EIGHTH ANNUAL REPORT 2002

FIRST IMROOZ MODARABA

FIRST IMROOZ MODARABA

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MODARABA INFORMATION

Modaraba Company	**:**	A R Management Services (Private) Ltd.
Directors of Modaraba Company	:	Mr. Naveed Riaz - Chief Executive Mr. Ameed Riaz Mr. Omar Mohammad Khan Mrs. Saadat Ikram
Auditors	**:**	M/s. Syed Husain & Co. Chartered Accountants
Bankers	**:**	Soneri Bank Limited United Bank Limited Habib Bank Limited
Legal Advisors	**:**	Mr. Akram Zuberi Advocate, Supreme Court of Pakistan
Principal place of business	**:**	119-120 Qamar House M. A. Jinnah Road Karachi.
Share Registration Office	**:**	M/s. Syed Husain & Co. 1st Floor, Modern Motors House, Beaumont Road, Karachi-75530.

FIRST IMROOZ MODARABA

REPORT OF THE DIRECTORS

The Board of Directors of A R Management Services (Private) Limited, the management company of First Imrooz Modaraba, are pleased to present the Eighth Annual Report of First Imrooz Modaraba together with the audited accounts of the Modaraba for the year ended June 30, 2002.

Financial results

During the year ended June 30, 2002, the Modaraba earned profit of Rs. 39,203 million before charging Modaraba Management Company's Fee and Taxation. After charging the Management Company's Fee of Rs. 2.744 million and provision for tax of Rs. 17.355 million, a net profit of Rs. 21.621 million including brought forward amount of unappropriated profit of Rs. 2.518 million was available for appropriation. Out of this, the directors have transferred Rs. 3.821 million to the statutory reserve in accordance with the requirement of Prudential Regulations for Modaraba and have decided to pay a final dividend of Rs. 5.00 per certificate i.e. 50%. The balance unappropriated profit of Rs. 2.800 million shall be carried forward.

Performance and prospects

Your Modaraba is continuing its efforts to enhance its customer base and diversify its product mix. By the grace of Allah SBWT, the management has been able to make a uniform ratio of gross margin and improve earnings per certificate.

Unformately, depressed world markets, crisis in Afghanistan and fear of Indo-Pak war have brought difficult economic conditions in our country. Your Modaraba intends to explore new areas of business to offset the impact of the recession in the global economy.

Auditors

The auditors of the Modaraba Messrs Husain Rahman, Chartered Accountants retired due to dissolution of the Firm. To fill the casual vacancy the Board of Directors appointed Messrs Syed Husain & Co. Chartered Accountants as auditors of the Modaraba for the year ended June 30, 2002. The Registrar Modaraba has very kindly accorded permission for such appointment. The auditors of the Modaraba for the year ending June 30, 2003 would be proposed in due course of time.

Corporate Governance

Your Directors are pleased to report that:

a) The financial statements, prepared by the management 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) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

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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) A statement summarizing key operating and financial data for the last six years are as follows:

(Rupees in '000)

Year		2002	2001	2000	1999	1998	1997
Fixed Assets		4,369	5,979	5,298	3,359	1,752	1,971
Working Capital		55,788	50,145	48,488	48,087	48,972	43,770
Shareholders Equity		58,484	54,380	52,229	51,446	50,724	45,741
Paid-up Capital		30,000	30,000	30,000	30,000	30,000	30,000
Total Sales		300,083	395,804	399,927	339,033	379,498	354,833
Gross Profit		45,161	54,930	42,084	34,821	34,650	32,111
Profit afterTaxation		19,104	15,951	9,783	5,972	19,982	20,700
Dividend – Cash	%	50%	46%	30%	17.5%	50%	55%
Earnings per Certificate		6.37	5.32	3.26	1.99	6.66	6.90
Break-up value per Certificate		19.49	18.13	17.41	17.15	16.91	15.25

i) Pattern of certificate holding of the Modaraba and certificate holder's information as required under listing regulations are included in this report.

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. Ameed Riaz	3
Mr. Omar Mohammad Khan	3
Mrs. Saadat Ikram	4

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Acknowledgment

The Board wishes to express its gratitude and appreciation for the guidance and support extended by the Registrar, Modaraba Companies and Modaraba and the Securities and Exchange Commission of Pakistan. The Board also wishes to thank its certificate holders and bankers for their continued support and appreciates above all the dedication and hard work of each and every member of the staff.

On behalf of the Board

Naveed Riaz
Chief Executive

September 13, 2002

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 2002 and the related Profit and Loss Account and Statement of Changes in Financial Position together with the Notes to the Financial Statements for the year ended June 30, 2002 of First Imrooz Modaraba which are Modaraba Company's [A R Management Services (Private) Limited] representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

(a) in our opinion proper books of account have been kept by the Modaraba Company in respect of First Imrooz Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion, the Balance Sheet and the Profit and Loss Account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981; and

(c) in our opinion and to the best of our information and according to the explanations given to us:

    (i) the Balance Sheet and the related Profit and Loss Account and Statement of Changes in Financial Position, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the Modaraba's affairs as at June 30, 2002 and the profit and changes in Financial Position for the year ended on that date;

    (ii) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, has been deducted and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and

    (iii) the business conducted, investments made and expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modaraba.

Without qualifying our opinion, we draw attention to note 2.4 to the financial statements. As more fully explained in that note, the Modaraba recognizes all leases as "operating leases" in accordance with Islamic Sharia'a which are otherwise required to be recongized as "finance leases" in accordance with the International Accounting Standard 17, Leases.

Syed Husain & Co.
Chartered Accountants

Karachi: September 13, 2002

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BALANCE SHEET
AS AT JUNE 30, 2002

	Note	2002 Rupees	2001 Rupees
CAPITAL AND RESERVES			
Authorized capital			
10,000,000 modaraba certificates of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid up capital			
3,000,000 modaraba certificates of Rs. 10 each fully paid in cash	3	30,000,000	30,000,000
Reserves		28,484,158	24,380,299
		58,484,158	54,380,299
DEFERRED LIABILITY - staff gratuity		1,672,546	1,743,968
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	4	74,200,246	38,582,903
Profit distribution	5	15,000,000	13,800,000
		89,200,246	52,382,903
COMMITMENTS	6	–	–
		149,356,950	108,507,170

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

Naveed Riaz
Chief Executive

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	Note	2002 Rupees	2001 Rupees
TANGIBLE FIXED ASSETS	7	4,369,090	5,979,128
CURRENT ASSETS			
Stock-in-trade	8	79,760,939	52,064,895
Trade debts - unsecured	9	18,219,009	17,586,390
Investments	10	8,875,250	1,887,750
Musharika investments	11	–	1,477,600
Advances, deposits, prepayments and other receivables	12	781,644	1,107,530
Taxation		5,839,222	3,713,324
Cash and bank balances	13	31,511,796	24,690,553
		144,987,860	102,528,042
		149,356,950	108,507,170

Ameed Riaz
Director

Saadat Ikram
Director

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2002

	Note	2002 Rupees	2001 Rupees
Sales		300,082,935	395,803,740
Cost of goods sold	14	254,922,207	340,873,470
Gross profit		45,160,728	54,930,270
Operating expenses	15	11,225,088	12,300,143
Operating profit		33,935,640	42,630,127
Financial charges - bank charges		47,259	86,915
Other charges	16	136,625	959,683
Profit before other income		33,751,756	41,583,529
Other income	17	5,451,721	755,296
Profit for the year		39,203,477	42,338,825
Modaraba Company's management fee		2,744,243	2,116,941
Profit before taxation		36,459,234	40,221,884
Taxation	18	17,355,375	24,270,679
Profit after taxation		19,103,859	15,951,205
Unappropriated profit brought forward		2,517,691	1,961,607
		21,621,550	17,912,812
Appropriations			
Transfer to statutory reserve @ 20% (2001: 10%)		3,820,772	1,595,121
Profit distribution - Interim cash -nil- (2001: 25%)		–	7,500,000
Profit distribution - Final cash 50% (2001: 21%)		15,000,000	6,300,000
		18,820,772	15,395,121
Unappropriated profit carried forward		2,800,778	2,517,691
Earnings per certificate - Basic	19	6.37	5.32
Profit distribution per certificate		5.00	4.60

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

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director

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STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2002

	2002 Rupees	2001 Rupees
Cash flows from operating activities		
Profit before taxation	36,459,234	40,221,884
Add/(Less): Adjustments for:		
Depreciation on tangible fixed assets	2,183,936	2,239,145
Gain on disposal of fixed assets	–	(127,998)
Gain on sale of shares	(1,003,990)	(117,335)
Reversal of provision for diminution in value of investments	(919,834)	–
Provision for diminution in value of investments	–	151,425
Provision for staff gratuity	193,262	228,634
Reversal of provision for doubtful debts	(76,577)	–
Provision for doubtful debts	–	527,469
Operating profit before working capital changes	36,836,031	43,123,224
Decrease/(Increase) in current assets		
Stock-in-trade	(27,696,044)	61,603,121
Trade debts	(556,042)	(385,067)
Musharika investments	1,477,600	(1,150,000)
Advances, deposits, prepayments and other receivables	325,886	218,829
(Decrease)/increase in current liabilities creditors, accured and other liabilities	35,423,621	(29,759,107)
Cash generated from operations	45,811,052	73,651,000
Gratuity paid	(264,684)	(41,641)
Income taxes paid	(19,481,273)	(21,306,977)
Net cash generated from operations	26,065,095	52,302,382
Cash flows from investing activities		
Purchase of fixed assets	(573,898)	(2,920,046)
Sale proceeds on disposal of fixed assets	–	128,000
Investments	(5,063,676)	4,410
Net cash used in investing activities	(5,637,574)	(2,787,636)
Cash flows from financing activities		
Morabaha obligation	–	(15,438,750)
Qard-e-Hasan	–	(6,300,000)
Profit distribution	(13,606,278)	(9,202,564)
	(13,606,278)	(30,941,314)
Net increase in cash and cash equivalents	6,821,243	18,573,432
Cash and cash equivalents as at July 1	24,690,553	6,117,121
Cash and cash equivalents as at June 30	31,511,796	24,690,553

Naveed Riaz	**Ameed Riaz**	**Saadat Ikram**
Chief Executive	Director	Director

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2002

	Issued, subscribed and paid-up capital	Statutory reserve	Un-appropriated profit	Total
	..... Rupees			
Balance as at June, 2000	**30,000,000**	**20,267,487**	**1,961,607**	**52,229,094**
Profit for the year	–	–	15,951,205	15,951,205
Transfer to statutory reserve	–	1,595,121	(1,595,121)	–
Profit distribution (interim)	–	–	(7,500,000)	(7,500,000)
Profit distribution (final)	–	–	(6,300,000)	(6,300,000)
Balance as at June 30, 2001	**30,000,000**	**21,862,608**	**2,517,691**	**54,380,299**
Profit for the year	–	–	19,103,859	19,103,859
Transfer to statutory reserve	–	3,820,772	(3,820,772)	–
Profit distribution (final)	–	–	(15,000,000)	(15,000,000)
Balance as at June 30, 2002	**30,000,000**	**25,683,380**	**2,800,778**	**58,484,158**

In accordance with the Prudential Regulations for modarabas, the Modaraba is required to transfer 20% (2001: 10%) of its after tax profits to statutory reserve until the reserve equals the paid-up capital. Thereafter, 5% of the after tax profits are required to be transferred to the reserves.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

1. LEGAL STATUS AND NATURE OF BUSINESS

First Imrooz Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by A R Management Services (Private) Limited. The Modaraba issued its certificate capital to the general public on February 1, 1994, and the commercial operations were commenced from March 1, 1994 the date on which the minimum subscription certificate was issued by the Registrar Modaraba.

The Modaraba is a perpetual modaraba, initially floated for the specific purpose of trading in approved commodities and other products. However, the Registrar Modaraba Companies and Modaraba, as per letter dated August 08, 1998 accorded approval for conversion of the Modaraba from specific to multi purpose modaraba. The Modaraba is currently engaged in financing, investing and domestic and international trading activities. The Modaraba is listed on the Karachi Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981 and International Accounting Standards (IASs) as applicable in Pakistan.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments.

2.3 Staff retirement benefits

The Modaraba operates an unfunded gratuity scheme covering all permanent employees. Provision to cover this obligation is made annually and is calculated on the basis of last drawn salary and length of service of the employees.

2.4 Accounting for leases

First Imrooz Modaraba and all the other modarabas are required to enter into the lease contracts in accordance with the principles of Sharia'a and form approved by the Modaraba Religious Board. The principles of Sharia'a, prohibit the modarabas from undertaking any interest based transactions. The application of these principles have profound implications on the accounting treatment for leases which are divergent from

the accounting treatment pronounced by the International Accounting Standard (IAS) 17, Leases, which is explained as follows:

(i) Although all the leases entered into by the Modaraba are full pay out leases but, in accordance with the principles of Sharia'a, substantial risks and rewards incident to ownership of leased assets remain with the Modaraba as a lessor and are not transferred to the lessee.

(ii) The method of income recognition of finance lease prescribed by IAS 17 is interest based which is against the injunctions of Sharia'a.

In view of the above anomalies and in accordance with injunctions of Sharia'a, the Modaraba and most of the leasing modarabas account for the assets leased out and acquired on leases as operating leases.

Assets leased out are stated at cost less accumulated depreciation. Depreciation is charged to income applying the annuity method whereby the depreciable values of assets are depreciated over the lease period. Therefore, the net income from leases is effectively the same as in case of leases recorded as finance leases in accordance with IAS 17.

Payments against operating leases are charged to income.

2.5 Tangible fixed assets and depreciation

Fixed assets for own use are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions while no depreciation is charged on deletions.

Maintenance and normal repairs are charged to income as and when incurred. Gains and losses on disposal of fixed assets are included in income currently.

2.6 Stock-in-trade

These are stated at the lower of cost determined on the weighted average cost basis and net realizable value. Net realizable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Goods in transit and in bonded warehouse are stated at invoice value plus other charges incurred thereon, where applicable.

2.7 Investments

2.7.1 Initial measurement

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

2.7.2 Subsequent measurement

Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuation to prices or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-for-trading investment are measured at subsequent reporting dates at fair value. Unrealised gains and losses are included in the net profit or loss for the period.

2.8 Taxation

2.8.1 Current

Provision for current taxation is based on taxable income of the year at the current rates of taxation after taking into account tax credits available, if any, except for items covered under presumptive tax regime, for which provision is made according to the presumptive tax rates provided in the Income Tax Ordinance, 1979.

2.8.2 Deferred

The Modaraba accounts for deferred taxation using the liability method on all significant temporary differences. However, as a matter of prudence, the Modaraba does not recognize net deferred tax debit balance in the accounts.

2.9 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 Pak rupees at the rate of exchange ruling at the balance sheet date, while those covered under forward exchange contracts are valued at the contractual rates.

Exchange gains and losses are included in income currently.

2.10 Revenue recognition

Sales are recognized on dispatch of goods to customers.

Lease rental income is recognized when rentals become due.

Income from musharika investments is recognized on accrual basis, taking account of the duration of placement of funds and the estimated profit rate.

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

Dividend income is recognized when the right to receive dividend is established.

Profit on PLS savings account is recognized on receipt basis.

	2002 Rupees	2001 Rupees
3. ISSUED SUBSCRIBED AND PAID-UP CAPITAL		
3,000,000 (2001: 3,000,000) modaraba certificates of Rs. 10 each fully paid in cash	30,000,000	30,000,000
	30,000,000	30,000,000
4. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	203,903	152,881
Import bills payable	65,630,072	33,881,000
Accrued liabilities (Note 4.1)	437,359	863,637
Management fee payable	2,244,243	2,116,941
Sales tax payable	5,220,509	1,005,203
Advance lease rentals	–	32,311
Security deposit - lease	61,900	61,900
Excise duty payable	–	260,492
Unclaimed profit distribution	402,260	208,538
	74,200,246	38,582,903

4.1 These include Rupees 42,318 (2001: Rupees 33,188) payable to associated undertakings.

	2002 Rupees	2001 Rupees
5. PROFIT DISTRIBUTION		
Interim	–	7,500,000
Final	15,000,000	6,300,000
	15,000,000	13,800,000

6. COMMITMENTS

6.1 Commitments in respect of outstanding letters of credit amounted to Rupees 8,488,000 (2001: Rupees 40,105,000).

6.2 Commitments in respect of outstanding forward exchange contracts amounted to Rupees nil (2001: 73,935,000).

7. TANGIBLE FIXED ASSETS

	Cost			Depreciation			Written down value as at June 30, 2002	Rate of Depre-ciation per annum %
	As on July 1, 2001	Additions/ (deletions) during the year	As at June 30, 2002	Accumulated as at July 1, 2001	For the year	Accumulated as at July 1, 2002		
	..... Rupees							
Owned								
Furniture and fixtures	183,897	9,373	193,270	70,213	19,327	89,540	103,730	10
Office equipment and appliances	1,235,269	217,125	1,452,394	823,977	199,043	1,023,020	429,374	10 to 22.5
Computer equipments	1,475,021	347,400	1,822,421	1,051,405	356,925	1,408,330	414,091	25
Vehicles	8,263,428	–	8,263,428	3,591,361	1,438,822	5,030,183	3,233,245	20
	11,157,615	573,898	11,731,513	5,536,956	2,014,117	7,551,073	4,180,440	
Leased out								
Vehicle	619,000	–	619,000	260,531	169,819	430,350	188,650	
	619,000	–	619,000	260,531	169,819	430,350	183,650	
2002	11,776,615	573,898	12,350,513	5,797,487	2,183,936	7,981,423	4,369,090	
2001	9,100,329	2,920,046 (243,760)	11,776,615	3,802,100	2,239,145 (243,758)	5,797,487	5,979,128	

	2002 Rupees	2001 Rupees
8. STOCK-IN-TRADE		
In hand (notes 8.1 & 8.2)	27,965,210	25,607,879
In bonded warehouse	27,928,582	25,112,841
In transit	23,867,147	1,344,175
	79,760,939	52,064,895

8.1 Stock of Rupees 21.336 million (2001: Rupees 20 million) has been hypothecated in favour of a commercial bank for availing non-fund based facility of documents against acceptance of import bill.

8.2 It includes carrying amount of stock amounting to Rs. nil (2001: Rupees 24,285) carried at net realisable value.

	2002 Rupees	2001 Rupees
9. TRADE DEBTS - Unsecured		
Considered good	18,219,009	17,586,390
Considered doubtful	1,215,316	1,747,634
	19,434,325	19,334,024
Less: Provision for doubtful debts	1,215,316	1,747,634
	18,219,009	17,586,390

10. INVESTMENTS

Held for trading

2001	2002		2002 Rupees		2001 Rupees
No. of units/ shares of Rupees 10 each	No. of units/ shares of Rupees 10 each		Cost	Fair Value	
105,000	105,000	National Investment Trust	1,615,250	1,270,500	1,615,250
60,000	–	Ibrahim Fibres Limited	–	–	858,240
–	115,000	Hub Power Company Ltd.	2,617,110	2,668,000	–
–	35,000	Sui Northern Gas Company Ltd.	431,492	483,000	–
–	125,000	Pakistan Telecommunication Company Ltd.	2,133,704	2,143,750	–
–	70,000	Crescent Steel and Allied Products Limited	1,743,600	2,310,000	–
			8,541,156	8,875,250	2,473,490
		Less: Provision for diminution in the value of investments	–	–	585,740
			8,541,156	8,875,250	1,887,750

11. MUSHARIKA INVESTMENTS

	2002 Rupees	2001 Rupees
First IBL Modaraba	–	227,600
Standard Associates	–	1,250,000
	–	1,477,600

		2002 Rupees	2001 Rupees
12.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		
	Advances to suppliers - considered good	–	250,000
	Deposits - considered good	406,254	218,454
	- considered doubtful	137,946	137,946
		544,200	356,400
	Less: Provision for doubtful deposits	137,946	137,946
		406,254	218,454
	Prepayments	212,838	342,197
	Profit receivable on musharika investments	–	159,744
	Octroi refundable	9,113	9,113
	Customs dues refundable	100,022	100,022
	Other receivable - considered good	53,417	28,000
	- considered doubtful	4,200	4,200
		57,617	32,200
	Less: Provision for doubtful receivable	4,200	4,200
		53,417	28,000
		781,644	1,107,530
13.	**CASH AND BANK BALANCES**		
	Cash in hand	142,550	13,907
	Cash at bank on:		
	– PLS savings account	29,525,145	20,464,493
	– Current accounts	1,844,101	4,212,153
		31,511,796	24,690,553
14.	**COST OF GOODS SOLD**		
	Stock as at July 01	25,607,879	25,182,257
	Add: Purchases	257,279,538	341,299,092
		282,887,417	366,481,349
	Less: Stock as at June 30	27,965,210	25,607,879
		254,922,207	340,873,470

	2002 Rupees	2001 Rupees
15. OPERATING EXPENSES		
Salaries and other staff benefits (note 15.1)	3,602,661	4,399,469
Staff gratuity (note 15.1)	193,262	228,634
Rent, rates and taxes	382,778	176,221
Postage and telephone	667,010	640,627
Printing and stationery	155,345	137,918
Fees and subscriptions	323,505	241,481
Staff training	8,900	32,840
Travelling and conveyance	773,719	632,859
Entertainment	64,628	53,743
Repairs and maintenance	151,365	560,633
Vehicle running and maintenance	446,955	547,094
Electricity	532,907	450,151
Depreciation	2,183,936	2,239,145
Advertisement and publicity	245,893	40,610
Packing material	98,898	24,735
Insurance	559,921	760,196
Security charges	256,800	264,000
Freight and forwarding	108,713	123,024
Legal and professional charges	503,642	152,210
(Reversal of) / provision for doubtful debts	(76,577)	527,469
Zakat	26,913	149
Lease rentals	–	40,160
Others	13,914	26,775
	11,225,088	12,300,143

15.1 Remuneration of officers and employees

	2002			2001		
	Officers	Employees	Total	Officers	Employees	Total
	Rupees					
Remuneration	1,083,300	1,126,222	2,209,522	1,315,650	1,131,674	2,447,324
Allowances	464,522	598,837	1,063,359	592,754	603,304	1,196,058
Medical expenses reimbursed	207,263	122,517	329,780	59,827	88,384	148,211
Gratuity	64,255	129,007	193,262	281,723	(53,089)	228,634
Bonus	–	–	–	349,398	258,478	607,876
	1,819,340	1,976,583	3,795,923	2,599,352	2,028,751	4,628,103
Number of persons	6	19	25	7	20	27

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

	2002 Rupees	2001 Rupees
16. OTHER CHARGES		
Auditors' remuneration (note 16.1)	136,625	124,044
Exchange loss	–	684,214
Provision for diminution in the value of investment	–	151,425
	136,625	959,683
16.1 Auditors' remuneration		
Audit fee	75,000	65,000
Registration and other services	46,611	44,021
Out-of-pocket expenses	15,014	15,023
	136,625	124,044
17. OTHER INCOME		
Income from leasing operation	244,579	260,736
Profit on musharika investment	82,895	171,756
Dividend income	1,857,350	57,750
Profit on PLS savings account	919,921	19,721
Provision for appreciation in the value of investments	919,834	–
Exchange gain	423,152	–
Gain on disposal of fixed assets	–	127,998
Gain on sale of shares	1,003,990	117,335
	5,451,721	755,296
18. TAXATION		
Current		
– for the year	18,100,000	24,300,000
– for prior year	(744,625)	(29,321)
	17,355,375	24,270,679
19. EARNINGS PER CERTIFICATE - Basic		
Profit after taxation (Rupees)	19,103,859	15,951,205
Number of modaraba certificates issued	3,000,000	3,000,000
Earnings per certificate (Rupees)	6.37	5.32

In calculation of the basic earnings per certificate, profit after taxation has been used as the numerator and the number of modaraba certificates issued has been used as a denominator.

20. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

20.1 Credit Risk

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

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

	2002 Rupees	2001 Rupees
Trade debts	18,219,009	17,586,390
Musharika investment	–	1,477,600
Other receivables	459,671	406,198
	18,678,680	19,470,188

20.2 Concentration of credit risk

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

	2002		2001	
	Rupees	%	Rupees	%
Paints	13,102,527	70	14,313,282	74
Textiles	1,629,990	9	2,162,009	11
Personal care	2,772,559	15	796,536	4
Food	713,933	4	314,563	2
Musharika investment	–	–	1,477,600	7
Other receivables	459,671	2	406,198	2
	18,678,680	100	19,470,188	100

21. CURRENCY RISK

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

The Modaraba minimizes its currency risk exposure arising on foreign currency bills payable by obtaining exchange risk cover except for the following:

	2002	2001
US Dollars	933,723	–
British Pound Sterling	61,845	–
Euro	53,118	–

22. LIQUIDITY RISK

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

The Modaraba matches availability of liquid funds before committing for liabilities and also on a timely basis. An analysis of liquid funds with maturities of liabilities due is performed.

23. PROFIT RATE RISK EXPOSURE

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

	2002				2001			
	Profit bearing		Non profit bearing	Total	Profit bearing		Non profit bearing	Total
	Less than one month	One month to one year			Less than one month	One month to one year		
Financial Assets	Rupees							
Trade debts	–	–	18,219,009	18,219,009	–	–	17,586,389	17,586,389
Investments - held for trading	–	–	8,875,250	8,875,250	–	–	1,887,750	1,887,750
Musharika investment	–	–	–	–	–	1,477,600	–	1,477,600
Other receivables	–	–	459,671	459,671	–	–	406,198	406,198
Cash and bank balances	29,525,145	–	1,986,651	31,511,796	20,464,493	–	4,226,060	24,690,553
	29,525,145	–	29,540,581	59,065,726	20,464,493	1,477,600	24,106,397	46,048,490
Financial Liabilities								
Creditors, accrued and other liabilties	–	–	68,979,737	68,979,737	–	–	37,545,389	37,545,389
Proposed profit distribution	–	–	15,000,000	15,000,000	–	–	13,800,000	13,800,000
	–	–	83,979,737	83,979,737	–	–	51,345,389	51,345,389
On-balance sheet gap (a)	29,525,145	–	(54,439,156)	–	20,464,493	1,477,600	(27,238,992)	–
Total profit rate sensitivity gap	29,525,145	–	–	–	20,464,493	1,477,600	–	–

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

(b) The effective mark-up rates for financial assets and liabilities are as follows:

	2002	2001
Financial Assets		
Musharika investment	–	22%
Cash and bank balances	8%	8%

24. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	2002 Rupees	2001 Rupees
25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Reimbursement of reimbursable expenses	672,279	613,826
Modaraba Company's management fee	2,744,243	2,116,941
Receipts of Qard-e-Hasan from Modaraba Company	1,800,000	6,100,000
Repayments of Qard-e-Hasan to Modaraba Company	1,800,000	12,400,000

26. NUMBER OF EMPLOYEES

Total number of employees as at year-end are 25 (2001: 27).

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors of the modaraba company and authorised for issue on September 13, 2002.

28. CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Naveed Riaz	**Ameed Riaz**	**Saadat Ikram**
Chief Executive	Director	Director

FIRST IMROOZ MODARABA

PATTERN OF HOLDING OF CERTIFICATES HELD BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2002

No. of Certificate Holders	Certificate Holding From	To	Total Certificates Held
1	1	100	100
653	101	500	325,600
4	501	1000	4,000
4	1001	5000	12,700
1	5001	10000	8,700
2	10001	15000	27,000
2	15001	20000	35,100
3	20001	25000	75,000
1	45001	50000	47,500
1	50001	55000	53,400
1	55001	60000	56,200
2	70001	75000	150,000
1	90001	95000	91,000
2	180001	185000	368,200
2	195001	200000	400,000
2	240001	245000	480,500
1	260001	265000	265,000
1	595001	600000	600,000
684			3,000,000

CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2002

Categories of Certificate Holders	Number	Certificates Held	Percentage
Joint Stock Companies	2	1,500	0.05
Financial Institutions	1	500	0.02
Leasing Companies/Modarabas	1	500	0.02
Modaraba Management Companies	1	600,000	20.00
Individuals	679	2,397,500	79.91
	684	3,000,000	100.00

FIRST IMROOZ MODARABA

CERTIFICATE HOLDERS INFORMATION
AS PER REQUIREMENT OF LISTING REGULATIONS

ASSOCIATED COMPANIES		SHARES HELD
A R Management Services (Pvt) Limited Modaraba Management Company		600,000
NIT / ICP		
Investment Corporation of Pakistan		500
DIRECTORS, CEO THEIR SPOUSE & MINOR CHILDREN		
Mr. Naveed Riaz	Chief Executive	240,300
Mr. Ameed Riaz	Director	240,200
Mrs. Saadat Ikram	Director	225,000
Mrs. Ismat Riaz		259,000
Mrs. Roqaiya Riaz		259,200
Mr. Ikramul Haque		53,400
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS, MUTUAL FUNDS, ETC.		
Dawood Leasing Company Limited		500
N H Securities (Pvt) Limited		500
Y S Securities & Services (Pvt) Limited		500

CERTIFICATE HOLDERS HOLDING 10% OR MORE

A R Management Services (Pvt) Limited
Mr. Naveed Riaz
Mr. Ameed Riaz

TRADES IN THE MODARABA CERTIFICATES

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor children has traded in the certificates of the Modaraba during the year.

FIRST IMROOZ MODARABA

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The Modaraba is in process of implementing the facets of the Code of Corporate Governance issued under the listing regulations by the Karachi Stock Exchange. The Board states that provisions of the code, relevant for the period ended June 30, 2002 have been duly complied with.

September 13, 2002

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of A R Management Services (Private) Limited (the Modaraba Company) representing First Imrooz Modaraba (the Modaraba) to comply with the relevant Listing Regulations of the Karachi Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba'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.

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

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

Syed Husain & Co.
Chartered Accountants
Karachi

September 13, 2002

FIRST IMROOZ MODARABA

NOTICE OF REVIEW MEETING

Notice is hereby given to the certificate holders that third Annual Review Meeting of First Imrooz Modaraba will be held on Wednesday the 30th October, 2002 at 11:30 a.m. at Registered Office of the Modaraba Company at 33-C, Behind Mall Mansion, Shahrah-e-Quaid-e-Azam, Lahore.

September 13, 2002

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 22, 2002 to October 30, 2002 (both days inclusive).
2. Certificate holders are requested to inform promptly of any change in their address to our Share Registrar, Syed Husain & Co., First Floor, Modern Motors House, Beaumont Road, Karachi-75530.

Managed by

A R MANAGEMENT SERVICES (PRIVATE) LIMITED

FIRST IMROOZ MODARABA

119-120, Qamar House, M. A. Jinnah Road,
Karachi - 74000, Pakistan.
Tel. (+92-21) 231.2271-4.
Fax: 231.0632.
e-mail: kimrooz@attglobal.net