	:	—	:	—	:	—
	:	368	:	3,000,000	:	100.00



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**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 Dawood Investment Bank Limited		1,500
N H Securities (Pvt) Limited		500

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.



FIRST IMROOZ MODARABA

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37(xiv) of the Listing Regulations of the Karachi Stock Exchange for the purposes 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 Code of Corporate Governance.

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

1. The Management Company encourages representation of independent non-executive directors on its Board. At present the Board includes two independent non-executive directors, out of total number of four directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFIs. None of the director is a member of any stock exchange.
4. No casual vacancy arose in the Board during the current year.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Management Company and all employees of the Modaraba.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba.
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 CFO, Company Secretary and other Executive Directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and held at least once in each quarter. Written notice of Board meeting, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The directors in the Board have adequate exposure of corporate matters and knowledge of laws and regulations applicable to Modaraba and well versed of their duties & responsibilities.
10. The board has already approved appointment of CFO, Company Secretary and Head of Internal Audit.



FIRST IMROOZ MODARABA

11. The Director's Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters which are required to be disclosed.
12. The financial statements of the Company 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 Certificate of the Modaraba other than that disclosed in the pattern of Certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has already formed an Audit Committee. It comprises three members including the Chairman, of whom two are non-executive directors.
16. The meetings of the audit committee were held in every quarter prior to the approval of financial results of the Modaraba as required by the Code. The terms of references of the committee have already been framed and duly approved by the Board and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold Certificates 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 Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all the material principles contained in the Code have been complied with.

September 04, 2007

Naveed Riaz
Chief Executive

STATEMENT OF COMPLIANCE WITH BEST PRACTICES ON TRANSFER PRICING

This statement is being presented to comply with the Listing Regulation No. 38 of the Karachi Stock Exchange for approving the transfer pricing policy. The modaraba confirm that all material principles contained in the said regulation have been complied with.

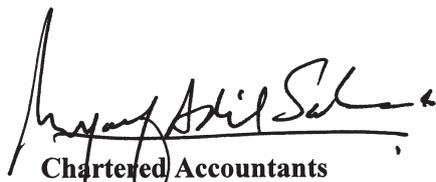
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of A.R. Management Services (Private) Limited (the Modaraba Company) representing **FIRST IMROOZ MODARABA** (the Modaraba) to comply with the relevant 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 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.

As part of our audit of 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.

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 compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2007.



Chartered Accountants

Karachi

Date September 04, 2007



FIRST IMROOZ MODARABA

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that eighth Annual Review Meeting of First Imrooz Modaraba will be held on Monday the 8th October, 2007 at 11:00 a.m. at Registered Office of the Modaraba Management Company at 33-C, Behind Mall Mansion, Shahrah-e-Quaid-e-Azam, Lahore.

By order of the Board

September 04, 2007

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 2, 2007 to October 8, 2007 (both days inclusive).
2. Certificate holders are requested to inform promptly of any change in their address to our Share Registrar, Progressive Management Services (Pvt.) Limited, 10th Floor, Mehdi Tower, A-115, S.M.C.H.S., Shahrah-e-Faisal, Karachi.

Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



FIRST IMROOZ MODARABA

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