

First UDL Modaraba

Annual Report 1996

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CORPORATE INFORMATION

MODARABA COMPANY

UDL Modaraba Management (Private) Limited

BOARD OF DIRECTORS

Abdul Malik	Chairman
Khalid Malik	Chief Executive
Rashid Abdulla	Director
Tausif Ahmed Hashmi	Director
Mahmood Ahmed - Nominee Crescent Investment Bank Limited	Director
A. W. Rahi	Managing Director

COMPANY SECRETARY

Zubair Razzak Palwala

AUDITORS

Sidat Hyder Qamar Maqbool & Co.
Chartered Accountants

BANKERS

Muslim Commercial Bank Ltd.
Habib Bank Limited.
Citibank N. A.
ANZ Grindlays Bank Ltd.
Security Investment Bank Ltd.

REGISTRAR

Gangjees Investment & Finance Consultants
513 Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5 Clifton, Karachi.

REGISTERED OFFICE

N.I.C. Building, 1st Floor, Abbasi Shaheed Road,
Off Shahrah-e-Faisal, Karachi.

Directors' Report

The Board of Directors of UDL Modaraba Management (Private) Limited have pleasure in presenting the fifth annual report of First UDL Modaraba together with the audited financial statements for the year ended June 30, 1996.

1. Operating Results

Following are the summarized results for the year under report:

	Rupees ('ooo')
- Profit/(Loss) for the year after tax	(44,180)
- Unappropriated profits brought forward	8,534

Profit/(Loss) carried forward to 1996-97	(35,646)
	=====

2. Review of Operations

The Modaraba has reported an operating loss for the year, as anticipated. The management took a loss of around Rs. 50.0 million on disposal of and by way of provision for diminution in the value of investment as a part of diversification plans. Hence, an operating loss.

As reported previously, the management has taken a strategic decision to diversify from "Stock Market Operations!", hitherto carried as principal business of the Modaraba, into "Leasing" as core business activity. This policy decision was taken by the directors on the strength of funding support of US Dollars 17.5 million committed by IFC under the Income Notes Agreement.

We are pleased to report that IFC has already disbursed US Dollars 10.0 million by way of subscription to "A" series Income Notes under the Agreement. These funds were available for utilisation from early March 1996. We also take pleasure to report that in a period of three months, upto June 30, 1996, the Modaraba has written quality leases worth Rs. 303.0 million prime cost while the net disbursement was Rs. 262.0 million. This was made possible because substantial number of leasing proposals were already under process in anticipation of IFC funding.

Barring loss on investment portfolio, as delineated above, Modaraba's other business activities performed well during the year. While operational expenses of the Modaraba had been kept under control, full provisions have been made in the accounts for the debts doubtful of recovery and for diminution in the value of investment, as guided by conservative prudence besides as required under NBFI Regulations.

3. Future Outlook

- The Modarabas continue to pass through adverse circumstances and also suffer from negative perception as explained in our past reports.

As part of the financial sector, leasing falls in the auxiliary industry and as such its growth directly depends on the growth of industrial sector. Prevalent economic situation and fiscal measures taken by the government have adversely affected the business sector. Long bearish spell at the stock market simply reflects the situation as a barometer.

Central Excise Duty (CED) imposed on leasing transactions and anomaly on the availability of refund or adjustment in respect of Sales Tax on the items of plant and machinery subject of lease would make the leasing costlier than before and consequently a discouraging factor.

In the light of above factors, a moderate growth in leasing industry is expected in the short term, particularly for 1996-97. However, longer term outlook for leasing industry remains promising as economic fundamentals continue to improve. By now the leasing industry, has established its niche and is playing its due role in the country's economy'. As such, this temporary slow down after constant and strong growth in the past 7-8 years would be taken by' the leasing entities as a breather for consolidation and re-strengthening themselves with a view to meeting the future challenges and opportunities.

As regards your Modaraba, the management has since carried out the diversification plans, providing for all the possible losses in respect of investments and debts doubtful of recovery,. Thus with a clean slate and long term funds provided by IFC, your Modaraba is fully geared up to achieve sustained growth with good profitability expectations in the years to come. We pray to Allah to bless our endeavours.

4. Directors

We welcome Mr. A.W. Rahi on the board as Managing Director. He brings with him long and rich experience in modaraba and leasing industry.

5. Auditors

The present auditors, M/s. Sidat Hyder Qamar Maqbool & Co., Chartered Accountants are due for retirement, and being eligible, offer themselves for reappointment for the year 1996-97.

6. Acknowledgment

The directors wish to place on record their appreciation and thanks to certificate holders for their continued confidence in the Modaraba, to the authorities for their guidance and to all the members of management and staff for their dedication and hard work.

On behalf of the Board

Sd/

KHALID MALIK

Chief Executive

Karachi: December 18, 1996

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet as at 30th June 1996 and the related profit and loss account and statement of changes in financial position, together with the notes to the accounts, for the year ended 30th June 1996 of FIRST UDL MODARABA which are Modaraba company's [UDL Modaraba Management (Private) Limited] representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

a) in our opinion, proper books of account have been kept by the Modaraba company in respect of First UDL

Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980; and Modaraba Companies and Modaraba Rules, 1981;

b) in our opinion, the balance sheet and the profit and loss account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981; and

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

i) the balance sheet and the related profit and loss account and statement of changes in financial position, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the Modaraba's affairs as at 30 June 1996; and the loss and the cash flows for the year ended on that date;

ii) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

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

We wish to emphasize that the Modaraba has pursued the currently prevailing practice and form of documenting Morabaha and Musharika transactions. These documents, are in accord with the approval of the Religious Board. The execution of such Morabaha and Musharika transactions need to be brought in greater conformity with the spirit of such documents.

Sd/-

SIDAT HYDER QAMAR MAQBOOL & CO.

Karachi: December 18, 1996

Chartered Accountants

Balance Sheet As At June 30, 1996

	Note	1996 Rupees	1995 Rupees
Capital and Reserves			
Capital			
Authorised			
50,000,000 (1995: 35,000,000) Modaraba Certificates of Rs. 10/- each		500,000,000	350,000,000
		=====	=====
Issued, subscribed and paid-up	3	263,865,890	249,377,040
Subscription received against right issue		-	14,488,850
Statutory reserve		22,591,623	22,591,623
Accumulated (loss) / profit		(35,646,699)	8,533,801
		-----	-----
		(13,055,076)	31,125,424
		-----	-----
		250,810,814	294,991,314
Redeemable capital - Secured	4	362,906,737	19,606,737
Morabaha payable - Secured	5	175,326,500	743,400
Security deposits		43,498,294	3,713,673
Current Liabilities			
Current portion of Morabaha payable		54,757,375	573,240
Short-term Musharika and Morabaha payable	6	28,857,773	101,207,721
Creditors, accrued and other liabilities	7	31,990,196	65,803,693
Due to associated companies		4,183,790	2,135,107
Taxation		1,139,285	2,530,391
		-----	-----
		120,928,419	172,250,152
		-----	-----
Contingencies	8	-	-
		-----	-----
		953,470,764	491,305,276
		=====	=====
Fixed Assets - Tangible			
Assets in own use	9	5,205,689	5,787,409
Assets leased out	10	308,700,728	55,846,639
		-----	-----
Long-term deposits and deferred costs	11	5,134,443	2,372,130

Long-term investments	12	401,236,399	257,226,041
Venture capital		2,700,000	2,700,000
Current Assets			
Stock-in-trade		-	17,600,000
Short-term investments	13	41,591,906	-
Trade debts	14	74,649,645	24,029,777
Musharika receivables	15	7,312,510	55,652,189
Advances, deposits, prepayments and other receivables	16	22,857,121	11,514,501
Cash and bank balances	17	84,082,323	58,576,590
		-----	-----
		230,493,505	167,373,057
		-----	-----
		953,470,764	491,305,276
		=====	=====

Auditors' Report Annexed

The annexed notes form an integral part of these accounts.

KHALID MALIK	ABDUL MALIK	A.W. RAHI
Chief Executive	Director	Director
UDL Modaraba Management (Private) Limited	UDL Modaraba Management (Private) Limited	UDL Modaraba Management (Private) Limited

Profit And Loss Account
For The Year Ended dune 30, 1996

	Note	1996 Rupees	1995 Rupees
Revenue from:			
Leasing operations	18	51,386,789	30,458,262
Morabahas		1,917,506	37,135.70
Musharikas		5,256,436	11,994,076
Investments	19	3,757,702	11,841,961
Trading	20	(1,600,000)	(395,000)
Other sources	21	338,847	6,086,448
		-----	-----
		61,057,280	63,699,317
Expenditure			
Administrative expenses	22	14,315,461	11,778,059
Amortization on assets leased out	10	32,661,083	20,935,029
Financial charges	23	21,865,093	15,824,187
		-----	-----
		68,841,637	48,537,275
		-----	-----
		(7,784,357)	15,162,042
Provision for:			
Diminution in the value of investments		-29,352,927	-750,000
Doubtful debts		(6,723,899)	(2,457,211)
		-----	-----
		-36,076,826	(3,207,211)
		-----	-----
		(43,861,183)	11,954,831
Prior year adjustments		-	2,493,926
		-----	-----
		(43,861,183)	14,448,757
Modaraba Company's management fee		-	1,313,523
		-----	-----
(Loss)/Profit before taxation		(43,861,183)	13,135,234
Taxation		319,317	2,625,000
		-----	-----
(Loss)/Profit after taxation		(44,180,500)	10,510,234
Unappropriated profit brought forward		8,533,801	125,614
		-----	-----
(Loss)/Profit available for appropriation		(35,646,699)	10,635,848

Appropriations		
Transfer to statutory reserve	-	2,102,047
	-----	-----
Accumulated (loss)/profit carried forward	(35,646,699)	8,533,801
	=====	=====

The annexed notes form an integral part of these accounts.

Statement of Changes In Financial Position
(Cash Flow Statement)
For The Year Ended June 30, 1996

	1996	1995
	Rupees	Rupees
Cash Flow From Operating Activities		
(Loss)/Profit before taxation	(43,861,183)	13,135,234
Adjustment of non cash items:		
Depreciation on own assets	1,506,798	1,363,875
Amortization on:		
- assets leased out	32,661,083	20,935,029
- deferred costs	1,839,523	1,091,362
(Gain)/loss on sale of fixed assets		
- own assets	(143,973)	-
- assets leased out	109,572	37,459
Dividend income	(1,514,466)	(2,939,040)
	-----	-----
	(9,402,646)	33,623,919
(Increase)/decrease in operating assets		
Stock-in-trade	17,600,000	(15,725,000)
Trade debts	(50,619,868)	34,026,251
Musharika receivables	48,339,679	54,550,199
Short-term investments	(41,591,906)	99,045,257
Advances, deposits, prepayments and other receivables	(13,110,986)	(8,176,089)
	-----	-----
	(39,383,081)	163,720,618
Increase/(decrease) in current liabilities		
Short-term Musharika and Morabaha	(72,349,948)	75,860,883
Creditors, accrued and other liabilities	(33,813,497)	33,533,558
Due to associated companies	2,048,683	-2,981,111
	-----	-----
	(104,114,762)	106,413,330
	-----	-----
Net cash flow from operating activities	(152,900,489)	303,757,867
Income tax paid	(1,805,032)	(94,609)
	-----	-----
Net cash flow from operating activities after tax	(154,705,521)	303,663,258
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets		
- own assets	(956,105)	(5,006,388)
- assets leased out	(287,958,390)	(20,562,547)
Venture capital	-	(2,700,000)
Long-term deposits	(4,601,836)	(1,633,158)
Long-term investments	(144,010,358)	257,226,041)
Proceeds from sale of fixed assets		
- own assets	175,000	-
- assets leased out	2,333,646	213,998
Dividend received	3,377,441	836,315
	-----	-----
Net cash flow from investing activities	(431,640,602)	(286,077,821)
CASH FLOW FROM FINANCING ACTIVITIES		
Subscription received against right shares	-	14,488,850
Redeemable capital	343,300,000	(6,535,580)
Proceeds/(Repayment) of Morabaha	228,767,235	(573,240)

Long-term security deposits	39,784,621	(669,149)
	-----	-----
Net cash flow from financing activities	611,851,856	6,710,881
	-----	-----
Net cash flow after financing activities	25,505,733	24,296,318
Cash and bank at the beginning of the year	58,576,590	34,280,272
	-----	-----
Cash and bank at the end of the year	84,082,323	58,576,590
	=====	=====

Notes To The Accounts

For The Year Ended June 30, 1996

1. LEGAL STATUS AND NATURE OF BUSINESS

First UDL Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by UDL Modaraba Management (Private) Limited. It is a perpetual, multipurpose and multidimensional Modaraba and is engaged in providing finance on Morabaha and Musharika arrangements, leasing, commodity trading and trading in listed and non-interest bearing securities.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Overall valuation policy

These accounts have been prepared on the basis of historical cost 'convention'.

2.2 Staff retirement benefits

The Modaraba operates approved Provident Fund Scheme covering all its employees who are eligible under the scheme. Equal monthly contributions are made by the Modaraba and the employees to the Fund.

2.3 Fixed assets

2.3.1 Assets in own use and depreciation

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 while no depreciation is charged on assets disposed off during the year.

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.

2.3.2 Assets leased out and amortization

Leased assets are stated at cost less accumulated amortization. Amortization is charged to income applying the annuity method whereby the depreciable values of assets are amortized over the lease period:

Profit or loss on disposal of leased assets is included in income currently.

2.4 Deferred costs

Expenses incurred in connection with incorporation and floatation of Modaraba, issue of certificates and increase in authorised capital are being written-off over a period of five years, commencing from the year in which they are incurred.

2.5 Trading stock

These are stated at lower of cost and net realisable value determined on FIFO basis, except for goods in transit which are stated at invoice value in addition to other charges paid thereon.

2.6 Investments

Short-term investments are carried at lower of average cost and market value determined on aggregate portfolio basis. In case of long-term investments the effect of permanent diminution, if any, in the value of investments are taken to profit and loss account.

2.7 Provision for doubtful debts and written-off

The Provision for doubtful debts is maintained at a level which, in the judgement of management, is adequate to provide for potential losses on lease, Musharika and Morabaha receivable respectively, that can be reasonably anticipated. The provision is increased by charging the same to income and is decreased by charge offs net of recoveries.

2.8 Taxation

2.8.1 Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credit available, if any.

2.8.2 Deferred

The Modaraba accounts for deferred taxation on all major timing differences using the liability method but does not account for deferred tax debits.

2.9 Revenue recognition

2.9.1 Profit on Morabaha transaction is recognised immediately after the consummation of the respective transaction.

2.9.2 Profit on Musharika receivable is recognised on accrual basis, based on time proportion.

2.9.3 Gain or loss on sale of investments is accounted for in the year in which it arises.

2.9.4 Rental income is recognised as and when lease rentals become due on a systematic basis over the lease period.

2.9.5 Profit on sale of goods is recognised on despatch of goods to customers which usually coincides with the physical delivery and acceptance.

2.9.6 Dividend income is recognised when right is established which usually coincide with the date of book closure of the Company declaring the dividend.

2.10 Foreign exchange transactions

Transactions in foreign currencies are converted into rupees at the rate of exchange prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into rupees at the rate of Exchange prevailing at the balance sheet date except for transactions hedged for exchange risk (note 12.2).

Exchange gain and losses are included in income currently.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid Modaraba Certificates of Rs. 10/- each

Number of Certificates			1996	1995
1996	1995		Rupees	Rupees
Issued for cash				
16,220,000	16,220,000	At beginning of the year	162,200,000	162,200,000
1,448,885	-	Right shares transferred	14,488,850	-
-----	-----	during the year.	-----	-----
17,668,885	16,220,000		176,688,850	162,200,000
Issued as bonus certificates				
8,717,704	2,672,200	At beginning of the year	87,177,040	26,722,000
-	6,045,504	During the year	-	60,455,040
-----	-----		-----	-----
8,717,704	8,717,704		87,177,040	87,177,040
-----	-----		-----	-----
26,386,589	24,937,704		263,865,890	249,377,040
=====	=====		=====	=====

4. REDEEMABLE CAPITAL - Secured

Commercial bank	4.1	19,606,737	19,606,737
International Finance Corporation	4.2	343,300,000	-
		-----	-----
		362,906,737	19,606,737
		=====	=====

4.1 Represents long-term Musharika arrangement between Modaraba and a commercial bank with the capital investment ratio of 5: 95, for the period of five years. It carries expected pre-tax profit at the project rate of 17.52 percent per annum. The above arrangement is secured against hypothecation of moveable assets of Modaraba and personal guarantees of the directors.

4.2 The Modaraba has entered into an Income Notes Agreement (the Agreement) with International Finance Corporation (IFC) dated 25 July 1995 under which IFC has provided US\$ 10 million (against total commitment of US\$ 17.5 million) by way of subscription to Income Notes issued by the Modaraba. The Agreement inter alia stipulates:

4.2.1 The Proceeds of Income Notes are exclusively to be used for leasing business of the Modaraba.

4.2.2 The maturity period of the Income Notes is ten years with a grace period of seven years.

4.2.3 The Income Notes holders have the right, linked with the rights of the holders of the Modaraba Certificates, to participate in the profits of the Modaraba for each financial year.

4.2.4 IFC has got the right to convert the Income Notes into Modaraba Certificates at a price equal to the book value per Modaraba Certificate upto twenty percent of the full initial face value of each Income Note subscribed by IFC.

4.2.5 The above arrangement is secured by:

(i) A first ranking security interest by way of hypothecation of the assets covered by each Income Note Lease and the assignment of all Income Notes Lease receivable in favour of the Trustee for the exclusive benefit of the IFC and/or any subsequent Income Notes holders.

(ii) A retention account, secured by a first ranking fixed charge in favour of the Trustee for the exclusive benefit of the IFC and/or the other Income Notes holders into which Income Notes lease receivables will be deposited.

	Note	1996 Rupees	1995 Rupees
5. MORABAHA PAYABLE - Secured			
Morabaha payable	5.1	230,083,875	1,316,640
Less: Current portion		54,757,375	573,240
		-----	-----
		175,326,500	743,400
		=====	=====

5.1 These are secured against foreign currency funds received by the Modaraba under the Income Notes Agreement as stated under note 4.2.

6. SHORT-TERM MUSHARIKA AND MORABAHA PAYABLE

Musharika payable	3,514,383	75,864,331
Morabaha payable	25,343,390	25,343,390
	-----	-----
	28,857,773	101,207,721
	=====	=====

6.1 These are secured by pledge of shares of quoted companies, hypothecation of leased assets and personal guarantees of directors.

	1996 Rupees	1995 Rupees
7. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Trade creditors	5,375,088	53,055,915
Profit payable on redeemable capital	11,701,289	7,121,214
Accrued expenses	437,038	158,445
Unclaimed dividend	175,584	175,584
Advance lease rental	10,066,100	2,390,177
Security deposit	2,312,188	2,750,369
Others	1,922,909	151,989
	-----	-----
	31,990,196	65,803,693
	=====	=====

8. CONTINGENCIES

The Modaraba commenced its business operations in may; 1991 and with the permission of Corporate Law Authority (CLA), its first financial period of fourteen months ended on June 30, 1992. The Modaraba was exempt from tax for first three assessment years of its operations and liable to pay tax at the rate of 12.5 percent for next two years and thereafter at the rate of 25 percent. The Deputy Commissioner of Income Tax (DCIT) has re-opened the assessment of the Modaraba for the year 1994-95 claiming that the said assessment was not covered under exemption period as DCIT treated the two months period ended 30 June 1991 as first year of Modaraba's operation. The Modaraba has filed an appeal before the Income Tax Appellate Tribunal against the decision of the DICT. The management anticipates a favourable outcome of the appeal, hence no additional tax liability is provided in these accounts. However, has case of unfavourable outcome, the Modaraba will have to pay additional tax of approximately; Rs. 4.8 million.

9. FIXED ASSETS - OWN USE

COST		DEPRECIATION			Book value	Dep.
At 1 July 1995	Additions/ (deletions)	At 30 June 1996	At 1 July 1995	Charge for the year 1996	At 30 June 1996	at 30 June %

Office equipment	488,060	169,575	657,635	142,026	65,764	207,790	449,845	10
Furniture & fixtures	2,144,787	3,150	2,147,937	217,497	214,793	432,290	1,715,647	10
Computer Equipment	1,302,105	783,380	2,085,485	756,173	417,098	1,173,271	912,214	20
Motor vehicles	4,200,849	(155,135)	4,045,714	1,232,696	809,143	1,917,731	2,127,983	20
					(124,108)			
	8,135,801	956,105	8,936,771	2,348,392	1,506,798	3,731,082	5,205,689	
Rupees		(155,135)			(124,108)			
1995- Rupees	3,129,413	5,006,388	8,135,801	984,517	1,363,875	2,348,392	5,787,409	

9.1 Deletion from fixed assets - own use

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss) on disposal	Mode of disposal	Particulars of purchaser
Motor vehicle	155,135	124,108	31,027	175,000	143,973	Negotiation	First IBL Modaraba
Rupees	155,135	124,108	31,027	175,000	143,973		

10. FIXED ASSETS - LEASED OUT

	COST			AMORTISATION			Book value
	At 1 July 1995	Additions/ (deletions)	At 30 June 1996	At 1 July 1995	Charge for the year	At 30 June 1996	at 30 June 1996
Plant and Machinery	62,312,696	283,925,508 (6,313,746)	339,924,458	18,220,340	26,210,113 (5,671,613)	38,758,840	301,165,618
Furniture & fixtures	850,750	- (296,210)	554,540	333,412	168,479 (281,399)	220,492	334,048
Computer equipment's	3,643,442	1,515,035 (538,590)	4,619,887	1,914,084	951,931 (503,260)	2,362,755	2,257,132
Motor vehicles	28,735,335	2,517,847 (13,080,797)	18,172,385	19,227,748	5,330,560 (11,329,853)	13,228,455	4,943,930
Rupees	95,542,223	287,958,390 (20,229,343)	363,271,270	39,695,584	32,661,083 (17,786,125)	54,570,542	308,700,728
1995- Rupees	77,348,085	18,611,200 (417,062)	95,542,223	18,926,161	20,935,029 (165,606)	39,695,584	55,846,639

10.1 Deletion from fixed assets - leased out

Description	Cost	Accumulated Amortisation	Book value	Sale proceeds	Gain/(Loss) on disposal	Mode of disposal	Particulars of purchaser
Motor vehicle	260,750	146,881	113,869	135,294	21,425	Negotiation	ITTI Textile Mills Ltd.
Motor vehicle	238,000	202,300	35,700	35,700	-	Negotiation	Pakistan Northern Insurance Company Limited.
Motor vehicle	175,385	98,408	76,977	86,889	9,912	Negotiation	Ghemini Leasing Co. Ltd.
Motor vehicle	665,000	565,250	99,750	99,750	-	Negotiation	Security Management & Services
Motor vehicle	1,250,000	1,125,000	125,000	125,000	-	Negotiation	Gandhara Nissan Ltd.
Motor vehicle	580,513	330,513	250,000	250,000	-	Negotiation	ITTI Textile Mills Ltd.
Motor vehicle	1,112,310	1,056,694	55,616	55,616	-	Negotiation	AI-Mal Security & Services
Motor vehicle	794,800	715,320	79,480	79,480	-	Negotiation	Noble Computers
Motor vehicle	250,000	187,500	62,500	62,500	-	Negotiation	Zafar Sultan Japanwala
Motor vehicle	186,000	143,107	42,893	49,515	6,622	Negotiation	Efroz Chemicals (Pvt) Ltd.
Motor vehicle	550,000	495,000	55,000	55,000	-	Negotiation	S. Abdullah & Co.
Motor vehicle	328,000	295,200	32,800	32,800	-	Negotiation	Tawakkal Textiles (Pvt) Ltd.
Motor vehicle	550,000	495,000	55,000	55,000	-	Negotiation	Gandhara Nissan Ltd.
Motor vehicle	1,370,000	1,233,000	137,000	137,000	-	Negotiation	Faran Sugar Mills Ltd.
Motor vehicle	1,743,590	1,656,411	87,179	87,179	-	Negotiation	Cherat Cement Co. Ltd.
Motor vehicle	318,000	286,200	31,800	31,800	-	Negotiation	Taqees (Private) Limited.
Motor vehicle	1,435,000	1,291,500	143,500	143,500	-	Negotiation	Afroz Textile
Motor vehicle	175,500	157,950	17,550	17,550	-	Negotiation	Suraj Cotton Mills

Motor vehicle	255,000	229,500	25,500	25,500	-	Negotiation Suraj Cotton Mills
Motor vehicle	277,949	250,154	27,795	27,795	-	Negotiation Brooks Pharmaceutical
Motor vehicle	565,000	368,965	196,035	56,500	(139,535)	Negotiation Sanauallah Woolen Mills
Plant & Machinery	800,000	720,000	80,000	80,000	-	Negotiation ANA International (Pvt) Ltd.
Plant & Machinery	1,200,000	1,080,000	120,000	120,000	-	Negotiation Ahmed Food Industries
Plant & Machinery	140,000	126,000	14,000	14,000	-	Negotiation Ahmed Food Industries
Plant & Machinery	41,246	26,363	14,883	6,887	(7,996)	Negotiation Institute of Psychiatry
Plant & Machinery	1,370,000	1,233,000	137,000	137,000	-	Negotiation Hanif Brothers
Plant & Machinery	137,500	123,750	13,750	13,750	-	Negotiation Ahmed Food Industries
Plant & Machinery	500,000	450,000	50,000	50,000	-	Negotiation ANA International (Pvt) Ltd.
Plant & Machinery	425,000	382,500	42,500	42,500	-	Negotiation B.S. Magnetic (Pvt) Ltd.
Plant & Machinery	850,000	765,000	85,000	85,000	-	Negotiation Ahmed Food Industries
Plant & Machinery	80,000	72,000	8,000	8,000	-	Negotiation Raza Associates
Plant & Machinery	220,000	198,000	22,000	22,000	-	Negotiation Ahmed Food Industries
Plant & Machinery	550,000	495,000	55,000	55,000	-	Negotiation Ahmed Food Industries
Computers	168,000	151,200	16,800	16,800	-	Negotiation Ahmed Food Industries
Computers	105,590	100,310	5,280	5,280	-	Negotiation AI-Mal Securities & Services
Computers	265,000	251,750	13,250	13,250	-	Negotiation Al-Mal Securities & Services
Furniture & Fixtures	296,210	281,399	14,811	14,811	-	Negotiation Al-Mal Securities & Services
Rupees	20,229,343	17,786,125	2,443,218	2,333,646	(109,572)	
	=====	=====	=====	=====	=====	

1996 1995
Note Rupees Rupees

11. LONG-TERM DEPOSITS AND DEFERRED COSTS

Long-term deposits		139,550	57,750
Deferred costs	11.1	4,994,893	2,314,380
		-----	-----
		5,134,443	2,372,130
		=====	=====
11.1 Deferred costs			
At the beginning of the year		5,456,807	3,874,999
Incurred during the year for			
Increase in authorised capital		914,170	1,581,808
Income Notes Agreement with IFC	11.1.1	3,605,866	-
		-----	-----
		4,520,036	1,581,808
		-----	-----
		9,976,843	5,456,807
Less: Amortisation			
- at the beginning of the year		3,142,427	2,051,065
- for the year		1,839,523	1,091,362
		-----	-----
		4,981,950	3,142,427
		-----	-----
		4,994,893	2,314,380
		=====	=====

11.1.1 Represents front-end fee paid to IFC and travelling, legal and professional and advertisement cost incurred in connection with the income notes agreement entered with IFC.

12. LONG-TERM INVESTMENTS

In shares	12.1	57,936,399	257,226,041
In foreign currency certificate of investment(s)	12.2	343,300,000	-
		-----	-----
		401,236,399	257,226,041
		=====	=====
12.1 in Shares			
In quoted companies	12.1.1	52,043,332	216,513,824
In Modarabas	12.1.2	5,893,067	19,462,217
		-----	-----
		57,936,399	235,976,041
Provision of diminution in value of investment		-	(750,000)

		57,936,399	235,226,041
In unquoted companies	12.1.3	-	22,000,000
		-----	-----
		57,936,399	257,226,041
		=====	=====

The percentage of holding in any of the investee companies does not exceed 10 percent of their total equity.

The aggregate market value of the investment portfolio of quoted companies and Modarabas (cost Rs. 57,936,389/-) was Rs. 34,620,233/- (1995: Rs. 185,513,896/-)

12.1.1 Investment In Quoted Companies

1996	1995		1996	1995
Number of Shares		Sector and Name of Company Ordinary Shares of Rs. 10/- each	Rupees	Rupees
		Mutual Fund		
-	815,225	KASB Premier Fund	-	8,152,250
		Leasing Companies		
-	125,500	Crescent Leasing Company Limited	-	3,707,950
-	200,000	Dawood Leasing Company Limited	-	2,250,000
-	225,000	Inter Asia Leasing Company Limited	-	3,712,000
-	4,500	Pak Industrial Leasing Corp Ltd	-	173,610
			-	9,843,560
		Investment Companies and Banks		
-	25,200	Al-Towfeeq Investment Bank Ltd.	-	713,440
-	47,425	Askarai Commercial Bank Ltd.	-	1,728,530
-	25,250	B.S. Jehangir Siddiqui Ltd	-	1,946,420
-	10,566	Crescent Investment Bank Ltd	-	511,804
-	242,500	Citi Corp. Investment Bank Ltd	-	15,976,036
-	100,000	Faisal Bank Limited	-	2,600,000
-	5,000	Fidelity Investment Bank Limited	-	50,000
-	25,000	J.O.V. & Company Limited	-	1,608,600
-	37,892	Soneri Bank Limited	-	1,573,477
			-	26,708,307
		Insurance		
-	4,202	Century Insurance Company Ltd.	-	141,990
		Textile Spinning and Weaving		
-	25,000	Al-Hamd Textile Mills Limited	-	445,250
-	16,800	Blessed Textile Mills Limited	-	280,586
-	312	Gadoon Textile Mills Limited	-	20,320
-	44,000	Hajra Textile Mills Limited	-	359,387
-	26,000	Idrees Textile Mills Limited	-	164,460
-	1,000	M.F.M.Y. Industries Limited	-	44,100
-	220,562	Sail Textile Mills Limited	-	8,832,329
-	593	Sunshine Cotton Mills Limited	-	14,825
-	1,516	Umer Fabrics Limited	-	15,160
-	2,601	Ellahi Spinning	-	26,010
-	100,000	Kohinoor Raiwind	-	1,150,000
-	16,500	Kohinoor Weaving Mills Limited	-	296,565
-	18,848	Mohib Exports Limited	-	306,379
			-	11,955,371
		Textile Composite		
-	126,040	Crescent Textile Mills Limited	-	3,622,314
-	28,000	International Knitwear Limited	-	582,235
-	1,417	Kohinoor Industries Limited	-	57,310
-	28,750	Kohinoor Textile Mills Limited	-	1,326,800
-	11,235	Mohammad Farooq Textile Mills Ltd	-	320,929
-	22,089	Nishat Mills Limited	-	1,019,700
			-	6,929,288
		Synthetic and Rayon		

-	500,000 Ibrahim Fibres	-	8,574,723
-	45,000 Pakistan Synthetic Limited	-	1,912,200
		-	10,486,923
	Fuel and Energy		
-	14,660 Nishat Tek Limited	-	703,840
-	261,120 Sui Northern Gas Pipelines Limited	-	9,261,040
		-	9,964,880
	Auto and Allied Engineering		
-	12,300 Automotive Batteries Limited	-	177,173
	Transport and Communications		
-	6,000 PTC Vouchers (of 100 shares each)	-	30,604,998
	Chemical and Pharmaceuticals		
-	4,810 Engro Chemicals Pakistan Limited	-	855,660
355,350	355,350 Searle Pakistan Limited	29,652,050	29,652,050
		29,652,050	30,507,710
	Tobacco		
-	5,000 Pakistan Tobacco Limited		250,802
	Cement		
-	115,500 D.G Khan Cement Limited	-	9,312,550
-	600,000 Lucky Cement Limited	-	12,608,350
-	50,000 Maple Leaf Cement Limited	-	1,637,500
		-	23,558,400
	Paper and Board		
-	254,640 Century Paper and Board Mills Ltd	-	9,141,484
-	10,000 Cherat Papersack Limited	-	457,525
		-	9,599,009
	Engineering		
-	5,000 Bolan Castings Limited	-	82,430
	Miscellaneous		
278,000	416,000 Gillette Pakistan Limited	11,317,480	16,935,460
98,750	70,000 Treet Corporation Limited	2,359,022	1,974,000
253,000	500,000 United Distributors Pakistan Ltd	8,714,780	17,221,460
		22,391,282	36,130,920
	Ordinary Shares of Rs. 5/- each		
	Mutual Fund		
-	30,000 Growth Mutual Fund	-	279,425
	Leasing Companies		
-	25,000 National Development Leasing Corp. Ltd.	-	1,140,388
		-----	-----
		52,043,332	216,513,824
		=====	=====

12.1.2 Investment in Modarabas

	Modaraba certificates of Rs. 10/- each		
	63,633 First Interfund Modaraba	-	1,100,988
	100,000 Financial Link Modaraba	-	1,000,000
	10,000 Unicap Modaraba	-	106,767
492,900	492,900 First IBL Modaraba	5,893,067	5,893,067
	Modaraba Certificates of Rs. 5/- each		
-	1,012,096 LTV Capital Modaraba	-	11,361,395
		-----	-----

5,893,067	19,462,217
=====	=====

The above Modarabas are respectively managed by the following Modaraba companies:

Universal Management Services (Private) Limited
 Financial Link Limited
 Chartered Management Services (Private) Limited
 IBL Modaraba Management (Private) Limited
 National Technology Development (Private) Limited

12.1.3 Investment in unquoted companies

Ordinary Shares of Rs. 10/- each

-	200,000	LTV Housing Finance Limited	-	2,000,000
-	2,000,000	Mac Pac Films Limited	-	20,000,000
			-----	-----
			-	22,000,000
			=====	=====

12.2 In foreign currency certificate of investments

Represents placement of US\$ 10 million received from IFC in an investment scheme on profit sharing basis. Such placement is for a period commensurating with the maturity of Income Notes as referred in note 4.2.

	Note	1996 Rupees	1995 Rupees
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13. SHORT-TERM INVESTMENTS

In quoted companies	13.10	61,355,666	-
In Modarabas	13.20	8,339,167	-
		-----	-----
		69,694,833	-
Provision for diminution in value of investment		(30,102,927)	-
		-----	-----
		39,591,906	-
In unquoted companies	13.30	2,000,000	-
		-----	-----
		41,591,906	-
		=====	=====

The percentage of holding in any of the investee companies does not exceed 10 percent of their total equity.

The aggregate market value of the investment portfolio of quoted companies and Modarabas (cost Rs.69,694,833/-) was Rs. 39,591,906/-(1995: Nil).

13.1 Investment in quoted companies

1996 Number of Shares	1995	Sector and name of Company Ordinary Shares of Rs. 10/- each	1996 Rupees	1995 Rupees
		Mutual fund		
225		-KASB Premier Fund	2,250	
		Leasing Companies		
95,500		-Crescent Leasing Company Limited	2,821,450	-
219,500		-Inter Asia Leasing Company Limited	3,621,250	-
			-----	-----
			6,442,700	-
		Investment Companies & Banks		
5,200		-Al-Towfeeq Investment Bank Ltd.	147,240	-
25		-Askari Commercial Bank Limited	911	-
21,899		-B.S. Jehangir Siddiqui Limited	1,260,154	-
3,566		-Crescent Investment Bank Limited	172,724	-
131,500		-Citi Corp. Investment Bank Limited	8,663,356	-
5,000		-J.O.V. & Company Limited	321,700	-
2,892		-Soneri Bank Limited	120,077	-
			-----	-----
			10,686,162	-
		Textile Spinning and Weaving		
25,000		-Al-Hamd Textile Mills Limited	445,250	-
312		-Gadoon Textile Mills Limited	20,320	-

30,000	-Hajra Textile Mills Limited	245,007	-
1,000	-M.F.M.Y. Industries Limited	44,100	-
24,818	-Sail Textile Mills Limited	903,358	-
93	-Sunshine Cotton Mills Limited	2,325	-
1,516	-Umer Fabrics Limited	15,160	-
2,601	-Ellahi Spinning	26,010	-
100,000	-Kohinoor Raiwind	1,150,000	-
16,500	-Kohinoor Weaving Mills Limited	296,565	-
18,848	-Mohib Exports Limited	306,379	-
		-----	-----
		3,454,474	-

Textile Composite

43,989	-Crescent Textile Mills Limited	1,174,312	-
28,000	-International Knitwear Limited	582,235	-
1,417	-Kohinoor Industries Limited	57,310	-
28,750	-Kohinoor Textile Mills Limited	1,326,800	-
11,235	-Mohammad Farooq Textile Mills Ltd	320,929	-
18,902	-Nishat Mills Limited	808,085	-
		-----	-----
		4,269,671	-

Synthetic and Rayon

500,000	-Ibrahim Fibres	8,574,723	-
45,000	-Pakistan Synthetic Limited	1,912,200	-
		-----	-----
		10,486,923	-

Fuel and Energy

14,660	-Nishat Tek Limited	703,840	-
253,344	-Sui Northern Gas Pipelines Ltd.	7,487,540	-
		-----	-----
		8,191,380	-

Auto and Allied Engineering

12,300	-Automotive Batteries Limited	177,173	-
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Transport and Communications

3,100	-PTC Vouchers (of 100 shares each)	15,551,198	-
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Tobacco

5,000	-Pakistan Tobacco Limited	250,802	-
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Cement

5,550	-D.G.Khan Cement Limited	406,600	-
-------	--------------------------	---------	---

Engineering

5,000	-Bolan Castings Limited	82,430	-
-------	-------------------------	--------	---

Ordinary Shares of Rs. 5/- each**Mutual Fund**

30,000	-Growth Mutual Fund	279,425	-
--------	---------------------	---------	---

Leasing Companies

25,003	-National Dev. Leasing Corp. Ltd.	1,074,478	-
		-----	-----
		61,355,666	-
		=====	=====

13.2 Investment in Modarabas**Modaraba Certificates of Rs. 10/- each**

23,983	-First Interfund Modaraba	415,043	-
96,000	-Financial Link Modaraba	960,000	-
10,000	-Unicap Modaraba	106,767	-

Modaraba Certificates of Rs. 5/- each

610,876	-LTV Capital Modaraba	6,857,357	-
		-----	-----
		8,339,167	-

=====

The above Modarabas are respectively managed by the following Modaraba companies:

Universal Management Services (Private) Limited
 Financial Link Limited
 Chartered Management Services (Private) Limited
 National Technology Development (Private) Limited

13.3 Investment in Unquoted Companies

	Ordinary Shares of Rs. 10/- each		
200,000	-LTV Housing Finance Limited	2,000,000	-
		=====	=====

- Break-up value of shares is Rs. 8.15 per share (based on the audited accounts as on June 30, 1995).

- Name of Chief Executive - Mr. Haroon Sharif.

14. TRADE DEBTS

Secured

Considered good			
Lease rent receivable		25,638,119	8,971,338
Considered doubtful			
Lease rent receivable		2,472,161	147,092
Less: Provision for doubtful debts		2,472,161	147,092
		-----	-----
Unsecured, considered good		-	-
Against sale of investment		26,526,245	-
Associated company	14.1	22,233,295	14,806,513
Others		251,986	251,926
		-----	-----
		74,649,645	24,029,777
		=====	=====

14.1 Maximum aggregate balances outstanding at the end of any month during the year was Rs. 22,233,295/-

15. MUSHARIKA RECEIVABLE

Secured

Considered good			
Musharika receivable	15.1	7,312,510	55,652,189
Considered doubtful			
Musharika receivable		7,810,938	3,412,109
Less: Provision for doubtful debts		7,810,938	3,412,109
		-----	-----
		-	-
		-----	-----
		7,312,510	55,652,189
		=====	=====

15.1 These are secured by pledge of shares.

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees - unsecured, considered good	16.1	80,590	215,896
Advance against expenses		5,000	227,258
Advance income tax		124,232	-
Prepayments		308,599	90,090
Profit on deposits		17,391,104	3,884,904
Dividend receivable		458,750	2,321,725
Consultancy fee receivable		4,000,000	4,000,000
Other receivable		488,846	774,628
		-----	-----
		22,857,121	11,514,501
		=====	=====

16.1 Maximum aggregate balance at the end of any month during the year was Rs. 88,780/- (1995: Rs. 215,896/-) It is payable within twelve months from the balance sheet date.

17. CASH AND BANK BALANCES

With banks on:

- deposit account		80,440,113	53,639,849
- current account		3,642,210	4,929,008
Cash in hand		-	7,733
		-----	-----
		84,082,323	58,576,590
		=====	=====
18. LEASING OPERATIONS			
Lease rentals		48,905,345	30,272,612
Front-end fee		2,464,016	185,650
Arrangement fee		127,000	-
(Loss)/gain on disposal of fixed assets - net		(109,572)	-
		-----	-----
		51,386,789	30,458,262
		=====	=====
19. INVESTMENTS			
Dividend income		1,514,466	2,939,040
(Loss)/gain on sale of securities		(19,619,658)	3,848,082
Profit on deposits with banks		21,862,894	5,054,839
		-----	-----
		3,757,702	11,841,961
		=====	=====
20. TRADING			
Sale		16,000,000	1,480,000
Less: Cost of sales			
Opening stock		17,600,000	1,875,000
Add: Purchases		-	17,600,000
Less: Closing stock		-	17,600,000
		-----	-----
		17,600,000	1,875,000
		-----	-----
		(1,600,000)	(395,000)
		=====	=====
21. OTHER SOURCES			
Consultancy fee		-	5,650,000
Documentation charges		47,800	32,700
Underwriting fee		-	402,392
Gain/(Loss) on disposal of fixed assets- own		143,973	(37,459)
Miscellaneous		147,074	38,815
		-----	-----
		338,847	6,086,448
		=====	=====
22. ADMINISTRATIVE EXPENSES			
Salaries, wages and allowances	22.1	4,014,391	3,520,605
Travelling and conveyance		148,778	473,746
Vehicle upkeep		265,196	268,855
Communication		229,370	347,752
Printing and stationery		272,203	214,290
Rent, rates and taxes		116,667	126,304
Repairs and maintenance		411,127	251,933
Legal, Professional and Registrar charges		1,119,244	464,443
Share custody charges		182,109	26,607
Insurance		173,843	437,511
Fee and subscriptions		135,762	616,526
Lease rentals		191,027	-
Auditors' remuneration	22.2	100,000	77,100
Advertisement		35,870	164,156
Office refreshment and entertainment		92,384	105,960
Depreciation on own assets	9	1,506,796	1,363,875
Amortization of deferred costs	11	1,839,523	1,091,362
Corporate expenses		3,300,000	1,613,608
Arrangement fee		-	180,000
Seminar and Conference		26,063	159,805
Donation		46,010	106,000
Zakat		-	1,503
Miscellaneous		109,098	166,118
		-----	-----
		14,315,461	11,778,059
		=====	=====

22.1 Remuneration of Officers and other Employees

The aggregate amount charged in the accounts for remuneration, including all benefits to officers and other employees of the Modaraba were as follows:

	OFFICERS		OTHER EMPLOYEES	
	1996 Rupees	1995 Rupees	1996 Rupees	1995 Rupees
Basic	1,369,253	1,128,789	889,381	583,563
Allowances	750,406	651,560	476,773	386,963
Bonus	87,412	40,801	58,141	54,457
Provident fund contribution	169,456	197,171	73,318	58,186
Others	125,160	210,919	15,091	208,196
	-----	-----	-----	-----
	2,501,687	2,229,240	1,512,704	1,291,365
	=====	=====	=====	=====
Number of employees	5	6	14	15
	=====	=====	=====	=====

22.2 Auditors' Remuneration

	1996 Rupees	1995 Rupees
Audit fee	30,000	30,000
Special audit fee	40,000	40,000
Consultancy and tax services	22,000	6,500
Out of pocket expenses	8,000	1,585
	-----	-----
	100,000	78,085
	=====	=====

23. FINANCIAL CHARGES

Morabaha profits	10,368,612	549,574
Profit on redeemable capital	4,580,075	4,580,135
Musharika profits	6,906,258	10,679,261
Bank charges	10,148	15,217
	-----	-----
	21,865,093	15,824,187
	=====	=====

24. LEASE RENTALS RECEIVABLE WITHIN ONE YEAR

Current maturity of lease rentals receivable in subsequent financial year i.e., June 30, 1997 amounts to approximately Rs. 110 million.

25. TRANSACTIONS WITH ASSOCIATED COMPANIES

Transaction with International Securities Limited - Brokerage House		
Value of marketable securities purchased	-	165,407,548
Value of marketable securities sold	38,157,727	41,779,283
Brokerage on sale and purchase of marketable securities	86,050	84,685

26. COMPARATIVE FIGURES

Certain prior year's figures have been re-arranged wherever necessary for the purpose of comparison.

**Pattern Of Holding of Certificates
Held By the Certificateholders
As At June 30, 1996**

No. of Certificateholders	Certificate holding		Total Certificates Held
	From	To	
511	1	100	25,183
702	101	500	153,388
947	501	1000	721,238
1,540	1001	5000	3,111,589
242	5001	10000	1,687,906
102	10001	15000	1,271,295
44	15001	20000	729,705
16	20001	25000	362,514
17	25001	30000	454,788
11	30001	35000	354,567

10	35001	40000	378,694
3	40001	45000	128,243
6	45001	50000	280,078
2	50001	55000	108,472
7	55001	60000	401,797
2	60001	65000	123,452
1	65001	70000	65,107
3	70001	75000	219,780
1	85001	90000	89,264
2	90001	95000	184,704
3	95001	100000	290,186
1	100001	105000	103,025
1	110001	115000	114,285
1	120001	125000	121,904
6	160001	165000	973,951
1	165001	170000	167,000
1	180001	185000	184,699
1	205001	210000	207,699
1	210001	215000	213,721
1	230001	235000	230,799
1	305001	310000	308,985
1	330001	335000	331,386
2	350001	355000	706,531
1	395001	400000	396,000
1	860001	865000	861,584
1	1015001	1020000	1,017,648
1	2135001	2140000	2,136,534
1	2965001	2970000	2,966,872
1	4200001	4205000	4,202,016
-----			-----
4,196			26,386,589

**Categories of Certificateholders
As at June 30, 1996**

S. No.	Categories of Certificateholders	Number	Certificates	Percentage
1.	Individuals	4145	12,187,943	46.19
2.	Investment Companies	7	3,620,915	13.72
3.	Insurance Companies	3	342,186	1.30
4.	Joint Stock Companies	24	7,285,271	27.61
5.	Financial Institutions	7	2,403,847	9.11
6.	Modaraba Companies	10	546,427	2.07
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		4196	26,386,589	100.00