

SEVENTEENTH ANNUAL REPORT 2011



FIRST IMROOZ MODARABA

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VISION / MISSION STATEMENT

IMROOZ is committed to:

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

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 members of the society, and to comply with obligations enforced by regulatory agencies for improving corporate performance
3. Imrooz insists on honesty, integrity and fairness in all aspects of their business.
4. Imrooz believes in free and fair business practices in open competitive markets.

MODARABA INFORMATION

| | |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Modaraba Management Company | : A R Management Services (Private) Ltd. |
| Directors of Modaraba Company | : Mr. Naveed Riaz - Chief Executive Mrs. Saadat Ikram Mr. Ameer Riaz Mr. Omar Mohammad Khan |
| Chief Financial Officer | : Mr. Ateed Riaz |
| Audit Committee | : Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member) |
| Company Secretary | : Mr. Shabbir Ahmed Jamsa |
| Chief Internal Auditor | : Mr. Abbas Kerani |
| Auditors | : M/s. BDO Ebrahim & Co. Chartered Accountants |
| Bankers | : Soneri Bank Limited |
| Legal Advisors | : Mr. Altaf Husain, Advocate M. Akram Zuberi & Company Advocates |
| Principal place of business | : Room No. 405, 4th Floor Beaumont Plaza, Beaumont Road Civil Lines Quarters, 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. |

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 seventeenth Annual Report of First Imrooz Modaraba along with audited financial statements for the year ended June 30, 2011.

1. Operating Results

The financial results of the Modaraba are summarized below:

| | (Rupees in million) | |
|--------------------------------------------|---------------------|--------------|
| | 2011 | 2010 |
| Profit before taxation | 54.19 | 48.34 |
| Taxation | 26.62 | 19.77 |
| Profit for the year | <u>27.57</u> | <u>28.57</u> |
| Appropriations | | |
| Transfer to Statutory Reserve | 5.51 | 5.71 |
| Profit after appropriation | <u>22.06</u> | <u>22.86</u> |
| Earnings per certificate - basic & diluted | Rs. <u>9.19</u> | <u>9.52</u> |

2. Review of Financial Performance

Alhamdulillah, the performance of the Modaraba during the year ended June 30, 2011 was satisfactory. After remained under pressure during the first half, owing to slowdown in the offtake of material due to flood disaster, continued energy crisis and political instability, the performance of the Modaraba has improved during the second half as sales have picked up.

The Modaraba's turnover for the current year stood at Rs.681.36 million as compared to Rs.628.53 million of last year.

The profit for the year was Rs.27.57 million as compared to Rs.28.57 million last year. The decrease in profit is mainly due to increase in tax rate at import stage.

After considering these results, the Board of Directors have decided to transfer 20% of the profit to Statutory Reserve and a final profit distribution @73.5% i.e. Rs.7.35 per certificate to the Certificate holders.

3. Auditors

The present auditors M/s BDO Ebrahim & Co., Chartered Accountants being due for retirement and have offered themselves for re-appointment for the year ending June 30, 2012. The Directors have approved themselves for appointment subject to approval of the Registrar, Modaraba Companies and Modaraba.

4. Corporate Governance

Your Directors are pleased to report that:

- 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 to Modarabas, 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 current year as well as for the last six years is given as under:

(Rupees in 'Million)

| Particulars | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Fixed Assets | 6.37 | 8.02 | 5.44 | 6.75 | 5.05 | 5.82 | 5.79 |
| Working Capital | 119.48 | 112.30 | 103.89 | 90.56 | 95.30 | 84.03 | 76.93 |
| Certificate Holders Equity | 116.95 | 112.18 | 102.51 | 92.44 | 96.78 | 86.68 | 80.16 |
| Paid-up Certificate Capital | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 |
| Sales | 681.36 | 628.53 | 474.52 | 429.74 | 402.85 | 427.02 | 310.48 |
| Gross Profit | 92.55 | 78.07 | 58.78 | 51.21 | 56.03 | 60.23 | 45.29 |
| Profit after Taxation | 27.57 | 28.57 | 22.07 | 15.17 | 23.25 | 20.62 | 15.31 |
| Profit Distribution - Cash | 73.5% | 76% | 63% | 40% | 65% | 52% | 47% |
| Earnings per Certificate-Rs. | 9.19 | 9.52 | 7.36 | 5.06 | 7.75 | 6.87 | 5.10 |
| Break-up value per Certificate-Rs. | 38.98 | 37.39 | 34.17 | 30.81 | 32.25 | 28.89 | 26.72 |

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

5. Transfer Pricing

Your Directors are pleased to report that the Modaraba has fully complied with the best practices on transfer pricing as contained in the listing regulations of Karachi Stock Exchange.

6. Board Meetings

During the year, four (4) meetings of the Board of Directors were held. Attendance by each director is as follows.

| | Attended |
|------------------------|-----------------|
| Mr. Naveed Riaz | 4 |
| Mr. Aameed Riaz | 4 |
| Mr. Omar Mohammad Khan | 4 |
| Mrs. Saadat Ikram | 3 |

7. Acknowledgement

The Board wishes to express its thanks for continued guidance and support extended by the Registrar, Modaraba and other officials of Securities and Exchange Commission of Pakistan. The Board also wishes to thank its certificate holders, colleagues, investors, bankers and business associates for their continued support and co-operation and above all appreciates the dedication and hard work of each staff member of the Modaraba.

on behalf of the Board

Naveed Riaz
Chief Executive

21 September, 2011

TEN YEARS AT A GLANCE

(Rupees in million)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-----------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Balance Sheet Information | | | | | | | | | | |
| Authorized capital | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Certificate capital | 30.000 | 30.000 | 30.000 | 30.000 | 30.000 | 30.000 | 30.000 | 30.000 | 30.000 | 30.000 |
| Statutory reserve & surplus | 86.950 | 82.178 | 72.508 | 62.442 | 66.776 | 56.681 | 50.160 | 34.847 | 33.612 | 28.484 |
| Certificate holders' equity | 116.950 | 112.178 | 102.508 | 92.442 | 96.776 | 86.681 | 80.160 | 64.847 | 63.612 | 58.484 |
| Deferred liability - staff gratuity | 8.900 | 8.140 | 6.820 | 4.861 | 3.574 | 3.169 | 2.562 | 2.096 | 1.938 | 1.673 |
| Qard-e-Hasna from Modaraba management company | 15.000 | 13.500 | - | - | - | - | - | 0.500 | - | - |
| Short term borrowing - Morabaha finances | 33.367 | 7.627 | - | 22.320 | - | 40.955 | 61.063 | 20.165 | 25.157 | - |
| Current liabilities | 190.541 | 104.671 | 76.989 | 110.573 | 45.296 | 93.370 | 83.199 | 67.659 | 90.974 | 89.200 |
| Fixed Assets | 6.368 | 8.023 | 5.439 | 6.746 | 5.054 | 5.821 | 5.793 | 5.656 | 4.613 | 4.369 |
| Stock-in-trade | 202.757 | 83.534 | 65.925 | 102.736 | 51.081 | 108.794 | 121.430 | 88.685 | 109.660 | 79.761 |
| Trade debtors | 82.969 | 122.261 | 59.763 | 36.461 | 37.612 | 40.696 | 24.922 | 24.344 | 22.633 | 18.219 |
| Investments | 1.213 | 1.275 | 0.796 | 2.476 | 4.613 | 3.938 | 10.007 | 9.524 | 9.290 | 8.875 |
| Current assets | 310.020 | 216.966 | 180.878 | 201.130 | 140.591 | 177.397 | 160.128 | 128.946 | 151.911 | 144.988 |
| Operational Results | | | | | | | | | | |
| Sales | 681.364 | 628.533 | 474.517 | 429.742 | 402.845 | 427.015 | 310.484 | 366.790 | 332.556 | 300.083 |
| Cost of sales | 588.810 | 550.466 | 415.738 | 378.537 | 346.812 | 366.781 | 265.199 | 318.583 | 289.942 | 254.922 |
| Gross profit | 92.554 | 78.067 | 58.779 | 51.205 | 56.033 | 60.234 | 45.285 | 48.207 | 42.614 | 45.161 |
| Other income | 1.805 | 2.429 | 1.760 | 3.977 | 2.982 | 3.725 | 3.097 | 1.289 | 6.784 | 4.608 |
| Murabaha charges | 5.321 | 1.838 | - | - | - | - | - | - | - | - |
| Workers welfare fund | - | 1.072 | - | - | - | - | - | - | - | - |
| Operating expenses | 29.425 | 25.521 | 22.507 | 20.795 | 18.709 | 20.639 | 14.392 | 15.204 | 12.243 | 11.486 |
| (Diminution) / unrealised appreciation on remeasurement of investment - net | -0.062 | 0.479 | (1.727) | (0.490) | 1.563 | (0.503) | 0.834 | 1.484 | 4.872 | 0.920 |
| Operating profit | 59.551 | 52.544 | 32.589 | 33.897 | 41.869 | 42.818 | 34.825 | 35.776 | 42.027 | 39.203 |
| Modaraba company's management fee | 5.360 | 4.204 | 2.607 | 2.712 | 2.931 | 2.997 | 2.438 | 2.504 | 2.942 | 2.744 |
| Profit before tax | 54.191 | 48.340 | 29.982 | 31.185 | 38.938 | 39.821 | 32.387 | 33.272 | 39.085 | 36.459 |
| Taxation | 26.618 | 19.771 | 7.917 | 16.018 | 15.684 | 19.200 | 17.074 | 22.288 | 18.957 | 17.355 |
| Profit after tax | 27.573 | 28.569 | 22.065 | 15.167 | 23.254 | 20.621 | 15.313 | 10.984 | 20.128 | 19.104 |
| Transfer to statutory reserve | 5.515 | 5.714 | 2.206 | 3.030 | 4.651 | 4.124 | 3.063 | 2.197 | 4.026 | 3.821 |
| | 20% | 20% | 10% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| Profit Distribution | | | | | | | | | | |
| Profit distribution | 22.050 | 22.800 | 18.900 | 12.000 | 19.500 | 15.600 | 14.100 | 9.750 | 15.000 | 15.000 |
| Rate per certificate | 73.5% | 76% | 63% | 40% | 65% | 52% | 47% | 32.5% | 50% | 50% |
| Financial Ratios | | | | | | | | | | |
| Gross profit - % of sales | 13.58% | 12.42% | 12.39% | 11.92% | 13.91% | 14.11% | 14.59% | 13.14% | 12.81% | 15.05% |
| Operating expenses - % of sales | 4.32% | 4.06% | 4.74% | 4.84% | 4.64% | 4.83% | 4.64% | 4.15% | 3.68% | 3.83% |
| Operating profit - % of sales | 8.74% | 8.36% | 6.87% | 7.89% | 10.39% | 10.03% | 11.22% | 9.75% | 12.64% | 13.06% |
| Profit before tax - % of sales & other income | 7.93% | 7.66% | 6.30% | 7.19% | 9.59% | 9.24% | 10.33% | 9.04% | 11.52% | 11.97% |
| Profit after tax - % of sales & other income | 4.04% | 4.53% | 4.63% | 3.50% | 5.73% | 4.79% | 4.88% | 2.98% | 5.93% | 6.27% |
| Return to Certificateholders | | | | | | | | | | |
| Return on equity - before tax | 46.34% | 43.09% | 29.25% | 33.73% | 40.24% | 45.94% | 40.40% | 51.31% | 61.44% | 62.34% |
| Return on equity - after tax | 23.58% | 25.47% | 21.53% | 16.40% | 24.03% | 23.79% | 19.10% | 16.94% | 31.64% | 32.67% |
| Earning per certificate - Rs. | 9.19 | 9.52 | 7.36 | 5.06 | 7.75 | 6.87 | 5.10 | 3.66 | 6.71 | 6.37 |
| Profit distribution per certificate - Rs. | 7.35 | 7.60 | 6.30 | 4.00 | 6.50 | 5.20 | 4.70 | 3.25 | 5.00 | 5.00 |
| Market price per certificate - Rs. | 62.65 | 47.51 | 32.00 | 36.20 | 42.00 | 35.50 | 58.25 | 42.75 | 37.50 | 28.25 |
| Break-up value per certificate - Rs. | 38.98 | 37.39 | 34.17 | 30.81 | 32.26 | 28.89 | 26.72 | 21.62 | 21.20 | 19.49 |

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST IMROOZ MODARABA** (the Modaraba) as at June 30, 2011 and the related statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the Modaraba Company's [A R Management Services (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation And Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - 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 condition of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2011 and of the comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KARACHI

DATED: 21 SEP 2011


BDO
BDO
CHARTERED ACCOUNTANTS
Engagement partner: Zulfikar Ali Causer**BDO Ebrahim & Co. Chartered Accountants**

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

BALANCE SHEET AS AT JUNE 30, 2011

| | Note | 2011 Rupees | 2010 Rupees |
|--------------------------------------------------|------|--------------------|--------------------|
| NON CURRENT ASSETS | | | |
| Property and equipment | 5 | 6,034,299 | 7,534,703 |
| Intangible assets | 6 | 333,852 | 488,912 |
| | | <u>6,368,151</u> | <u>8,023,615</u> |
| CURRENT ASSETS | | | |
| Stock in trade | 7 | 202,756,589 | 83,534,328 |
| Trade debtors - unsecured, considered good | | 82,968,883 | 122,260,654 |
| Deposits, prepayments and other receivables | 8 | 1,982,374 | 999,107 |
| Investments | 9 | 1,213,177 | 1,275,085 |
| Taxation | 10 | 3,543,353 | 2,008,987 |
| Cash at bank | 11 | 17,555,322 | 6,887,662 |
| | | <u>310,019,698</u> | <u>216,965,823</u> |
| | | <u>316,387,849</u> | <u>224,989,438</u> |
| CAPITAL AND RESERVES | | | |
| Authorized capital | | | |
| 10,000,000 Modaraba certificates of Rs.10/- each | | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued certificate capital | 12 | 30,000,000 | 30,000,000 |
| Statutory reserve | 13 | 60,557,907 | 55,043,305 |
| Revenue reserve | 14 | 26,392,845 | 27,134,437 |
| | | <u>116,950,752</u> | <u>112,177,742</u> |
| NON-CURRENT LIABILITY | | | |
| Staff gratuity | 15 | 8,895,857 | 8,140,466 |
| CURRENT LIABILITIES | | | |
| Obligation under murabaha finances | 16 | 33,367,420 | 7,627,316 |
| Qard-e-Hasana from modaraba management company | | 15,000,000 | 13,500,000 |
| Creditors, accrued and other liabilities | 17 | 142,173,820 | 83,543,914 |
| | | <u>190,541,240</u> | <u>104,671,230</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 18 | <u>316,387,849</u> | <u>224,989,438</u> |

The annexed notes from 1 to 29 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011**

| | Note | 2011 Rupees | 2010 Rupees |
|--------------------------------------------------------------|-------------|--------------------------|--------------------------|
| Sales | | 681,364,268 | 628,533,329 |
| Cost of sales | 19 | <u>588,809,283</u> | <u>550,465,504</u> |
| Gross profit | | 92,554,985 | 78,067,825 |
| Operating expenses | 20 | <u>29,425,452</u> | <u>25,520,851</u> |
| Operating profit | | 63,129,533 | 52,546,974 |
| Murabaha charges | | (5,321,426) | (1,837,513) |
| Workers' welfare fund | | - | (1,072,332) |
| Other income | 21 | 1,805,199 | 2,428,505 |
| (Diminution) / appreciation on re-measurement of investments | | <u>(61,908)</u> | <u>478,612</u> |
| | | 59,551,398 | 52,544,246 |
| Modaraba company's management fee | | 5,359,626 | 4,203,540 |
| Profit before taxation | | 54,191,772 | 48,340,706 |
| Taxation | 22 | <u>26,618,762</u> | <u>19,770,848</u> |
| Profit for the year* | | 27,573,010 | 28,569,858 |
| Other Comprehensive Income | | - | - |
| Total comprehensive income for the year carried to equity | | <u><u>27,573,010</u></u> | <u><u>28,569,858</u></u> |
| Earnings per certificate - basic & diluted | 23 | <u><u>9.19</u></u> | <u><u>9.52</u></u> |

* For more than 90% profits distribution please see note 27.

The annexed notes from 1 to 29 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

| | 2011 Rupees | 2010 Rupees |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 54,191,772 | 48,340,706 |
| Adjustments for: | | |
| Depreciation on property and equipment | 2,585,755 | 2,119,993 |
| Amortization of intangible assets | 155,060 | 81,547 |
| Gain on disposal of property and equipment | (647,984) | (942,332) |
| Dividend income | (80,240) | (76,880) |
| Murabaha charges | 5,321,426 | 1,837,513 |
| Diminution / (appreciation) on re-measurement of investments | 61,908 | (478,612) |
| Provision for staff gratuity | 2,099,240 | 1,645,533 |
| | <u>9,495,165</u> | <u>4,186,762</u> |
| | 63,686,937 | 52,527,468 |
| Changes in operating assets and liabilities (Increase) / decrease in current assets | | |
| Stock in trade | (119,222,261) | (17,609,403) |
| Trade debtors | 39,291,771 | (62,498,041) |
| Deposits, prepayments and other receivables | (983,267) | 4,069,302 |
| | <u>(80,913,757)</u> | <u>(76,038,142)</u> |
| Increase in current liabilities | | |
| Creditors, accrued and other liabilities | 57,013,802 | 5,869,163 |
| Cash generated from / (used in) operations | <u>39,786,982</u> | <u>(17,641,511)</u> |
| Taxes paid | (28,153,128) | (20,508,663) |
| Murabaha charges paid | (4,502,707) | (1,746,035) |
| Gratuity paid | (1,343,849) | (324,777) |
| Net cash generated from / (used in) operating activities | <u>5,787,298</u> | <u>(40,220,986)</u> |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (1,197,527) | (2,997,826) |
| Purchase of intangible assets | - | (379,269) |
| Advance for purchase of a vehicle | - | (1,414,000) |
| Proceeds from disposal of property and equipment | 760,160 | 947,000 |
| Dividend received | 80,240 | 76,880 |
| Net cash used in investing activities | <u>(357,127)</u> | <u>(3,767,215)</u> |

| | 2011 Rupees | 2010 Rupees |
|-------------------------------------------------------------|--------------------------|-------------------------|
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Profit distribution | (22,002,615) | (18,305,369) |
| Qard-e-Hasana from modaraba management company | 1,500,000 | 13,500,000 |
| Proceeds from murabaha finances | 175,725,170 | 55,310,966 |
| Repayment of murabaha finances | (149,985,066) | (47,683,650) |
| Net cash generated from financing activities | <u>5,237,489</u> | <u>2,821,947</u> |
| Net increase / (decrease) in cash and bank balances (A+B+C) | 10,667,660 | (41,166,254) |
| Cash and cash equivalents at the beginning of the year | <u>6,887,662</u> | <u>48,053,916</u> |
| Cash and cash equivalents at the end of the year | <u><u>17,555,322</u></u> | <u><u>6,887,662</u></u> |

The annexed notes from 1 to 29 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011**

| | Issued, subscribed and paid-up certificate capital | Statutory reserve | Revenue reserve (Un- appropriated profit) | Total |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------|--------------------------------------------------------------|--------------|
| | ----- Rupees ----- | | | |
| Balance at June 30, 2009 | 30,000,000 | 49,329,334 | 23,178,550 | 102,507,884 |
| Profit distribution for the year ended June 30, 2009 @ Rs.6.30 per certificate | - | - | (18,900,000) | (18,900,000) |
| Total comprehensive income for the year | - | - | 28,569,858 | 28,569,858 |
| Transfer to statutory reserve | - | 5,713,971 | (5,713,971) | - |
| Balance at June 30, 2010 | 30,000,000 | 55,043,305 | 27,134,437 | 112,177,742 |
| Profit distribution for the year ended June 30, 2010 @ Rs.7.60 per certificate | - | - | (22,800,000) | (22,800,000) |
| Total comprehensive income for the year | - | - | 27,573,010 | 27,573,010 |
| Transfer to statutory reserve | - | 5,514,602 | (5,514,602) | - |
| Balance at June 30, 2011 | 30,000,000 | 60,557,907 | 26,392,845 | 116,950,752 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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.
- 1.2 It is a multi purpose, perpetual Modaraba and is mainly engaged in domestic and international trading activities.

2. STATEMENT OF COMPLIANCE

- 2.1 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 the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas. Wherever the requirements of "the Modaraba Regulations" differ from the requirements of these standards, the requirements of "the Modaraba Regulations" take precedence.

2.2 Standards, Interpretations and Amendments to Published Approved Accounting Standards that have been or are not yet effective:

The following revised standards, amendments 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 interpretation:

| Standard or Interpretation | Effective date (annual periods beginning on or after) |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| IAS 24 - Related Party Disclosures (Revised) | January 01, 2011 |
| IAS 12 - Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets | January 01, 2012 |
| IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments) | January 01, 2011 |

The Modaraba expects that the adoption of the above amendments and interpretations of the standards will not affect the Modaraba's financial statements in the period of initial application.

In addition to the above, amendments to various standards have also been issued by the IASB. Such interpretations are generally effective for accounting periods beginning on or after January 01, 2011. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

3. BASIS OF MEASUREMENT

3.1 Accounting Convention

These financial statements have been prepared under the "historical cost convention" except for the revaluation of certain financial assets which are stated at fair value and recognition of employee retirement benefits at present value.

3.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The assumptions and estimates used for preparation of the Modaraba's financial statements are not significant.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is charged to income at the rates specified in Note 5 by applying the straight line method whereby the cost of an asset is written off over its estimated useful life. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged for full month in which an asset is available for use while no depreciation is charged from the month in which an asset is disposed off.

Gains / (losses) on disposal of property and equipment are accounted for in the year in which they arise.

Subsequent costs are recognized as an asset, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

4.2 Intangible assets

Intangible assets are stated at cost less amortization. Cost of such assets are amortized on a straight line basis over a period of four years.

Amortization on additions is charged for full month in which an asset is acquired or capitalized, while no amortization is charged from the month in which an asset is disposed off.

4.3 Stock in trade

Stock-in-trade are stated at the lower of cost determined by first in first out method and net realizable value. The cost includes expenditure incurred in acquiring the stock items and other costs incurred in bringing them to use. Net realizable value represents the estimated selling price in the ordinary course of business less cost to be incurred to make sale. Goods in transit are stated at invoice value plus other charges paid thereon, wherever applicable.

4.4 Trade debtors and other receivables

Trade debtors and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

4.5 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognised using trade date accounting. Trade date is the date that the Modaraba commits to purchase or sell the investment.

Held for trading - at fair value through profit or loss

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and either (a) the Modaraba has transferred substantially all risks and rewards of ownership or (b) the Modaraba has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred the control of the asset.

4.6 Taxation

Provision for taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any. For items covered under presumptive tax regime, provision was made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001. The Modaraba followed the recommendations of the Institute of Chartered Accountants of Pakistan issued vide its Technical Release TR-30 dated May 06, 2008, wherein it has been 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 is carried forward in the balance sheet as advance tax".

4.7 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of balances with banks.

4.8 Staff retirement benefits

The Modaraba operates an unfunded defined benefit plan comprising of gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Modaraba's obligations under the scheme is determined on the basis of actuarial valuation and are charged to income. Most recent valuation was carried out by a qualified actuary in accordance with IAS 19 "Employees Benefits" on June 23, 2010 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

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.

4.9 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 whether billed to the Modaraba or not.

4.10 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.11 Financial instruments

Financial assets and liabilities are recognized when the Modaraba becomes a party to the contractual provisions of the instrument and de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

4.12 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.13 Foreign currency transactions

Transactions in foreign currencies are translated into Pak rupees at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rate of exchange ruling at the balance sheet date, while those covered under forward exchange contracts are valued at the contractual rates.

Exchange gains and losses are included in income currently.

4.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for other assets subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognised as income.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business.

Revenue from sale of goods is recognized on dispatch of goods to customer and when title has passed.

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

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

Profit on PLS savings account is recognized on accrual basis.

| | Note | 2011 Rupees | 2010 Rupees |
|----------------------------------|------|------------------|------------------|
| 5. PROPERTY AND EQUIPMENT | | | |
| Operating assets | 5.1 | 6,034,299 | 6,120,703 |
| Advance for purchase of vehicle | | - | 1,414,000 |
| | | <u>6,034,299</u> | <u>7,534,703</u> |

5.1 OPERATING ASSETS

| Particulars | 2 0 1 1 | | | | | | | Rate of depreciation per annum |
|---------------------------------|---------------------|----------------------------------------|---------------------|--------------------|----------------------------------|---------------------|------------------------------------|--------------------------------|
| | Cost | | | Depreciation | | | carrying value as at June 30, 2011 | |
| | As at July 01, 2010 | Additions/ (disposals) during the year | As at June 30, 2011 | As at July 1, 2010 | For the year / (disposals) | As at June 30, 2011 | | |
| Rupees | | | | | | | | |
| Furniture and fixtures | 720,202 | - | 720,202 | 451,791 | 54,643 | 506,434 | 213,768 | 10% |
| Vehicles | 11,485,253 | 2,035,762 (1,356,801) | 12,164,214 | 7,078,573 | 1,976,296 (1,260,110) | 7,794,759 | 4,369,455 | 20% |
| Office equipment and appliances | 2,159,219 | 308,835 (29,000) | 2,439,054 | 1,418,471 | 229,717 (13,533) | 1,634,655 | 804,399 | 20% |
| Computer equipment | 3,310,472 | 266,930 (781,559) | 2,795,843 | 2,605,608 | 325,099 (781,541) | 2,149,166 | 646,677 | 25% |
| 2011 | 17,675,146 | 2,611,527 (2,167,360) | 18,119,313 | 11,554,443 | 2,585,755 (2,055,184) | 12,085,014 | 6,034,299 | |

| Particulars | 2 0 1 0 | | | | | | | Rate of depreciation per annum |
|---------------------------------|---------------------|----------------------------------------|---------------------|--------------------|----------------------------------|---------------------|------------------------------------|--------------------------------|
| | Cost | | | Depreciation | | | carrying value as at June 30, 2010 | |
| | As at July 01, 2009 | Additions/ (disposals) during the year | As at June 30, 2010 | As at July 1, 2009 | For the year / (disposals) | As at June 30, 2010 | | |
| Rupees | | | | | | | | |
| Furniture and fixtures | 720,202 | - | 720,202 | 396,625 | 55,166 | 451,791 | 268,411 | 10% |
| Vehicles | 11,385,188 | 1,978,900 (1,878,835) | 11,485,253 | 7,305,457 | 1,647,284 (1,874,168) | 7,078,573 | 4,406,680 | 20% |
| Office equipment and appliances | 1,825,501 | 483,718 (150,000) | 2,159,219 | 1,370,961 | 197,509 (149,999) | 1,418,471 | 740,748 | 20% |
| Computer equipment | 2,775,264 | 535,208 - | 3,310,472 | 2,385,574 | 220,034 - | 2,605,608 | 704,864 | 25% |
| 2010 | 16,706,155 | 2,997,826 (2,028,835) | 17,675,146 | 11,458,617 | 2,119,993 (2,024,167) | 11,554,443 | 6,120,703 | |

5.2 Cost of fully depreciated assets still in use was Rs. 5,267,504 (2010: Rs. 5,738,839).

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

| | Cost | Accumulated depreciation | Carrying value | Sale proceeds | Gain / (loss) on disposal | Mode of disposal | Particulars of Purchasers |
|---------------------------------|------------------|--------------------------|----------------|----------------|---------------------------|------------------|---------------------------------------------------------------------------------|
| | Rupees | | | | | | |
| Vehicles- Motor Car | 994,107 | 963,909 | 30,198 | 550,000 | 519,802 | Negotiation | Muhammad Ismail H # 229, Block - 2, Hussainabad, F. B. Area, Karachi |
| Vehicles- Motor Car | 362,694 | 296,201 | 66,493 | 200,000 | 133,507 | Negotiation | Muhammad Naveed Memon, H # 12/D, Bano Plaza, Nishtar Road, Garden East, Karachi |
| Computer equipment | 781,559 | 781,541 | 18 | 4,160 | 4,142 | Negotiation | Scrap sale |
| Office equipment and appliances | 29,000 | 13,533 | 15,467 | 6,000 | (9,467) | Negotiation | Scrap sale |
| 2011 | 2,167,360 | 2,055,184 | 112,176 | 760,160 | 647,984 | | |
| 2010 | 2,028,835 | 2,024,167 | 4,668 | 947,000 | 942,332 | | |

6 INTANGIBLE ASSETS

| | 2011 | | | | | | |
|----------------------------|---------------------|---------------------------|---------------------|--------------------|--------------|---------------------|------------------------------------|
| | Cost | | | Amortization | | | Carrying value as at June 30, 2011 |
| | As at July 01, 2010 | Additions during the year | As at June 30, 2011 | As at July 1, 2010 | For the year | As at June 30, 2011 | |
| | Rupees | | | | | | |
| Licensed Computer Software | 1,529,435 | - | 1,529,435 | 1,040,523 | 155,060 | 1,195,583 | 333,852 |
| 2011 | 1,529,435 | - | 1,529,435 | 1,040,523 | 155,060 | 1,195,583 | 333,852 |

| | 2010 | | | | | | |
|----------------------------|---------------------|---------------------------|---------------------|--------------------|--------------|---------------------|------------------------------------|
| | Cost | | | Amortization | | | Carrying value as at June 30, 2010 |
| | As at July 01, 2009 | Additions during the year | As at June 30, 2010 | As at July 1, 2009 | For the year | As at June 30, 2010 | |
| | Rupees | | | | | | |
| Licensed Computer Software | 1,150,166 | 379,269 | 1,529,435 | 958,976 | 81,547 | 1,040,523 | 488,912 |
| 2010 | 1,150,166 | 379,269 | 1,529,435 | 958,976 | 81,547 | 1,040,523 | 488,912 |

6.1 Cost of fully amortized intangible assets still in use was Rs. 909,198 (2010: Rs. 909,198).

| | 2011 Rupees | 2010 Rupees |
|-------------------------------------------------------|--------------------|-------------------|
| 7. STOCK IN TRADE | | |
| In hand | 74,296,107 | 54,696,316 |
| In bonded warehouse | 103,603,293 | 19,257,397 |
| In transit | 24,857,189 | 9,580,615 |
| | <u>202,756,589</u> | <u>83,534,328</u> |
| 8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | |
| Deposits | 1,169,152 | 754,152 |
| Prepayments | 813,222 | 163,912 |
| Other receivables | - | 81,043 |
| | <u>1,982,374</u> | <u>999,107</u> |

| | | | 2011 Rupees | 2010 Rupees |
|---------------------------------------|---------------------------------------------------------------|------------------|-------------------------------------------------------------|-------------------|
| 9. INVESTMENTS | | | | |
| | held for trading at fair value through profit and loss | | | |
| | 2011 | 2010 | | |
| | No. of Shares / Certificate | | | |
| | | | Ordinary shares in listed companies | |
| | | | Crescent Steel & Allied Products Limited | |
| | 35,079 | 35,079 | 916,263 | 880,835 |
| | 85,000 | 85,000 | 217,600 | 349,350 |
| | | | Certificates in listed mutual fund | |
| | | | JS Growth Fund | |
| | 13,443 | 13,443 | 79,314 | 44,900 |
| | | | <u>1,213,177</u> | <u>1,275,085</u> |
| 10. TAXATION | | | | |
| | | | 2,008,987 | 1,271,172 |
| | | | 28,153,128 | 20,508,663 |
| | | | (26,618,762) | (19,770,848) |
| | | | <u>3,543,353</u> | <u>2,008,987</u> |
| 11. CASH AT BANK | | | | |
| | | | Cash at bank in | |
| | | | PLS savings accounts | |
| | | | 13,120,330 | 3,722,892 |
| | | | Current accounts | |
| | | | 4,434,992 | 3,164,770 |
| | | | <u>17,555,322</u> | <u>6,887,662</u> |
| 12. ISSUED CERTIFICATE CAPITAL | | | | |
| | 2011 | 2010 | | |
| | Number of Certificates | | Issued, Subscribed and paid up | |
| | | | Modaraba certificates of Rs.10/- each fully paid in cash | |
| | <u>3,000,000</u> | <u>3,000,000</u> | <u>30,000,000</u> | <u>30,000,000</u> |
| 13. STATUTORY RESERVE | | | | |
| | | | 55,043,305 | 49,329,334 |
| | | | 5,514,602 | 5,713,971 |
| | | | <u>60,557,907</u> | <u>55,043,305</u> |

Statutory Reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP, vide circular No.4 of 2004 dated January 28, 2004 and subsequent amendments made therein. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time 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.

14. REVENUE RESERVE

| | | |
|--------------------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 27,134,437 | 23,178,550 |
| Profit for the year ended | 27,573,010 | 28,569,858 |
| Transferred to statutory reserve during the year | (5,514,602) | (5,713,971) |
| | <u>49,192,845</u> | <u>46,034,437</u> |
| Profit distribution | (22,800,000) | (18,900,000) |
| | <u>26,392,845</u> | <u>27,134,437</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 reserves, amongst its certificate holders.

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

| | | |
|-----------------------------------|-------------------|-------------------|
| Profit @ Rs. 7.35 per Certificate | 22,050,000 | 22,800,000 |
| (2010 : Rs. 7.60 per Certificate) | <u>22,050,000</u> | <u>22,800,000</u> |

15. 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 | 14% per annum | 14% per annum |
| Expected rate of eligible salary increase | 13% per annum | 13% per annum |
| Average expected remaining working life time of employees | 6 years | 6 years |

| | 2011 Rupees | 2010 Rupees |
|--------------------------------------------------------------|------------------|------------------|
| Movement in defined benefit obligation | | |
| Opening balance of defined benefit obligation as at July 01 | 8,140,466 | 6,819,710 |
| Charge for the year | | |
| Current service cost | 774,047 | 651,218 |
| Actuarial loss | 30,465 | 43,976 |
| Financing cost | 1,294,728 | 950,339 |
| | 2,099,240 | 1,645,533 |
| Benefits paid during the year | (1,343,849) | (324,777) |
| Closing balance of defined benefit obligation as at June 30 | <u>8,895,857</u> | <u>8,140,466</u> |
| Represented by | | |
| Present value of defined benefit obligation as at June 30 | 9,972,986 | 9,248,060 |
| Unrecognized actuarial losses | (1,077,129) | (1,107,594) |
| | <u>8,895,857</u> | <u>8,140,466</u> |
| Present value of defined benefit obligation liability | | |
| Present value of defined benefit obligation as at July 01 | 9,248,060 | 7,919,491 |
| Current service cost | 774,047 | 651,218 |
| Financing cost | 1,294,728 | 950,339 |
| Benefit paid during the year | (1,343,849) | (324,777) |
| Unrecognized actuarial gain/(losses) | - | 51,789 |
| Present value of defined benefit obligation as at June 30 | <u>9,972,986</u> | <u>9,248,060</u> |

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Rupees | | | | |
| Comparisons for past years: | | | | | |
| As at June 30 | | | | | |
| Present value of defined benefit obligation | <u>9,972,986</u> | <u>9,248,060</u> | <u>7,919,491</u> | <u>6,622,628</u> | <u>4,020,126</u> |
| Experience adjustments on obligation | <u>-</u> | <u>51,789</u> | <u>(524,790)</u> | <u>1,320,811</u> | <u>-</u> |

16. OBLIGATION UNDER MURABAHA FINANCES - Secured

The Modaraba has availed this facility from a financial institution. Sanctioned limit is Rs. 80 million (2010: Rs 60 million). The facility is secured against pledge of stock in trade of the Modaraba.

| | 2011 Rupees | 2010 Rupees |
|-----------------------------------------------------|------------------------|------------------------|
| 17. CREDITORS, ACCRUED AND OTHER LIABILITIES | | |
| Import bills payable | 114,486,351 | 70,382,148 |
| Creditors | 567,961 | 883,508 |
| Management fee payable to Modaraba Company | 5,359,626 | 4,203,540 |
| Accrued liabilities | 10,797,910 | 1,626,921 |
| Sales tax payable | 5,711,498 | 1,994,708 |
| Unclaimed profit distribution | 4,178,142 | 3,380,757 |
| Workers' welfare fund | 1,072,332 | 1,072,332 |
| | <u>142,173,820</u> | <u>83,543,914</u> |

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 Post dated cheques to Collector of Customs amounting to Rs.62,074,694/- (2010: Rs.73,500,475).

18.1.2 Through the Finance Act, 2008 an amendment was made in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Modaraba was considered to be subject to the provisions of the WWF Ordinance.

Subsequent to the balance sheet date, the Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. The Modaraba is of the opinion that the amendments having been struck down, the provisions of the Ordinance are no longer applicable to the Modaraba. Accordingly no provision has been made for the current year in respect of Workers' Welfare Fund amounting to Rs. 1,083,835.

18.2 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs.3,355,956/- (2010: Rs.20,006,336/-).

| | Note | 2011 Rupees | 2010 Rupees |
|-----------------------------------|------|--------------------|--------------------|
| 19. COST OF SALES | | | |
| Opening stock at July 01 | | 54,696,316 | 55,431,370 |
| Purchases | | 608,409,074 | 549,730,450 |
| Closing stock at June 30 | | (74,296,107) | (54,696,316) |
| | | <u>588,809,283</u> | <u>550,465,504</u> |
| 20. OPERATING EXPENSES | | | |
| Salaries and other staff benefits | 20.1 | 14,250,645 | 12,588,182 |
| Depreciation | 5.1 | 2,585,755 | 2,119,992 |
| Staff gratuity | 15 | 2,099,240 | 1,645,533 |
| Rent, rates and taxes | | 1,298,196 | 1,276,665 |
| Vehicles running and maintenance | | 1,370,028 | 1,151,070 |
| Freight and forwarding | | 1,197,437 | 1,007,356 |
| Electricity | | 222,497 | 193,263 |
| Security charges | | 650,722 | 639,763 |
| Travelling and conveyance | | 1,066,569 | 490,638 |
| Fees and subscriptions | | 659,845 | 484,004 |
| Postage and telephone | | 457,634 | 369,655 |
| Repairs and maintenance | | 704,536 | 580,381 |
| Insurance | | 749,057 | 489,267 |
| Printing and stationery | | 151,493 | 102,104 |
| Auditors' remuneration | 20.2 | 369,050 | 320,000 |
| Entertainment | | 75,180 | 440,202 |
| Bank charges | | 279,944 | 494,380 |
| Legal and professional | | 678,771 | 517,875 |
| Advertisement and publicity | | 24,750 | 24,750 |
| Sales promotion | | 129,231 | 93,271 |
| Packing material | | 95,817 | 63,632 |
| Cleaning and washing | | 38,249 | 95,170 |
| Donation | 20.3 | 30,496 | 22,091 |
| Staff training | | 85,250 | 230,060 |
| Amortization of intangible assets | 6 | 155,060 | 81,547 |
| | | <u>29,425,452</u> | <u>25,520,851</u> |

20.1 Remuneration of officers and employees.

| | 2011 | | | 2010 | | |
|--------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| | Officers | Employees | Total | Officers | Employees | Total |
| Remuneration | 5,087,739 | 4,305,053 | 9,392,792 | 4,800,437 | 3,406,892 | 8,207,329 |
| Allowances | 1,976,844 | 1,742,466 | 3,719,310 | 1,908,908 | 1,397,519 | 3,306,427 |
| Medical expenses | 201,475 | 280,426 | 481,901 | 218,139 | 250,777 | 468,916 |
| Provident Fund | 329,352 | 236,690 | 566,042 | 318,045 | 201,665 | 519,710 |
| EOBI Contribution | 21,000 | 63,000 | 84,000 | - | 74,400 | 74,400 |
| SESSI Contribution | - | 6,600 | 6,600 | - | 11,400 | 11,400 |
| | <u>7,616,410</u> | <u>6,634,235</u> | <u>14,250,645</u> | <u>7,245,529</u> | <u>5,342,653</u> | <u>12,588,182</u> |

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

| | Note | 2011 Rupees | 2010 Rupees |
|------------------------------------------------------------------------------------------------------------------------|------|-------------------|-------------------|
| 20.2 Auditors' remuneration | | | |
| Annual audit fee | | 250,000 | 250,000 |
| Half yearly review fee | | 50,000 | 50,000 |
| Fee for review of Code of Corporate Governance | | 10,000 | 10,000 |
| CDC Certification fee | | 10,000 | 10,000 |
| Out of pocket expenses | | 49,050 | - |
| | | <u>369,050</u> | <u>320,000</u> |
| 20.3 Donation | | | |
| None of the directors of the Management Company of the Modaraba or their spouses had any interest in the donee's fund. | | | |
| 21. OTHER INCOME | | | |
| Dividend income | | 80,240 | 76,880 |
| Gain on disposal of property and equipment | 5.3 | 647,984 | 942,332 |
| Return on PLS savings accounts | | 1,076,975 | 1,409,293 |
| | | <u>1,805,199</u> | <u>2,428,505</u> |
| 22. TAXATION | | | |
| For the year | | <u>26,618,762</u> | <u>19,770,848</u> |

Current

In view of ICAP's Technical Release TR-30 dated 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 off as tax expense on sale of such stock.

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

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

Deferred

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

**23. EARNINGS PER CERTIFICATE
- BASIC & DILUTED**

| | | |
|-----------------------------------|-------------------|-------------------|
| Profit for the year (Rupees) | <u>27,573,010</u> | <u>28,569,858</u> |
| Number of Modaraba certificates | <u>3,000,000</u> | <u>3,000,000</u> |
| Earnings per certificate (Rupees) | <u>9.19</u> | <u>9.52</u> |

24. CAPITAL RISK MANAGEMENT

The Modaraba's objectives, policies and processes for managing capital are as follows:

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue as a going concern in order to provide returns for certificate holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Modaraba's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

25. FINANCIAL RISK MANAGEMENT

The Modaraba's principal financial liabilities comprise import bills, trade and other payables and facility under murabaha finance. The main purpose of these financial liabilities and facility is to raise finance for the Modaraba's operations. The Modaraba has trade debtors and balances with banks that arrive directly from its operations. The Modaraba also holds investments which are held for trading.

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow risk, profit rate risk and price risk), credit risk and liquidity risk.

The Modaraba's senior management oversees the management of these risks.

25.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs. 102,906,534/- (2010 : Rs.131,258,595/-), the financial assets which are subject to credit risk amounted to Rs. 101,737,382/- (2010 : Rs.130,423,400/-).

The Modaraba is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including bank account and other financial instruments.

25.1.1 Credit risk related to receivables

The Modaraba has adopted a policy of only dealing with creditworthy counterparties. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored. The Modaraba does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

At June 30, 2011, Modaraba had approximately 7 major customers (2010 : 7 customers) that owed the Modaraba more than Rs.4 million each and accounted for approximately 68% of all receivables. (2010 : 90%). The Modaraba does not hold collateral as security against any trade debtor.

25.2 Liquidity risk management

Liquidity risk reflects the Modaraba's inability in raising funds to meet commitments. Management closely monitors the Modaraba's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

25.3 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include held-for-trading investment.

25.3.1 Profit rate risk management

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

The Modaraba's has no significant profit-bearing assets apart from bank deposits in savings accounts. The Modaraba has also availed murabaha finance during the year on which repurchase price is fixed and does not vary, therefore profit rate sensitivity has not been computed.

25.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba's exposure to the risk of changes in foreign exchange rates relates primarily to the Modaraba's operating activities. As at June 30, 2011, the total foreign currency risk exposure was Rs.114,486,351/- (2010 : Rs.70,382,148/-) in respect of bills payable.

25.3.2.1 Foreign currency sensitivity analysis

At June 30, 2011, if the Rupee had weakened by 5% against the US dollar and UK pound with all other variables held constant, post-tax profit for the year would have decreased by Rs.5,710,561 (2010 : Rs.3,509,625), mainly as a result of foreign exchange losses on translation of US dollar-denominated import bills payables if it could not be passed over to customers.

25.3.3 Equity price risk management

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs.1,213,177. A decrease of 10% on the KSE market index would have an impact of approximately Rs.28,193 on the income of the Modaraba.

25.4 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

25.5 Financial assets and liabilities

| | Profit bearing | | | Non-Profit bearing | | | Total |
|------------------------------------------|------------------------|----------------------------------------|------------|------------------------|----------------------------------------|--------------|--------------|
| | Maturity upto one year | Maturity after one year upto five year | Subtotal | Maturity upto one year | Maturity after one year upto five year | Subtotal | |
| | Rupees | | | | | | |
| Financial Assets | | | | | | | |
| Trade debtors | - | - | - | 82,968,883 | - | 82,968,883 | 82,968,883 |
| Investments | - | - | - | 1,213,177 | - | 1,213,177 | 1,213,177 |
| Deposit and other receivables | - | - | - | 1,169,152 | - | 1,169,152 | 1,169,152 |
| Bank balances | 13,120,330 | - | 13,120,330 | 4,434,992 | - | 4,434,992 | 17,555,322 |
| | 13,120,330 | - | 13,120,330 | 89,786,204 | - | 89,786,204 | 102,906,534 |
| Financial Liabilities | | | | | | | |
| Creditors, accrued and other liabilities | - | - | - | 143,257,655 | - | 143,257,655 | 143,257,655 |
| Obligation under murabaha finances | - | - | - | 33,367,420 | - | 33,367,420 | 33,367,420 |
| | - | - | - | 176,625,075 | - | 176,625,075 | 176,625,075 |
| On-balance sheet gap | 13,120,330 | - | 13,120,330 | (86,838,871) | - | (86,838,871) | (73,718,541) |

| | 2011 Rupees | 2010 Rupees |
|------------------------------------------------------|----------------|----------------|
| 26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS | | |
| Sale of goods | - | 120,000 |
| Purchase of goods | 152,500 | - |
| Share of common expenses | 1,558,464 | 158,223 |
| Share of common software purchase | - | 324,506 |
| Payment of Modaraba Company's Management fee | 4,203,540 | 2,607,165 |
| Receipts of Qard-e-Hasana from Modaraba Company | 95,000,000 | 113,000,000 |
| Repayments of Qard-e-Hasana to Modaraba Company | 93,500,000 | 99,500,000 |

27. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in its meeting held on 21-09-2011 approved a final profit distribution of Rs.7.35 per certificate, amounting to Rs. 22,050,000 for the year ended June 30, 2011.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Modaraba Management Company and authorized for issue on 21-09-2011.

29. GENERAL

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

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

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Mrs. Saadat Ikram
Director

**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2011**

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

| Number of Certificate Holders | : | Certificate Holding | : | Total Certificates Held |
|--------------------------------------|----------|----------------------------|-----------|--------------------------------|
| | | From | To | |
| 17 | : | 1 | 50 | 166 |
| 82 | : | 51 | 100 | 8,132 |
| 193 | : | 101 | 500 | 93,177 |
| 12 | : | 501 | 1000 | 11,852 |
| 24 | : | 1001 | 5000 | 94,767 |
| 8 | : | 5001 | 10000 | 64,119 |
| 19 | : | 10001 | above | 2,727,787 |
| 355 | | | | 3,000,000 |

| Categories of Certificate Holders | : | Number | : | Certificates Held | : | Percentage |
|------------------------------------------|----------|---------------|----------|--------------------------|----------|-------------------|
| Individuals | : | 353 | : | 2,399,500 | : | 79.98 |
| Joint Stock Companies | : | 1 | : | 500 | : | 0.02 |
| Modaraba Company | : | 1 | : | 600,000 | : | 20.00 |
| Others | : | - | : | - | : | - |
| | : | 355 | : | 3,000,000 | : | 100.00 |

**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.**

| | |
|------------------------------|-----|
| N H Securities (Pvt) Limited | 500 |
|------------------------------|-----|

EXECUTIVES OF THE MODARABA

| | |
|---------------------------|-----|
| 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.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35(xlv) of the Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

Regardless of the fact that A.R. Management Services (Private) Limited, the management company of First Imrooz Modaraba, is a Private Limited Company, the Board of Directors are pleased to confirm that the Modaraba complied with all material principles contained in the 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 NBF1. 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer (CEO) and other executive directors have been taken by the Board.
- 8 The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
- 9 The meetings of the Board were presided over by the Chairman and held at-least once in each quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- 10 The directors have been provided with the copies of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Companies Ordinance, 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Article of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Modaraba, its policies and procedures and are aware of their duties and responsibilities.
- 11 The Board had approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit in previous years. There was no new appointment during the year.
- 12 The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 13 The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
- 14 The directors, CEO and Executives do not hold any interest in the Certificates of the Modaraba other than that disclosed in the pattern of Certificates holding.
- 15 The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
- 16 The Board has already formed an Audit Committee. It comprises of three members including the chairman, of whom two are non- executive directors.
- 17 The meetings of the audit committee were held every quarter prior to 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.
- 18 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 procedure of the Modaraba and they are involved in the internal audit function on a full time basis.
- 19 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 Certificate 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.
- 20 The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21 We confirm that all other material principles contained in the Code have been complied with.

Naveed Riaz
Chief Executive

September 21, 2011

Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



FIRST IMROOZ MODARABA

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Pakistan

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 prepared by the Board of Directors of **A. R. MANAGEMENT SERVICES (PRIVATE) LIMITED (the Modaraba Company)** in respect of **FIRST IMROOZ MODARABA (the Modaraba)** to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code of Corporate Governance.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations notified by the Karachi Stock Exchange (Guarantee) Limited, require the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2011.

KARACHI

DATED: September 21, 2011

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that twelfth Annual Review Meeting of First Imrooz Modaraba will be held on Thursday the 20 October, 2011 at 11:30 a.m. at Registered Office of the Modaraba Company at 33-C, Behind Mall Mansion, Shahrah-e-Quaid-e-Azam, The Mall, Lahore.

By order of the Board

September 21, 2011

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 13, 2011 to October 20, 2011 (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.