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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

|  |  |
|--|--|
| <b>Modaraba Company</b>                          | : A R Management Services (Private) Ltd.   |
| <b>Directors of Modaraba Company</b>             | : Mr. Naveed Riaz - Chief Executive<br>Mrs. Saadat Ikram<br>Mr. Ameer Riaz<br>Mr. Omar Mohammad Khan |
| <b>Chief Financial Officer</b>                   | : Mr. Ateed Riaz   |
| <b>Audit Committee</b>                           | : Mr. Omar Mohammad Khan (Chairman)<br>Mrs. Saadat Ikram (Member)<br>Mr. Ameer Riaz (Member)         |
| <b>Company Secretary</b>                         | : Mr. Shabbir Ahmed Jamsa  |
| <b>Chief Internal Auditor</b>                    | : Mr. Mohammad Numan Baig  |
| <b>Auditors</b>                                  | : M/s. Syed Husain & Co.<br>Chartered Accountants  |
| <b>Bankers</b>                                   | : Soneri Bank Limited<br>Habib Bank Limited  |
| <b>Legal Advisors</b>                            | : Mr. Akram Zuberi<br>Advocate, Supreme Court of Pakistan  |
| <b>Principal place of business</b>               | : 119-120, Qamar House<br>M. A. Jinnah Road<br>Karachi.  |
| <b>Registered Office of the Modaraba Company</b> | : 33-C, Behind Mall Mansion,<br>Shahrah-e-Quaid-e-Azam,<br>Lahore.                                   |
| <b>Share Registration Office</b>                 | : M/s. Syed Husain & Co.<br>1st Floor, Modern Motors House,<br>Beaumont Road,<br>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;



FIRST IMROOZ 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<br>Rupees | 2002<br>Rupees |
|--|------|----------------|----------------|
| <b>CAPITAL AND RESERVES</b>  |      |                |                |
| Authorized capital<br>10,000,000 modaraba certificates of<br>Rs. 10 each                                       |      | 100,000,000    | 100,000,000    |
| Issued, subscribed and paid up capital<br>3,000,000 modaraba certificates of<br>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     |
| <b>DEFERRED LIABILITY - staff gratuity</b>   |      | 1,938,416      | 1,672,546      |
| <b>CURRENT LIABILITIES</b>   |      |                |                |
| 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     |
| <b>CONTINGENCIES AND COMMITMENTS</b>   | 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<br>Rupees | 2002<br>Rupees |
|--|------|----------------|----------------|
| <b>INTANGIBLE ASSET</b>                                  | 8    | 665,249        | –              |
| <b>TANGIBLE FIXED ASSETS</b>                             | 9    | 3,947,897      | 4,369,090      |
| <b>CURRENT ASSETS</b>                                    |      |                |                |
| 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<br>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<br>Rupees     | 2002<br>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**

|   | <b>2003</b>             | <b>2002</b>              |
|---|-------------------------|--------------------------|
|   | <b>Rupees</b>           | <b>Rupees</b>            |
| <b>Cash flows from operating activities</b>                 |                         |                          |
| 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             | <u>34,022,466</u>       | <u>36,836,031</u>        |
| 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                    | <u>(23,272,667)</u>     | <u>35,423,621</u>        |
| <i>Cash generated from operations</i>                       | <u>(25,187,186)</u>     | <u>45,811,052</u>        |
| Gratuity paid   | (172,575)               | (264,684)                |
| Income taxes paid   | <u>(15,416,625)</u>     | <u>(19,481,273)</u>      |
| <i>Net cash generated from operations</i>                   | <u>(40,776,386)</u>     | <u>26,065,095</u>        |
| <b>Cash flows from investing activities</b>                 |                         |                          |
| 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>                | <u>4,429,289</u>        | <u>(5,637,574)</u>       |
| <b>Cash flows from financing activities</b>                 |                         |                          |
| Obligation under murabaha finance                           | 25,157,500              | -                        |
| Profit distribution   | (15,111,183)            | (13,606,278)             |
|   | <u>10,046,317</u>       | <u>(13,606,278)</u>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <u>(26,300,780)</u>     | <u>6,821,243</u>         |
| Cash and cash equivalents as at July 1                      | <u>31,511,796</u>       | <u>24,690,553</u>        |
| <b>Cash and cash equivalents as at June 30</b>              | <u><u>5,211,016</u></u> | <u><u>31,511,796</u></u> |

**Naveed Riaz**  
Chief Executive

**Ameed Riaz**  
Director

**Saadat Ikram**  
Director

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

|                                      | <b>Issued,<br/>subscribed<br/>and paid-up<br/>capital</b> | <b>Statutory<br/>reserve</b> | <b>Un-<br/>appropriated<br/>profit</b> | <b>Total</b>      |
|--------------------------------------|---|------------------------------|--|-------------------|
|                                      | ..... Rupees .....  |                              |  |                   |
| <b>Balance as at June, 2001</b>      | <b>30,000,000</b>   | <b>21,862,608</b>            | <b>2,517,691</b>                       | <b>54,380,299</b> |
| 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)      |
| <b>Balance as at June 30, 2002</b>   | <b>30,000,000</b>   | <b>25,683,380</b>            | <b>2,800,778</b>                       | <b>58,484,158</b> |
| 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)      |
| <b>Balance as at June 30, 2003</b>   | <b>30,000,000</b>   | <b>29,709,016</b>            | <b>3,903,323</b>                       | <b>63,612,339</b> |

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 state ments. 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 pe ri od fi nan cial state ments.

#### **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 ba sis of last drawn sal ary and length of serv ice of the eli gi ble em ploy ees.

#### **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 ef fec tively the same as in the case of lease re corded as fi nance leases in ac cor dance with IAS 17. Costs per tain ing to op er at ing leases, if any are charged to in come.

#### **2.7 Intangible assets**

Intangible asset is stated at cost less amortization. Cost of the asset is am ortized on a straight line ba sis over a pe ri od of four years.

#### **2.8 Operating fixed assets and depreciation**

Operating fixed as sets are stated at cost less ac cu mu lated de pre cia tion. De pre cia tion is charged to in come ap ply ing the straight line method whereby the cost of an as set 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 dis posal of fixed as sets are in cluded in in come cur rently.

#### **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.

|   | <b>2003<br/>Rupees</b> | <b>2002<br/>Rupees</b> |
|---|------------------------|------------------------|
| <b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>  |                        |                        |
| 3,000,000 (2002: 3,000,000)<br>modaraba certificates of<br>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.

|  | <b>2003</b><br><b>Rupees</b> | <b>2002</b><br><b>Rupees</b> |
|--|------------------------------|------------------------------|
| <b>5. CREDITORS, ACCRUED AND OTHER LIABILITIES</b> |                              |                              |
| 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.

|                                  | <b>2003</b><br><b>Rupees</b> | <b>2002</b><br><b>Rupees</b> |
|----------------------------------|------------------------------|------------------------------|
| <b>6. PROFIT DISTRIBUTION</b>    |                              |                              |
| 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<br>Rupees | 2002<br>Rupees |
|---------------------------------|----------------|----------------|
| <b>8. INTANGIBLE ASSETS</b>     |                |                |
| 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 .....              |                    |  |                     |                    |                                     |                     |  |                                  |
| <b>Owned</b>                    |                    |  |                     |                    |                                     |                     |  |                                  |
| Furniture and fixtures          | 193,270            | 106,167<br>(10,135)                    | 289,302             | 89,540             | 28,931<br>(8,261)                   | 110,210             | 179,092                                | 10                               |
| Office equipment and appliances | 1,452,394          | 94,100<br>(221,200)                    | 1,325,294           | 1,023,020          | 165,147<br>(219,763)                | 968,404             | 356,890                                | 20                               |
| Computer equipments             | 1,822,421          | 484,900<br>(505,770)                   | 1,801,551           | 1,408,330          | 349,572<br>(505,745)                | 1,252,157           | 549,394                                | 25                               |
| Vehicles                        | 8,263,428          | 1,506,400<br>(1,695,805)               | 8,074,023           | 5,030,183          | 1,388,941<br>(1,207,622)            | 5,211,502           | 2,862,521                              | 20                               |
|                                 | 11,731,513         | 2,191,567<br>(2,432,910)               | 11,490,170          | 7,551,073          | 1,932,591<br>(1,941,391)            | 7,542,273           | 3,947,897                              |                                  |
| <b>Leased out</b>               |                    |  |                     |                    |                                     |                     |  |                                  |
| Vehicle                         | 619,000            | –<br>(619,000)                         | –                   | 430,350            | 126,750<br>(557,100)                | –                   | –                                      | Note 2.6                         |
|                                 | 619,000            | (619,000)                              | –                   | 430,350            | 126,750<br>(557,100)                | –                   | –                                      |                                  |
| 2003                            | 12,350,513         | 2,191,567<br>(3,051,910)               | 11,490,170          | 7,961,423          | 2,059,341<br>(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 .....              |                  |                          |                |                  |                          |                  |   |
| <b>Owned</b>                    |                  |                          |                |                  |                          |                  |   |
| 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<br>87/1, 14th Lane,<br>Phase VII, D.H.A.,<br>Karachi.            |
| Vehicle                         | 737,805          | 441,222                  | 296,583        | 685,000          | 388,417                  | Negotiation      | Qazi Niaz Ahmed<br>Lal Kothi No. 9,<br>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>           |                  |   |
| <b>Leased</b>                   |                  |                          |                |                  |                          |                  |   |
| Vehicle                         | 619,000          | 557,100                  | 61,900         | 61,900           | -                        | Transfer         | S & S Communication<br>(Pvt) Ltd. 119-F,<br>Block-2, P.E.C.H.S.,<br>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>                 |                  |   |

|                           | <b>2003<br/>Rupees</b> | <b>2002<br/>Rupees</b> |
|---------------------------|------------------------|------------------------|
| <b>10. STOCK-IN-TRADE</b> |                        |                        |
| 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<br>Rupees    | 2002<br>Rupees    |
|------------------------------------|-------------------|-------------------|
| <b>11. TRADE DEBTS - Unsecured</b> |                   |                   |
| 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<br>Rupees   |                  | 2002<br>Rupees   |
|---|---|---|------------------|------------------|------------------|
| No. of units/<br>shares of<br>Rupees<br>10 each | No. of units/<br>shares of<br>Rupees<br>10 each | Name of investee<br>Company                   | Original<br>Cost | Fair<br>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<br>Pipelines Ltd.            | 273,414          | 662,000          | 483,000          |
| 125,000   | 25,000  | Pakistan Telecommuni-<br>cation Company Ltd.  | 426,750          | 711,250          | 2,143,750        |
| 70,000  | 57,000  | Crescent Steel and Allied<br>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> |

|  | <b>2003</b>   | <b>2002</b>   |
|--|---------------|---------------|
|  | <b>Rupees</b> | <b>Rupees</b> |
| <b>13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b> |               |               |
| 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/>   |
| <b>14. CASH AND BANK BALANCES</b>                                |               |               |
| 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/>   |
| <b>15. COST OF GOODS SOLD</b>                                    |               |               |
| 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<br>Rupees | 2002<br>Rupees |
|---|----------------|----------------|
| <b>16. OPERATING EXPENSES</b>                 |                |                |
| 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<br>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.

|  | <b>2003</b>       | <b>2002</b>       |
|--|-------------------|-------------------|
|  | <b>Rupees</b>     | <b>Rupees</b>     |
| <b>17. OTHER CHARGES</b>                               |                   |                   |
| Auditors' remuneration (note 17.1)                     | 164,360           | 136,625           |
|  | <u>164,360</u>    | <u>136,625</u>    |
| <b>17.1 Auditors' remuneration</b>                     |                   |                   |
| 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>    |
| <b>18. OTHER INCOME</b>                                |                   |                   |
| 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>  |
| <b>19. TAXATION</b>                                    |                   |                   |
| 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.

|   | <b>2003</b><br><b>Rupees</b> | <b>2002</b><br><b>Rupees</b> |
|---|------------------------------|------------------------------|
| <b>20. EARNINGS PER CERTIFICATE - Basic</b> |                              |                              |
| 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:

|                   | <b>2003</b><br><b>Rupees</b> | <b>2002</b><br><b>Rupees</b> |
|-------------------|------------------------------|------------------------------|
| 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 |                    |              |
| <b>Financial Assets</b>                  | 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   |
| <b>Financial Liabilities</b>             |                     |                       |                    |              |                     |                       |                    |              |
| 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 |
|-------------------------|------|------|
| <b>Financial Assets</b> |      |      |
| 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<br>Rupees | 2002<br>Rupees |
|--|----------------|----------------|
| <b>26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b> |                |                |
| 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)

| <b>Number of<br/>Certificate Holders</b> | <b>:</b> | <b>Certificate Holders<br/>From</b> | <b>:</b> | <b>To</b> | <b>:</b> | <b>Total Certificates<br/>Held</b> |
|--|----------|-------------------------------------|----------|-----------|----------|------------------------------------|
| –  | :        | 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                          |

| <b>Categories of Certificate Holders</b> | <b>:</b> | <b>Number</b> | <b>:</b> | <b>Certificates<br/>Held</b> | <b>:</b> | <b>Percentage</b> |
|--|----------|---------------|----------|------------------------------|----------|-------------------|
| 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**

| <b>ASSOCIATED COMPANIES</b>  | <b>SHARES HELD</b> |
|--|--------------------|
| A R Management Services (Pvt) Limited<br>Modaraba Management Company | 600,000            |

**DIRECTORS, CEO THEIR  
SPOUSE & MINOR CHILDREN**

|                   |                 |         |
|-------------------|-----------------|---------|
| Mr. Naveed Riaz   | Chief Executive | 240,300 |
| Mr. Ameer Riaz    | Director        | 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.

# NINTH ANNUAL REPORT 2003

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FIRST IMROOZ MODARABA