

NINTH ANNUAL REPORT 2003



FIRST IMROOZ MODARABA



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VISION / MISSION STATEMENT

IMROOZ is committed to:

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

STATEMENT OF ETHICS & BUSINESS PRACTICES

1. The objective of Imrooz is to engage efficiently, responsibly and profitably in its businesses. Imrooz seeks a high standard of performance and aims to maintain a long term position in its respective competitive environment.
2. Imrooz recognizes the responsibility:
 - to protect its certificate holder's investment and strive hard to provide them with better return.
 - to maintain and enhance its customer base by providing products and services which offer value in terms of price and quality.
 - to encourage growth of its employees, provide them with good working conditions and competitive terms and conditions of service and treat them without any discriminative policies on the basis of race, religion, gender or any other factor.
 - to conduct business as responsible corporate member of the society, and to comply with obligations enforced by regulatory agencies for improving corporate performance.
3. Imrooz insists on honesty, integrity and fairness in all aspects of their business.
4. Imrooz believes in free and fair business practices in open competitive markets.



MODARABA INFORMATION

Modaraba Company	: A R Management Services (Private) Ltd.
Directors of Modaraba Company	: Mr. Naveed Riaz - Chief Executive Mrs. Saadat Ikram Mr. Ameer Riaz Mr. Omar Mohammad Khan
Chief Financial Officer	: Mr. Ateed Riaz
Audit Committee	: Mr. Omar Mohammad Khan (Chairman) Mrs. Saadat Ikram (Member) Mr. Ameer Riaz (Member)
Company Secretary	: Mr. Shabbir Ahmed Jamsa
Chief Internal Auditor	: Mr. Mohammad Numan Baig
Auditors	: M/s. Syed Husain & Co. Chartered Accountants
Bankers	: Soneri 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.
Registered Office of the Modaraba Company	: 33-C, Behind Mall Mansion, Shahrah-e-Quaid-e-Azam, Lahore.
Share Registration Office	: M/s. Syed Husain & Co. 1st Floor, Modern Motors House, Beaumont Road, Karachi-75530.



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 submit the Ninth Annual Report of First Imrooz Modaraba along with the audited financial statement for the year ended June 30, 2003.

Financial Performance

The Modaraba showed a relatively stronger sales performance during the year marked by consistent growth across all product categories. Total sales for the year grew to Rs. 332 million, an increase of 10% over last year, while net profit improved to 20.128 million growing by 5% over 2001-2002. Total net profit available for appropriation was Rs. 22.928 million, after adding unappropriated profit of Rs. 2.801 million from last year. With these satisfactory results, the Directors have decided to transfer 20% of the profit amounting to Rs. 4.025 million to the Statutory Reserve and to pay 50% i.e. Rs. 5.00 per certificate as Final Dividend.

The Modaraba is continuing to focus on diversifying its product mix and seeking consumer acceptance for new products. It is aware that a decline of 5% in gross profit over last year was experienced due to an increase in prices of its major product categories. However, your management will continue its untiring efforts to build customer confidence with the possibility of re-negotiating prices to avert inflationary and other economic pressures.

Taxation

As stated in the accounts, the income of the Modaraba is taxed under presumptive tax regime. Due to this, the tax incidence on Modaraba's income is much higher than the normal tax rate of 25%. Your management intends to take up the issue with the Central Board of Revenue (CBR) for a rationale tax on trading income of the Modaraba. It is hoped that CBR would give just consideration on the matter.

Auditors

The present auditors M/s. Syed Husain & Co., Chartered Accountants being due for retirement and have offered themselves for re-appointment for the year ending June 30, 2004. The Directors have approved themselves for appointment subject to the consent of the Registrar, Modaraba Companies and Modaraba.

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.



- 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	2003	2002	2001	2000	1999	1998
Fixed Assets	4,613	4,369	5,979	5,298	3,359	1,752
Working Capital	60,937	55,788	50,145	48,488	48,087	48,972
Certificateholders Equity	63,612	58,484	54,381	52,229	51,446	50,724
Paid-up Capital	30,000	30,000	30,000	30,000	30,000	30,000
Total Sales	332,556	300,083	395,804	399,927	339,033	379,498
Gross Profit	42,614	45,161	54,930	42,084	34,821	34,650
Profit after Taxation	20,128	19,104	15,951	9,783	5,972	19,982
Dividend – Cash	% 50%	50%	46%	30%	17.5%	50%
Earnings per Certificate	6.71	6.37	5.32	3.26	1.99	6.66
Break-up value per Certificate	21.20	19.49	18.13	17.41	17.15	16.91

- 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 six (6) meetings of the Board of Directors were held. Attendance by each director is as follows.

	Attended
Mr. Naveed Riaz	6
Mr. Ameer Riaz	6
Mr. Omar Mohammad Khan	5
Mrs. Saadat Ikram	6

Leave of absence was granted to a Director who could not attend a Board meeting.

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 04, 2003



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **First Imrooz Modaraba** as at June 30, 2003 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in equity together with the notes forming part thereof (hereinafter referred to as the Financial Statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of **First Imrooz Modaraba** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for the change as stated in note 2.4 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the modaraba's affairs as at June 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended, and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Syed Husain & Co.
Chartered Accountants

Karachi: September 04, 2003



**BALANCE SHEET
AS AT JUNE 30, 2003**

	Note	2003 Rupees	2002 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
Statutory reserves		29,709,016	25,683,380
Unappropriated profit		3,903,323	2,800,778
		63,612,339	58,484,158
DEFERRED LIABILITY - staff gratuity		1,938,416	1,672,546
CURRENT LIABILITIES			
Obligation under murabaha finance	4	25,157,500	-
Creditors, accrued and other liabilities	5	50,816,396	74,200,246
Profit distribution	6	15,000,000	15,000,000
		90,973,896	89,200,246
CONTINGENCIES AND COMMITMENTS	7	-	-
		156,524,651	149,356,950

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

Naveed Riaz
Chief Executive



FIRST IMROOZ MODARABA

	Note	2003 Rupees	2002 Rupees
INTANGIBLE ASSET	8	665,249	–
TANGIBLE FIXED ASSETS	9	3,947,897	4,369,090
CURRENT ASSETS			
Stock-in-trade	10	109,659,746	79,760,939
Trade debts - unsecured considered good	11	22,633,199	18,219,009
Investments	12	9,290,000	8,875,250
Advances, deposits, prepayments and other receivables	13	2,818,632	781,644
Taxation		2,298,912	5,839,222
Cash and bank balances	14	5,211,016	31,511,796
		151,911,505	144,987,860
		<hr/> <hr/>	<hr/> <hr/>
		156,524,651	149,356,950

Ameed Riaz
Director

Saadat Ikram
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003**

	Note	2003 Rupees	2002 Rupees
Sales		332,556,163	300,082,935
Cost of goods sold	15	<u>289,941,790</u>	<u>254,922,207</u>
Gross profit		42,614,373	45,160,728
Operating expenses	16	<u>12,021,541</u>	<u>11,301,665</u>
Operating profit		30,592,832	33,859,063
Financial charges - bank charges		57,661	47,259
Other charges	17	<u>164,360</u>	<u>136,625</u>
Profit before other income		30,370,811	33,675,179
Other income	18	<u>11,656,195</u>	<u>5,528,298</u>
Profit for the year		42,027,006	39,203,477
Modaraba Company's management fee		<u>2,941,890</u>	<u>2,744,243</u>
Profit before taxation		39,085,116	36,459,234
Taxation	19	<u>18,956,935</u>	<u>17,355,375</u>
Profit after taxation		20,128,181	19,103,859
Unappropriated profit brought forward		2,800,778	2,517,691
		<u>22,928,959</u>	<u>21,621,550</u>
Appropriations			
Transfer to statutory reserve @ 20%		4,025,636	3,820,772
Profit distribution - Final cash 50% (2002: 50%)		15,000,000	15,000,000
		19,025,636	18,820,772
Unappropriated profit carried forward		<u>3,903,323</u>	<u>2,800,778</u>
Earnings per certificate - Basic	20	<u>6.71</u>	<u>6.37</u>
Profit distribution per certificate		<u>5.00</u>	<u>5.00</u>

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

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2003**

	2003 Rupees	2002 Rupees
Cash flows from operating activities		
Profit before taxation	39,085,116	36,459,234
Add/(Less): Adjustments for:		
Depreciation / amortization on fixed assets	2,281,092	2,183,936
Gain on disposal of fixed assets	(843,481)	-
Gain on sale of shares	(1,653,538)	(1,003,990)
Provision for appreciation in value of investments	(4,872,168)	(919,834)
Provision for staff gratuity	438,445	193,262
Provision for doubtful debts	(413,000)	(76,577)
Operating profit before working capital changes	34,022,466	36,836,031
Working capital changes:		
Decrease/(Increase) in current assets		
Stock-in-trade	(29,898,807)	(27,696,044)
Trade debts	(4,001,190)	(556,042)
Musharika investments	-	1,477,600
Advances, deposits, prepayments and other receivables	(2,036,988)	325,886
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities	(23,272,667)	35,423,621
<i>Cash generated from operations</i>	(25,187,186)	45,811,052
Gratuity paid	(172,575)	(264,684)
Income taxes paid	(15,416,625)	(19,481,273)
<i>Net cash generated from operations</i>	(40,776,386)	26,065,095
Cash flows from investing activities		
Purchase of fixed assets	(2,191,567)	(573,898)
Cost of intangible asset	(887,000)	-
Proceed from disposal of fixed assets	1,396,900	-
Dividend received	819,750	1,857,350
Investments in shares	5,291,206	(6,921,026)
<i>Net cash used in investing activities</i>	4,429,289	(5,637,574)
Cash flows from financing activities		
Obligation under murabaha finance	25,157,500	-
Profit distribution	(15,111,183)	(13,606,278)
	10,046,317	(13,606,278)
Net increase/(decrease) in cash and cash equivalents	(26,300,780)	6,821,243
Cash and cash equivalents as at July 1	31,511,796	24,690,553
Cash and cash equivalents as at June 30	5,211,016	31,511,796

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003**

	Issued, subscribed and paid-up capital	Statutory reserve	Un- appropriated profit	Total
 Rupees			
Balance as at June, 2001	30,000,000	21,862,608	2,517,691	54,380,299
Profit after taxation	–	–	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
Profit after taxation	–	–	20,128,181	20,128,181
Transfer to statutory reserve	–	4,025,636	(4,025,636)	–
Proposed profit distribution (final)	–	–	(15,000,000)	(15,000,000)
Balance as at June 30, 2003	30,000,000	29,709,016	3,903,323	63,612,339

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

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

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 (XXXI of 1980) and the Rules framed thereunder and is managed by A R Management Services (Private) Limited. The Modaraba commenced its commercial operations from March 1, 1994. The Modaraba is listed on Karachi Stock Exchange.

The Modaraba is a perpetual modaraba, initially floated for the specific purpose of trading in approved commodities and other products and was converted into multi purpose Modaraba on August 08, 1998. The Modaraba is engaged in domestic and international trading, financing and investing activities.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, 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 notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981 or directives issued of Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981 or the requirements of said directives take precedence.

2.2 The Modaraba has not followed IAS 30 while preparing current period financial statements as the directive issued by the SECP vide SRO 245(I) 2002 dated June 06, 2002 exclude the trading modaraba.

2.3 Basis of preparation

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

2.4 Change in accounting policy

Effective July 01, 2002, the Modaraba has changed its accounting policy regarding valuation of stock in trade. Stock in trade henceforth valued using First in First out (FIFO) method instead of weighted average cost method. Management is of the view that FIFO method adopted would result in more appropriate presentation of events and transactions in the financial statements. Had valuation method not changed, stock in trade as at June 30, 2003 would have been lowered by Rs. 198,419 with corresponding decrease in profit for the year. The FIFO method is applied prospectively in the current and subsequent period financial statements.

2.5 Staff retirement benefits

The Modaraba operates an unfunded gratuity scheme covering all permanent employees. Annual provision is made to cover fully obligations under the scheme on the basis of last drawn salary and length of service of the eligible employees.

2.6 Accounting for leases

The Modaraba is required to enter into the lease contracts in accordance with the principles of Islamic Sharia'a duly approved by the Modaraba Religious Board. The Modaraba accounts for the assets leased out as operating leases. Assets leased out are stated at cost less accumulated depreciation. Depreciation is charged to income applying the annuity method over the lease period. The net income from leases is effectively the same as in the case of lease recorded as finance leases in accordance with IAS 17. Costs pertaining to operating leases, if any are charged to income.

2.7 Intangible assets

Intangible asset is stated at cost less amortization. Cost of the asset is amortized on a straight line basis over a period of four years.

2.8 Operating fixed assets and depreciation

Operating fixed assets 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 at the rates specified in note 9, 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.

2.9 Stock-in-trade

These are stated at the lower of cost determined by first in first out method and net realizable value. Net realizable value signifies the selling price in the ordinary course of business less costs to be incurred to make sale. Goods in transit and in bonded



warehouse are stated at invoice value plus other charges paid thereon, wherever applicable.

2.10 Investments

Investments in securities are recognised on a trade-date basis and are initially measured at cost. In respect of investments held for trading and available for sale, subsequent measurement is made at fair value. Unrealized gains and losses are included in the profit and loss account, for held for trading investments and in equity in case of available for sale investments. Held to maturity investments are valued on subsequent measurement date at the amortized value in accordance with the International Accounting Standard 39 "Financial instruments: Recognition and measurement".

2.11 Taxation

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. For items covered under presumptive tax regime, provision is made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001.

Deferred

The Modaraba accounts for deferred taxation (if any), using balance sheet liability method on all significant temporary differences. However, deferred tax is not accounted for as modaraba income is subject to the presumptive tax regime (note 19).

2.12 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.

2.13 Revenue recognition

Revenue from sale of goods is recognized on dispatch of goods to customers.

Lease rental income is recognized when rentals become due.

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 accrual basis.

2.14 Trade debts and other receivables

Known had debts are written off, where as provision is made for debts and receivables considered doubtful of recovery. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.15 Financial instruments

Financial instruments are recognised when the Modaraba becomes a party to the contractual provisions of the instruments.

2.16 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount reported in the balance sheet when there is legally enforceable right to set off the recognised amount and the modaraba intends to either settle on a net basis, or realise the asset and settle the liability simultaneously.

2.17 Transaction with related parties

Transaction with related parties are duly authorised by the management and the recognised at fair value at the date of transaction.

2.18 Impairment

At each balance sheet date, the modaraba reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and loss is recognised as an expense immediately.

	2003 Rupees	2002 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
3,000,000 (2002: 3,000,000) modaraba certificates of Rs. 10 each fully paid in cash	30,000,000	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>

4. OBLIGATION UNDER MURABAHA FINANCE – Secured

This represent a murabaha finance arranged from a bank payable at a repurchase price of Rs. 25.157 million by July 2003. The arrangement is secured by way of a pledge of stocks worth Rs. 33.3 million.

	2003 Rupees	2002 Rupees
5. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	119,017	203,903
Bills payable	47,159,215	65,630,072
Accrued liabilities (Note 5.1)	176,047	437,359
Management fee payable to Modaraba Company	2,941,890	2,244,243
Sales tax payable	–	5,220,509
Security deposit - leasing	–	61,900
Murabaha profit payable	129,150	–
Unclaimed profit distribution	291,077	402,260
	<u>50,816,396</u>	<u>74,200,246</u>

5.1 Accrued liabilities include Rupees 24,887 (2002: Rupees 42,318) payable to associated undertakings.

	2003 Rupees	2002 Rupees
6. PROFIT DISTRIBUTION		
Final dividend @ 50% (2002: 50%)	15,000,000	15,000,000
	<u>15,000,000</u>	<u>15,000,000</u>

7. COMMITMENTS

Commitments in respect of outstanding letters of credit amounted to Rupees 4,326,000 (2002: Rupees 8,488,000).

	2003 Rupees	2002 Rupees
8. INTANGIBLE ASSETS		
Cost of software licenses	887,000	–
Less: Amortization for the year	(221,751)	–
	665,249	–

9. TANGIBLE FIXED ASSETS

	Cost			Depreciation			Written down value as at June 30, 2003	Rate of Depreciation per annum %
	As on July 1, 2002	Additions/ (deletions) during the year	As at June 30, 2003	As at July 1, 2002	For the year/ (disposals) transfers	As at June 30, 2003		
..... Rupees								
Owned								
Furniture and fixtures	193,270	106,167 (10,135)	289,302	89,540	28,931 (8,261)	110,210	179,092	10
Office equipment and appliances	1,452,394	94,100 (221,200)	1,325,294	1,023,020	165,147 (219,763)	968,404	356,890	20
Computer equipments	1,822,421	484,900 (505,770)	1,801,551	1,408,330	349,572 (505,745)	1,252,157	549,394	25
Vehicles	8,263,428	1,506,400 (1,695,805)	8,074,023	5,030,183	1,388,941 (1,207,622)	5,211,502	2,862,521	20
	11,731,513	2,191,567 (2,432,910)	11,490,170	7,551,073	1,932,591 (1,941,391)	7,542,273	3,947,897	
Leased out								
Vehicle	619,000	– (619,000)	–	430,350	126,750 (557,100)	–	–	Note 2.6
	619,000	(619,000)	–	430,350	126,750 (557,100)	–	–	
2003	12,350,513	2,191,567 (3,051,910)	11,490,170	7,961,423	2,059,341 (2,498,491)	7,542,273	3,947,897	
2002	11,776,615	573,898	12,350,513	5,797,487	2,183,936	7,981,423	4,369,090	

9.2 The following assets were disposed off during the year.

	Original Cost	Accumulated Depreciation	Book Value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of purchasers
..... Rupees							
Owned							
Furniture and fixtures	10,135	8,261	1,874	-	(1,874)	Board Resolution	Scrapped
Office equipment and appliances	221,200	219,763	1,437	-	(1,437)	Board Resolution	Scrapped
Computer equipments	505,770	505,745	25	-	(25)	Board Resolution	Scrapped
Vehicle	958,000	766,400	191,600	650,000	458,400	Negotiation	Dr. Salma Sophie 87/1, 14th Lane, Phase VII, D.H.A., Karachi.
Vehicle	737,805	441,222	296,583	685,000	388,417	Negotiation	Qazi Niaz Ahmed Lal Kothi No. 9, Shalimar Town, Lahore.
	<u>2,432,910</u>	<u>1,941,391</u>	<u>491,519</u>	<u>1,335,000</u>	<u>843,481</u>		
Leased							
Vehicle	619,000	557,100	61,900	61,900	-	Transfer	S & S Communication (Pvt) Ltd. 119-F, Block-2, P.E.C.H.S., Karachi-74500
	<u>619,000</u>	<u>557,100</u>	<u>61,900</u>	<u>61,900</u>	<u>-</u>		
2003	<u>3,051,910</u>	<u>2,498,491</u>	<u>553,419</u>	<u>1,396,900</u>	<u>843,481</u>		
2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

	2003 Rupees	2002 Rupees
10. STOCK-IN-TRADE		
In hand	30,377,781	27,965,210
In bonded warehouse	69,060,308	27,928,582
In transit	10,221,657	23,867,147
	<u>109,659,746</u>	<u>79,760,939</u>

10.1 The above includes stocks pledged (note 4) and hypothecated for obtaining financing facilities from the bank.

	2003 Rupees	2002 Rupees
11. TRADE DEBTS - Unsecured		
Considered good	22,633,199	18,219,009
Considered doubtful	790,316	1,215,316
	<u>23,423,515</u>	<u>19,434,325</u>
Less: Provision for doubtful debts	790,316	1,215,316
	<u>22,633,199</u>	<u>18,219,009</u>

12. INVESTMENTS – Held for trading

2002	2003		2003 Rupees		2002 Rupees
No. of units/ shares of Rupees 10 each	No. of units/ shares of Rupees 10 each	Name of investee Company	Original Cost	Fair Value	
105,000	105,000	National Investment (Unit) Trust	1,615,250	2,367,750	1,270,500
115,000	–	Hub Power Company Ltd.	–	–	2,668,000
35,000	20,000	Sui Northern Gas Pipelines Ltd.	273,414	662,000	483,000
125,000	25,000	Pakistan Telecommuni- cation Company Ltd.	426,750	711,250	2,143,750
70,000	57,000	Crescent Steel and Allied Products Limited	1,419,789	4,731,000	2,310,000
–	20,000	4th ICP Mutual Fund	547,000	818,000	–
			<u>4,282,203</u>	<u>9,290,000</u>	<u>8,875,250</u>

	2003 Rupees	2002 Rupees
13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances to suppliers	1,267,500	–
Deposits - considered good	1,126,980	406,254
- considered doubtful	137,946	137,946
	<hr/>	<hr/>
	1,264,926	544,200
Less: Provision for doubtful deposits	137,946	137,946
	<hr/>	<hr/>
	1,126,980	406,254
Prepayments	230,156	212,838
Octroi refundable	–	9,113
Customs dues refundable	–	100,022
Sales tax refundable	193,996	–
Other receivable - considered good	–	53,417
- considered doubtful	–	4,200
	<hr/>	<hr/>
	–	57,617
Less: Provision for doubtful receivable	–	4,200
	<hr/>	<hr/>
	–	53,417
	<hr/>	<hr/>
	2,818,632	781,644
	<hr/> <hr/>	<hr/> <hr/>
14. CASH AND BANK BALANCES		
Cash in hand	7,144	142,550
Cash at bank on:		
– PLS savings account	4,857,519	29,525,145
– Current accounts	346,353	1,844,101
	<hr/>	<hr/>
	5,211,016	31,511,796
	<hr/> <hr/>	<hr/> <hr/>
15. COST OF GOODS SOLD		
Opening stock as at July 01	27,965,210	25,607,879
Add: Purchases	292,354,361	257,279,538
Less: Closing stock as at June 30	(30,377,781)	(27,965,210)
	<hr/>	<hr/>
	289,941,790	254,922,207
	<hr/> <hr/>	<hr/> <hr/>

	2003 Rupees	2002 Rupees
16. OPERATING EXPENSES		
Salaries and other staff benefits (note 16.1)	4,027,066	3,602,661
Staff gratuity (note 16.2)	438,445	193,262
Rent, rates and taxes	386,005	382,778
Postage and telephone	589,408	667,010
Printing and stationery	200,961	155,345
Fees and subscriptions	275,684	323,505
Staff training	123,290	8,900
Travelling and conveyance	792,988	773,719
Entertainment	87,090	64,628
Repairs and maintenance	290,382	151,365
Vehicle running and maintenance	521,627	446,955
Electricity	336,222	532,907
Depreciation	2,059,341	2,183,936
Amortization - intangible assets	221,751	-
Advertisement and publicity	185,741	245,893
Packing material	346,338	98,898
Insurance	478,377	559,921
Security charges	263,085	256,800
Freight and forwarding	110,751	108,713
Legal and professional charges	233,063	503,642
Zakat	43,800	26,913
Others	10,126	13,914
	12,021,541	11,301,665

16.1 Remuneration of officers and employees

	2003			2002		
	Officers	Employees	Total	Officers	Employees	Total
	Rupees					
Remuneration	1,232,560	1,332,623	2,565,183	1,083,300	1,126,222	2,209,522
Allowances	536,858	700,866	1,237,724	464,522	598,837	1,063,359
Medical expenses reimbursed	69,784	154,375	224,159	207,263	122,517	329,780
Gratuity	114,357	324,088	438,445	64,255	129,007	193,262
	1,953,559	2,511,952	4,465,511	1,819,340	1,976,583	3,795,923
Number of persons	7	23	30	6	19	25

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

16.2 The management believe that provision made towards unfunded gratuity scheme covers modaraba's obligation and no shortfall in the liability would arise under the scheme.

	2003	2002
	Rupees	Rupees
17. OTHER CHARGES		
Auditors' remuneration (note 17.1)	164,360	136,625
	<u>164,360</u>	<u>136,625</u>
17.1 Auditors' remuneration		
Audit fee	80,000	75,000
Half yearly review fee	25,000	–
Registration and other services	36,000	46,611
Out-of-pocket expenses	23,360	15,014
	<u>164,360</u>	<u>136,625</u>
18. OTHER INCOME		
Dividend Income	819,750	1,857,350
Profit on PLS savings account	619,710	919,921
Gain on sale of shares	1,653,538	1,003,990
Provision for appreciation in the value of investments	4,872,168	919,834
Exchange gain	2,266,295	423,152
Reversal of provision for doubtful debts	413,000	76,577
Gain on disposal of fixed assets	843,481	–
Income from leasing operation	168,253	244,579
Profit on musharika investment	–	82,895
	<u>11,656,195</u>	<u>5,528,298</u>
19. TAXATION		
Current		
– for the year	18,955,000	18,100,000
– for prior year	1,935	(744,625)
	<u>18,956,935</u>	<u>17,355,375</u>

The income of the Modaraba is taxed under presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. The taxes deducted at source are considered as final discharge of liability of the Modaraba.

Under clause (18), Part II of Second schedule to the Income Tax Ordinance, 2001, the Modaraba is liable to be taxed @ 25% on its income. However, tax charge due to presumptive tax regime is much higher than on a normal tax basis.



Income tax assessments of Modaraba are finalized upto and including the assessment year 2002-2003 resulting in tax refunds aggregating to Rs. 1,640,664.

Deferred

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

	2003 Rupees	2002 Rupees
20. EARNINGS PER CERTIFICATE - Basic		
Profit after taxation (Rupees)	20,128,181	19,103,859
Number of modaraba certificates issued	3,000,000	3,000,000
Earnings per certificate (Rupees)	6.71	6.37

21. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

21.1 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:

	2003 Rupees	2002 Rupees
Trade debts	22,633,199	18,219,009
Other receivables	1,126,980	459,671
	<u>23,760,179</u>	<u>18,678,680</u>

21.2 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:

	2003		2002	
	Rupees	%	Rupees	%
Chemicals	12,957,311	54	14,732,517	79
Health and pharmaceuticals	9,675,888	41	3,486,492	19
Others	1,126,980	5	439,671	2
	<u>23,760,179</u>	<u>100</u>	<u>18,658,680</u>	<u>100</u>

22. CURRENCY RISK

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

The Modaraba covers its credit risk by monitoring foreign currency fluctuations and by obtaining forward exchange cover, if deemed necessary.

Following is the detail of currency risk of the Modaraba at the balance sheet date.

	2003	2002
US Dollars	649,199	933,723
British Pound Sterling	81,388	61,845
Euro	25,230	53,118

23. 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.

24. 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:

	2003				2002			
	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	-	-	22,633,199	22,633,199	-	-	18,219,009	18,219,009
Investments	-	-	9,290,000	9,290,000	-	-	8,875,250	8,875,250
Other receivables	-	-	1,126,980	1,126,980	-	-	459,671	459,671
Cash and bank balances	4,857,519	-	353,497	5,211,016	29,525,145	-	1,986,651	31,511,796
	4,857,519	-	33,403,676	38,261,195	29,525,145	-	29,540,581	59,065,726
Financial Liabilities								
Creditors, accrued and other liabilities	-	-	50,816,396	50,816,396	-	-	68,979,737	68,979,737
Obligation under murabaha	-	-	25,157,500	25,157,500	-	-	-	-
Proposed profit distribution	-	-	15,000,000	15,000,000	-	-	15,000,000	15,000,000
	-	-	90,973,896	90,973,896	-	-	83,979,737	83,979,737
On-balance sheet gap (a)	4,857,519	-	(57,570,220)	(52,712,701)	29,525,145	-	(54,439,156)	(24,914,011)
Total profit rate sensitivity gap	4,857,519	-	-	-	29,525,145	-	-	-

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

(b) The effective profit rates for financial assets and liabilities are as follows:

	2003	2002
Financial Assets		
Cash and bank balances	4%	8%

25. 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.

	2003 Rupees	2002 Rupees
26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sale of goods	285,600	-
Reimbursement of / reimbursable expenses	254,885	672,279
Modaraba Company's management fee	2,941,890	2,744,243
Receipts of Qard-e-Hasan from Modaraba Company	18,100,000	1,800,000
Repayments of Qard-e-Hasan to Modaraba Company	18,100,000	1,800,000



27. NUMBER OF EMPLOYEES

Total number of employees as at year-end are 30 (2002: 25).

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors of the modaraba company and authorised for issue on September 04, 2003.

29. CORRESPONDING FIGURES

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

Naveed Riaz
Chief Executive

Ameed Riaz
Director

Saadat Ikram
Director



FIRST IMROOZ MODARABA

**PATTERN OF HOLDINGS OF THE CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2003**

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

Number of Certificate Holders	:	Certificate Holders From	:	To	:	Total Certificates Held
–	:	1	:	50	:	–
1	:	51	:	100	:	100
662	:	101	:	500	:	342,800
5	:	501	:	1000	:	4,500
4	:	1001	:	5000	:	12,700
1	:	5001	:	10000	:	8,700
20	:	10001	:	above	:	2,631,200
693						3,000,000

Categories of Certificate Holders	:	Number	:	Certificates Held	:	Percentage
Individuals	:	690	:	2,399,000	:	79.96
Investment Companies	:	–	:	–	:	–
Insurance Companies	:	–	:	–	:	–
Joint Stock Companies	:	2	:	1,000	:	0.04
Financial Institutions	:	–	:	–	:	–
Modaraba Company	:	1	:	600,000	:	20.00
Others	:	–	:	–	:	–
	:	693	:	3,000,000	:	100.00



**CERTIFICATE HOLDERS INFORMATION
AS PER REQUIREMENT OF LISTING REGULATIONS**

ASSOCIATED COMPANIES	SHARES HELD
A R Management Services (Pvt) Limited Modaraba Management Company	600,000
DIRECTORS, CEO THEIR SPOUSE & MINOR CHILDREN	
Mr. Naveed Riaz	240,300
Mr. Ameer Riaz	240,200
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

CERTIFICATE HOLDERS HOLDING 10% OR MORE

A R Management Services (Pvt) Limited

TRADES IN THE MODARABA CERTIFICATES

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



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The Board states that process of implementing the facets of the Code of Corporate Governance issued under the listing regulations by the Karachi Stock Exchange have been completed. This statement is being presented to comply with the relevant provisions of the Code of Corporate Governance.

September 04, 2003

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 Management Company) representing First Imrooz Modaraba (the Modaraba) to comply with the Listing Regulation No. 37 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 04, 2003



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that fourth Annual Review Meeting of First Imrooz Modaraba will be held on Wednesday the 15th October, 2003 at 11:30 a.m. at Registered Office of the Modaraba Company at 33-C, Behind Mall Mansion, Shahrah-e-Quaid-e-Azam, Lahore.

By order of the Board

September 04, 2003

Shabbir Ahmed Jamsa
COMPANY SECRETARY

Note:

1. The Certificate Transfer Book of the Modaraba will remain closed from October 08, 2003 to October 15, 2003 (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

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