

FIRST UDL MODARABA

Annual Report 1997

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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
Farooq Ahmad Bhatti	Director
- Nominee Crescent Investment Bank Limited	
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.
Orix Investment Bank Pakistan Ltd.
Al Faysal 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 sixth annual report of First UDL Modaraba together with the audited financial statements for the year ended June 30, 1997.

1. Operating Results

Summarized results for the year under report:

	Rupees ('000 ')
- Profit for the year after tax	25,329
- Transfer to Statutory reserve	(5,066)
	Profit 20,263
- Unappropriated loss brought forward	(35,646)

- Accumulated Loss carried forward	(15,383)
	=====

2. Review of Operations

Your Modaraba earned a profit of Rs. 25.33 million as against loss of Rs. 44.18 million reported last year. The Modaraba has posted this profit after providing fully on conservative basis for doubtful debts, diminution in the value of short term investments, taxation and after charging off share of profit payable to International Finance Corporation (IFC) on Income Notes. The turn-around in the Modaraba's profitability reflects that the diversification plans, implemented last year by the management of your Modaraba, has started paying off handsomely.

Pursuing the diversification plans, the equity investment portfolio was further reduced by Rs. 54.0 million during the year with a view for diverting the funds to leasing activities of the Modaraba,

As regards operations of the Modaraba, the management continues to focus on leasing as its principal line of business. New leases worth over Rs. 203.0 million were written during the year. Thus gross lease asset portfolio of your Modaraba increased to Rs, 564.0 million at prime cost, while the written down value amounted to Rs, 425.54 million at the close of the year.

Looking at the past performance and keeping in view the hardship situation, as highlighted in the following paragraphs, the Directors feel satisfied with the performance and operating results of your Modaraba during the year under report.

3. Future Outlook

Modaraba, being a Non-Banking Financial Institution (NBFI), essentially falls in the category of a financial intermediary. Accordingly, its growth potential directly relates to the prospects of overall business climate which in turn depend on economic conditions of the country, fiscal policies of the government and development in the capital markets. Unfortunately, economic conditions of the country continue to drag from bad to worse. SBP's Annual Report for 1996/97 has termed the year "one of the most difficult and disappointing year in the economic history of the country". For the first time, manufacturing sector posted a negative growth while the

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performance of other sectors was utterly poor. The bad performance of the economy coupled with huge deficit and hyper inflation seriously impacted the business climate rendering financial intermediaries to operate in conditions tougher than before. However, structural reforms announced and drastic steps taken by the new government to improve the country's economy have started showing positive indicators, but it would be a long way to reverse the trend.

Modaraba sector continues to tailspin in search of a new equilibrium since 1992/93 when its tax exemption, a balancing incentive, was withdrawn and further, the modarabas were classified as NBFIs without however changing their status of Mutual Funds/Unit Trusts under the Modaraba Ordinance. Unfortunately, they are neither enjoying full status of NBFIs nor the benefits of Mutual Funds, in fact the worst of both. Modarabas have no access to public deposits like other NBFIs, nor have they been restored tax exemption as given to Mutual Funds in the Finance Act 1997/98. In fact Modarabas are denied a level play field. Deep discount in the values of Modaraba Certificates on the stock exchanges is reflective of investors' negative perception.

The point has been forcefully taken up with concerned quarters of the government through the forum of Modaraba Association of Pakistan (MAP). Drastic and radical changes in the Modaraba Laws have been recommended by Corporate Law Reforms Commission (CLRC) and Corporate Law Authority (CLA). It is hoped these reforms would soon be adopted to bring about redressal to modarabas' longstanding woes.

Central Excise Duty (CED) imposed last year on leasing and musharika transactions, which was contested by your Modaraba directly as well as through MAP has, however, been withdrawn by the government. This is a positive development.

An over-regulatory environment created by dual-monitoring by SBP and CLA has been softened. Monitoring of modarabas has now been centralised with CLA.

Based on the factors, highlighted above, credit and leasing has become extremely challenging business and, accordingly, the management of your Modaraba has taken greater proactive stance to meet the challenge. Guided by cautious & prudent credit standards and pursuing professional dynamism, your Modaraba is well-positioned to take full advantage of positive development at micro-level with better operational results in the years to come.

4. 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 1997-98.

5. 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: October 30, 1997

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet as at 30 June 1997 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 30 June 1997 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 1997; and the profit 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.

Karachi: October 30, 1997

Sd/-
SIDAT HYDER QAMAR MAQBOOL & CO
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1997

	NOTE	1997	1996
Capital and Reserves			
Capital			
Authorised			
50,000,000 (1996: 50,000,000) Modaraba			
Certificates of Rs, 10/- each			
		500,000,000	500,000,000
		=====	=====
Issued, subscribed and paid-up	3	263,865,890	263,865,890
Statutory reserve	4	27,657,487	22,591,623
Accumulated loss		(15,383,245)	(35,646,699)
		12,274,242	(13,055,076)

		276,140,132	250,810,814
Redeemable capital - Secured	5	424,206,737	370,606,737
Security deposits		57,288,606	43,498,294
Current Liabilities			
Short-term Musharika and Morabaha payable	6	15,240,412	28,857,773
Creditors, accrued and other liabilities	7	39,945,899	31,990,196
Due to associated companies		2,586,372	4,183,790
Taxation		217,143	1,139,285
		57,989,826	66,171,044
Contingencies	8	-	-
		-----	-----
	Rupees	815,625,301	731,086,889
		=====	=====
	NOTE	1997	1996
Fixed Assets - Tangible			
Assets in own use	9	4,520,032	5,205,689
Assets leased out	10	425,541,247	308,700,728
Long-term deposits and deferred costs	11	3,784,904	5,134,443
Long-term investments	12	96,460,972	178,852,524
Venture capital		-	2,700,000
Current Assets			
Short-term investments	13	8,007,050	41,591,906
Trade debts	14	84,377,843	74,649,645
Musharika and Morabaha receivables	15	21,671,420	7,312,510
Advances, deposits, prepayments and other receivables	16	23,098,126	22,857,121
Cash and bank balances	17	148,163,707	84,082,323
		285,318,146	230,493,505
		-----	-----
Auditors' Report Annexed	Rupees	815,625,301	731,086,889
		=====	=====

The annexed notes form an integral part of these accounts.

KHALID MALIK

Chief Executive

UDL Modaraba Management
(Private) Limited

FAROOQ A.BHATTY

Director

UDL Modaraba Management
(Private) Limited

A.W. RAHI

Director

UDL Modaraba Management
(Private) Limited

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1997

	NOTE	1997	1996
Revenue from:			
Leasing operations	18	160,428,466	51,386,789
Morabahas		1,553,475	1,917,506
Musharikas		1,712,085	5,256,436
Investments	19	51,407,950	3,757,702
Trading			(1,600,000)
Other sources	20	1,963,624	338,847
		-----	-----
		217,065,600	61,057,280
Expenditure			
Administrative expenses	21	16,400,488	14,315,461
Amortization on assets leased out	10	86,115,949	32,661,083
Financial charges	22	68,156,803	21,865,093
		170,673,240	68,841,637
		-----	-----
		46,392,360	(7,784,357)
Provision for:			

Diminution in the value of investments	(7,430,110)	(29,352,927)
Doubtful debts	(10,000,000)	(6,723,899)
	(17,430,110)	(36,076,826)
	-----	-----
	28,962,250	(43,861,183)
Modaraba Company's management fee	(2,632,932)	-
	-----	-----
Profit/(loss) before taxation	26,329,318	(43,861,183)
Taxation	(1,000,000)	(319,317)
	-----	-----
Profit / (loss) after taxation	25,329,318	(44,180,500)
Transferred to statutory reserve	(5,65,864)	-
	-----	-----
	20,263,454	(44,180,500)
Unappropriated (loss) / profit brought forward	(35,646,699)	8,533,801
	-----	-----
Accumulated loss carried forward	Rupees (15,383,245)	(35,646,699)
	=====	=====

The annexed notes form an integral part of these accounts,

KHALID MALIK

Chief Executive

UDL Modaraba Management
(Private) Limited

FAROOQ A.BHATTY

Director

UDL Modaraba Management
(Private) Limited

A.W.RAHI

Director

UDL Modaraba Management
(Private) Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	26,329,318	(43,861,183)
Adjustment at non cash items		
Depredation on own assets	1,512,707	1,506,798
Amortization on assets leased out	86,115,949	32,661,083
Amortization of deferred costs	1,473,636	1,839,523
(Gain)/Ioss on sale of fixed assets		
- own assets	(226,062)	(143,973)
- assets leased out	78,918	109,572
Dividend income	(1,705,394)	(1,514,466)
	-----	-----
	113,579,072	(9,402,646)
(Increase) / decrease In operating assets		
Stock-in-trade	-	17,600,000
Trade debts	(9,728,198)	(50,619,868)
Musharika receivables	(14,358,910)	48,339,679
Short-term investments	33,584,856	(41,591,906)
Advances, deposits, prepayments and other receivables	(499,755)	(13,110,986)
	8,997,993	(39,383,081)
Increase/(d I		
Short-term Musharika and Morabaha	(13,617,361)	(72,349,948)
Creditors, accrued and other liabilities	7,955,703	(33,813,497)
Due to associated companies	(1,597,418)	2,048,683
	(7,259,076)	(104,114,762)
	-----	-----
Net cash flow from operating activities	115,317,989	(152,900,489)
Income tax paid	(1,922,142)	(1,805,032)
	-----	-----
Net cash flow from operating activities after tax	113,395,847	(154,705,521)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets		
- own assets	(1,883,589)	(956,105)
- assets leased out	(203,222,468)	(287,958,390)
Venture capital	2,700,000	--
Long-term deposits	(124,097)	(4,601,836)

Long-term investments	82,391,553	(144,010,358)
Proceeds from sale of fixed assets		
- own assets	1,119,000	175,000
- assets leased out	660,000	2,333,646
Dividend received	1,654,826	3,377,441
	-----	-----
Net cash flow from investing activities	(116,704,775)	(431,640,602)

CASH FLOW FROM FINANCING ACTIVITIES

Redeemable capital	53,600,000	343,300,000
Proceeds / (repayment) of Morabaha	-	228,767,235
Long-term security deposits	13,790,312	39,784,621
Net cash flow from financing activities	67,390,312	611,851,856
	-----	-----
Net cash flow after financing activities	64,081,384	25,505,733
Cash and bank at the beginning of the year	84,082,323	58,576,590
	-----	-----
Cash and bank at the end of the year	148,163,707	84,082,323
	=====	=====

KHALID MALIK**Chief Executive**

UDL Modaraba Management

(Private) Limited

FAROOQ A.BHATTY**Director**

UDL Modaraba Management

(Private) Limited

A.W.RAHI**Director**

UDL Modaraba Management

(Private) Limited

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED JUNE 30,1997****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.

1. SIGNIFICANT ACCOUNTING POLICIES**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

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 FIFC) 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 receivables 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 receivables 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 dispatch of goods to customers which usually coincide 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.

Exchange gain and losses are included in income currently.

2.11 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has the legal enforceable right to setoff the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

		NOTE	1997	1996
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
Fully paid Modaraba Certificates of Rs. 10/- each				
Number of Certificate				
1997	1996	Issued for cash		
17,668,885	16,220,000	At beginning of the year	176,688,850	162,200,000
	1,448,885	Right shares transferred	--	14,488,850
-----during the year			-----	-----
17,668,885	17,668,885		176,688,850	76,688,850
Issued as bonus certificates				
8,717,704	8,717,704	At beginning of the year	87,177,040	87,177,040
-----			-----	-----
26,386,589	26,386,589	Rupees	263,865,890	263,865,890
=====			=====	=====

4. STATUTORY RESERVE

Opening balance		22,591,623	22,591,623
During the period		5,065,864	-
		-----	-----
		Rupees	27,657,487
			22,591,623
			=====

Represents profits set aside to the extent of 20% to comply with the regulatory requirements.

5. REDEEMABLE CAPITAL - Secured

Commercial Bank	5.10	19,606,737	19,606,737
International Finance Corporation	5.20	404,600,000	351,000,000
		-----	-----
		Rupees	424,206,737
			370,606,737
			=====

5.1 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 pretax profit at the projected 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,

5.2 The Modaraba has entered into an Income Notes Agreement (at 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:

5.2.1 The proceeds of Income Notes are exclusively to be used for leasing business of the Modaraba.

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

5.2.3 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,

5.2.4 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.

5.2.5 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 are deposited,

6. SHORT-TERM MUSHARIKA AND MORABAHA PAYABLE

	NOTE	1997	1996
Musharika payable			3,514,383
Morabaha payable	6.10	15,240,412	25,343,390
		-----	-----
	Rupees	15,240,412	28,857,773
		=====	=====

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

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1997	1996
Trade creditors	14,175	5,375,088
Profit payable on redeemable capital	16,281,424	11,701,289
Profit payable on IFC Income Notes	12,704,440	-
Accrued expenses	1,688,078	437,038
Unclaimed dividend	157,499	175,584
Advance lease rentals	6,459,774	10,066,100
Security deposits	2,436,783	2,312,188
Others	203,726	1,922,909
	-----	-----
	Rupees	39,945,899
		31,990,196
		=====
		=====

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 30 June 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 DCIT. The management anticipates a favourable outcome of the appeal, hence no additional tax liability is provided in these accounts. However, in case of unfavourable outcome, the Modaraba will have to pay additional tax of approximately Rs. 10.8 million.

9. FIXED ASSETS - OWN USE

	At 1 July 1996	Additions (Deletions)	Depreciation		Charge for the year	At 30 June 1997	Book value at 30 June 1997	Dep. Rate %
			At 30 June 1997	At 1 July 1996				
Office equipment's	657,635	27,925 (187,200)	498,360	207,790	49,836 (23,600)	234,026	264,334	10
Furniture and fixtures	2,147,937	14,499	2,162,436	432,290	216,244	648,534	1,513,902	10
Computer equipments	2,085,485	1,026,042	3,111,527	1,173,271	514,930	1,688,201	1,423,326	20
Motor vehicles	4,045,714	815,123 (1,202,346)	3,658,491	1,917,731	731,698 (309,408)	2,340,021	1,318,470	20

Rupees	8,936,771	1,883,589 (1,389,546)	9,430,814	3,731,082	1,512,708 (333,008)	4,910,782	4,520,032
1996-Rupees	8,135,801	956,105 (155,135)	8,936,771	2,348,392	1,506,798 (124,108)	3,731,082	5,205,689

9.1 Deletion from fixed assets - own use

Description	Cost	Accumulated Depreciation	Book value	Sale Proceeds	Gain/(Loss) On disposal	Mode of disposal
Motor vehicle	153,846	92,308	61,538	190,000	128,462	Negotiation
Motor vehicle	175,000	70,000	105,000	125,000	20,000	Negotiation
Motor vehicle	28,500	17,100	11,400	34,000	22,600	Negotiation
Motor vehicle	325,000	130,000	195,000	250,000	55,000	Negotiation
Motor vehicle	520,000	--	520,000	520,000	--	Negotiation
	1,202,346	309,408	892,938	1,119,000	226,062	
Photo copier	155,000	15,500	139,500	139,500	--	Insurance claim
Fax machine	16,000	--	16,000	16,000	--	Insurance claim
Typewriter	16,200	8,100	8,100	8,100	--	insurance claim
	187,200	23,600	163,600	163,600		
Rupees	1,389,546	333,008	1,056,538	1,282,600	226,062	

10. FIXED ASSETS - LEASED OUT

	Cost			Amortization			Book value at 30 June 1997
	At 1 July 1996	Additions (Deletions)	At 30 June 1997	At 1 July 1996	Charge for the year	At 30 June 1997	
Plant and machinery	339,924,458	200,193,205	540,117,663	38,758,840	83,417,739	122,176,579	417,941,084
Furniture and fixtures	554,540		554,540	220,492	176,841	397,333	157,207
Computer equipments	4,619,887	1,043,700	5,663,587	2,362,755	619,850	2,982,605	2,680,982
Motor vehicles	18,172,385	1,985,563 (2,356,500)	17,801,448	13,228,455	1,901,519 (2,090,500)	13,039,474	4,761,974
Rupees	363,271,270	203,222,468 (2,356,500)	564,137,238	54,570,542	86,115,949 (2,090,500)	138,595,991	425,541,247
1996 - 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

10.1 Deletion from fixed assets - leased out

Description	Cost	Accumulated Amortization	Book Value	Adjustment	Sale Proceeds	Gain/(loss) On disposal	Mode of Disposal
Motor vehicle	435,000	369,750	65,250	241,735	300,000	(6,985)	Negotiation
Motor vehicle	425,000	255,000	170,000	44,860	280,000	65,140	Negotiation
Motor vehicle	205,000	174,250	30,750	143,913	80,000	(94,663)	Negotiation
Motor vehicle	1,181,500	1,181,500	-	(118,150)	-	118,150	Negotiation
Motor vehicle	110,000	110,000	-	160,560	-	(160,560)	Negotiation
Rupees	2,356,500	2,090,500	266,000	472,918	660,000	(78,918)	

NOTE 1997 1996

11. LONG -TERM DEPOSITS AND DEFERRED COSTS

Long-term deposits		229,486	139,550
Deferred costs	11.10	3,555,418	4,994,893

	Rupees	3,784,904	5,134,443
11.1 Deferred costs		=====	=====
At the beginning of the year		9,976,843	5,456,807
Incurring during the year			
Against increase in authorized capital		--	914,170
Income Notes Agreement with IFC		34,161	3,605,866
		34,161	4,520,036
		-----	-----
		10,011,004	9,976,843
Less: Amortization			
at the beginning of the year		4,981,950	3,142,427
for the year		1,473,636	1,839,523
		6,455,586	4,981,950
		-----	-----
	Rupees	3,555,418	4,994,893
		=====	=====

12. LONG -TERM INVESTMENTS

In shares	12.10	60,727,649	57,936,399
In foreign currency certificate of investment(s)	12.20	35,733,323	120,916,125
		-----	-----
	Rupees	96,460,972	178,852,524
		=====	=====
12.1 In Shares			
In quoted companies	12.1.1	54,834,582	52,043,332
In Modarabas	12.1.2	5,893,067	5,893,067
		-----	-----
	Rupees	60,727,649	57,936,399
		=====	=====

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. 60,727,649/-) was Rs. 39,529,298/- (1996: Rs.34,620,233/-).

12.1.1 Investment in quoted companies	NOTE	1997	1996
Number of Shares	Sector and Name of Company		
1997	1996		
	Ordinary shares of Rs. 10/-each		
	Chemical and Pharmaceuticals		
552,403	355,350 Searle Pakistan Limited	33,033,300	29,652,050
	Miscellaneous		
278,000	278,000 Gillette Pakistan Limited	11,317,480	11,317,480
98,750	98,750 Treet Corporation Limited	2,359,022	2,359,022
328,600	253,000 United Distributors Pakistan Ltd.	8,124,780	8,714,780
		21,801,282	22,391,282
		-----	-----
	Rupees	54,834,582	52,043,332
		=====	=====

12.1.2 Investment in Modarabas

Number of Certificates	Modaraba certificates of Rs. 10/-each		
1997	1996		
492,900	492,900 First IBL Modaraba	Rupees	5,893,067
			5,893,067

The above Modaraba is managed by IBL Modaraba Management (Private) Limited.

12.2 In foreign currency certificate of investments

12.2.1	433,516,802	351,000,000
12.2.2	(397,783,479)	(230,083,875)
	-----	-----
Rupees	35,733,323	120,916,125

12.2.1 Represents placement of USS 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 5.2.

12.2.2 This financial arrangement is secured against the placement of Foreign Currency Certificate of Investments with an investment bank (note 2.11).

	NOTE	1997	1996
13. SHORT-TERM INVESTMENTS			
In quoted companies	13.10	14,463,592	61,355,666
In Modarabas	13.20	1,217,141	8,339,167
		-----	-----
		15,680,733	69,694,833
Provision for diminution in value of investment		(9,673,683)	(30,102,927)
		-----	-----
		6,007,050	39,591,906
In unquoted companies	13.30	2,000,000	2,000,000
		-----	-----
	Rupees	8,007,050	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. 15,680,733/-) was Rs. 6,007,050/- (1996: Rs. 39,591,906/-).

13.1 Investment in quoted companies

Number of Shares	Sector and Name of Company	1997	1996
1997	1996		
	Ordinary shares of Rs. 10/-each		
	Mutual Fund		
225	225KASB Premier Fund	2,250	2,250
	Leasing Companies		
93,500	95,500 Crescent Leasing Company Limited	2,762,370	2,821,450
-	219,500 Inter Asia Leasing Company Limited	--	3,621,250
		2,762,370	6,442,700
	Investment Companies and Banks		
-	5,200 AI-Towfeeq Investment Bank Ltd.	-	147,240
825	25 Askari Bank Limited	24,695	911
100	21,899 Jehangir Siddiqui 8(Co. Limited	5,732	1,260,154
-	3,566 Crescent Investment Bank Limited	-	172,724
56,000	131,500 Citi Corp Investment Bank Limited	3,689,416	8,663,356
5,000	5,000 J.O.V. & Company Limited	321,700	321,700
-	2,892 Soneri Bank Limited	-	120,077
		4,041,543	10,686,162
	Textile Spinning and Weaving		
-	25,000 AI-Hamd Textile Mills Limited	-	445,250
-	312 Gadoon Textile Mills Limited	-	20,320
30,000	30,000 Hajra Textile Mills Limited	245,007	245,007
1,000	1,000 M.F.M.Y. Industries Limited	44,100	44,100
24,720	24,818 Saif Textile Mills Limited	899,792	903,358
-	93 Sunshine Cotton Mills Limited	-	2,325
1,516	1,516 Umer Fabrkbks Limited	15,160	15,160
-	2,601 Elahi Spinning	-	26,010
98,000	100,000 Kohinoor Raiwind	723,000	1,150,000
-	16,500 Kohinoor Weaving Limited	-	296,565
348	18,848 Mohib Exporls Limited	5,649	306,379
		1,932,708	3,454,474

Textile Composite

20,489	43,989 Crescent Textile Mills Limited	546,957	1,174,312
-	28,000 International Knitwear Limited		582,235
-	1,417 Kohinoor Industries Limited		57,310
28,750	28,750 Kohinoor Textile Mills Limited	1,326,800	1,326,800
	Mohammad Farooq Textile Mills		
1,735	11,235 Limited	49,564	320,929
16,022	18,902 Nishat Mills Limited	684,965	808,085
		2,608,286	4,269,671

Synthetic and Rayon

56,000	500,000 Ibrahim Fibres	960,123	8,574,723
19,000	45,000 Pakistan Synthetic Limited	807,360	1,912,200
		1,767,483	10,486,923

Fuel and Energy

160	14,660 Nishat Tek Limited	7,695	703,840
7,844	253,344 Sui Northern Gas Pipelines Ltd.	231,885	7,487,540
		239,580	8,191,380

Auto and Allied Engineering

-	12,300 Automotive Batteries Limited	-	177,173
10,000	- Indus Motors	148,500	
		148,500	177,173

Transport and Communications

40	3,100 P.T.C Vouchers (of 100 shares each)	123,918	15,551,198
----	---	---------	------------

Tobacco

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

Cement

-	5,550 DG Khan Cement Limited	-	406,600
---	------------------------------	---	---------

Engineering

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

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

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

Leasing Companies

14,000	25,003 National Development Leasing Corporation Limited	557,529	1,074,478
--------	---	---------	-----------

Rupees

14,463,592	61,355,666
------------	------------

NOTE

1997

1996

13.2 Investment in Modarabas**Number of certificates**

1997	1996	Modaraba certificates of Rs. 10/-each	
13,983	23,983	First Interfund Modaraba	241,983 415,043
95,500	96,000	Financial Link Modaraba	955,000 960,000
100	10,000	Unicap Modaraba	1,035 106,767

Modaraba certificates of Rs. 5/-each

2,538	610,876	LTV Capital Modaraba	19,123 6,857,357
-------	---------	----------------------	------------------

Rupees

1,217,141	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

Number of Shares		Name of company		
1997	1996			
Ordinary shares of Rs. 10/-each				
200,000	200,000	LTV Housing Finance Limited	Rupees	2,000,000
				2,000,000
=====				

- Break-up value of shares is Rs. 7.52 per share (based on the audited accounts as on 30 June 1996)

-Name of Chief Executive - Mr. Abdul Rasheed.

14. TRADE DEBTS**Secured**

Considered good

Lease rent receivable	45,489,845	25,638,119
-----------------------	------------	------------

Considered doubtful

Lease rent receivable	11,571,652	2,472,161
-----------------------	------------	-----------

Less: Provision for doubtful debts	11,571,652	2,472,161
------------------------------------	------------	-----------

Unsecured, considered good

Against sale of investment	38,665,256	26,526,245
----------------------------	------------	------------

Associated company	14.10	-	22,233,295
--------------------	-------	---	------------

Others	222,742	251,986
--------	---------	---------

	Rupees	84,377,843	74,649,645
--	--------	------------	------------

14.1 Maximum aggregate balances outstanding at the end of any month during the year was Rs. 22,233,295/- (1996: Rs. 22,233,295/-)

15. MUSHARIKA AND MORABAHA RECEIVABLE**Secured**

Considered good

Morabaha receivable	18,428,475	-
---------------------	------------	---

Musharika receivable	15.1	3,242,945	7,312,510
----------------------	------	-----------	-----------

Considered doubtful	21,671,420	7,312,510
---------------------	------------	-----------

Musharika receivable	8,711,447	7,810,938
----------------------	-----------	-----------

Less: Provision for doubtful debts	8,711,447	7,810,938
------------------------------------	-----------	-----------

	Rupees	21,671,420	7,312,510
--	--------	------------	-----------

15.1 These are secured by pledge of shares and stocks.

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees - unsecured,

considered good	16.10	219,205	80,590
-----------------	-------	---------	--------

Advance against expenses	27,000	5,000
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Advance income tax	-	124,232
--------------------	---	---------

Advance against leases	1,690,000	
------------------------	-----------	--

Prepayments	.330,547	308,599
-------------	----------	---------

Profit on deposits	19,468,291	17,391,104
--------------------	------------	------------

Dividend receivable	200,000	458,750
---------------------	---------	---------

Insurance claim receivable	552,750	-
----------------------------	---------	---

Consultancy fee receivable		4,000,000
----------------------------	--	-----------

CED receivable	258,577	-
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Other receivable	351,756	488,846
------------------	---------	---------

	Rupees	23,098,126	22,857,121
--	--------	------------	------------

16.1 Maximum aggregate balance at the end of any month during the year was

Rs. 305,131/- (1996:Rs.88,780/-). It is payable within twelve months from the balance

sheet date.

17. CASH AND BANK BALANCES

With banks on:

- deposit account	148,135,688	80,440,113
- current account	28,019	3,642,210
	-----	-----
Rupees	148,163,707	84,082,323
	=====	=====

18. INCOME FROM LEASING OPERATIONS

Lease rentals	155,585,640	48,905,345
Front-end fee	1,837,908	2,464,016
Arrangement fee	3,083,836	127,000
Loss on disposal of leased assets	(78,918)	(109,572)
	-----	-----
Rupees	160,428,466	51,386,789
	=====	=====

19. INVESTMENTS INCOME - Net

Dividend income	1,705,394	1,514,466
Loss on sale of securities	-	(19,619,658)
Profit on deposits with banks	49,702,556	21,862,894
	-----	-----
Rupees	51,407,950	3,757,702
	=====	=====

20. OTHER SOURCES

Documentation charges	1,130,114	47,800
Gain on disposal of fixed assets - own	226,062	143,973
Exchange gain	243,000	-
Miscellaneous	364,448	147,074
	-----	-----
Rupees	1,963,624	338,847
	=====	=====

21. ADMINISTRATIVE EXPENSES

Salaries, wages, allowances and benefits	21.1	4,473,688	4,014,391
Travelling and conveyance		157,028	148,778
Vehicle upkeep		444,832	265,196
Communication		264,940	229,370
Printing and stationery		253,714	272,203
Rent, rates and taxes		120,252	116,667
Repairs and maintenance		123,717	411,127
Legal, Professional and Registrar charges		1,234,984	1,119,244
Share custody charges		53,952	182,109
Insurance		369,881	173,843
Fee and subscriptions		929,557	135,762
Lease rentals		692,092	191,027
Auditors' remuneration	21.2	164,870	100,000
Advertisement		54,967	35,870
Office refreshment and entertainment		77,380	92,384
Depreciation on own assets	9.0	1,512,708	1,506,796
Amortization of deferred costs	11.1	1,473,636	1,839,523
Corporate expenses	21.3	3,600,000	3,300,000
Arrangement fee		347,621	-
Seminar and Conference		36,312	26,063
Donation		5,500	46,010
Miscellaneous		8,857	109,098
		-----	-----
Rupees		16,400,488	14,315,461
		=====	=====

21.1 Remuneration of officers and other employees

The aggregate amount charge in the accounts for remuneration, including all benefits

to officers and other employees of the Modaraba were as follows:

	OFFICERS		OTHER EMPLOYEES	
	1997	1996	1997	1996
Basic	1,304,150	1,369,253	824,748	889,381
Allowances	720,850	750,406	573,661	476,773
Bonus	155,613	87,412	111,061	58,141
Provident fund contribution	130,415	169,456	72,609	73,318
Others	143,780	125,160	436,801	15,091
	-----	-----	-----	-----
	2,454,808	2,501,687	2,018,880	1,512,704
	=====	=====	=====	=====
Number of employees	8	5	16	14

1997 1996

21.2 Auditors' Remuneration

Audit fee		50,000	30,000
Special audit fee		-	40,000
Consultancy and tax services		100,135	22,000
Out of pocket expenses		14,735	8,000
		-----	-----
	Rupees	164,870	100,000
		=====	=====

21.1 Corporate expenses represent charges on account of utilities, common services and other facilities availed by the Modaraba.

22. FINANCIAL CHARGES

Morabaha profits	50,728,016	10,368,612
Profit on redeemable capital	4,580,135	4,580,075
Musharika profits	122,740	6,906,258
Profit on IFC Income Notes	12,704,440	-
Bank charges	21,472	10,148
	-----	-----
	Rupees	68,156,803 21,865,093

23. LEASE RENTALS RECEIVABLE WITHIN ONE YEAR

Current maturity of lease rentals receivable in subsequent financial year i.e., 30 June, 1998 amounts to approximately Rs. 194 million (1997: Rs. 110 million)

24. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged.

KHALID MALIK

Chief Executive

UDL Modaraba Management
(Private) Limited

FAROOQ A.BHATTY

Director

UDL Modaraba Management
(Private) Limited

A.W. RAHI

Director

UDL Modaraba Management
(Private) Limited

PATTERN OF HOLDING OF CERTIFICATES

HELD BY THE CERTIFICATE HOLDERS

AS AT JUNE 30, 1997

No. of Certificate	Certificate Holding		Total Certificates Held
	From	To	
525	1	100	25,863
710	101	500	158,726
952	501	1000	725,847
1,533	1001	5000	3,094,170
245	5001	10000	1,704,998

100	10001	15000	1,247,515
46	15001	20000	768,705
17	20001	25000	385,754
17	25001	30000	453,043
13	30001	35000	420,343
9	35001	40000	341,818
4	40001	45000	169,793
5	45001	50000	234,028
3	50001	55000	162,480
5	55001	60000	290,234
2	60001	65000	122,052
1	65001	70000	65,107
3	70001	75000	219,780
1	85001	90000	89,264
2	90001	95000	184,704
3	95001	100000	290,086
1	100001	105000	103,025
1	110001	115000	114,285
1	120001	125000	121,904
7	160001	165000	1,137,651
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
1	345001	350000	346,080
1	350001	355000	352,601
1	395001	400000	396,000
1	860001	865000	861,584
1	1015001	1020000	1,017,648
1	2135001	2140000	2,136,034
1	2965001	2970000	2,966,872
1	4200001	4205000	4,202,016

4,220			26,386,589

CATEGORIES OF CERTIFICATE HOLDERS

AS AT JUNE 30,1997

Categories of Certificate Holders	Numbers	Total Certificates Held	Percentage
INDIVIDUALS	4168	12,232,192.00	46.35
INVESTMENT COMPANIES	7	3,618,355.00	13.71
INSURANCE COMPANIES	3	342,186.00	1.30
JOINT STOCK COMPANIES	25	7,271,182.00	27.56
FINANCIAL INSTITUTIONS	7	2,403,347.00	9.11
MODARABA COMPANIES	10	519,327.00	1.97

	4220	26,386,589.00	100.00

