

Annual Report 2007



FIRST MEHRAN MODARABA



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CORPORATE INFORMATION

Board of Directors

Mr. Syed M. Husaini
(Chariman)
Mr. Muhammad Hamidullah
Mr. Muhammad Aftab Changi
Mr. Mir Mujahid Ali Khan

Auditors

Muniff Ziauddin & Co.
Chartered Accountants

Chief Executive Officer

Mr. M. Nadeem Ahmed

Registered Office

5/18, Rimpa Plaza,
M.A Jinnah Road,
Karachi-74400

Telephone: (92-21) 2424616-2424655

Telefax: (92-21) 2425366

Audit Committee

Mr. Syed M. Husaini
Mr. Mir Mujahid Ali Khan
Mr. Muhammad Hamidullah

Company Secretary & Chief Financial Officer

Mr. Mohammad Wajid

Certificate Transfer Office

C&K Management Associates (Private) Limited
404, Trade Tower,
Abdullah Haroon Road,
Near Metropole Hotel,
Karachi-75530
Ph:(92-21) 5687839-5685930

Management Company

Technology Ventures (Private) Limited

Bankers

Habib Metropolitan Bank Limited
KASB Bank Limited



Vision/Mission Statement

*To contribute towards the
development of
Islamic financial products
which are commensurate
with modern
commercial concepts.*



DIRECTORS' REPORT

The Board of Directors of Technology Ventures (Private) Limited, the Management Company of First Mehran Modaraba is pleased to present the sixteenth annual audited accounts of the Modaraba for the year ended June 30, 2007.

Operating Results

	JUNE 2007	JUNE 2006
	--- R U P E E S ---	
Lease Income	337,286	380,873
Musharika, dividend and investment income	3,281,838	4,541,752
Capital gains on sale of investments	897,497	3,635,551
Other income	758,569	235,514
Net change in fair value of investments	53,503	(6,465,499)
	<u>5,328,693</u>	<u>2,328,191</u>
Profit / (loss) before taxation	2,046,635	(770,060)
Taxation	180,213	(43,968)
Profit / (loss) after taxation	2,226,848	(814,028)
Earning / (loss) per modaraba certificate	0.27	(0.10)

The management control of Network leasing Corporation Limited has been acquired by KASB Capital Limited, by acquiring 53.90% shares of its total issued capital, with the approval of Securities and Exchange Commission of Pakistan vide their letter number SC/NBFC-1/HM/NLCL/2007 dated May 11, 2007. KASB Capital Limited is the local partner of Merrill Lynch and the asset management, brokerage and investment-banking arm of KASB Group.

Network leasing Corporation Limited holds 96% share holding (485,000 shares) in Technology Ventures (Private) Limited (management company of First Mehran Modaraba) out of total Paid-up capital of 500,000 shares.

Board of Directors

Consequent upon the change in the management control of Network Leasing Corporation Limited, Mr. Hanif A. Sattar, Mr. Asif Siddiqi, Mr. Mohammed Elias and Mrs. Musaret Siddiqi have submitted their resignation. The board has accepted their resignation in its meeting held on August 10, 2007. Mr. Syed M. Husaini, Mr. Muhammad Hamidullah, Mr. Mir Mujahid Ali Khan and Mr. Muhammad Aftab Changi have been appointed as directors in place of resigning directors under section 18(2) of the Companies Ordinance, 1984. The appointment of directors will be subject to the approval of Registrar Modaraba.

The Board of Directors has appointed Mr. M. Nadeem Ahmed as the new Chief Executive Officer in place of Mr. Hanif A. Sattar subject to the approval of Registrar Modaraba.

Dividend

The Board of Directors in their meeting held on September 26, 2007 has proposed final cash dividend of Re. 0.25 per certificate of the year ended June 30, 2007.

Future Outlook

The current management is in process of preparing a revival plan for the Modaraba, their main emphasis is on up-gradation of existing software, redesigning of internal control system and procedures. The management is embarking on a plan which will create business depth, introduce new profits and enhance profitability on a sustained basis.



A formal request for change of name of Modaraba has been submitted before the Registrar Modaraba.

The Petition filed for merger of First Mehran Modaraba with and into Network Leasing Corporation Limited with the Honorable High Court of Sindh has been withdrawn.

Corporate and Financial Reporting Framework

- ❑ The financial statements, prepared by the management of the Modaraba Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ❑ Proper books of accounts of the Modaraba have been maintained.
- ❑ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- ❑ International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- ❑ The system of internal control, which was in place, is being continuously reviewed by internal audit and other such procedures. The Process of review will continue and any weakness in controls will be removed.
- ❑ The petition for the merger of First Mehran Modaraba with and into Network Leasing Corporation Limited has been filed with the Honorable High Court of Sindh has been withdrawn.
- ❑ KASB Capital Limited have acquired 53.90% shares of Network Leasing Corporation Limited of its total issued capital, with the approval of Securities and Exchange Commission of Pakistan vide their letter number SC/NBFC-1/HM/NLCL/2007 dated May 11, 2007.
- ❑ Formal requests for change of name of Modaraba have been submitted before the Registrar Modaraba.
- ❑ There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- ❑ Key operating and financial data for last six years in summarized form is annexed. (Annexure-I).
- ❑ During the year four meetings of the Board of Directors were held and were attended by all the directors.
- ❑ The pattern of Certificate holding is annexed. (Annexure-II).

AUDITORS

The present auditors Messrs. Muniff Ziauddin and Company, Chartered Accountants, retire. The Audit Committee subject to the approval of the registrar, has recommended Messrs. A. F. Ferguson, Chartered Accounts as external auditors for the year ending June 30, 2008.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the dedication and hard work put in by officers and staff of the Modaraba. The Board also expresses its appreciation for the guidance and support provided by the Registrar of Modaraba, Securities and Exchange Commission of Pakistan (SECP).

For and on behalf of the Board.

Syed M. Husaini
Chairman

Karachi.
September 26, 2007

(ANNEXURE -1)

KEY FINANCIAL AND OPERATIONAL DATA
AT A GLANCE

	2007	2006	2005	2004	2003	2002
	----- Rupees in Thousand -----					
Total Assets	54,764	52,360	77,714	48,703	48,723	41,547
Musharika Finance	640	6,367	2,410	-	-	-
Investment in Leases	1,776	5,884	2,999	2,524	43	350
Equity	52,873	50,684	51,435	46,544	45,033	34,363
Current Assets	53,111	48,050	72,963	46,264	48,493	41,438
Current Liabilities	1,398	1,010	24,912	1,597	3,611	6,470
Income	5,329	2,328	7,809	3,769	14,889	9,896
Taxation	(180)	44	58	-	183	130
Profit/(Loss) after Tax	2,227	(814)	4,916	1,511	10,669	7,069
Dividend	-	-	-	-	-	4,158
EPS (Rs.)	0.27	(0.10)	0.59	0.18	1.28	0.85



STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with Code of Corporate Governance contained in Regulation No. 37 of listing regulations of the Karachi Stock Exchange (Guarantee) Limited and chapter XIII of the Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Regardless of the fact that Technology Ventures (Private) Limited, the management company of the First Mehran Modaraba, is a Private Limited Company, the Board of Directors of management company are pleased to confirm that the code of corporate governance is being complied with in all material respects.

Modaraba Management Company (hereafter referred as Company) has applied the principles contained in the Code in the following manner:

1. The Board comprises of four directors including Chairman.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
3. All the directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year the Board of directors resigned and casual vacancies were duly replaced by the new board.
5. The Company has prepared a "Statement of Ethics and Business Practices", Which has been signed by all the directors and 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 the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation courses were arranged for directors during the year. The Board is in the process of planning more courses in the next year.
10. The Board has approved appointment of CFO including remuneration and terms and conditions of employment as determined by CEO.



11. 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.
12. CEO and CFO duly endorsed the financial statements of the Modaraba before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the Certificates of the Modaraba.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, including the Chairman of the committee.
16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The term of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. 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, that they or any of the partners of the firm, their spouses and minor children do not hold Certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guideline on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi
September 26, 2007

For and on behalf of the Board

Syed M. Husaini
Chairman



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

We have reviewed the Statement of Compliance with the best practices contained in the code of Corporate Governance prepared by the Board of Directors of Technology Ventures (Private) Limited (the Modaraba Company) in respect of FIRST MEHRAN MODARABA for the year ended June 30, 2007 to comply with the Listing Regulation No.37 of the Karachi Stock Exchange (Guarantee) Limited, and Listing Regulation No. 40 (Chapter XIII) of the Lahore 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 to the Modaraba's personnel and review of various documents prepared by the Modaraba to comply with the Code.

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 control and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2007.

Karachi
September 26, 2007

Muniff Ziauddin & Co.,
Chartered Accountants



AUDITOR'S REPORTS TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST MEHRAN MODARABA as at 30 June, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba company's (Technology Ventures (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 accounts have been kept by the Modaraba company in respect of First Mehran 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 the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June, 2007 and of the profit, its cash flows and changes in equity for the year then ended;
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi
September 26, 2007

Muniff Ziauddin & Co.,
Chartered Accountants


**BALANCE SHEET
AS AT JUNE 30, 2007**

	Note	JUNE 2007	JUNE 2006
--- RUPEES ---			
CURRENT ASSETS			
Cash & bank balances	3	42,795,347	11,104,512
Investments	4	5,476,520	25,298,347
Musharika finance	5	640,000	6,366,958
Advances, deposits, prepayments and other receivables	6	2,705,578	2,853,660
Current portion of net investment in lease finance	7	1,493,680	2,426,802
		53,111,125	48,050,279
NON-CURRENT ASSETS			
Net investment in lease finance	7	282,525	3,457,017
Long term deposits		115,000	115,000
Deferred tax asset		650,000	650,000
Fixed assets	8.1	556,209	800,804
Intangible asset	8.2	49,501	88,000
		1,653,235	5,110,821
TOTAL ASSETS		54,764,360	53,161,100
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	9	361,844	169,175
Current maturity of obligation under finance lease	10	220,998	196,590
Taxation	11	-	329,276
Current maturity of lease deposits	12	500,500	-
Unclaimed profit distribution		314,472	314,472
		1,397,814	1,009,513
NON-CURRENT LIABILITIES			
Deposits on lease contracts	12	74,750	825,250
Obligation under finance lease	10	264,264	485,260
Deferred liability - Staff gratuity		128,007	115,240
Deferred income	13	26,873	42,233
		493,894	1,467,983
TOTAL LIABILITIES		1,891,708	2,477,496
NET ASSETS		52,872,652	50,683,604
Contingencies and commitments	14		
Represented By			
Capital and reserves			
Certificate capital	15	83,160,000	83,160,000
Statutory reserve	16	8,733,559	8,288,189
Accumulated loss		(39,020,907)	(40,802,385)
Surplus/(deficit) on revaluation of investments		-	37,800
		52,872,652	50,683,604

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive

Director

Director



**PROFIT AND LOSS ACCOUNT
AS AT JUNE 30, 2007**

	NOTE	JUNE 2007	JUNE 2006
--- RUPEES ---			
Income from operations	17	3,619,124	4,922,625
Capital gain on sale of marketable securities		897,497	3,635,551
Other income	18	758,569	235,514
Net change in fair value of investments		53,503	(6,465,499)
		5,328,693	2,328,191
Expenses			
Administrative and operating expenses	19	2,220,328	1,983,921
Write-offs against receivables		771,268	-
Financial charges	20	63,059	1,114,330
		3,054,655	3,098,251
Operating profit/(loss)		2,274,038	(770,060)
Modaraba management fee		(227,403)	-
Profit/(loss) before taxation		2,046,635	(770,060)
Taxation			
- Current		(49,207)	(43,968)
- Prior		229,420	-
		180,213	(43,968)
Profit/(Loss) after taxation		2,226,848	(814,028)
Appropriation			
Transfer to statutory reserve		(445,370)	-
		1,781,478	(814,028)
Accumulated loss brought forward		(40,802,385)	(39,988,357)
Accumulated loss carried forward		(39,020,907)	(40,802,385)
Earning / (loss) per Modaraba certificate - basic and diluted	21	0.27	(0.10)

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive

Director

Director


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

	JUNE 2007	JUNE 2006
--- R U P E E S ---		
Profit/(loss) before taxation	2,046,635	(770,060)
Adjustment for non-cash expenses and other items:		
Dividend income	(230,923)	(662,606)
Capital gain	(897,497)	(3,635,551)
Net change in fair value of investments held for trading - net	(53,503)	6,465,499
Loss/(Gain) on sale of fixed assets	17,347	(396)
Deferred income	(15,360)	(15,360)
Depreciation	218,698	212,233
Amortization	38,499	36,000
Provision for staff gratuity	39,767	57,130
Provision and write offs	771,268	-
Financial charges	63,059	1,114,330
	(48,645)	3,571,279

**Operating profit before changes in operating
assets and liabilities**

	1,997,990	2,801,219
Decrease/(Increase) in net investment in lease finance	4,107,614	(1,226,810)
Decrease/(Increase) in Musharika finance	5,726,958	(3,956,958)
Decrease/(Increase) in advances, deposits, prepayments and other receivables	(171,331)	(1,761,959)
(Decrease)/Increase in security deposit on lease contracts	(250,000)	247,258
Decrease in short term finances	-	(22,000,000)
Increase/(Decrease) in creditors and other liabilities	207,669	(1,588,818)
	9,620,910	(30,287,287)
Net cash flows from operations	11,618,900	(27,486,068)

Tax paid	(252,138)	(126,413)
Financial charges	(63,059)	(1,114,330)
Gratuity paid	(39,600)	(20,000)
	(354,797)	(1,260,743)
Net cash flows from the operating activities	11,264,103	(28,746,811)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale proceeds from fixed assets	8,550	1,100
Purchase of fixed assets	-	(150,650)
Deposit Received	500,000	-
Dividend received	248,324	645,205
Short term investments	-	42,000,000
Purchase of investments	(3,550)	(163,082,640)
Sale of investments	19,869,997	155,665,737
Net cash used in investing activities	20,623,321	35,078,752

CASH FLOWS FROM FINANCING ACTIVITIES

Obligation under finance lease	(196,588)	(176,407)
Net cash flow from financing activities	(196,588)	(176,407)
Net increase in cash and cash equivalent	31,690,835	6,155,534
Cash and cash equivalent at beginning of the year	11,104,512	4,948,978
Cash and cash equivalent at the end of the year	42,795,347	11,104,512

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive

Director

Director



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

	Certificate Capital	Statutory Reserve	Accumulated loss	Surplus/ (Deficit) on revaluation of investment	Total
----- R U P E E S -----					
Balance as at June 30, 2005	83,160,000	8,288,189	(39,988,357)	(25,000)	51,434,832
Loss for the year	-	-	(814,028)	-	(814,028)
Surplus on revaluation of investments available for sale - net	-	-	-	62,800	62,800
Balance as at June 30, 2006	<u>83,160,000</u>	<u>8,288,189</u>	<u>(40,802,385)</u>	<u>37,800</u>	<u>50,683,604</u>
Profit for the year	-	-	2,226,848	-	2,226,848
Transfer to statutory reserve	-	445,370	(445,370)	-	-
Deficit on revaluation of investments available for sale - net	-	-	-	(37,800)	(37,800)
Balance as at June 30, 2007	<u><u>83,160,000</u></u>	<u><u>8,733,559</u></u>	<u><u>(39,020,907)</u></u>	<u><u>-</u></u>	<u><u>52,872,652</u></u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive

Director

Director



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

1. STATUS AND NATURE OF BUSINESS

First Mehran Modaraba is a multipurpose perpetual Modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under and is managed by Technology Ventures (Private) Limited, a company incorporated in Pakistan. Network Leasing Corporation Limited holds 485,000 (2006:485,000) shares in Technology Ventures (Private) Limited out of 500,000 shares. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

The management control of Network Leasing Corporation Limited has been acquired by KASB Capital Limited, by acquiring 53.90% of its total issue, with the approval of Securities and Exchange Commission of Pakistan vide letter # SC/NBFC-1HM/NLCL/2007 dated May 11, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981. Approved accounting standards comprise of such International Accounting Standards as are notified from time to time by the Securities and Exchange Commission of Pakistan. Wherever the requirements of the Ordinance and Rules framed thereunder of directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance and Rules framed thereunder or the requirements of the said directives take precedence.

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also require management to exercise its judgement in the process of applying the Modaraba's policies. The matter involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in respective notes to the financial statements.

Standard, interpretations and amendments to published approved accounting standards that are not yet effective.

Following amendments to existing standards have been published that are mandatory for the Modaraba's accounting periods beginning on the date mention below:

IAS1	Presentation of Financial Statements amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS23	Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IFRS 2	Share based payment	effective from accounting period beginning on or after December 06, 2006
IFRS 3	Business Combinations	effective for business combinations for which date is on or after December 06, 2006
IFRS 5	Non-current Assets Held for sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

2.2 Basis of measurement

These accounts have been prepared under the historical cost convention, except that certain financial instruments have been carried at fair value in accordance with the recognition/measurement criteria mentioned in the relevant accounting standards applicable to such instruments.

2.3 Investment in lease finance

The Modaraba provides assets on leasing arrangements to its customers under the lease agreements as approved by the Religious Board. These are recorded in the books of accounts as finance lease in accordance with International Accounting Standard No.17.

2.4 Fixed assets

Owned assets - Tangible

These are carried at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method at the rates given in note 8, whereby the cost of an asset is written off over its estimated useful life. In respect of addition and disposal during the year, depreciation is charged proportionately to the period of use.

Normal repairs and maintenance costs are charged to income as and when incurred. Gains or losses if any, on disposal of fixed assets are taken to profit and loss account.

Assets subject to finance lease

The Modaraba accounts for assets acquired under finance lease by recording the assets and related liabilities at the lower of present value of minimum lease payment under the lease agreement and the fair value of lease asset. Financial charges are allocated in the accounting period in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation on leased assets is charge income using straight line method.

Normal repairs and maintenance costs are charged to income as and when incurred.

Intangible

These are stated at cost less accumulated amortisation and impair losses, if any.

2.5 Investments

The Modaraba classifies its investments as held to maturity available for sale or held for trading.

Held to maturity

These are investments with fixed or determinable payments and fixed maturity and the Modaraba has positive intent and ability to hold till maturity. Investment held to maturity is valued at cost less provision for impairment, if any.

Held for trading

These are securities, which are acquired for generating a profit from short-term fluctuation in prices. Held for trading investments are initially recorded at cost inclusive of transactional cost and are subsequently marked to market using the closing market quotation of the Karachi Stock Exchange.

Any surplus or deficit on revaluation of Held for Trading Investments are charged to income currently.

Available for sale

These are investments that do not fall under held for trading or held to maturity. These are stated at fair value and the surplus/ (deficit) on revaluation of investments being unrealised gain/ (loss) is taken directly to equity. At the time of disposal the respective surplus or deficit is transferred to income currently. The fair value for listed securities is the quoted market price. The securities, for which a quoted market price is not available, are measured at cost.

2.6 Revenue recognition

- a) Dividend income is recorded when Modaraba's right to receive dividend is established.
- b) The Modaraba follows the Finance Method in accounting for recognition of lease income. Under this method the unearned lease income i.e. the excess of aggregate lease rental and the estimated residual value over the cost of leased asset is deferred and then amortized to income over the term of lease so as to produce constant rate of return on the net investment in leases.
- c) Profit on Musharika finances under Musharika arrangements is recognised on accrual basis.
- d) Front-end fee is taken to income on receipt basis.

2.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statements, cash and cash equivalent comprised cash in hand and cash in banks in current and deposit account.

2.8 Financial instruments

Financial assets

Financial assets comprise cash and bank balances, long and short term investments, advances and other receivables, net investment in lease finance. Net investment in lease finance are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amount. Other financial assets are stated at cost except for investments held for trading are started at market value.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are finance under musharika arrangements, security deposits, finance under morabaha arrangement and creditors, accrued and other liabilities. All financial liabilities are measured at amortized cost. For all current and non current liabilities, the amortized costs have been taken at book values as these are not considered materially different, based on the current rates of profit and re-pricing profit.

Assets and liabilities that are not of contractual nature and that are created as a result of statutory requirements imposed by the government are not the financial instruments of the Modaraba.

2.9 Taxation

Current

Provision for current taxation is based on taxable income using the prevailing tax rate after taking into account tax credit available, rebates and exemption, if any, or one-half of one percent of turnover, whichever is higher.

Deferred

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts. Deferred tax assets are recognized on all deductible temporary differences to the extent that it is probable that the temporary differences will reverse and sufficient taxable income will be available against which the temporary differences can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted at the balance sheet date.

2.10 Employee benefits

The Modaraba operates an unfunded gratuity scheme covering all its permanent employees. Provision is made annually to cover the obligations, under the scheme.

2.11 Offsetting

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet, when there is legal enforceable right to set off recognised amount and the Modaraba intends either to settle on a net basis or to realise the assets and settle the liability simultaneously. Income and expense arising from such assets and liabilities are also accordingly offset.

2.12 Provisions

Provision are recognised when the Modaraba has a present legal or constructive obligation as a result of past event and it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

2.13 Transaction with related parties

Transactions with related parties are entered into at arm's length basis, computed on the basis of comparable uncontrolled price method.

2.14 Impairment of assets

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset. If any indication exists, the recoverable amount of that assets is estimated and impairment losses are recognised in the profit and loss account.

2.15 Functional and presentation currency

The financial statements are present in Pakistan Rupees, which is the company's functional currency.

2.16 Proposed dividend

During the year, the company has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. Dividend declared subsequent to balance sheet date are included as non adjusting



event in line with the requirement of International Accounting Standards 10, "Event After Balance Sheet Date" and amendments made by Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and are not recognised as liability in the financial statements. Previously dividend declared were considered as adjusting events and were recorded as liability. The change in accounting policy did not have any impact on profit for the current and prior years.

	Note	JUNE 2007	JUNE 2006
--- RUPEES ---			
3. Cash & bank balances			
Cash in hand		50,007	22,504
Cash at bank			
- Current account		11,812	33,706
- PLS accounts		42,721,542	11,035,855
- Deposit with State Bank of Pakistan		11,986	12,447
		42,745,340	11,082,008
		<u>42,795,347</u>	<u>11,104,512</u>
4. Investments			
Held for trading			
- Term finance certificates	4.1	3,895,263	5,349,375
- Marketable securities	4.2	1,581,257	17,989,672
Available for sale			
- Close-end-fund	4.3	-	1,959,300
		<u>5,476,520</u>	<u>25,298,347</u>

4.1 Term finance certificates

	2007 Market Value Rupees	2007 Cost Rupees	2006 Market Value Rupees	2006 Cost Rupees
4.1.1 Al- Zamin Leasing Modaraba	877,200	802,638	1,251,300	1,251,300
4.1.2 Trust Leasing Corporation Limited	<u>3,018,063</u>	<u>2,807,500</u>	<u>4,098,075</u>	<u>4,102,250</u>
	<u>3,895,263</u>	<u>3,610,138</u>	<u>5,349,375</u>	<u>5,353,550</u>

4.2.1 These represent 258 (2006: 258) certificates having a face value of Rs. 5,000 each. These term finance certificates are based on profit and loss sharing basis, subject to a minimum of 8.0 percent per annum expected profit and will be fully redeemed by December 2009.

4.2.2 These represent 1000 (2006: 1000) certificates having a face value of Rs. 5,000 each. These term finance certificates carry minimum of 8.0 percent per annum expected profit and will be fully redeemed in June 2008.

4.2 Marketable Securities

These securities are of Rs 10 each unless stated otherwise.

Number of Shares/ Certificates		Name of Companies/Institutions	Market Value	
June-07	June-06		June 2007	June 2006
		--- RUPEES ---		
<u>Investment & Commercial Banks</u>				
81,000	25,000	JS Bank *	1,559,250	1,448,750
-	60	PICIC Investment Bank	-	2,550
-	3,000	MCB Bank Limited	-	630,900
-	500	Union Bank	-	37,000
-	36,600	The Bank of Punjab	-	3,026,820
-	13,787	Faysal Bank Limited	-	847,900
<u>Textile Spinning</u>				
-	29,700	Kohinoor Spinning Mills Ltd.	-	130,680
<u>Textile Weaving</u>				
19,200	19,200	Saleem Denim Industries Limited **	19,200	19,200
<u>Textile Composite</u>				
-	553	Nishat (Chunian) Limited	-	24,608
-	20,000	Azgard Nine Limited	-	441,000
<u>Jute</u>				
1,021	37,021	Crescent Jute Products Limited	2,807	127,722
<u>Cement</u>				
-	10,000	Maple Leaf Cement	-	256,000
<u>Refinery</u>				
-	10,000	Attock Refinery Limited	-	867,000
-	30,000	Bosicer Pakistan Limited	-	645,000
<u>Oil & Gas Marketing Companies</u>				
-	10,000	Pakistan State Oil	-	3,090,000
<u>Oil & Gas Exploration Companies</u>				
-	9,500	Pakistan Oil fields	-	3,180,600
-	5,000	Pakistan Petroleum Limited	-	1,059,250
<u>Fertilizer</u>				
-	7,500	Fauji Fertilizer Bin Qasim	-	219,375
-	5,067	Fauji Fertilizer Company	-	613,107
<u>Transport & Communication</u>				
-	11,220	Callmate Telips	-	622,710
-	12,500	Pakistan Tele Communications Limited	-	507,500
<u>Chemical</u>				
-	30,000	Pakistan PTA	-	192,000
101,221	326,208		1,581,257	17,989,672

* As per Scheme of Amalgamation Jahangir Siddiqui Investment Bank Limited shares were converted in JS Bank at swap ratio of 1 : 3.24.

** The above shares have not been transferred in the name of Modaraba and are held on the basis of verified transfer deeds.

4.3 Available for sale

	2007 Market Value Rupees	2007 Cost Rupees	2006 Market Value Rupees	2006 Cost Rupees
Close-end-fund				
Atlas Fund of Funds	-	-	438,750	450,000
First Dawood Mutual Fund	-	-	1,520,550	1,471,500
	-	-	1,959,300	1,921,500



	2007	2006
	--- R U P E E S ---	
5. Musharika finance	640,000	6,366,958
The Modaraba has provided funds under Musharika arrangements for working capital requirements on profit and loss sharing basis. Expected rate of profit is 13 percent to 18 percent (2006 : 13.0 percent to 18.0 percent) per annum. These are secured against hypothecation of assets, personal guarantees and promissory notes.		
6. Advances, deposits, prepayments and other receivables		
- Advances (unsecured) - considered good against salary	25,000	50,000
- Deposits	-	523,000
- Prepayments	35,028	36,795
- Other receivables		
Accrued income		
- on bank deposits	206,407	153,219
- on investments	26,477	-
- on musharika finance	19,170	541,445
Advance income tax	252,054	694,664
Over due lease rentals	419,776	279,178
Provision against doubtful lease rental	11,076	19,076
	(11,076)	(19,076)
Dividend income	-	-
Receivable from NLCL	-	17,401
Receivable from others	1,973,720	-
	-	1,252,622
	2,645,550	2,243,865
	2,705,578	2,853,660
7. Net investment in lease finance		
Lease rentals receivable	1,286,765	5,990,600
Estimated residual value of leased assets	575,250	825,250
Installment contract receivable	1,862,015	6,815,850
Less: Unearned lease income	(85,810)	(932,031)
Net investment in lease finance	1,776,205	5,883,819
7.1 Installment contract receivable		
Due within one year	1,557,250	2,977,092
Due after one year but not later than five years	304,765	3,838,758
	1,862,015	6,815,850
7.2 Net investment in lease finance		
Due within one year	1,493,680	2,426,802
Due after one year but not later than five years	282,525	3,457,017
	1,776,205	5,883,819
7.3 Rate of return on net investment in lease finance		
Leased assets are insured in favour of the Modaraba. The Rate of interest range from 7 to 18 percent per annum. Penalty is charged in case of delayed payment.		



8. FIXED ASSETS

Description	COST			Rate %	DEPRECIATION / AMORTIZATION			Written down value as at June 30, 2007 RUPEES
	As at July 01, 2006	Additions/ (disposals)	As at June 30, 2007		As at July 01, 2006	Charge for the year	As at June 30, 2007	
	-----RUPEES-----				-----RUPEES-----			
8.1 Fixed assets								
<u>Owned</u>								
Furniture & fixtures	103,250	-	103,250	10%	103,249	-	103,249	1
Office equipment	140,632	(63,482)	77,150	10%	111,033	3,704 (37,588)	77,149	1
Vehicles	48,645	(48,645)	-	20%	48,644	(48,644)	-	-
Computers	169,050	(24,900) -	144,150	30%	72,847	34,995 (24,899)	82,943	61,207
	461,577	(137,027)	324,550		335,773	38,699 (111,131)	263,341	61,209
<u>Leased</u>								
Vehicle	900,000	-	900,000	20%	225,000	180,000	405,000	495,000
2007	1,361,577	(137,027) -	1,224,550		560,773	218,699 (111,131)	668,341	556,209
8.2 Intangible								
Computer software	145,000	-	145,000	30%	57,000	38,499	95,499	49,501
2007	145,000	-	145,000		57,000	38,499	95,499	49,501



Description	COST			Rate %	DEPRECIATION/ AMORTIZATION			Written down value as at June 30, 2006 RUPEES
	As at July 01, 2005	Additions/ (disposals)	As at June 30, 2006		As at July 01, 2005	Charge for the year	As at June 30, 2006	
	-----RUPEES-----				-----RUPEES-----			
<u>Owned</u>								
Furniture & fixtures	103,250	-	103,250	10%	103,249	-	103,249	1
Office equipment	168,632	(28,000)	140,632	10%	131,285	7,047 (27,299)	111,033	29,599
Vehicles	48,645	-	48,645	20%	48,644	-	48,644	1
Computers	177,125	90,650 (98,725)	169,050	30%	146,383	25,186 (98,722)	72,847	96,203
	497,652	90,650 (126,725)	461,577		429,561	32,233 (126,021)	335,773	125,804
<u>Leased</u>								
Vehicle	900,000	-	900,000	20%	45,000	180,000	225,000	675,000
2006	1,397,652	90,650 (126,725)	1,361,577		474,561	212,233 (126,021)	560,773	800,804
Computer software	85,000	60,000	145,000	30%	21,000	36,000	57,000	88,000
2006	85,000	60,000	145,000		21,000	36,000	57,000	88,000

9. Creditors, accrued charges and other liabilities

	2007	2006
	--- R U P E E S ---	
- Management fee payable	227,403	-
- Accrued expenses	120,000	135,000
- Other liabilities	14,441	34,175
	<u>361,844</u>	<u>169,175</u>

10. Obligation under finance lease

	Minimum lease payment	Future financial charges	Principal outstanding	Minimum lease payment	Future financial charges	Principal outstanding
	2007			2006		
	--- R U P E E S ---			--- R U P E E S ---		
Upto one year	256,920	35,922	220,998	256,920	60,330	196,590
Later than one year but not later than five years	282,690	18,426	264,264	539,610	54,350	485,260
	<u>539,610</u>	<u>54,348</u>	<u>485,262</u>	<u>796,530</u>	<u>114,680</u>	<u>681,850</u>

The Modaraba has entered into finance lease arrangement with First Dawood Investment Bank Limited. The lease rental includes finance charge @ six month KIBOR plus 4.0 percent per annum and is payable in 48 monthly installments. The lease agreement contain bargain purchase option, which the Modaraba may exercise at the end of lease term.

11. Taxation

11.1 Prior

For the assessment year 1995-96 the Income Tax Department assessed the liability at Rs. 340,016/- and the assessment was set-a-side by Commissioner of Income tax (Appeal). Against this liability a provision of Rs. 200,000/- was made which has been reversed as the set-a-side assessment had already become barred by time.

11.2 Unrecognised deferred tax assets

Deferred tax assets have been recognised in respect of the following items.

Taxable temporary difference	799,779	(1,994,782)
Deductible temporary difference	102,848	124,748
Assessed tax losses	5,217,346	17,697,523
	<u>6,119,973</u>	<u>15,827,489</u>
Deferred tax assets @ 35%	2,141,991	5,539,621
Deferred tax assets recognised	(650,000)	(650,000)
Unrecognised deferred tax assets	<u>1,491,991</u>	<u>4,889,621</u>



Deferred tax assets has been recognised in respect of the above items amounting to Rs. 650,000/- because it is probable that future taxable profits will be available against which the Modaraba can utilize the benefits therefrom.

	2007	2006
	--- R U P E E S ---	
12. Deposits on lease contracts		
Security deposit on lease contracts	575,250	825,250
Less: receivable within one year	(74,750)	-
	500,500	825,250
These represent security deposits received against lease contracts and are repayable /adjustable at the expiry / termination of the respective leases.		
13. Deferred income		
Balance at the beginning of the year	42,233	57,593
Less: amortized during the year	(15,360)	(15,360)
Balance at the end of the year	26,873	42,233
This represents capital gain on sale and lease back transaction of vehicle. The amount of capital gain has been deferred in accordance with International Accounting Standard (IAS-17) over the lease term.		
14. Contingencies and commitments		
The Modaraba has neither any contingencies nor any commitments as at June 30, 2007.		
15. Certificate capital		
Authorised capital		
20,000,000 (2006: 20,000,000) Modaraba Certificates of Rs.10/- each	200,000,000	200,000,000
Issued, subscribed and paid-up:		
5,000,000 (2006: 5,000,000) Modaraba Certificates of Rs.10/- each issued for cash	50,000,000	50,000,000
3,316,000 (2006: 3,316,000) Modaraba Certificates of Rs.10/- each issued as fully paid bonus certificates	33,160,000	33,160,000
	83,160,000	83,160,000
16. Statutory reserve		
Balance at the beginning of the year	8,288,189	8,288,189
Transferred during the year	445,370	-
Balance at the end of the year	8,733,559	8,288,189
17. Income from operations		
Lease income	337,286	380,873
Dividend income (net of zakat)	230,923	662,606
Held of Trading investments	2,559,111	3,123,186
Musharika income	491,804	755,960
	3,619,124	4,922,625

	NOTE	2007	2006
18. Other income			
(Loss)/gain on sale of fixed assets		(1,987)	15,756
Profit on PLS accounts		760,556	219,758
		<u>758,569</u>	<u>235,514</u>
19. Administrative and operating expenses			
Salaries and benefits	19.1	737,828	761,558
Staff compensated absences		14,441	29,493
Utilities		53,678	32,693
Insurance		40,667	3,666
Vehicle running and maintenance		218,626	216,542
Postage		24,281	18,874
Repairs and maintenance		16,590	19,162
Entertainment		26,608	17,483
Printing and stationery		107,290	91,668
Traveling & conveyance		111,195	62,651
Fee and subscriptions		132,930	126,297
Rent, rates and taxes		-	2,000
Auditors' remuneration	19.2	186,000	142,000
Legal and professional charges		160,400	160,400
Depreciation		218,698	212,233
Amortization		38,499	36,000
Advertisements		58,500	8,700
Newspapers and periodicals		4,130	6,721
CIB charges		25,869	3,053
Others		44,098	32,727
		<u>2,220,328</u>	<u>1,983,921</u>
19.1 Remuneration to officers and employees			
The aggregate amount charged in the accounts for remuneration, including all benefits of officers and other employees of the Modaraba were as follows:			
Basic salary		332,442	396,110
House rent allowance		132,996	158,436
Utility allowance		33,258	39,614
Employee benefits		66,793	69,401
Bonus		81,686	62,840
Medical Insurance		90,653	35,157
		<u>737,828</u>	<u>761,558</u>
As at June 30, 2007 five employees (2006:five) were employed by the Modaraba.			
19.2 Auditors' remuneration			
Audit fee		80,000	80,000
Half yearly accounts review fee		32,000	24,000
Tax services		55,000	30,000
Out of pocket expenses		19,000	8,000
		<u>186,000</u>	<u>142,000</u>



	2007	2006
	--- R U P E E S ---	
20. Financial charges		
- on short term finances	-	1,019,804
- lease finance charges	60,332	76,143
- bank charges	2,727	5,750
- commission & brokerage	-	12,633
	<u>63,059</u>	<u>1,114,330</u>
21. Earnings per Modaraba certificate - basic and diluted		
Profit / (Loss) after taxation	<u>2,226,848</u>	<u>(814,028)</u>
Number of certificates outstanding the year	<u>83,160,000</u>	<u>83,160,000</u>
Earning / (Loss) per certificate-Rupees	<u>0.27</u>	<u>(0.10)</u>

There is no dilution effect on the basic earnings per certificate of the Modaraba, as the Modaraba has no such commitments.

22. Reconciliation

Tax expenses reconciliation is not presented as income for the year is only subject to minimum tax on turnover.

23. Financial instruments and related disclosures

23.1 Fair value of assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled between knowledgeable willing parties in an arm's length transaction. In the opinion of management, the estimated fair value of all on and off balance sheet financial instrument are not significantly different from their book values as on June 30, 2007.

23.2 Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties fail to perform as contracted. The management of the Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continuously assessing the credit worthiness of counter-parties.

First Mehran Modaraba follows two sets of guidelines, Internally, it has its own operating policy duly approved by the Board of Directors of the Modaraba Company whereas externally it complies to the regulations issued by the Securities and Exchange Commission of Pakistan (SECP).

23.3 Profit rate risk

Profit rate risk is the risk that value of a financial instrument will fluctuate in amounts due to changes in market profit rates. Changes in profit rates can adversely affect the rates charged on profits bearing assets. This can result an increase in profit expense relative to income or vice versa. The Modaraba manages its risk by maintaining a fair balance between profit rates, financial assets and financial liabilities. The rate of profit and their maturity period has been disclosed in the relevant notes.

23.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The Modaraba's management closely monitors the Modaraba's liquidity and cash flow position.

23.5 Yield/ Profit rate risk

The Modaraba manages this risk by matching the re-pricing of assets and liabilities. The Modaraba's profit rate sensitivity position, based on the earlier of contractual re-pricing or maturity dates, is as follows:

Note	Effective profit rate	2007			Total
		Profit bearing		Non profit bearing	
		Within one year	One year to five years	Within one year	
		----- Rupees -----			

Financial assets

Cash and bank balances	3	8.50% -10.50%	42,721,542	-	73,805	42,795,347
Investments	4	8% - 16%	3,895,263	-	1,581,257	5,476,520
Musharika finance	5	13% - 18%	640,000	-	-	640,000
Advances, deposits and other receivables	6		-	-	2,705,578	2,705,578
Long term deposits			-	-	115,000	115,000
Net investment in lease finance	7	7.51% - 17%	1,493,680	282,525	-	1,776,205
			48,750,485	282,525	4,475,640	53,508,650

Financial liabilities

Creditors, accrued charges and other liabilities	9		-	-	361,844	361,844
Unclaimed profit distribution			-	-	314,472	314,472
Obligation under finance lease	10	6 m Kibor plus 4%	220,998	264,264	-	485,262
Deferred liability - staff gratuity			-	-	128,007	128,007
			220,998	264,264	804,323	1,289,585

On balance sheet gap			48,529,487	18,261	3,671,317	52,219,065
Cumulative gap			48,529,487	48,547,748	52,219,065	



Note	Effective profit rate	2006			Total
		Profit bearing		Non profit bearing	
		Within one year	One year to five years	Within one year	
		----- Rupees -----			

Financial assets

Cash and bank balances	3	1% - 3%	11,035,855	-	68,657	11,104,512
Investments	4	8% - 16%	5,349,375	-	19,948,972	25,298,347
Musharika finance	5	13% - 18%	6,366,958	-	-	6,366,958
Advances, deposits and other receivables	6		-	-	2,853,660	2,853,660
Long term deposits			-	-	115,000	115,000
Net investment in lease finance	7	7.51% - 17%	2,426,802	3,457,017	-	5,883,819
			25,178,990	3,457,017	22,986,289	51,622,296

Financial liabilities

Creditors, accrued charges and other liabilities	9		-	-	169,175	169,175
Unclaimed profit distribution			-	-	314,472	314,472
Obligation under finance lease	10	6 m Kibor plus 4%	196,590	485,260	-	681,850
			-	-	-	-
Deferred liability - staff gratuity			-	-	115,240	115,240
			196,590	485,260	598,887	1,280,737
On balance sheet gap			24,982,400	2,971,757	22,387,402	50,341,559
Cumulative gap			24,982,400	27,954,157	50,341,559	

**24. Transactions with related parties**

Transactions with related parties, associated undertakings and key management personnel, other than remuneration and benefits to management personnel under the term of their employment, by using comparable uncontrolled price method are as follows:

	2007	2006
	--- R U P E E S ---	
Technology Ventures (Pvt.) Limited (TVL) (Modaraba Company)	<u>227,403</u>	<u>-</u>
Management fee to the Modaraba Management Company is in accordance with Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980.		
Network Leasing Corporation Limited (NLCL) (Associated Company)		
Financial charges paid	<u>-</u>	<u>66,324</u>
Placement income received	<u>264,555</u>	<u>68,835</u>
Short term finances from NLCL	<u>-</u>	<u>15,500,000</u>
Placements with NLCL	<u>70,000,000</u>	<u>15,000,000</u>
Receivable from NLCL	<u>1,973,720</u>	<u>-</u>

25. Proposed dividend

The Board of Directors have proposed a final dividend for the year ended June 30, 2007 of Re. 0.25 per certificated amounting to Rs. 2.079 million at their meeting held on September 26, 2007. These financial statements donot reflect this dividend payable as explained in note 2.16

26. Date of Authorization

These financial statement were authorized for issue by Board of Directors of the Management Company on September 26, 2007

27. Corresponding Figures

Corresponding figures have been rearranged or reclassified wherever deemed necessary for the purpose of comparison.

28. General

Figures have been rounded off to the nearest rupee.

Chief Executive

Director

Director



(ANNEXURE-II)
PATTERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2007

Numbers of Share Holders	SHARE HOLDING		Total Share Held
	FROM	TO	
311	1	100	18,362
301	101	500	75,844
180	501	1000	148,991
239	1001	5000	550,306
72	5001	10000	557,188
13	10001	15000	164,003
17	15001	20000	306,051
10	20001	25000	234,996
7	25001	30000	205,774
6	30001	35000	194,636
7	35001	40000	256,300
2	40001	45000	83,808
3	45001	50000	149,686
2	55001	60000	115,500
1	75001	80000	80,000
1	100001	105000	101,000
2	120001	125000	249,674
1	135001	140000	140,000
2	165001	170000	331,420
2	215001	220000	433,700
2	245001	250000	498,500
1	395001	400000	396,500
1	685001	690000	687,745
1	705001	710000	708,436
1	795001	800000	795,980
1	830001	835000	831,600
1186			8,316,000

S.No.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HOLD	PERCENTAGE
1	Individuals	1136	4,383,686	52.71
2	Investment Companies	2	6,200	0.07
3	Insurance Companies	3	796,380	9.58
4	Joint Stock Companies	23	1,049,344	12.62
5	Financial Institutions	15	1,944,808	23.39
6	Leasing Companies	1	1,246	0.01
7	Modaraba Companies	3	36	0.00
8	Charitable Trusts	1	33,000	0.40
9	Others	2	101,300	1.22
		1186	8,316,000	100.00



Notice of Annual Review Meeting

Notice is hereby given that the 16th Annual Review Meeting of the Modaraba's Certificate Holders of First Mehran Modaraha will be held on Wednesday, October 24, 2007 at 6:30 p.m. at Haji Abdullah Haroon Muslim Gymkhana, Auditorium Awan-e-Saddar Road, Karachi to review the performance of Modaraba for the year ended June 30, 2007 in terms of Clause 20 of the Prudential Regulations for Modaraba.. issued vide Circular No. 5/2000 by Registrar Modaraba.

By Order of the Board

Karachi
September 26, 2007

Mohammed Wajid
Company Secretary

Notes:

1. The Modaraba Certificates transfer book shall remain closed from October 18, 2007 to October 24, 2007 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the Registrar Office of the Modaraba (whose address in given below) up to the close of business hours on October 17, 2007 will be treated in time.
2. The Certificate Holders are advised to notify to the Registrar of First Mehran Modaraba, of any change in their addresses to ensure prompt delivery of mails. Further, any Certificates for transfer etc. should be lodged with the Registrar, C&K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Metropol. Hotel, Karachi. (Phone: 5687835-5685930)
3. Account holders holding book entry securities of the Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in addition, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.

