

EIGHTEENTH ANNUAL REPORT 2010



FIRST IMROOZ MODARABA



CONTENTS

Vision / Mission Statement	2
Code of Conduct	2
Modaraba Information	3
Directors' Report	4
Ten Years at a Glance	7
Auditors' Report to the Certificate Holders	8
Balance Sheet	10
Statement of Comprehensive Income	11
Cash Flow Statement	12
Statement of changes in Equity	14
Notes to the Financial Statements	15
Pattern of Certificate Holding	34
Certificate Holders information	35
Statement of Compliance with best practices of Code of Corporate Governance	36
Auditors Review Report on Compliance of Code of Corporate Governance	39
Notice of Annual Review Meeting	40



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.

CODE OF CONDUCT

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	:	AR 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)
Human Resource 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 Hussain, 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	:	Technology Trade (Pvt.) Ltd. Dagia House 241-C, PECHS, Block-2 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 eighteenth Annual Report of First Imrooz Modaraba along with audited financial statements for the year ended June 30, 2012.

1. Operating Results

The financial results of the Modaraba are summarized below:

	(Rupees in million)	
	2012	2011
Profit before taxation	55.02	54.19
Taxation	<u>30.42</u>	<u>26.62</u>
Profit for the year	24.60	27.57
Appropriations		
Transfer to Statutory Reserve	4.92	5.51
Profit after appropriation	<u>19.68</u>	<u>22.06</u>
Earnings per certificate-basic & diluted	Rs. <u>8.20</u>	<u>9.19</u>

2. Review of Financial Performance

The year under review proved to be challenging for the Modaraba due to difficult business environment. However, better management measures resulted in improved turnover of Rs. 711.43 million as compared to Rs. 681.36 million last year.

The other income of the Modaraba has stood at Rs.2.11 million as compared to Rs.1.80 million last year.

This year Modaraba has recorded diminution on re-measurement of investment at Rs.0.03 million as against diminution of Rs.0.06 million last year.

The Modaraba's profit for the year is Rs.24.60 million as compared to Rs.27.57 million last year.

After considering these results, the Board of Directors have decided to transfer 20% of the profit to Statutory Reserve and a final profit distribution @65% i.e. Rs.6.50 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, 2013. 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	2012	2011	2010	2009	2008	2007	2006
Fixed Assets	6.27	6.37	8.02	5.44	6.75	5.05	5.82
Working Capital	124.42	119.48	112.30	103.89	90.56	95.30	84.03
Certificate Holders Equity	119.50	116.95	112.18	102.51	92.44	96.78	86.68
Paid-up Certificate Capital	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sales	711.42	681.36	628.53	474.52	429.74	402.85	427.02
Gross Profit	98.80	92.55	78.07	58.78	51.21	56.03	60.23
Profit after Taxation	24.60	27.57	28.57	22.07	15.17	23.25	20.62
Profit Distribution Cash	65%	73.5%	76%	63%	40%	65%	52%
Earnings per Certificate-Rs.	8.20	9.19	9.52	7.36	5.06	7.75	6.87
Break-up value per Certificate-Rs.	39.83	38.98	37.39	34.17	30.81	32.25	28.89

- 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. Ameer Riaz	4
Mr. Omar Mohammad Khan	4
Mrs. Saadat Ikram	4

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

19 September, 2012

TEN YEARS AT A GLANCE

(Rupees in million)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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	89.500	86.950	82.178	72.508	62.442	66.776	56.681	50.160	34.847	33.612
Certificate holders' equity	119.500	116.950	112.178	102.508	92.442	96.776	86.681	80.160	64.847	63.612
Deferred liability - staff gratuity	11.190	8.900	8.140	6.820	4.861	3.574	3.169	2.562	2.096	1.938
Qard-e-Hasna from Modaraba management company	31.000	15.000	13.500	-	-	-	-	-	0.500	-
Short term borrowing - Morabaha finances	43.018	33.367	7.627	-	22.320	-	40.955	61.063	20.165	25.157
Current liabilities	217.317	190.541	104.671	76.989	110.573	45.296	93.370	83.199	67.659	90.974
Fixed Assets	6.274	6.368	8.023	5.439	6.746	5.054	5.821	5.793	5.656	4.613
Stock-in-trade	182.523	202.757	83.534	65.925	102.736	51.081	108.794	121.430	88.685	109.660
Trade debtors	122.180	82.969	122.261	59.763	36.461	37.612	40.696	24.922	24.344	22.633
Investments	1.104	1.213	1.275	0.796	2.476	4.613	3.938	10.007	9.524	9.290
Current assets	341.734	310.020	216.966	180.878	201.130	140.591	177.397	160.128	128.946	151.911
Operational Results										
Sales	711.425	681.364	628.533	474.517	429.742	402.845	427.015	310.484	366.790	332.556
Cost of sales	612.621	588.81	550.466	415.738	378.537	346.812	366.781	265.199	318.583	289.942
Gross profit	98.804	92.554	78.067	58.779	51.205	56.033	60.234	45.285	48.207	42.614
Other income	2.108	1.805	2.429	1.760	3.977	2.982	3.725	3.097	1.289	6.784
Murabaha charges	5.076	5.321	1,838	-	-	-	-	-	-	-
Workers welfare fund	-	-	1,072	-	-	-	-	-	-	-
Operating expenses	35.347	29.425	25.521	22.507	20.795	18.709	20.639	14.392	15.204	12.243
(Diminution) / unrealised appreciation on remeasurement of investment - net	(0.03)	(0.062)	0.479	(1.727)	(0.490)	1.563	(0.503)	0.834	1.484	4.872
Operating profit	60.459	59.551	52.544	32.589	33.897	41.869	42.818	34.825	35.776	42.027
Modaraba company's management fee	5.441	5.36	4.204	2.607	2.712	2.931	2.997	2.438	2.504	2.942
Profit before tax	55.018	54.191	48.340	29.982	31.185	38.938	39.821	32.387	33.272	39.085
Taxation	30.418	26.618	19.771	7.917	16.018	15.684	19.200	17.074	22.288	18.957
Profit after tax	24.600	27.573	28.569	22.065	15.167	23.254	20.621	15.313	10.984	20.128
Transfer to statutory reserve	4.920	5.515	5,714	2,206	3,030	4,651	4,124	3,063	2,197	4,026
	20%	20%	20%	10%	20%	20%	20%	20%	20%	20%
Profit Distribution										
Profit distribution	19.500	22.050	22.800	18.900	12.000	19.500	15.600	14.100	9.750	15.000
Rate per certificate	65%	73.5%	76%	63%	40%	65%	52%	47%	32.5%	50%
Financial Ratios										
Gross profit - % of sales	13.89%	13.58%	12.42%	12.39%	11.92%	13.91%	14.11%	14.59%	13.14%	12.81%
Operating expenses - % of sales	4.97%	4.32%	4.06%	4.74%	4.84%	4.64%	4.83%	4.64%	4.15%	3.68%
Operating profit - % of sales	8.50%	8.74%	8.36%	6.87%	7.89%	10.39%	10.03%	11.22%	9.75%	12.64%
Profit before tax - % of sales & other income	7.71%	7.93%	7.66%	6.30%	7.19%	9.59%	9.24%	10.33%	9.04%	11.52%
Profit after tax - % of sales & other income	3.45%	4.04%	4.53%	4.63%	3.50%	5.73%	4.79%	4.88%	2.98%	5.93%
Return to Certificateholders										
Return on equity - before tax	46.04%	46.34%	43.09%	29.25%	33.73%	40.24%	45.94%	40.40%	51.31%	61.44%
Return on equity - after tax	20.59%	23.58%	25.47%	21.53%	16.40%	24.03%	23.79%	19.10%	16.94%	31.64%
Earning per certificate - Rs.	8.20	9.19	9.52	7.36	5.06	7.75	6.87	5.10	3.66	6.71
Profit distribution per certificate - Rs.	6.50	7.35	7.60	6.30	4.00	6.50	5.20	4.70	3.25	5.00
Market price per certificate - Rs.	52.61	62.65	47.51	32.00	36.20	42.00	35.50	58.25	42.75	37.50
Break-up value per certificate - Rs.	39.83	38.98	37.39	34.17	30.81	32.26	28.89	26.72	21.62	21.20

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST IMROOZ MODARABA** (the Modaraba) as at June 30, 2012 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 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, 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, 2012 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: 19 SEP 2012



CHARTERED ACCOUNTANTS

 Engagement partner: Zulfikar Ali Causer

BALANCE SHEET
AS AT JUNE 30, 2012

	Notes	2012 Rupees	2011 Rupees
NON CURRENT ASSETS			
Property and equipment	5	6,089,851	6,034,299
Intangible assets	6	183,792	333,852
		<u>6,273,643</u>	<u>6,368,151</u>
CURRENT ASSETS			
Stock in trade	7	182,523,263	202,756,589
Trade debtors - unsecured, considered good		122,180,389	82,968,883
Advance, deposits, prepayments and other receivables	8	4,395,526	1,982,374
Investments	9	1,104,182	1,213,177
Taxation	10	3,127,085	3,543,353
Cash at bank	11	28,403,992	17,555,322
		<u>341,734,437</u>	<u>310,019,698</u>
		<u>348,008,080</u>	<u>316,387,849</u>
CAPITAL AND RESERVES			
Authorised capital			
10,000,000 Modaraba Certificates of Rs.10/- each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up certificate capital	12	30,000,000	30,000,000
Statutory reserve	13	65,477,797	60,557,907
Revenue reserve	14	24,022,403	26,392,845
		<u>119,500,200</u>	<u>116,950,752</u>
NON-CURRENT LIABILITY			
Staff gratuity	15	11,190,455	8,895,857
CURRENT LIABILITIES			
Obligation under murabaha finances	16	43,018,771	33,367,420
Qard-e-Hasana from modaraba management company		31,000,000	15,000,000
Creditors, accrued and other liabilities	17	143,298,654	142,173,820
		<u>217,317,425</u>	<u>190,541,240</u>
CONTINGENCIES AND COMMITMENTS			
	18	<u>348,008,080</u>	<u>316,387,849</u>

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

Naveed Riaz
Chief Executive

Ameed Raiz
Director

Mrs. Saadat Ikram
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	Notes	2012 Rupees	2011 Rupees
Sales		711,425,086	681,364,268
Cost of sales	19	612,621,254	588,809,283
Gross profit		98,803,832	92,554,985
Operating expenses	20	35,347,489	29,425,452
Operating profit		63,456,343	63,129,533
Murabaha charges		(5,076,093)	(5,321,426)
Other income	21	2,108,636	1,805,199
Diminution on re-measurement of investments		(29,681)	(61,908)
		60,459,205	59,551,398
Modaraba company's management fee		5,441,328	5,359,626
Profit before taxation		55,017,877	54,191,772
Taxation	22	30,418,429	26,618,762
Profit for the year*		24,599,448	27,573,010
Other Comprehensive Income		-	-
Total comprehensive income for the year carried to equity		24,599,448	27,573,010
Earnings per certificate - basic & diluted	23	8.20	9.19

* 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 Raiz
Director

Mrs. Saadat Ikram
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	55,017,877	54,191,772
Adjustments for:		
Depreciation on property and equipment	2,836,421	2,585,755
Amortization of intangible assets	150,060	155,060
Gain on disposal of property and equipment	(476,350)	(647,984)
Gain on sale of investments	(20,254)	-
Dividend income	(101,140)	(80,240)
Murabaha charges	5,076,093	5,321,426
Diminution on re-measurement of investments	29,681	61,908
Provision for staff gratuity	2,294,598	2,099,240
	<u>9,789,109</u>	<u>9,495,165</u>
	64,806, 986	63,686,937
Changes in operating assets and liabilities		
(Increase) / decrease in current assets		
Stock in trade	20,233,326	(119,222,261)
Trade debtors	(39,211,506)	39,291,771
Advance, dposits, prepayments and other receivables	(2,413,152)	(983,267)
	<u>21,391,332</u>	<u>(80,913,757)</u>
Increase in current liabilities		
Creditors, accrued and other liabilities	930,506	57,013,802
Cash generated from operations	<u>44,346,160</u>	<u>39,786,982</u>
Taxes paid	(30,002,161)	(28,153,128)
Murabaha charges paid	(5,427,450)	(4,502,707)
Gratuity paid	-	(1,343,849)
Net cash generated from operating activities	<u>8,916,549</u>	<u>5,787,298</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,436,136)	(1,197,527)
Proceeds from disposal of property and equipment	1,020,513	760,160
Investments - net	99,568	-
Dividend received	101,140	80,240
Net cash used in investing activities	<u>(2,214,915)</u>	<u>(357,127)</u>

	2012 Rupees	2011 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(21,504,315)	(22,002,615)
Qard-e-Hasana from modaraba management company	16,000,000	1,500,000
Proceeds from murabaha finances	178,032,234	175,725,170
Repayment of murabaha finances	(168,380,883)	(149,985,066)
Net cash generated from financing activities	<u>4,147,036</u>	<u>5,237,489</u>
Net increase in cash and bank balances A+B+C	10,848,670	10,667,660
Cash and cash equivalents at the beginning of the year	17,555,322	6,887,662
Cash and cash equivalents at the end of the year	<u><u>28,403,992</u></u>	<u><u>17,555,322</u></u>

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

Naveed Riaz
Chief Executive

Ameed Raiz
Director

Mrs. Saadat Ikram
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012**

	Issued, subscribed and paid up certificate capital	Statutory reserve	Revenue reserve (Un- appropriated profit)	Total
 Rupees			
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
Profit distribution for the year ended June 30, 2011 @ Rs.7.35 per certificate	-	-	(22,050,000)	(22,050,000)
Total comprehensive income for the year	-	-	24,599,448	24,599,448
Transfer to statutory reserve	-	4,919,890	(4,919,890)	-
Balance at June 30, 2012	30,000,000	65,477,797	24,022,403	119,500,200

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

Naveed Riaz
Chief Executive

Ameed Raiz
Director

Mrs. Saadat Ikram
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 First Imrooz Modaraba (the Modaraba) was formed on September 27, 1993 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Rules framed 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. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan ["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 Basis of measurement

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.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 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 areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

a) Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 15 of these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

b) Provision for doubtful debts

Management has made estimates for realizable amount of unsecured debts to determine provision for doubtful debts. Any future change in the estimated realizable amounts might affect carrying amount of trade debts with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The following standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan became effective during the year from the dates mentioned against each standard:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 24	Related Party Disclosures	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

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, 2012. The Modaraba expects that such improvements / amendments to the standards are either not relevant or do not have any material impact on the Modaraba's financial statements in the period of initial application except for the amendments as detailed below:

IAS 19 'Employee benefits' (amended 2011) (is effective for the periods beginning on or after January 1, 2013). This amendment eliminates the corridor approach and requires all actuarial gain and losses to be recognized in other comprehensive income as they occur immediately, and it replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / assets.

This change would affect the recognized amounts of actuarial gain / loss and net defined benefit liability / assets for the accounting period as prescribed above.

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 bank balances

Cash and cash equivalents are carried at nominal value.

4.8 Cash and cash equivalent

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

4.9 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 30, 2012 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.

4.10 Trade creditors and other payables

Liabilities for trade and other payables 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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	2012 Rupees	2011 Rupees
5. PROPERTY AND EQUIPMENT			
Tangible assets	5.1	<u>6,089,851</u>	<u>6,034,299</u>

5.1 Tangible assets - owned

Particulars	2012							
	Cost			Depreciation			Carrying value as at June 30, 2012	Rate of depreciation per annum
	As at July 01, 2011	Additions/ (disposals) during the year	As at June 30, 2012	As at July 01, 2011	Charge for the year / (adjustment)	As at June 30, 2012		
	Rupees							
Furniture and fixtures	720,202	-	720,202	506,434	53,697	560,131	160,071	10%
Vehicles	12,164,214	2,583,501 (1,399,156)	13,348,559	7,794,759	2,141,862 (878,643)	9,057,978	4,290,581	20%
Office equipment and appliances	2,439,054	474,900	2,913,954	1,634,655	336,994	1,971,649	942,305	20%
Computer equipment	2,795,843	377,735 (180,107)	2,993,471	2,149,166	303,868 (156,457)	2,296,577	696,894	25%
Total	18,119,313	3,436,136 (1,579,263)	19,976,186	12,085,014	2,836,421 (1,035,100)	13,886,335	6,089,851	

Particulars	2011							
	Cost			Depreciation			Carrying value as at June 30, 2011	Rate of depreciation per annum
	As at July 01, 2010	Additions/ (disposals) during the year	As at June 30, 2011	As at July 01, 2010	Charge for the year / (adjustment)	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%
Total	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	

5.2 Cost of fully depreciated assets still in use was Rs. 6,634,747 (2011: Rs. 5,267,504).

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	526,850	526,849	1	350,000	349,999	Negotiation	Tarseel (Private) Limited
Vehicles - Motor car	835,000	320,083	514,917	650,000	135,083	Negotiation	Muhammad Ismail H # 229, Block - 2, Hussainabad, F. B. Area, Karachi
Vehicles - Motor cycle	37,306	31,711	5,595	10,000	4,405	Negotiation	Nisar Ahmed, Ward # 1, Nohnari, Mehrab pur, Dist Nosheroferoz
Computer equipment	104,460	104,449	11	2,513	2,502	Negotiation	Scrap sale
Computer equipment	75,647	52,008	23,639	8,000	(15,639)	Negotiation	Umair Ahmed H # 75/II/II, Street # 23, Khayaban-e-Bukhari, DHA, Phase VI, Karachi
2012	1,579,263	1,035,100	544,163	1,020,513	476,350		
2011	2,167,360	2,055,184	112,176	760,160	647,984		

6 INTANGIBLE ASSETS

	2012						
	Cost		Amortization			Carrying value as	
	As at July 01, 2011	Additions during the year	As at June 30, 2012	As at July 01, 2011	Charge for the year	As at June 30, 2012	at June 30, 2012
Rupees							
Licensed Computer Software	1,529,435	-	1,529,435	1,195,583	150,060	1,345,643	183,792
Total	1,529,435	-	1,529,435	1,195,583	150,060	1,345,643	183,792

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

6.1 Cost of fully amortized intangible assets still in use was Rs. 1,029,200 (2011: Rs. 909,198).

		2012 Rupees	2011 Rupees
7	STOCK IN TRADE		
	In hand	77,079,069	74,296,107
	In bonded warehouse	80,848,974	103,603,293
	In transit	24,595,220	24,857,189
		<u>182,523,263</u>	<u>202,756,589</u>
8.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances	8,411	-
	Deposits	611,652	1,169,152
	Prepayments	877,525	813,222
	Sales tax	2,864,788	-
	Other receivables	33,150	-
		<u>4,395,526</u>	<u>1,982,374</u>
9.	INVESTMENTS - financial assets at fair value through profit or loss - held for trading		
	2012 2011 Number of shares / certificate		
		Ordinary shares in listed companies	
		Crescent Steel & Allied Products Limited	
	35,079 35,079	813,482	916,263
	85,000 85,000	290,700	217,600
		Certificates in listed mutual fund	
	- 13,443	-	79,314
		<u>1,104,182</u>	<u>1,213,177</u>
10.	TAXATION		
	Opening balance	3,543,353	2,008,987
	Paid during the year	30,002,161	28,153,128
	Provision for tax	(30,418,429)	(26,618,762)
		<u>3,127,085</u>	<u>3,543,353</u>

		2012 Rupees	2011 Rupees
11. CASH AT BANK			
Cash at bank in			
Munafa accounts		24,748,301	13,120,330
Current accounts		3,655,691	4,434,992
		<u>28,403,992</u>	<u>17,555,322</u>
12. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL			
	2012 2011		
	Number of certificates	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			
Balance at the beginning of the year		60,557,907	55,043,305
Transferred during the year		4,919,890	5,514,602
		<u>65,477,797</u>	<u>60,557,907</u>
<p>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.</p>			
14. REVENUE RESERVE			
Balance at the beginning of the year		26,392,845	27,134,437
Profit for the year ended		24,599,448	27,573,010
Transferred to statutory reserve during the year		(4,919,890)	(5,514,602)
		<u>46,072,403</u>	<u>49,192,845</u>
Profit distribution		(22,050,000)	(22,800,000)
		<u>24,022,403</u>	<u>26,392,845</u>

As per Rule 10, Part IV of the Prudential Regulations for Modarabas issued 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 Modaraba Management Company have approved the following final profit distribution out of available unappropriated profit:

	2012 Rupees	2011 Rupees
Profit @ Rs. 6.50 per certificate (2011: Rs. 7.35 per certificate)	<u>19,500,000</u>	<u>22,050,000</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	12.5% per annum	14% per annum
Expected rate of eligible salary increase	11.5% per annum	13% per annum
Average expected remaining working life time of employees	6 years	6 years

Movement in defined benefit obligation

Opening balance of defined benefit obligation as at July 01	8,895,857	8,140,466
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Charge for the year

Current service cost	882,414	774,047
Actuarial loss	15,966	30,465
Financing cost	1,396,218	1,294,728
	2,294,598	2,099,240
Benefits paid during the year	-	(1,343,849)
Closing balance of defined benefit obligation as at June 30	<u>11,190,455</u>	<u>8,895,857</u>

Represented by

Present value of defined benefit obligation as at June 30	13,125,242	9,972,986
Unrecognized actuarial losses	(1,934,787)	(1,077,129)
	<u>11,190,455</u>	<u>8,895,857</u>

	Note	2012 Rupees	2011 Rupees
Present value of defined benefit obligation liability			
Present value of defined benefit obligation as at July 01		9,972,986	9,248,060
Current service cost		882,414	774,047
Financing cost		1,396,218	1,294,728
Benefit paid during the year		-	(1,343,849)
Unrecognized actuarial gain		873,624	-
Present value of defined benefit obligation as at June 30		<u>13,125,242</u>	<u>9,972,986</u>

	2012	2011	2010 Rupees	2009	2008
Comparisons for past years:					
As at June 30					
Present value of defined benefit obligation	13,125,242	9,972,986	9,248,060	7,919,491	6,622,628
Experience adjustments on obligation	<u>873,624</u>	<u>-</u>	<u>51,789</u>	<u>(524,790)</u>	<u>1,320,811</u>

Expected charge for the year ending June 30, 2013

The expected gratuity cost charge for the year ending June 30, 2013 amounts to Rs. 2,735,467. The actual cost will be determined after valuation of the Fund as at June 30, 2013 when the actuarial gains and losses arising during the year ending June 30, 2013 will be available.

16. OBLIGATION UNDER MURABAHA FINANCES - SECURED

The Modaraba has availed this facility from a financial institution. Sanctioned limit is Rs. 50 million (2011: Rs. 80 million). The facility is secured against pledge of stock in trade of the Modaraba.

17. CREDITORS, ACCRUED AND OTHER LIABILITIES

Import bills payable		124,246,886	114,486,351
Creditors		820,446	567,961
Management fee payable to Modaraba Company		5,441,328	5,359,626
Accrued liabilities		6,993,835	10,797,910
Sales tax payable		-	5,711,498
Unclaimed profit distribution		4,723,827	4,178,142
Workers' Welfare Fund	18.1.2	1,072,332	1,072,332
		<u>143,298,654</u>	<u>142,173,820</u>

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 Post dated cheques to Collector of Customs amounting to Rs. 43,556,443/- (2011: Rs. 62,074,694).

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.

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. 1,100,358.

18.1.3 The Sindh Sales Tax on Services Act, 2011 (the Act) has been published as an Act of the Legislature of Sindh vide notification dated June 10, 2011. As per the advice obtained from the Tax Consultant of the Modaraba Association, the levy is effective from the date of amendment made in the Second Schedule through Amendment Ordinance dated November 01, 2011. Due to the enforceability of the Act, the management fee payable to Modaraba Management Company has come under the ambit of the Act and is liable to levy of Sindh Sales Tax.

Based on advice from the Tax Consultant of the Modaraba, provision for Sindh Sales Tax on management fee amounting to Rs. 870,613 has not been recorded in the financial statements as the management believes that the said levy is not chargeable.

18.2 Commitments

Commitments in respect of outstanding letters of credit for trading stock amounting to Rs. 37,149,329/- (2011: Rs. 3,355,956/-).

	2012 Rupees	2011 Rupees
19. COST OF SALES		
Opening stock at July 01	74,296,107	54,696,316
Purchases	615,404,216	608,409,074
Closing stock at June 30	(77,079,069)	(74,296,107)
	612,621,254	588,809,283

	Note	2012 Rupees	2011 Rupees
20. OPERATING EXPENSES			
Salaries and other staff benefits	20.1	16,181,496	14,250,645
Depreciation	5.1	2,836,421	2,585,755
Staff gratuity	15	2,294,598	2,099,240
Rent, rates and taxes		1,305,888	1,298,196
Vehicles running and maintenance		1,511,683	1,370,028
Freight and forwarding		1,230,527	1,197,437
Electricity		329,922	222,497
Security charges		823,915	650,722
Travelling and conveyance		1,327,781	1,066,569
Fees and subscriptions		777,861	659,845
Postage and telephone		723,463	457,634
Repairs and maintenance		1,820,419	704,536
Insurance		1,346,445	749,057
Printing and stationery		117,509	151,493
Auditors' remuneration	20.2	336,078	369,050
Entertainment		158,782	75,180
Bank charges		320,472	279,944
Legal and professional		991,888	678,771
Advertisement and publicity		27,300	24,750
Sales promotion		13,192	129,231
Packing material		121,158	95,817
Cleaning and washing		78,220	38,249
Donation	20.3	24,641	30,496
Staff training		497,770	85,250
Amortization of intangible assets	6	150,060	155,060
		<u>35,347,489</u>	<u>29,425,452</u>

20.1 Remuneration of officers and employees.

	2012			2011		
	Officers	Employees	Total	Officers	Employees	Total
Remuneration	5,992,486	4,750,564	10,743,050	5,087,739	4,305,053	9,392,792
Allowances	2,303,286	1,909,179	4,212,465	1,976,844	1,742,466	3,719,310
Medical expenses	183,251	292,348	475,599	201,475	280,426	481,901
Provident Fund	383,712	274,770	658,482	329,352	236,690	566,042
EOBI Contribution	21,000	63,700	84,700	21,000	63,000	84,000
SESSI Contribution	-	7,200	7,200	-	6,600	6,600
	<u>8,883,735</u>	<u>7,297,761</u>	<u>16,181,496</u>	<u>7,616,410</u>	<u>6,634,235</u>	<u>14,250,645</u>

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

	Note	2012 Rupees	2011 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		16,078	49,050
		<u>336,078</u>	<u>369,050</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		101,140	80,240
Gain on disposal of property and equipment	5.3	476,350	647,984
Gain on sale of investments		20,254	-
Return on PLS savings accounts		1,510,892	1,076,975
		<u>2,108,636</u>	<u>1,805,199</u>
22. TAXATION			
For the year		<u>30,418,429</u>	<u>26,618,762</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.

	2012 Rupees	2011 Rupees
23. EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
Profit for the year (Rupees)	<u>24,599,448</u>	<u>27,573,010</u>
Number of Modaraba certificates	<u>3,000,000</u>	<u>3,000,000</u>
Earnings per certificate (Rupees)	<u>8.20</u>	<u>9.19</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 derive 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. 152,333,365 (2011: Rs. 102,906,534/-), the financial assets which are subject to credit risk amounted to Rs. 122,825,191 (2011: Rs. 101,737,382/-).

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. The rating of the bank is A1+.

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, 2012, Modaraba had approximately 7 major customers (2011: 7 customers) that owed the Modaraba more than Rs. 4 million each and accounted for approximately 73% of all receivables (2011: 68%). 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 customers.

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 investments.

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 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, 2012, the total foreign currency risk exposure was Rs. 124,246,886/- (2011: Rs. 114,486,351/-) in respect of bills payable.

25.3.2.1 Foreign currency sensitivity analysis

At June 30, 2012, 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. 6,367,646 (2011: Rs. 5,710,561), mainly as a result of foreign exchange losses on translation of US dollar-denominated import bills payables if it could not be passed through 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. 1,104,182. A decrease of 10% on the KSE market index would have an impact of approximately Rs. 2,402 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	-	-	-	122,180,389	-	122,180,389	122,180,389
Investments	-	-	-	1,104,182	-	1,104,182	1,104,182
Deposit and other receivables	-	-	-	644,802	-	644,802	644,802
Bank balances	24,748,301	-	24,748,301	3,655,691	-	3,655,691	28,403,992
	<u>24,748,301</u>	<u>-</u>	<u>24,748,301</u>	<u>127,585,064</u>	<u>-</u>	<u>127,585,064</u>	<u>152,333,365</u>
Financial liabilities							
Creditors, accrued and other liabilities	-	-	-	143,298,654	-	143,298,654	143,298,654
Obligation under murabaha finances	-	-	-	43,018,771	-	43,018,771	43,018,771
	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,317,425</u>	<u>-</u>	<u>186,317,425</u>	<u>186,317,425</u>
On-balance sheet gap	24,748,301	-	24,748,301	(58,732,361)	-	(58,732,361)	(33,984,060)

	2012 Rupees	2011 Rupees
26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sale of vehicle	350,000	-
Purchase of goods	-	152,500
Share of common expenses	891,499	1,558,464
Payment of Modaraba Company's Management fee	5,359,626	4,203,540
Receipts of Qard-e-Hasana from Modaraba Company	119,300,000	95,000,000
Repayments of Qard-e-Hasana to Modaraba Company	103,300,000	93,500,000

27. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in its meeting held on 19-09-2012 approved a final profit distribution of Rs. 6.50 per certificate, amounting to Rs.19,500,000 for the year ended June 30, 2012.

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 19-09-2012.

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 Raiz
Director

Mrs. Saadat Ikram
Director

**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2012**

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

Number of Certificate Holders	Certificates Holding		Total Certificates Held
	From	To	
18	1	50	217
82	51	100	8,132
195	101	500	93,171
12	501	1000	11,600
24	1001	5000	94,474
8	5001	10000	64,619
19	10001	above	2,727,787
358			3,000,000

Categories of Certificate Holders	Number	Certificates Held	Percentage
Individuals	356	2,399,500	79.98
Joint Stock Companies	1	500	0.02
Modaraba Company	1	600,000	20.00
Others	-	-	-
	358	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
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**DIRECTORS, CEO THEIR
SPOUSE & MINOR CHILDERN**

Mr. Naveed Riaz	Chief Executive	240,300
Mrs. Ismat Riaz w/o Mr. Naveed Riaz		259,000
Mr. Aameed Riaz	Director	240,200
Mrs. Roqaiya Riaz w/o Mr. Aameed 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
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EXECUTIVES OF THE MODARABA

Mr. Mohammad Amjad Khalid	500
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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, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 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 CCG.

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

1. The Management Company encourages representation of independent non-executive directors on its Board. At Present the board includes:

<u>Category</u>	<u>Name</u>
Non-Executive Directors:	Mrs. Sadat Ikaram Mr. Omar Mohammad Khan
Executive Director:	Mr. Naveed Riaz Mr. Ameer Riaz

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBF. No director is a member of any stock exchange.
4. During the year no casual vacancy occurred on the Board of Directors.
5. The Management Company has prepared a 'Code of Conduct', which has been disseminated throughout 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 the CEO, other executive and non-executive directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. Most of the Directors on the Board are having more than 14 years of education and more than 15 years of business experience therefore they are exempted from the directors' training program as prescribed by the CCG
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully described the salient matters 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 shares of the Modaraba other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has already formed an Audit Committee. It comprises of three members including the chairman, of whom two are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the CCG. The terms of reference of the committee have been framed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom one is executive director and two are non-executive directors including the chairman of the Committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares 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 the ICAP.



FIRST IMROOZ MODARABA

20. The statutory auditors or the persons associated with them have not been appointed to provide any other services except in accordance with the listing regulations. The auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material and price sensitive information has been disseminated at once among all market participants through stock exchange(s).
23. We confirm that material principles contained in the CCG have been complied with.

NAVEED RIAZ
Chief Executive Officer

September 19, 2012

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, 2012 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, the Listing Regulations of 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, 2012.

KARACHI

DATED: SEPTEMBER 19, 2012



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 thirteenth Annual Review Meeting of First Imrooz Modaraba will be held on Monday the 22 October 2012 at 11:30 a.m. at Registered Office of the Modaraba Company at 33-C, Behind Mall Mansion, Shahrah-e-Quaid-e-Azam, Lahore.

By order of the Board

September 19, 2012

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 15, 2012 to October 22, 2012 (both days inclusive)
2. Certificate holders are requested to inform promptly of any change in their address to our share Registrar, Technology Trade (Pvt.) Ltd, Dagia House 241-C, P.E.C.H.S, Block-2, Karachi.

Managed by
A R MANAGEMENT SERVICES (PRIVATE) LIMITED



FIRST IMROOZ MODARABA

Room No. 405, 4th Floor, Beaumont Plaza, Beaumont Road,
Civil Lines Quarters, Karachi-75530, Pakistan.

UAN: (+92-21) 111 IMROOZ, Tel: (+92-21) 3522 2743-5

Fax: (+92-21) 3522 2668

e-mail: inquiries@imrooz.com

Website: www.firstimrooz.com