

FOURTEENTH ANNUAL REPORT 2008

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FIRST IMROOZ MODARABA



FIRST IMROOZ MODARABA

## CONTENTS

Vision / Mission Statement	2
Statement of Ethics & Business Practices	2
Modaraba Information	3
Directors' Report	4
Ten Years at a Glance	7
Auditors' Report to the Certificate Holders	8
Balance Sheet	10
Profit & Loss Account	11
Cash Flow Statement	12
Statement of Changes in Equity	14
Notes to the Financial Statements	15
Pattern of Certificate Holding	31
Certificate Holders Information	32
Statement of Compliance with best practices of Code of Corporate Governance	33
Statement of Compliance with best practices on Transfer Pricing	34
Auditors Review Report on Compliance of Code of Corporate Governance	35
Notice of Annual Review Meeting	36



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

<b>Modaraba Management Company</b>	:	A R Management Services (Private) Ltd.
<b>Directors of Modaraba Company</b>	:	Mr. Naveed Riaz - Chief Executive Mrs. Saadat Ikram Mr. Ameer Riaz Mr. Omar Mohammad Khan
<b>Chief Financial Officer</b>	:	Mr. Ateed Riaz
<b>Audit Committee</b>	:	Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
<b>Company Secretary</b>	:	Mr. Shabbir Ahmed Jamsa
<b>Chief Internal Auditor</b>	:	Mr. Abbas Kerani
<b>Auditors</b>	:	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants
<b>Bankers</b>	:	Soneri Bank Limited MCB Bank Limited
<b>Legal Advisors</b>	:	Mr. Akram Zuberi Advocate, Supreme Court of Pakistan
<b>Principal place of business</b>	:	Room No. 405, 4th Floor Beaumont Plaza, Beaumont Road Civil Lines Quarters, Karachi-75530.
<b>Registered Office of the Modaraba Company</b>	:	33-C, Behind Mall Mansion Shahrah-e-Quaid-e-Azam The Mall, Lahore.
<b>Share Registration Office</b>	:	Progressive Management Services (Pvt.) Limited 10th Floor, Mehdi Tower A-115, SMCHS, 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 fourteenth Annual Report of First Imrooz Modaraba along with audited financial statements for the year ended June 30, 2008.

### Operating Results

The financial results of the Modaraba are summarized below:

	<i>(Rupees in million)</i>	
	<i>2008</i>	<i>2007</i>
		<i>Restated</i>
Profit before taxation	31.185	38.938
Taxation	16.018	15.684
Profit for the year	<u>15.167</u>	<u>23.254</u>
Appropriation:		
Transfer to Statutory Reserve	<u>3.033</u>	<u>4.997</u>
Profit after appropriation	<u>12.134</u>	<u>18.257</u>
Earnings per certificate - basic & diluted	Rs. <u>5.06</u>	<u>7.75</u>

### Review of Financial Performance

During the year ended June 30, 2008, the Modaraba was under a lot of pressure because of the rupee devaluation against the dollar, political uncertainty and economic instability. These reasons led to fall in the gross profit margin from 13.91% to 12% even though turnover increased by Rs.26.90 million as compared to last year.

The other income of the Modaraba has improved to Rs.3.977 million from 2.982 million of last year. However, the Modaraba has recorded diminution on re-measurement of investments of Rs.0.490 million as compared to appreciation in value of investments of Rs.1.563 million last year. For the year ended June 30, 2008 the Modaraba's profit after tax was Rs.15.167 million as compared to Rs.23.254 million for last year.

After considering these results, the Board of Directors have decided to transfer 20% of profit to Statutory Reserve and to pay a final cash dividend @ 40% i.e. Rs. 4.00 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, 2009. 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:

- the financial statements, prepared by the management company of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- proper books of account of the Modaraba have been maintained.
- appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- approved Accounting Standards, as applicable in Pakistan to Modarabas, have been followed in preparation of these financial statements and any departure therefrom has been adequately disclosed.
- the system of internal control is sound in design and has been effectively implemented and monitored.
- there are no significant doubts upon the Modaraba's ability to continue as a going concern.
- there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- statement summarizing key operating and financial data for the last six years is given as under:

(Rupees in million)

Particulars	2008	2007	2006	2005	2004	2003	2002
Fixed Assets	6.746	5.054	5.821	5.793	5.656	4.613	4.369
Working Capital	90.557	95.295	84.028	76.930	61.287	60.937	55.788
Certificate holders Equity	92.442	96.776	86.681	80.160	64.847	63.612	58.484
Paid-up Capital	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Sales	429.742	402.845	427.015	310.484	366.790	332.556	300.083
Gross Profit	51.205	56.033	60.234	45.285	48.207	42.614	45.161
Profit after Taxation	15.167	23.254	20.621	15.313	10.985	20.128	19.104
Dividend – Cash	40%	65%	52%	47%	32.5%	50%	50%
Earnings per Certificate - Rs.	5.06	7.75	6.87	5.10	3.66	6.71	6.37
Break-up value per Certificate - Rs.	30.81	32.25	28.89	26.72	21.62	21.20	19.49

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



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	4
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 12, 2008



FIRST IMROOZ MODARABA

## TEN YEARS AT A GLANCE

(Rupees in million)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Balance Sheet Information</b>										
Authorized capital	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
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	62.442	66.776	56.681	50.160	34.847	33.612	28.484	24.380	22.229	21.446
Certificate holders' equity	92.442	96.776	86.681	80.160	64.847	63.612	58.484	54.380	52.229	51.446
Deferred liability - staff gratuity	4.861	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
Short term borrowing - Morabaha finances	22.320	-	40.955	61.063	20.165	25.157	-	-	15.439	-
Current liabilities	110.573	45.296	93.370	83.199	67.659	90.974	89.200	52.383	99.283	77.246
Fixed Assets	6.746	5.054	5.821	5.793	5.656	4.613	4.369	5.979	5.298	3.359
Stock-in-trade	102.736	51.081	108.794	121.430	88.685	109.660	79.761	52.065	113.668	75.565
Trade debtors	36.461	37.612	40.696	24.922	24.344	22.633	18.219	17.586	17.729	21.242
Investments	2.476	4.613	3.938	10.007	9.524	9.290	8.875	3.366	2.254	1.126
Current assets	201.130	140.591	177.397	160.128	128.946	151.911	144.988	102.528	147.771	125.333
<b>Operational Results</b>										
Sales	429.742	402.845	427.015	310.484	366.790	332.556	300.083	395.804	399.927	339.033
Cost of sales	378.537	346.812	366.781	265.199	318.583	289.942	254.922	340.873	357.843	304.212
Gross profit	51.205	56.033	60.234	45.285	48.207	42.614	45.161	54.931	42.084	34.821
Other income	3.977	2.982	3.725	3.097	1.289	6.784	4.608	0.755	1.026	1.268
Operating expenses	20.795	18.709	20.639	14.392	15.204	12.243	11.486	13.196	12.431	10.891
(Diminution)/unrealised appreciation on remeasurement of investments	(0.490)	1.563	(0.503)	0.834	1.484	4.872	0.920	(0.151)	0.383	0.089
Operating profit	33.897	41.869	42.818	34.825	35.776	42.027	39.203	42.339	31.062	25.287
Modaraba company's management fee	2.712	2.931	2.997	2.438	2.504	2.942	2.744	2.117	2.174	2.299
Profit before tax	31.185	38.938	39.821	32.387	33.272	39.085	36.459	40.222	28.888	22.988
Taxation	16.018	15.684	19.200	17.074	22.288	18.957	17.355	24.271	19.105	17.016
Profit after tax	15.167	23.254	20.621	15.313	10.984	20.128	19.104	15.951	9.783	5.972
Transfer to statutory reserve	3.030	4.997	4.124	3.063	2.197	4.026	3.821	1.595	0.978	1.194
	20%	20%	20%	20%	20%	20%	20%	10%	10%	20%
<b>Profit Distribution</b>										
Cash dividend	12.000	19.500	15.600	14.100	9.750	15.000	15.000	13.800	9.000	5.250
Rate per certificate	40%	65%	52%	47%	32.5%	50%	50%	46%	30%	17.5%
<b>Financial Ratios</b>										
Gross profit - % of sales	11.91%	13.91%	14.11%	14.59%	13.14%	12.81%	15.05%	13.88%	10.52%	10.27%
Operating expenses - % of sales	4.83%	4.64%	4.83%	4.64%	4.15%	3.68%	3.83%	3.33%	3.11%	3.21%
Operating profit - % of sales	7.08%	9.27%	10.03%	11.22%	9.75%	12.64%	13.06%	10.70%	7.77%	7.46%
Profit before tax - % of sales & other income	7.19%	9.59%	9.24%	10.33%	9.04%	11.52%	11.97%	10.14%	7.20%	6.76%
Profit after tax - % of sales & other income	3.50%	5.73%	4.79%	4.88%	2.98%	5.93%	6.27%	4.02%	2.44%	1.75%
<b>Return to Certificateholders</b>										
Return on equity - before tax	33.73%	40.23%	45.94%	40.40%	51.31%	61.44%	62.34%	73.96%	55.31%	44.68%
Return on equity - after tax	16.40%	24.03%	23.79%	19.10%	16.94%	31.64%	32.67%	29.33%	18.73%	11.61%
Earning per certificate - Rs.	5.06	7.75	6.87	5.10	3.66	6.71	6.37	5.32	3.26	1.99
Profit distribution per certificate - Rs.	4.00	6.50	5.20	4.70	3.25	5.00	5.00	4.60	3.00	1.75
Market price per certificate - Rs.	36.20	42.00	35.50	58.25	42.75	37.50	28.25	33.00	36.00	27.75
Break-up value per certificate - Rs.	30.81	32.25	28.89	26.72	21.62	21.20	19.49	18.13	17.41	17.15



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

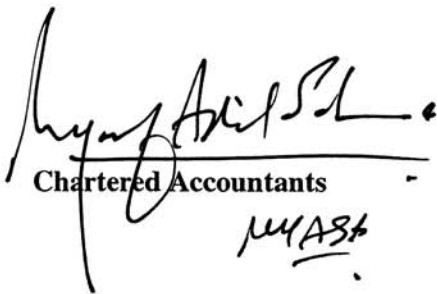
We have audited the annexed Balance Sheet of **First Imrooz Modaraba** as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then 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 account and are further in agreement with accounting policies consistently applied, except for the change as stated in note 2.9 with which we concur;

- 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, 2008 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  
MYASB

Karachi

Date: 12 SEP 2008



FIRST IMROOZ MODARABA

## BALANCE SHEET AS AT JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees Restated
<b>NON CURRENT ASSETS</b>			
Tangible fixed assets	3	6,623,924	5,041,285
Intangible assets	4	122,399	12,949
		<u>6,746,323</u>	<u>5,054,234</u>
<b>CURRENT ASSETS</b>			
Stock in trade	5	102,735,769	51,081,318
Trade debtors - unsecured, considered good		36,461,074	37,611,575
Advances, deposits, prepayments and other receivables	6	959,566	1,237,222
Investments	7	2,475,985	4,612,984
Taxation	8	747,896	867,791
Cash at bank	9	57,749,835	45,180,399
		<u>201,130,125</u>	<u>140,591,289</u>
		<u>207,876,448</u>	<u>145,645,523</u>
<b>CAPITAL AND RESERVES</b>			
Authorised capital 10,000,000 Modaraba Certificates of Rs. 10/- each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid up capital	10	30,000,000	30,000,000
Statutory reserve	11	47,122,826	44,089,366
Revenue reserve	12	15,319,974	22,686,135
		<u>92,442,800</u>	<u>96,775,501</u>
<b>NON-CURRENT LIABILITY</b>			
Staff Gratuity	13	4,860,584	3,573,990
<b>CURRENT LIABILITIES</b>			
Obligations under murabaha finances	14	22,319,390	—
Creditors, accrued and other liabilities	15	88,253,674	45,296,032
		<u>110,573,064</u>	<u>45,296,032</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16	<u>207,876,448</u>	<u>145,645,523</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, 2008**

	Note	2008 Rupees	2007 Rupees Restated
Sales		429,742,188	402,844,912
Cost of sales	17	<u>378,537,449</u>	<u>346,811,911</u>
Gross profit		51,204,739	56,033,001
Operating expenses	18	<u>20,794,511</u>	<u>18,709,023</u>
Operating profit		30,410,228	37,323,978
Other income	19	3,976,876	2,982,266
(Diminution)/unrealised appreciation on re-measurement of investments		<u>(489,920)</u>	<u>1,563,036</u>
		33,897,184	41,869,280
Modaraba Company's management fee		<u>2,711,775</u>	<u>2,930,850</u>
Profit before taxation		31,185,409	38,938,430
Taxation	20	<u>16,018,110</u>	<u>15,684,091</u>
Profit for the year*		<u>15,167,299</u>	<u>23,254,339</u>
Earnings per certificate - basic & diluted	21	<u>5.06</u>	<u>7.75</u>

\* 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, 2008**

	<b>2008 Rupees</b>	<b>2007 Rupees Restated</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	31,185,409	38,938,430
Adjustments:		
Depreciation on tangible fixed assets	2,696,855	2,337,710
Amortization of intangible assets	10,550	5,551
Gain on disposal of fixed assets	(1,722,758)	(1,038,831)
Gain on sale of investments	(347,226)	(567,291)
Dividend income	(146,472)	(692,701)
Diminution/(Unrealised appreciation) on re-measurement of investments	489,920	(1,563,036)
Provision for staff gratuity	1,367,094	799,004
	2,347,963	(719,594)
	33,533,372	38,218,836
Changes in operating assets and liabilities (Increase)/Decrease in current assets		
Stock in trade	(51,654,451)	57,712,747
Trade debtors	1,150,501	3,084,409
Advances, deposits, prepayments and other receivables	277,656	268,005
	(50,226,294)	61,065,161
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	42,369,387	(7,762,923)
Cash generated from operations	25,676,465	91,521,074
Gratuity paid	(80,500)	(393,757)
Taxes paid	(15,898,215)	(14,090,728)
Dividend paid	(18,911,745)	(14,955,265)
Net cash (used in) / generated from operating activities	(9,213,995)	62,081,324
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible assets	(4,722,176)	(2,083,990)
Purchase of intangible assets	(120,000)	-
Proceeds from disposal of tangible assets	2,165,440	1,546,700
Dividend received	146,472	569,815
Investments - net	1,994,305	1,455,236
Net cash (used in) / generated from investing activities	(535,959)	1,487,761



FIRST IMROOZ MODARABA

	<b>2008 Rupees</b>	<b>2007 Rupees Restated</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from murabaha finance	56,998,276	–
Repayment of murabaha finance	<u>(34,678,886)</u>	<u>(40,955,290)</u>
Net cash generated from/(used in) financing activities	<u>22,319,390</u>	<u>(40,955,290)</u>
Net increase in cash and bank balances A+B+C	12,569,436	22,613,795
Bank balances at the beginning of the year	45,180,399	22,566,604
Bank balances at the end of the year	<u><u>57,749,835</u></u>	<u><u>45,180,399</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, 2008

	Issued, subscribed and paid up capital	Statutory reserve	Revenue reserve (Un- appropriated profit)	Total
	..... Rupees .....			
Balance at June 30, 2006 as previously reported	30,000,000	39,092,680	17,587,979	86,680,659
Effect of change in accounting policy for taxation (note 2.9)	–	–	2,440,503	2,440,503
Balance at June 30, 2006 as restated	30,000,000	39,092,680	20,028,482	89,121,162
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 as restated	–	–	23,254,339	23,254,339
Transfer to statutory reserve	–	4,996,686	(4,996,686)	–
Balance at June 30, 2007 as restated	30,000,000	44,089,366	22,686,135	96,775,501
Profit distribution for the year ended June 30, 2007 @ Rs. 6.50 per certificate	–	–	(19,500,000)	(19,500,000)
Profit for the year ended June 30, 2008	–	–	15,167,299	15,167,299
Transfer to statutory reserve	–	3,033,460	(3,033,460)	–
Balance at June 30, 2008	30,000,000	47,122,826	15,319,974	92,442,800

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, 2008

### 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 the 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 Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas. Wherever the requirements of "the Modaraba Regulations" differ from the requirements of these standards, the requirements of "the Modaraba Regulations" take precedence.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards and interpretations with respect to approved Accounting Standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretations:

<i>Standards and Interpretations</i>	<i>Effective date (accounting periods beginning on or after)</i>
IFRIC 11 Group and Treasury Share Transactions	March 01, 2007
IFRIC 12 Service Concession Arrangements	January 01, 2008
IFRIC 13 Customer Loyalty Programs	July 01, 2008
IFRIC 14 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The Modaraba expects that the adoption of the above standards and interpretations will have no material impact on the Modaraba's financial statements in the period of initial application.





In addition to the above, the following new standards have been issued by the IASB but have not yet been adopted by the Institute of Chartered Accountants of Pakistan or notified by the SECP and hence presently do not form part of the local financial reporting framework:

IAS 41	Agriculture
IFRS 4	Insurance Contracts
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

### **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 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 for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any. For items covered under presumptive tax regime, provision was made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001, upto the year 2006-07. However, the Institute of Chartered Accountants of Pakistan vide its Technical Release TR-30 dated May 6, 2008, recommended that "tax paid at import stage under Final Tax Regime should be recognized as a tax expense in the period in which the related goods are sold. Accordingly, the portion of the tax paid that pertains to the unsold inventory should be carried forward in the balance sheet as pre-paid tax".

In view of ICAP's recommendations, the Modaraba's current policy stands amended accordingly. However, this policy change does not affect the tax declaration which are to be filed with the tax department according to the prevalent provisions of 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 June 11, 2008 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 amortised 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 at each balance sheet date assesses 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.

### **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.



FIRST IMROOZ MODARABA

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

	2008							
	Cost			Depreciation			Book value as at June 30, 2008	Rate of Depreciation per annum
	As at July 01, 2007	Additions/ (disposals) during the year	As at June 30, 2008	As at July 01, 2007	For the year/ (disposals)	As at June 30, 2008		
	..... Rupees .....							
Furniture and fixtures	660,202	–	660,202	282,855	56,705	339,560	320,642	10%
Vehicles	10,046,759	3,877,711 (3,284,750)	10,639,720	6,236,533	2,185,340 (2,890,231)	5,531,642	5,108,078	20%
Office equipment and appliances	1,655,861	464,225 (269,685)	1,850,401	1,226,695	199,640 (226,164)	1,200,171	650,230	20%
Computer equipments	2,665,123	380,240 (269,100)	2,776,263	2,240,577	255,170 (264,458)	2,231,289	544,974	25%
2008	15,027,945	4,722,176 (3,823,535)	15,926,586	9,986,660	2,696,855 (3,380,853)	9,302,662	6,623,924	

	2007							
	Cost			Depreciation			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%
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%
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%
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	

**3.1** Cost of fully depreciated tangible fixed assets still in use was Rs. 4,926,878 (2007: Rs. 4,104,335).



FIRST IMROOZ MODARABA

**3.2 The following assets were disposed off during the year:-**

	Cost	Accumulated depreciation	Book value	Gain/(loss) on disposal	Mode of disposal	Particulars of Purchasers
..... Rupees .....						
Office equipment	269,685	226,164	43,521	(13,881)	Negotiation	Scrap Sales
Computers	269,100	264,458	4,642	6,158	Negotiation	Scrap Sale
Vehicle	496,000	495,999	1	309,999	Negotiation	Syed Muhammad Shakir H. No. R-119, Sector 7-D/1, North Karachi.
Vehicle	420,400	420,399	1	264,999	Negotiation	Mr. Mohammad Raza H. No. 5/2 244, Lobo Street, Murtaza Society, Karachi.
Vehicle	502,110	468,636	33,474	291,526	Negotiation	Mr. M. Taimur Dyer House No. D-282, D'Cruise Road, Garden East, Karachi.
Vehicle	1,247,960	1,206,361	41,599	783,401	Negotiation	Mitchell's Fruit Farms Ltd. Office No. 39-A-D-1, Gulberg III, Lahore.
Vehicle	618,280	298,836	319,444	80,556	Negotiation	Mr. Riaz Ahmed Khan House No. 2872, Kocha Noor Khan, Peshawar.
2008	<u>3,823,535</u>	<u>3,380,853</u>	<u>442,682</u>	<u>1,722,758</u>		
2007	<u>2,134,080</u>	<u>1,626,211</u>	<u>507,869</u>	<u>1,038,831</u>		

**4. INTANGIBLE ASSETS**

	2008						
	Cost			Amortization			Book value as at June 30, 2008
	As at July 01, 2007	Additions during the year	As at June 30, 2008	As at July 01, 2007	For the year	As at June 30, 2008	
..... Rupees .....							
Licensed Computer Software	909,200	120,000	1,029,200	896,251	10,550	906,801	122,399
2008	<u>909,200</u>	<u>120,000</u>	<u>1,029,200</u>	<u>896,251</u>	<u>10,550</u>	<u>906,801</u>	<u>122,399</u>
	2007						
	Cost			Amortization			Book value as at June 30, 2007
	As at July 01, 2006	Additions during the year	As at June 30, 2007	As at July 01, 2006	For the year	As at June 30, 2007	
..... Rupees .....							
Licensed Computer Software	909,200	-	909,200	890,700	5,551	896,251	12,949
2007	<u>909,200</u>	<u>-</u>	<u>909,200</u>	<u>890,700</u>	<u>5,551</u>	<u>896,251</u>	<u>12,949</u>

**4.1 Cost of fully amortized intangible assets still in use was Rs. 887,000 (2007: Rs. 887,000)**



FIRST IMROOZ MODARABA

	Note	2008 Rupees	2007 Rupees
<b>5. STOCK IN TRADE</b>			
In hand		38,713,483	26,719,470
In bonded warehouse		44,081,992	18,181,466
In transit		19,940,294	6,180,382
		<u>102,735,769</u>	<u>51,081,318</u>
<b>6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances		–	504,000
Deposits		696,952	332,000
Prepayments		262,614	235,416
Other receivables		–	165,806
		<u>959,566</u>	<u>1,237,222</u>
<b>7. INVESTMENTS - held for trading</b>			
Crescent Steel & Allied Products Limited 31,891 Shares of Rs. 10/- each (2007: 52,856 Shares)		1,968,634	3,752,782
JS Growth Fund (formerly UTP Growth Fund) 13,443 Certificates of Rs. 10/- each (2007: 61,443 Certificates of UTP Growth Fund)		163,601	860,202
TRG Pakistan Limited 55,000 Share of Rs. 10/- each (2007: Nil)		343,750	–
		<u>2,475,985</u>	<u>4,612,984</u>
		<b>2008 Rupees</b>	<b>2007 Rupees Restated</b>
<b>8. TAXATION</b>			
Opening balance as previously reported		867,791	20,651
Effect of change in accounting policy	2.9	–	2,440,503
Opening balance as restated		867,791	2,461,154
Paid during the year		15,898,215	14,090,728
Provision for tax		(16,018,110)	(15,684,091)
		<u>747,896</u>	<u>867,791</u>



FIRST IMROOZ MODARABA

	<b>2008 Rupees</b>	<b>2007 Rupees</b>
<b>9. CASH AT BANK</b>		
Cash at bank in		
– PLS savings account	49,806,596	43,210,577
– Current accounts	7,943,239	1,969,822
	<u>57,749,835</u>	<u>45,180,399</u>
<b>10. ISSUED SUBSCRIBED AND PAID-UP CAPITAL</b>		
3,000,000 Modaraba Certificates of Rs. 10/- each fully paid in cash (2007: 3,000,000 Modaraba Certificates)	<u>30,000,000</u>	<u>30,000,000</u>
<b>11. STATUTORY RESERVE</b>		
Balance at the beginning of the year	44,089,366	39,092,680
Transferred during the year	3,033,460	4,996,686
	<u>47,122,826</u>	<u>44,089,366</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 profits 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 the Modaraba transferred 20% of its after tax profits to statutory reserve.

	<b>2008 Rupees</b>	<b>2007 Rupees Restated</b>
<b>12. REVENUE RESERVE</b>		
<b>- unappropriated profit</b>		
Balance at the beginning of the year	22,686,135	20,028,482
Profit for the year ended	15,167,299	23,254,339
Transferred to statutory reserve during the year	(3,033,460)	(4,996,686)
	<u>34,819,974</u>	<u>38,286,135</u>
Profit distribution	(19,500,000)	(15,600,000)
	<u>15,319,974</u>	<u>22,686,135</u>

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



FIRST IMROOZ MODARABA

Accordingly, after the balance sheet date the directors of the management company have approved the following final profit distribution out of available unappropriate profit:

Cash divided @ Rs. 4.00 per Certificate (2007: Rs. 6.50 per Certificate)	<u>12,000,000</u>	<u>19,500,000</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	12% per annum
Expected rate of eligible salary increase	12% per annum
Average expected remaining working life time of employees	9 years

<b>Movement in defined benefit obligation</b>	<b>2008 Rupees</b>	<b>2007 Rupees</b>
Opening balance of defined benefit obligation as at July 01	3,573,990	3,168,743
<b>Charge for the year</b>		
Current service cost	1,000,380	465,200
Actuarial loss	4,903	8,465
Financing cost	361,811	325,339
	1,367,094	799,004
Benefits paid during the year	(80,500)	(393,757)
Closing balance of defined benefit obligation as at June 30	<u>4,860,584</u>	<u>3,573,990</u>
<b>Represented by</b>		
Present value of defined benefit obligations as at June 30	6,622,628	4,020,126
Unrecognized actuarial (losses)	(1,762,044)	(446,136)
	<u>4,860,584</u>	<u>3,573,990</u>





FIRST IMROOZ MODARABA

	<b>2008 Rupees</b>	<b>2007 Rupees</b>
<b>Present value of defined benefit obligations liability</b>		
Present value of defined benefit obligations as at July 01	4,020,126	3,614,879
Current service cost	1,000,380	473,665
Financing cost	361,811	325,339
Benefits paid during the year	(80,500)	(393,757)
Unrecognized actuarial losses	1,320,811	-
Present value of defined benefit obligations as at June 30	6,622,628	4,020,126

#### **14. OBLIGATIONS UNDER MURABAHA FINANCES - Secured**

The Modaraba has availed this facility to the extent of Rs. 22,319,390 (2007: Nil) against its sanctioned limit of Rs.60 million. The facility is secured against pledge of stock in trade of the Modaraba.

	<b>2008 Rupees</b>	<b>2007 Rupees</b>
<b>15. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Import bills payable	73,299,093	35,501,731
Creditors	1,441,599	282,132
Management fee payable to Modaraba Company	2,711,775	2,930,850
Accrued liabilities	439,355	486,131
Custom duty and sales tax	7,968,465	4,290,056
Unclaimed profit distribution	2,393,387	1,805,132
	88,253,674	45,296,032

#### **16. CONTINGENCIES AND COMMITMENTS**

##### **16.1 Contingencies**

Post dated cheques to Collector of Customs amounting to Rs.19,508,715/- (2007: Rs. 4,920,349).

##### **16.2 Commitments**

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs.11,969,171/- (2007: Rs.1,227,952).



FIRST IMROOZ MODARABA

	Note	2008 Rupees	2007 Rupees Restated
<b>17. COST OF GOODS SOLD</b>			
Opening stock as at July 01		44,900,936	44,580,186
Purchases		416,431,988	347,132,661
Closing stock as at June 30		(82,795,475)	(44,900,936)
		<u>378,537,449</u>	<u>346,811,911</u>
		2008 Rupees	2007 Rupees
<b>18. OPERATING AND ADMINISTRATIVE EXPENSES</b>			
Salaries and other staff benefits	18.1	9,948,715	8,339,161
Depreciation	3	2,696,855	2,337,710
Staff gratuity	13	1,367,094	799,004
Rent, rates and taxes		1,290,642	515,881
Vehicle running and maintenance		796,121	828,736
Freight and forwarding		689,142	872,943
Electricity		627,746	773,321
Security charges		546,075	465,000
Travelling and conveyance		496,041	869,164
Fees and subscriptions		402,189	416,341
Postage and telephone		355,760	498,763
Repairs and maintenance		328,919	695,345
Insurance		327,275	392,221
Printing and stationery		220,288	200,779
Auditors remuneration	18.2	190,000	170,000
Entertainment		181,498	160,656
Bank charges		132,915	93,776
Legal and professional		60,000	43,375
Advertisement and publicity		24,750	54,403
Sales promotion		35,071	98,420
Packing material		25,075	31,265
Cleaning and washing		18,648	4,445
Donation	18.3	12,392	10,963
Staff training		10,750	31,800
Amortization of intangible asset	4	10,550	5,551
		<u>20,794,511</u>	<u>18,709,023</u>



FIRST IMROOZ MODARABA

**18.1 Remuneration of officers and employees**

	2008			2007		
	Officers	Employees	Total	Officers	Employees	Total
	Rupees					
Remuneration	3,744,960	2,699,073	6,444,033	3,242,902	2,363,607	5,606,509
Allowances	1,212,936	1,098,952	2,311,888	1,099,421	986,792	2,086,213
Medical expenses	155,546	589,102	744,648	101,950	142,119	244,069
Provident Fund	202,048	158,030	360,078	181,470	138,940	320,410
EOBI Contribution	19,872	54,096	73,968	18,480	50,880	69,360
SESSI Contribution	–	14,100	14,100	–	12,600	12,600
	5,335,362	4,613,353	9,948,715	4,644,223	3,694,938	8,339,161

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

	2008 Rupees	2007 Rupees
<b>18.2 Auditors' remuneration</b>		
Annual audit fee	140,000	125,000
Half yearly review fee	30,000	25,000
Review of Code of Corporate Governance	10,000	10,000
CDC certification fee	10,000	10,000
	<u>190,000</u>	<u>170,000</u>

**18.3 Donation**

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

	Note	2008 Rupees	2007 Rupees
<b>19. OTHER INCOME</b>			
Dividend Income		146,472	692,701
Gain on sale of investments		347,226	567,291
Gain on disposal of tangible assets	3.1	1,722,758	1,038,831
Others		1,760,420	683,443
		<u>3,976,876</u>	<u>2,982,266</u>
<b>20. TAXATION</b>			
For the year		16,018,110	13,243,588
Effect of change in accounting policy for taxation	2.9	–	2,440,503
		<u>16,018,110</u>	<u>15,684,091</u>



FIRST IMROOZ MODARABA

### Current

Upto year ended June 30, 2007, tax paid at import stage was charged in full as presumptive tax. However, as a result of change in policy, in view of ICAP's Technical Release TR-30 of May 06, 2008, the proportionate tax paid at import stage attributable to closing stock is shown as advance tax at balance sheet date and shall be charged upon sale of such stock.

However, the change in policy does not affect the tax declarations which are to be filed with the tax department according to the prevalent provisions of the Income Tax Ordinance, 2001.

As per Clause (18), Part II of the 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.

### Deferred

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

	2008	2007 Restated
<b>21. EARNINGS PER CERTIFICATE</b>		
<b>- Basic &amp; diluted</b>		
Profit for the year (Rupees)	15,167,299	23,254,339
Number of modaraba certificates	3,000,000	3,000,000
Earnings per certificate (Rupees)	5.06	7.75

## 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:-



FIRST IMROOZ MODARABA

	<b>2008 Rupees</b>	<b>2007 Rupees</b>
Trade debtors	36,461,074	37,611,575
Deposit and other receivables	696,952	497,806
	<u>37,158,026</u>	<u>38,109,381</u>

## 22.2 Concentration of credit risk

Concentration of credit risk may arise from exposure 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:-

	<b>2008</b>		<b>2007</b>	
	<b>Rupees</b>	<b>%</b>	<b>Rupees</b>	<b>%</b>
Chemicals & Textile	29,066,131	78	28,415,269	75
Health, Consumer & Pharmaceuticals	7,394,943	20	9,196,306	24
Deposit and other receivables	696,952	2	497,806	1
	<u>37,158,026</u>	<u>100</u>	<u>38,109,381</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 on bills payable by the Modaraba at the balance sheet date:-

	<b>2008 Rupees</b>	<b>2007 Rupees</b>
US Dollars	69,178,864	34,326,164
British Pound Sterling	4,007,347	1,383,808

## 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.



FIRST IMROOZ MODARABA

## 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:-

	2008				2007			
	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							
<b>Financial Assets</b>								
Trade debtors	-	-	36,461,074	36,461,074	-	-	37,611,575	37,611,575
Investments	-	-	2,475,985	2,475,985	-	-	4,612,984	4,612,984
Deposit & other receivables	-	-	696,952	696,952	-	-	497,806	497,806
Bank balances	49,806,596	-	7,943,239	57,749,835	43,210,577	-	1,969,822	45,180,399
	49,806,596	-	47,577,250	97,383,846	43,210,577	-	44,692,187	87,902,764
<b>Financial Liabilities</b>								
Creditors, accrued and other liabilities	-	-	80,285,209	80,285,209	-	-	41,005,976	41,005,976
Obligation under murabaha finances	-	-	22,319,390	22,319,390	-	-	-	-
	-	-	102,604,599	102,604,599	-	-	41,005,976	41,005,976
On-balance sheet gap	49,806,596	-	(55,027,349)	(5,220,753)	43,210,577	-	3,686,211	46,896,788

## 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.

	2008 Rupees	2007 Rupees
<b>27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>		
Sale of goods	582,209	7,158,962
Share of common expenses	462,061	465,613
Payment of Modaraba Company's Management fee	2,930,850	2,997,266
Receipts of Qard-e-Hasna from Modaraba Company	5,200,000	17,000,000
Repayments of Qard-e-Hasna to Modaraba Company	5,200,000	17,000,000



FIRST IMROOZ MODARABA

**28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Modaraba Management Company in its meeting held on 12-09-2008 approved a final profit distribution / dividend of Rs. 4.00 per certificate, amounting to Rs. 12,000,000 for the year ended June 30, 2008.

**29. CAPITAL DISCLOSURE**

The Modaraba is not subject to any externally imposed capital requirements. The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of equity balance.

**30. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 12-09-2008.

**31. GENERAL**

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

**31.2** Amounts have been presented and rounded off to the nearest rupee.

**Naveed Riaz**  
Chief Executive

**Ameed Riaz**  
Director

**Saadat Ikram**  
Director



FIRST IMROOZ MODARABA

**PATTERN OF HOLDINGS OF THE CERTIFICATES  
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2008**

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

<b>Number of Certificate Holders</b>	<b>:</b>	<b>Certificate Holding From</b>	<b>:</b>	<b>To</b>	<b>:</b>	<b>Total Certificates Held</b>
–	:	1	:	50	:	–
11	:	51	:	100	:	835
265	:	101	:	500	:	131,065
11	:	501	:	1000	:	11,000
25	:	1001	:	5000	:	96,000
3	:	5001	:	10000	:	22,700
20	:	10001	:	above	:	2,738,400
335						3,000,000

<b>Categories of Certificate Holders</b>	<b>:</b>	<b>Number</b>	<b>:</b>	<b>Certificates Held</b>	<b>:</b>	<b>Percentage</b>
Individuals	:	332	:	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	:	–	:	–	:	–
	:	335	:	3,000,000	:	100.00





FIRST IMROOZ MODARABA

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

<b>ASSOCIATED COMPANIES</b>	<b>SHARES HELD</b>
A R Management Services (Pvt) Limited Modaraba Management Company	600,000
<b>DIRECTORS, CEO THEIR SPOUSE &amp; MINOR CHILDREN</b>	
Mr. Naveed Riaz Mrs. Ismat Riaz w/o Mr. Naveed Riaz	Chief Executive 240,300 259,000
Mr. Ameer Riaz Mrs. Roqaiya Riaz w/o Mr. Ameer Riaz	Director 240,200 259,200
Mr. Ikramul Haque	53,400
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS, MUTUAL FUNDS, ETC.</b>	
First Dawood Investment Bank Limited N H Securities (Pvt) Limited	1,500 500
<b>EXECUTIVES OF THE MODARABA</b>	
Mr. Mohammad Amjad Khalid	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 FOR THE YEAR ENDED JUNE 30, 2008**

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 for 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 the 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 meetings. 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 Directors' 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 Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the 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. Meetings of the audit committee was 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 Modaraba 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 12, 2008

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.

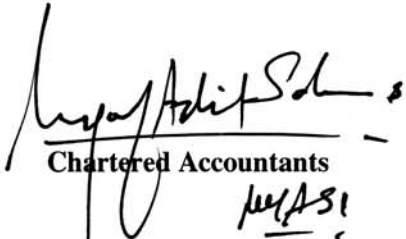
## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

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, 2008.



Chartered Accountants

Karachi

Date: September 12, 2008



FIRST IMROOZ MODARABA

## NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that ninth Annual Review Meeting of First Imrooz Modaraba will be held on Wednesday, 22 October, 2008 at 11:30 a.m. at Registered Office of the Modaraba Management Company at 33-C, Behind Mall Mansion, Shahrāh-e-Quaid-e-Azam, The Mall, Lahore.

By order of the Board

September 12, 2008

Shabbir Ahmed Jamsa  
COMPANY SECRETARY

### Notes:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 16, 2008 to October 22, 2008 (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., Shahrāh-e-Faisal, Karachi.

Managed by  
**A R MANAGEMENT SERVICES (PRIVATE) LIMITED**

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**FIRST IMROOZ MODARABA**

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